



Soul of India



## Board of Directors

*Dr. R. P. Goenka*  
Chairman

*Mr. S. Goenka*  
Vice Chairman

*Mrs. S. Goenka*

*Mr. D. Basu*

*Mr. H. Neotia*

*Mr. S. Banerjee*

*Mr. P. K. Mohapatra*

*Mr. A. Nagpal*  
Managing Director

## Company Secretary & Head Legal

Mr. Tony Paul

## Auditors

Price Waterhouse  
Chartered Accountants

## Legal Advisors

Khaitan & Company

## Registrars and Share Transfer Agents

MCS Limited  
77/2A, Hazra Road  
Kolkata - 700 029

## Bankers

United Bank of India  
State Bank of India  
ICICI Bank Limited

## Registered Office

‘The Studios@Dum Dum’  
33, Jessore Road  
Dum Dum  
Kolkata - 700 028

## CORPORATE INFORMATION

### Registered Office & Studios

'The Studios @ Dum Dum'  
33, Jessore Road  
Kolkata - 700 028  
Phone : (033) 2551 2984, 4773  
Fax No. : (033) 2551 2461, 2550 0817  
e-mail : co.sec@saregama.com

### Corporate Office

Millennium City Information Technology Park  
DN-62, Block B, 3rd Floor  
Sector V, Salt Lake, Kolkata - 700 091  
Phone : (033) 3012 0150  
Fax No. : (033) 3012 0157  
e-mail : co.sec@saregama.com

Visit us at : [www.saregama.com](http://www.saregama.com)

### Regional Offices

2, Chowringhee Approach  
Kolkata - 700 072  
Phone : (033) 3292 0167, 6550 2113  
Fax No. : (033) 2212 8911  
e-mail : karim@saregama.com

High Tide, 1st Floor  
Plot No. B 30, Juhu Tara Road  
Santacruz (W), Mumbai - 400 049  
Phone : (022) 6688 6200  
Fax No. : (022) 2661 0059  
e-mail : anurag.singh@saregama.com

M 56, 2nd Floor  
M - Block Market  
Greater Kailash - 2  
New Delhi - 110 048  
Phone : (011) 4608 1720 - 26  
Fax No. : (011) 4608 1731  
e-mail : sanjay.kaul@saregama.com

Door No. 2, 3, 4 & 5  
3rd Floor, Kasi Arcade  
No. 116, Thyagaraya Road, T. Nagar  
Chennai - 600 017  
Phone : (044) 2815 1669 - 71 / 1673  
Fax No. : (044) 2815 1674  
e-mail : br.vijayalakshmi@saregama.com

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## NOTICE

### NOTICE

NOTICE is hereby given that the Sixty-Third Annual General Meeting of the Members of Saregama India Limited will be held at G. D. Birla Sabhagar, 29, Ashutosh Choudhury Avenue, Kolkata-700 019 on Friday, the 23rd day of July, 2010 at 10.30 A.M. to transact the following :

#### AS ORDINARY BUSINESS

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March, 2010, the Balance Sheet as at that date and the Auditors' Report thereon and the Directors' Report.
2. To appoint a Director in place of Dr. R. P. Goenka who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. S. Banerjee who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P. K. Mohapatra who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors and to authorize the Board of Directors to fix their remuneration.

Registered Office:  
'The Studios @ Dum Dum'  
33, Jessore Road,  
Kolkata-700 028  
Dated: 22nd June, 2010.

By Order of the Board  
Tony Paul  
Company Secretary & Head Legal

#### NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**  
**THE INSTRUMENT APPOINTING THE PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.**
2. Corporate Members are requested to send to the Registered Office of the Company a duly certified copy of the Board Resolution, pursuant to Section 187 of the Companies Act, 1956, authorising their representative to attend and vote at the Annual General Meeting.
3. Members/Proxies should bring the Attendance Slips duly filled in, for attending the Meeting.
4. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the Meeting.
5. In accordance with Clause 49 IV (G) of the Listing Agreement, a brief profile of the Directors seeking appointment and/or re-appointment according to Items 2, 3 and 4 of this Notice is provided in the Notes annexed hereto.
6. The Register of Members and Share Transfer Books shall remain closed from 16th July, 2010 to 23rd July, 2010 (both days inclusive).
7. Pursuant to the provision of Section 205A of the Companies Act, 1956, dividend for the Financial Year ended 31st March, 1997 and thereafter which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund (IEPF) established under Section 205C of the Companies Act, 1956. The dividend for the Financial Year ended 31st March, 2008 is due to be transferred to the aforesaid account on or before 28th August, 2015. Shareholders who have not encashed their Dividend Warrant(s) for the Financial Year ended 31st March, 2008 are requested to apply to the Company's Registrar and Share Transfer Agents, MCS Limited, 77/2A, Hazra Road, Kolkata-700 029. It may be noted that on transfer of the unclaimed dividend to IEPF no claims shall lie in respect thereof.
8. Members can avail the nomination facilities under Section 109A of the Companies Act, 1956 by filing Form No. 2B with the Registrars and Transfer Agents, MCS Limited, 77/2A, Hazra Road, Kolkata-700 029 (in the case of physical shares) or to the Depository Participants (in the case of dematerialised shares). The necessary Form will be supplied on request.
9. Members having queries relating to Accounts may send their queries at least 7 days before the date of the Meeting, to the Company's Secretarial Department at Millennium City Information Technology Park, DN-62, Block B, 3rd Floor, Sector V, Salt Lake, Kolkata-700 091.

#### ANNEXURE TO THE NOTICE

##### Brief profile of Directors seeking re-appointment at the Annual General Meeting to be held on 23rd July, 2010.

##### 1. Dr. R. P. Goenka

Dr. Rama Prasad Goenka is Chairman Emeritus of the Rs. 16000 crore RPG Group. Amongst the Group's core businesses are power, infrastructure, tyre, retail, information technology and other activities involving chemicals and life sciences. A Member of the Prime Minister's Council on Trade and Industry, Dr. Goenka is a Trustee of the Jawaharlal Nehru Memorial Fund, Indira Gandhi Memorial Trust and Rajiv Gandhi Foundation. He is also a Member of the Board of Trustees of Tirumala Tirupati Devasthanams. A former Member of Parliament (Rajya Sabha), Dr. Goenka is a past President of the Federation of Indian Chambers of Commerce & Industry (FICCI) and the Confederation of Asia-Pacific Chambers of Commerce and Industry, currently a member of its Advisory Board.

Other positions, once held by Dr. Goenka include:

- Chairman, Board of Governors, Indian Institute of Technology (IIT), Kharagpur
- Central Board of Reserve Bank of India
- General Insurance Corporation of India
- Steel Authority of India Limited
- Industrial Development Bank of India (IDBI).

## NOTICE (contd.)

Dr. Goenka has received from the Emperor of Japan "The Order of the Sacred Treasure Gold and Silver Star". Other honours include the first Lifetime Achievement Award from All India Management Association (AIMA).

Qualification : 

- B.A. (Hons.), Presidency College, Calcutta University
- Advanced Management Academic Programme, Harvard University, USA
- Doctor of Science (Honoris Causa) from IIT, Kharagpur
- D. Litt. (Honoris Causa) from the Institute of Advanced Studies in Education (IASE) of Rajasthan

Date of Birth : 1st March, 1930.

Directorship in other companies :

Dr. R. P. Goenka is also a Director in the following companies:

CEAT Limited – Chairman, CESC Limited – Chairman.

Membership of Committees of the Board: Nil

Shareholdings as stated in Clause 49 (IV) (E) (v): Not applicable.

### 2. Mr. S. Banerjee

Mr. Sumantra Banerjee worked with Monsanto in the US and repatriated to India after 10 years in USA. In India, he has been in various companies of the RPG Group since 1984 at senior management level. Mr. Banerjee has 37 years of experience in India and abroad in manufacturing, engineering, finance, marketing and general management functions. He joined the RPG Management Board in 1991 and since 1993, he has been with CESC Limited as its Managing Director. Apart from being the Managing Director of CESC Limited, Mr. Banerjee is also the President and Chief Executive of RPG Power and Retail Groups.

Qualification : 

- B. Tech from IIT, Kharagpur
- MS in Polymer Science
- MBA in Marketing and Finance from USA

Date of Birth : 31st December, 1949.

Directorship in other companies :

Mr. S. Banerjee is also a Director in the following companies :

CESC Limited – Managing Director, Ghaziabad Power Company Limited – Director, Spencer International Hotels Limited – Director, Dhariwal Infrastructure Limited – Director, Noida Power Company Limited – Director, Spencer's Retail Limited – Director, Carniwal Investments Limited – Director and Au Bon Pain Café India Limited – Director.

Membership of Committees of the Board :

Member of Audit and Investors' Grievance Committees of Spencer's Retail Limited and CESC Limited respectively.

Shareholdings as stated in Clause 49 (IV) (E) (v): Not applicable.

### 3. Mr. P. K. Mohapatra

Mr. Pradipta Kumar Mohapatra coaches executives and entrepreneurs after two decades of experience in supervising CEOs across businesses. During his long innings at the RPG Group, Mr. Mohapatra incubated a series of first time businesses in India such as Foodworld, Musicworld, Health & Glow, Saregama.com and Hamarac.com (first custom CD manufacturing portal in the world). He sits on the Board of many public as well as startup companies across India, Asia-Pacific, UK and USA.

Mr. Mohapatra served as Chairman, Confederation of Indian Industries (Southern Region) and President of Madras Management Association and co-founded Coaching Foundation India Limited as well as Chennai Business School Limited. Studied Management at Mumbai and Harvard, Mr. Mohapatra was invited to be a Fellow of Chartered Management Institute, UK.

Mr. Mohapatra co-authored 2009's best selling book, 'India's Global Powerhouses' published by Harvard Business Publishing, Boston.

Qualification : B.Sc. (Eng.), FCMI (UK), AMP.

Date of Birth : 19th February, 1950.

Directorship in other companies :

Mr. P. K. Mohapatra is also a Director in the following companies :

Spencer International Hotels Limited – Director, Zensar Technologies Limited – Director, RPG Life Sciences Limited – Director, Morarjee Textiles Limited – Director, Zensar OBT Technologies Limited – Director, Totus Consulting Limited – Chairman, Executive & Business Coaching Foundation India Limited – Chairman and Chennai Business School Limited – Chairman.

Membership of Committees of the Board :

Chairman and member of Compensation and Audit Committees of Zensar Technologies Limited respectively and member of Audit and Compensation Committees of RPG Life Sciences Limited.

Shareholdings as stated in Clause 49 (IV) (E) (v): Not applicable.

## REPORT OF THE DIRECTORS WITH MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors are pleased to present the Sixty-Third Annual Report of Saregama India Limited along with the audited accounts for the year ended 31st March, 2010.

### Financial Results

The performance of your Company for the year ended 31st March, 2010 is summarized below:

	(Rs. in lakhs)	
	Year ended 31st March 2010	Year ended 31st March 2009
Total income	10743	12501
Profit/(Loss) from operations	407	200
Extraordinary item	Nil	Nil
Provision for Contingencies	Nil	Nil
Profit/(Loss) before tax	407	200
Provision for Taxation	345	63
Net Profit/(Loss) (after tax and extraordinary items)	62	137
Proposed Dividend (including tax thereon)	Nil	Nil
Transfer to general reserve	—	—
Reserves (excluding revaluation reserves)	10537	7959

Your Board is pleased to report a profit of Rs. 61.85 Lakhs in the year 2009-2010.

### Operations

#### Music Audio Business

The physical audio business continued to be dominated by the sales of physical products like Audio Compact Discs and MP3 Discs. Your Company has taken effective steps to address the needs of customers in this price sensitive segment by the launch of new catalogue products covering diverse genres mainly in MP3 Disc format. The market and consumer response has been satisfying and is contributing significantly to sales.

During the year, your Company released A R Rahman's first Hollywood soundtrack 'Couple's Retreat' which was a success. However, advances in technology such as - file sharing, online streaming, USB, SD cards - have given a big boost to piracy, hampering the music sales in physical formats. Owing to rampant piracy in music as well as the unviable prices that were being offered by various new players, your Company has consciously abstained from acquisition of new Hindi and regional film soundtracks. Your Company continued to concentrate on its rich catalogue by employing innovative and attractive positioning of products, which has established a fair amount of interest among various listeners.

#### Publishing and New Media

The publishing and new media business continued to register phenomenal growth surpassing its projected numbers with substantial contributions generated from Caller Ring Back Tones, Ring-Tones, Public Performance and Radio. With its rich and expansive catalogue, your Company is best positioned to take full advantage of the stupendous growth in mobile business. Your Company recently set up a WAP site on mobile platform which has proven to be a great success with customers downloading over 5 lakh full songs on their mobile phones within the period of first six months. Another unique achievement was the embedding of Sonu Niigaam's new album 'Time Travel' exclusively for Nokia's 5130 brand of mobile phones.

The demand for your Company's content for synchronization of music in TV commercials, films etc. has further contributed to the continued growth of music publishing business. A trend of using yesteryears' classic film songs in new hit films is emerging and will provide a further boost to the publishing business.

Licensing of songs to major record labels in the international markets has generated good revenues by way of mechanical and public performance royalties. The work of registration of songs with collecting societies throughout the globe continued and the ground work is being laid to widen your Company's reach in new markets and territories.

## REPORT OF THE DIRECTORS (contd.)

Your Company's web portal is being completely revamped and will be re-launched in the coming year to make it more contemporary, as consumer survey demanded the addition of many new consumer friendly features and functionalities.

### **Films Business**

Your Company released a Bengali film with English sub-titles called 'The Japanese Wife' in April, 2010, directed by renowned director Aparna Sen and starring Rahul Bose, Raima Sen, Chigusa Takaku and Moushumi Chatterjee. The pan-India response has been highly satisfying with overflowing appreciation coming from film critics and viewers.

Your Company is currently producing a commercial mainstream Hindi film tentatively titled '1-800-Love', directed by Abbas Tyrewala. This is his second film following his successful directorial debut in 'Jaane Tu... Ya Jaane Naa'. The film stars John Abraham and Pakhi in the lead roles, with the music score being composed by A R Rahman. The Company is also planning to produce high concept - small budget films, both in Hindi as well as regional languages. The Company has introduced the discipline of meticulous analysis of such projects by a film committee comprising of director of repute and in house professionals having expertise in creativity, distribution and other commercial aspects of the film business. The Company is building management capabilities in terms of production, distribution and marketing of the films of different genres.

### **TV Software**

Your Company has produced over 2500 hours of TV content and has maintained its position of strength in all four South Indian languages. Your Company has produced and telecasted the hit serials titled 'Ahipookal', 'My Dear Bootham', 'Velan', 'Soolam', 'Raja Rajeshwari' etc. During the year under review, for the first time, a Bengali serial titled 'Kon Kanoner Phool' was telecast in Zee Bangla. On NDTV Imagine, a kids singing talent reality show in Hindi titled 'Junior Star Super Singer', has been aired.

### **Home Video**

Your Company distributes and markets Home Video titles predominantly catering English home video products of renowned international studios like BBC Worldwide Limited, Discovery, Entertainment Rights, Focus Features, Millennium Interactive, Power Sports, Kimmel Entertainment and other independent studios.

During the year under review your Company forayed into the niche and lucrative business vertical for production, distribution and marketing of audio and audio-visual content for children. The Company has tied up with Knowledge Adventures (USA) to bring out educational entertainment products under the brand name "Jump Start". Also, the highly publicized project 'Rhyme Skool' with Katrina Kaif and A R Rahman has been successfully launched.

### **Publication Business**

In April 2009, your Company's 100% owned subsidiary Open Media Network Pvt. Ltd. launched the weekly current affairs and features magazine "OPEN" in 12 major cities across India. This smart and vibrant magazine is aimed at the intelligent Indian reader and has been well received by advertisers and readers at large. In its first year of operation, OPEN has focused on establishing and expanding its market presence and reach. However, like any new player in the media space, OPEN magazine needs to go through the gestation period required for establishing its market position and achieve break even.

### **Corporate Governance**

Your Company has adopted a Code of Conduct (the Code) for its Directors and Senior Management personnel, who have affirmed compliance with the Code.

The adoption of the Code stems from the fiduciary responsibility which the Directors and the Senior Management have towards the stakeholders of your Company. Your Directors and Senior Management act as trustees in the interest of all stakeholders of your Company by balancing conflicting interest, if any, between stakeholders for optimal benefit.

Your Board of Directors is committed to good governance practices based on principles of integrity, fairness, transparency and accountability for creating long-term sustainable shareholder value.

The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges forms part of the Annual Report.

A certificate of the auditors regarding compliance of the Corporate Governance requirements as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges is annexed to this Report.

### **Management Discussion and Analysis (MD & A)**

This Report includes MD & A as appropriate so that duplication and overlap between Directors' Report and a separate MD & A is avoided and the entire information is provided in a composite and comprehensive manner.

## REPORT OF THE DIRECTORS (contd.)

### Industry Structure and Developments

The market trend of reduction in the pricing of music continued this year. Several labels dropped the price of music sold in various physical formats in order to counter the increasing availability of free music to customers which is further fuelled by the mushrooming of Social Networking websites and forums. It will be a long time before such websites become a part of the legitimate industry and enter into financial arrangements with music labels.

Large format retail stores, alongside sale of audio and audio-visual products, have been entering into diverse businesses such as accessories & gadgets effectively reducing the shelf space available for both audio and audio-visual products. In order to cut down on costs, retail outlets increasingly prefer to limit their stocks to top sellers and new releases instead of displaying a wide range of catalogue which may appeal to customers.

In 2009-10, Phonographic Performance Limited (PPL) and the Indian Performing Rights Society (IPRS) recorded substantial growth in terms of market reach and revenues. Some of the FM Radio broadcasters, who were previously unwilling to recognize and pay the licensing fees for broadcast of music as fixed by the said Copyright Societies, were brought into the fold through legal recourse. Radio revenues were further reinforced by ensuring that a majority of FM stations, which commenced operations in the year under review, obtained requisite licenses from the Collecting Societies.

Rapid globalization and changing lifestyles have enabled penetration of international cinema into previously unexplored territories, such as rural areas, especially in respect of dubbed content. Although the Home Video market has witnessed growth in terms of volumes for such dubbed content, the pricing for the same has continued to fall. Piracy is a dampener in terms of revenues in this segment as well, especially due to the lack of any organized anti-piracy set-up in the Indian cinema industry. Implementation of Copyright laws continues to be a hurdle and it will take herculean efforts on part of the entertainment industry and law enforcement agencies to effectively curb piracy.

### Opportunities and Threats

#### Opportunities

##### *Music Audio Business*

With the emergence of a plethora of new artistes, the entertainment industry has felt the need for music companies to be involved in artiste and event management. This development will be mutually beneficial for artistes and music companies resulting in an increase in artistes' performance fees and ticketing revenues. Artistes are entering into management and publishing agreements which will enable companies to recover the investments made in recording, production, marketing and distribution of music and videos. Your company is taking full advantage of this emerging scenario, such as the live concerts already held with Rahat Fateh Ali Khan in Birmingham, Nottingham and London, to box office sell out.

##### *Publishing and New Media*

The mobile and telecom industry continues to register phenomenal growth, directly resulting in an increase in consumption of music in the mobile space. The advent of 3G services in 2010-11 is expected to give a big boost to the demand for entertainment content on mobile platforms, in both the audio as well as audiovisual segments.

The slated launch of your Company's revamped web portal will provide an important thrust in terms of market reach and accessibility of your Company's products. Also, legitimate web stores for music download and streaming are expected to grow gradually in India, leading to an increase in business opportunities on the internet, which have so far been fairly non-existent. This is exemplified in Nokia's initiative 'Comes With Music' launching the Nokia web store in India which, in a short period of time, has generated sizeable number of visitors.

The increasingly popular trend of film makers using old songs in new feature films and television advertisements is expected to continue, which will result in healthy contribution to your Company's synchronization revenues.

Your Company expects to see growth in its international publishing business, in territories such as Australia, Scandinavia and South Africa in the coming year.

The government is expected to launch the third phase of FM Radio licensing which is projected to have a positive impact on the growth of radio revenue in the coming year.

##### *Films Business*

With the strengthening of the Indian economy and higher disposable incomes, the consumers are willing to spend more for the total entertainment experience. This is evidenced by the phenomenal growth of multiplexes and digital cinema as compared to single screen theatres. Also, the increasing reach and advancement of technology have led to exploitation of ancillary rights of films (from wallpapers and ringtones to film music), which are being made available to millions of consumers through growing platforms such as satellite TV, online streaming, mobiles etc.

## REPORT OF THE DIRECTORS (contd.)

The industry has seen a phenomenal growth in terms of production quality and budgets. The foray of corporate and private-sector companies into the films business is creating structured and transparent business processes in the industry. The explosion of the Indian film industry has not gone unnoticed with the international studios gradually entering the market.

### *TV Software*

With the increasing number of TV channels and programmes being made available to the public, the number of viewers, as well as the viewers' demand for quality entertainment on television, as produced by your Company, has increased. Your Company's entry into Bengali programming has further broadened the scope of operations and opportunities in the TV segment. This increase in demand has been significant in respect of non-fiction programs, reality shows and talent hunts.

### *Home Video*

The popularity and demand of domestic as well as international Home Video products is growing in volumes, with customers looking to purchase content in diverse special interest categories such as Education, Wildlife, Travel & Living, Health and Well-being etc. This is evidenced from the growth in demand for the Company's BBC and Jump Start Products. Such demand has been further fuelled by the emergence of new affordable formats as well as the increased availability and dropping prices of high-tech home entertainment systems.

### **Threats**

#### *Music Audio Business*

The two biggest threats to the music business today are the market pressure on pricing of products and proliferation of high-tech piracy. While players in the market are focusing on short term gains by adopting aggressive and competitive pricing, it is the content that sells in the long term irrespective of the prices. However, such aggressive pricing exerts tremendous pressure to reduce prices of physical formats such as Compact Discs, MP3 Discs etc. Against the backdrop of rising cost of content and rampant piracy in high-tech formats, the current pressure on pricing would increasingly hurt the business model of the Music Audio Business.

#### *Publishing and New Media*

The proposed amendment to the Copyright Act, 1957 could jeopardize and diminish publishing revenues if the amendment impacts ownership of rights.

In the mobile segment, almost 70% of the growth projected by telecom operators is anticipated to come from rural areas and the increase in consumption of music and related VAS services through mobile platforms may not be proportionate to such growth figures.

The cost of 3G data services will also be an important factor in influencing the consumption of entertainment content on the mobile platform.

#### *Films Business*

The production cost of films has seen an upward trend in the recent past and this has been further fuelled by the paucity of saleable artistes and key technicians. The entry of large corporate houses and international studios with bigger budgets has also contributed to inflated costs. Further, due to a limited number of leading male stars the number of big budget commercial films continues to be limited. The revenues from theatrical exploitation, especially in respect of low and mid-sized budget films, are severely affected due to increasing physical and internet piracy.

### *TV Software*

The increase in telecast fees charged by TV channels is destabilizing the cost equilibrium status. Frequent changes in time slots from semi-prime to non-prime, without adequate advance notice by the TV channels, leads to loss of revenue. With an increasing number of film stars getting wooed towards television acting and the ever-inflating cost of software, the commercial viability of this segment is in jeopardy.

### *Home Video*

Home Video business still faces the threats of piracy, especially for Film content where piracy is driven by high quality replicated DVDs, imported from abroad on higher versions such as DVDI.

Retail as a format, which has hitherto been the staple channel for distribution of Home Video products, is rapidly shrinking with retail stores foraging into other businesses such as accessories and gadgets for which margins are higher and thus reducing the space previously allocated for Home Video product.

## REPORT OF THE DIRECTORS (contd.)

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### Productwise Performance

Your Company's rich catalogue in various genres like old Hindi film, Classical and Regional music continued to do well. Major catalogue products sold in MP3 format were received well in small towns as well.

Two major non-film music albums, namely 'The Music Room' by Pandit Amjad Ali Khan and 'Time Travel' by Sonu Niigaam, were highly appreciated and acclaimed by the general public.

Your Company continued the trend of spotting and launching new talents in the music industry and one such new talent was Radha Mangeshkar whose Marathi songs album titled 'NAAV MAZHA SHAMI' was well received by the public at large. On the instrumental music album front, duo of Rahul Sharma and Zakir Hussain titled 'RHYTHM OF LOVE' was a success. Several initiatives were taken on the non-film music front and are slated for release in the coming months.

### Outlook

#### *Music Audio Business*

Your Company has placed itself in a strong position to adapt its existing systems, network and catalogue strength to the changing face of the music industry, especially as it goes into the digital era. Your Company plans to focus on creation and promotion of quality content in music having sustainable sales potential. Revenues from artiste performances will be major contributors in terms of recovering investments made in the creation and marketing of content. Your Company also plans to look for overseas producers and investors to partner in the creation and marketing of soundtrack to minimize its exposure in acquisition of new film soundtracks.

The strategy of dividing the business operations of your Company into four geographical locations is expected to help in increasing your Company's market share in digital business, aggressively promote content on radio, generate greater corporate sales opportunities and expose new artistes through concerts in different cities.

#### *Publishing and New Media*

The proposed amendment to the Copyright Act may determine the future course of the publishing business. On the mobile platform it is expected that there will be greater engagement with providers of application services to bundle music with their offerings, leading to an increased usage of music by consumers and especially by the technology savvy generation. The Company plans to encourage new players in setting up websites on the internet for legitimate consumption of music by consumers.

#### *Films Business*

Your Company is aggressively planning to focus on production of films for which the said business unit has been revamped with recruitment of new talents and tie-ups with successful directors, script-writers and artistes for films in Hindi, English and Tamil languages. Your Company is also exploring opportunities in film distribution for Indian as well as international cinema.

#### *TV Software*

With the growth of the Television industry especially in terms of Satellite, Direct to Home telecasts and increasing number of registered channels, the outlook for this industry appears to be promising. This has created new avenues of revenue generation for your Company such as in-brand advertising, sponsored programmes and non-fiction based programmes, talent hunt, reality shows etc.

#### *Home Video*

Your Company is focusing on various non-traditional categories which are slated to grow substantially such as Edutainment, Kids content etc., along with mainstream and popular products of BBC and other international studios.

### Risk and Concerns

With increasing acquisition costs and rampant spread of physical and internet piracy, acquisition of new film music is mostly a non-viable proposition. Entry of several players with considerable resources has only resulted in prices of the content shooting up sharply. Further, film producers are trying to distribute various rights available like physical, digital, mobiles, publishing etc. to the highest bidders in each category which in turn makes it difficult to recoup or set-off losses incurred from one medium against the revenues from other mediums. Also, production houses and films producers prefer down payment and minimum guarantees instead of the profit sharing business model increasing the risks and costs of such acquisitions.

## REPORT OF THE DIRECTORS (contd.)

Due to the high gestation period from the date of investment to realization of returns, investment in film business requires valuable working capital to be locked in for long periods (which may even extend up to 36 months). Entry of big corporate houses and international studios has resulted in sharp increase of the overall costs, from actors' fees to technical costs.

In Home Video business the entry of major players has resulted in severe competition in terms of pricing as well as market presence. International studios are demanding ever increasing minimum guarantees and royalty payments and offering their content for reduced licensing periods.

In spite of a steady overall growth in the Television industry, there has been sharp increase in telecast fees charged by TV channels during the year and this has escalated the overall production expenditures and exerted undue pressure on costs and bottom line.

### Internal Control System and Adequacy

The Internal Audit department of your Company conducts both financial and system audit for all key operations. Such reports are placed before the Audit Committee of Directors and recommendations, if any, are implemented. Your Company has also well documented standard operating procedures for all operational and functional areas. Further, the Board periodically reviews the policies and procedures for risk identification and mitigation.

### Financial Performance with respect to Operational Performance

Strict budgetary control is maintained on all operational performance indicators, and review on working capital and cash flow is carried on for improving the operational efficiency.

### Human Resources

Your Company's human resource management systems and processes aim to create a responsive, market-focused, customer-centric culture and enhance organizational vitality, so that each business is internationally competitive and equipped to seize emerging market opportunities.

As on the date of this Report your Company has 395 employees.

### Information Technology

Your Company is in the process of consolidating the benefits of implementation of ERP from SAP equipped module handling Intellectual Property Rights Management. This initiative would not only efficiently utilize your Company's vast content but also build capabilities for the future and help to keep its operations contemporary.

### Forward-looking Statements

This Report contains forward-looking statements that involve risks and uncertainties. When used in this Report, the words "anticipate", "believe", "estimate", "expect", "intend", "will" and other similar expressions as they relate to your Company and/or its businesses are intended to identify such forward-looking statements. Your Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of their dates. This Report should be read in conjunction with the financial statements included herein and the notes thereto.

### Directors' Responsibility Statement

In terms of the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors states:

- That, in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanations relating to material departures;
- That your Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- That your Directors have taken proper and sufficient care of 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; and
- That your Directors have prepared the Annual Accounts on a going concern basis.

## REPORT OF THE DIRECTORS (contd.)

### Employee Stock Option Plan

The Members of the Company, at its Annual General Meeting held on 24th September, 2001, approved the introduction of the Employee Stock Option Scheme for eligible employees of your Company and its subsidiaries. Due to separation of the employees number of options has lapsed till 31st March, 2010. The necessary disclosures prescribed under Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is set out in the Annexure to this Report.

### Issue of equity shares on preferential basis

In accordance with SEBI Guidelines / Regulations as amended upto date and necessary approvals of the Members, 27,27,000 Equity shares of Rs.10/- each and at a premium of Rs.92.47 each were allotted to promoters and others on preferential basis on 11th September, 2009.

### Rights Issue

Your Company offered 5,338,628 Equity shares of face value of Rs.10/- each for cash at a premium of Rs.35/- per share on Rights basis to the existing Members of your Company in the ratio of 4 Equity shares for every 7 Equity shares held on the Record Date (14th March, 2005) aggregating Rs. 2402 lakhs. Out of the total issue, 5,332,025 and 1,113 Equity shares were allotted in the year 2005-06 and 2006-07 respectively and the balance 5,490 Equity shares were kept in abeyance due to pending litigation and identification of beneficiaries of the clearing members by NSDL and CDSL. Subsequently, out of the shares kept in abeyance, your Company allotted 200 Equity shares during the year under review on identification of the beneficial owner by NSDL. These 200 Equity shares rank *pari passu* with the existing Equity shares of the Company.

### Fixed Deposits

Your Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the Rules made thereunder.

### Particulars of Employees

In terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act read with the revised Clause 32 of the Listing Agreement as notified by Securities and Exchange Board of India, the Annual Report excluding the aforesaid information is being sent to all the Members of the Company and others entitled thereto. Any Member interested in obtaining such particulars may write to the Company Secretary at the registered office of the Company. None of the employees as set out in the said Annexure is related to any Director of your Company.

### Directors

In terms of Article 102 of the Articles of Association, Dr. R. P. Goenka, Mr. S. Banerjee and Mr. P. K. Mohapatra retire by rotation and, being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

The particulars regarding the Directors proposed to be re-appointed at the ensuing Annual General Meeting, as required under Clause 49 of the Listing Agreement of the Stock Exchanges, has been given in the Notes annexed to the Notice convening the meeting.

### Auditors

M/s Price Waterhouse, the Auditors of your Company, retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

### Subsidiary Companies

In compliance with the requirements of Section 212(2) of the Companies Act, 1956 the audited accounts and other particulars of Saregama Plc., RPG Global Music Limited, Kolkata Metro Networks Limited and Open Media Network Private Limited are annexed to this Report.

### Consolidated Financial Statements

The Consolidated Financial Statements as stipulated by Clause 32 of the Listing Agreement with the Stock Exchanges, have been prepared by your Company in accordance with the requirements of Accounting Standard 21 "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India. The audited Consolidated Financial Statements together with Auditors' Report thereon form part of the Annual Report.

## REPORT OF THE DIRECTORS (contd.)

### Conservation of Energy and Technology Absorption

#### A. Conservation of energy:

##### (a) Energy conservation measures taken ;

During the year an energy audit was conducted by external experts and the recommendations have been implemented.

##### (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy ;

No additional investments for reduction in energy consumption have been made or are proposed to be made presently.

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

The Company has achieved marginal savings during 2009-2010 due to the measures at (a) above.

#### B. Technology absorption:

##### (d) Efforts made in technology absorption as per Form B under :

#### FORM B (See Rule 2)

#### Form for disclosure of particulars with respect to absorption.

#### Research and Development (R & D)

1. Specific areas in which R & D carried out by the Company	No Research & Development activities have been carried out by the Company during the year.
2. Benefits derived as a result of the above R & D	—
3. Future plan of action	—
4. Expenditure on R & D :	Nil
(a) Capital	—
(b) Recurring	—
(c) Total	—
(d) Total R & D expenditure as a percentage of total turnover	—

#### Technology absorption, adaptation and innovation:

##### 1. Efforts, in brief, made towards technology absorption, adaptation and innovation.

The technology for manufacturing audio cassettes was imported nearly 10 years earlier and has been absorbed fully.

##### 2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.

None.

##### 3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished :

Not Applicable.

(a) Technology imported.	—
(b) Year of import.	—
(c) Has technology been fully absorbed?	—
(d) If not fully absorbed, areas where this has not taken place, reason therefore and future plans of action.	—

## REPORT OF THE DIRECTORS (contd.)

### Foreign Exchange earnings and outgo

- a) The International business of your Company is handled by its foreign subsidiaries viz. Saregama Plc. and RPG Global Music Limited. Although, in line with the laid down policy of your Company, the foreign operations are directly handled by such subsidiaries, your Company actively assists and guides these companies in its marketing efforts, content creation, appointment of foreign sub-publishers etc. which leads to foreign exchange earnings for your Company.
- b) Total foreign exchange used and earned:

(Rs. in lakhs)

	<u>Current Year</u>	<u>Previous Year</u>
Foreign Exchange used	113.17	380.56
Foreign Exchange earned	583.64	590.12

### Acknowledgement

Your Directors express their sincere thanks to all stakeholders including the employees, artistes, composers, musicians, film producers and shareholders for their continued support and cooperation.

Kolkata,  
22nd June, 2010

By Order of the Board

**R. P. Goenka**  
Chairman

## REPORT OF THE DIRECTORS (contd.)

### Annexure to the Report to the Directors for the 12 months period ended 31st March, 2010

#### Disclosure as required under Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

In accordance with Clause 12.1 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the following are details of ESOPs offered:

	Options Granted during 2001-02	Options Granted during 2006-07	Options Granted during 2008-09	Total
Options granted	59533	91500	25000	176033
Pricing Formula	The exercise price of the option is the closing price of the National Stock exchange as on the date of the grant. The pricing is based in accordance with the definitions of market price as stated in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.	The exercise price of the option is the closing price of the Bombay Stock Exchange as on the date of the grant. The pricing is based in accordance with the definitions of market price as stated in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.	The exercise price of the option is the closing price of the Bombay Stock Exchange as on the date of the grant. The pricing is based in accordance with the definitions of market price as stated in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.	
Options Vested	21799	6400	1500	29699
Options exercised	9282	Nil	Nil	9282
Number of shares arising as a result of exercise of Options	Nil	Nil	Nil	Nil
Options Lapsed	37734	59500	Nil	97234
Variation of terms of Options	Nil	Nil	Nil	Nil
Money realised by the exercise of the Options	Nil	Nil	Nil	Nil
Total number of Options in force	21799	32000	25000	78799
Weighted average Exercise price	119.85	184.85	56.20	—
Weighted average Fair Value	56.61	121.64	33.96	—

#### Description of the method and significant assumptions used during the year to estimate the fair values of options

- (a) **For Option granted during 2001-02** : Method : Black Scholes Options pricing model; (b) Assumptions: Risk free interest rate - 6.5%; Expected life - 7 years; Expected Volatility - 30%; Expected dividends - Nil and market price at the time of the Option grant : Rs.119.85.
- (a) **For Option granted during 2006-07** : Method : Black Scholes Options pricing model; (b) Assumptions: Risk free interest rate - 7.83% (Weighted average for 5 yrs); Expected life - 7 years (Weighted Average for Option granted during 2006-07); Expected Volatility - 56.37%; Expected dividends - Nil and market price at the time of the Option grant : Rs.184.85.
- (a) **For Option granted during 2008-09** : Method : Black Scholes Options pricing model; (b) Assumptions: Risk free interest rate - 7.10% (Weighted average for 5 yrs); Expected life - 7 years (Weighted Average for Option granted during 2008-09); Expected Volatility - 51.93%; Expected dividends - 0.88 and market price at the time of the Option grant : Rs.56.20.

## REPORT OF THE DIRECTORS (contd.)

### Employee-wise details of Options granted under Employee Stock Option Scheme

#### i) Senior Management personnel

Name	Designation	Options Granted during 2001-02	Options Granted during 2006-07	Options Granted during 2008-09	Total
Apurv Nagpal	Managing Director			25000	25000
Subroto Chattopadhyay	Managing Director		17500		17500
G. B. Aayeer	CFO		12000		12000
Atul Churamani	V. P. - A&R and Publishing		12000		12000
Harish Dayani	Chief Executive - Film Business	3397			3397
Biman Mitra	V. P. - Manufacturing & Q.A.	2193			2193
Kulmeet Makkar	Chief Executive - Music Business	2285	12000		14285
Sweta Agnihotri	V. P. - Home Video	1200	12000		13200

#### ii) Employees granted 5% or more of the Options in any one year:

Name	Designation	Options Granted during 2001-02	Options Granted during 2006-07	Options Granted during 2008-09	Total
Apurv Nagpal	Managing Director			25000	25000
Subroto Chattopadhyay	Managing Director		17500		17500
G. B. Aayeer	CFO		12000		12000
Atul Churamani	V. P. - A&R and Publishing		12000		12000
Harish Dayani	Chief Executive - Film Business	3397			3397
Kulmeet Makkar	Chief Executive - Music Business		12000		12000
Sweta Agnihotri	V. P. - Home Video		12000		12000
M. Kansal	Business Unit-GM		6000		6000
B. R. Sharan	Controller-TV & Films		6000		6000

#### iii) Employees granted Options equal to or exceeding 1% of the issued capital during any one year : None

### Disclosure Pursuant to the provisions of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

	Stock Option 2001-02	Stock Option 2006-07																
(i) Method of calculation of employee compensation cost		The Company has calculated the employee compensation cost using the intrinsic value method of accounting for Options issued under the "Stock Option plan 2006-07". The stock-based compensation cost as per the intrinsic value method for the financial year 2007-08 is Nil.																
(ii) Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognised if it had used the fair value of the Options		Rs.289 thousands																
(iii) The impact of this difference on profits and on EPS of the Company		<div>The effect of adopting the fair value method on the net income and earnings per share is presented below:</div> <div><div>Rs, in thousands</div><table><tr><td>Net Income</td><td></td></tr><tr><td>As reported</td><td>13737</td></tr><tr><td>Add: Intrinsic value Compensation cost</td><td>Nil</td></tr><tr><td>Less: Fair Value Compensation cost (Black Scholes model)</td><td>289</td></tr><tr><td>Adjusted Net Income</td><td><u>13448</u></td></tr><tr><td>Earnings Per Share (Basic and Diluted)</td><td></td></tr><tr><td>- As reported</td><td>0.94</td></tr><tr><td>- As adjusted</td><td>0.92</td></tr></table></div>	Net Income		As reported	13737	Add: Intrinsic value Compensation cost	Nil	Less: Fair Value Compensation cost (Black Scholes model)	289	Adjusted Net Income	<u>13448</u>	Earnings Per Share (Basic and Diluted)		- As reported	0.94	- As adjusted	0.92
Net Income																		
As reported	13737																	
Add: Intrinsic value Compensation cost	Nil																	
Less: Fair Value Compensation cost (Black Scholes model)	289																	
Adjusted Net Income	<u>13448</u>																	
Earnings Per Share (Basic and Diluted)																		
- As reported	0.94																	
- As adjusted	0.92																	

By Order of the Board

Kolkata,  
22nd June, 2010

**R. P. Goenka**  
Chairman

## REPORT ON CORPORATE GOVERNANCE

### 1. Company's philosophy on Corporate Governance

Saregama India Limited is committed to good governance practices by conducting its business in a transparent manner and creating long term sustainable shareholder value.

### 2. Board of Directors

#### A. Composition of the Board of Directors as on 31st March, 2010

The Board of Directors of the Company comprised

- 7 Non-Executive Directors (including 4 Independent Directors)
- 1 Executive Director

The names and categories of Directors, the number of Directorships and Committee positions held by them in other companies and also their shareholdings in the Company as on 31st March, 2010 are given below :

Sl. No.	Name of the Directors	Category of Director	No. of Directorships in other Public Limited companies incorporated in India <sup>1</sup>		No of other Committee Membership(s)/ Chairmanship(s) held <sup>2</sup>		No. of Equity Shares held
			As Chairperson	As Member	As Chairperson	As Member	
1.	Dr. R. P. Goenka	Non-Executive (Chairman)	2	—	—	—	—
2.	Mr. S. Goenka	Non-Executive (Vice Chairman)	6	5	1	2	—
3.	Mrs. S. Goenka	Non-Executive	—	—	—	—	—
4.	Mr. S. Banerjee	Non-Executive Independent	—	8	—	2	—
5.	Mr. P. K. Mohapatra	Non-Executive Independent	3	5	—	2	—
6.	Mr. H. Neotia	Non-Executive Independent	7	6	4	1	—
7.	Mr. D. Basu	Non-Executive Independent	5	3	3	2	—
8.	Mr. A. Nagpal	Managing Director	—	2	—	—	—

1 Excluding Foreign Companies and Companies under Section 25 of the Companies Act, 1956.

2 Pursuant to Clause 49 of the Listing Agreement, only two committees viz. Audit and Shareholders Grievance Committees, have been considered for this purpose.

*Directors namely Dr. R. P. Goenka, Mr. S. Goenka and Mrs. S. Goenka are related to each other.*

#### B. Attendance of Directors at the Board Meetings during the period 1st April, 2009 to 31st March, 2010 and at the last Annual General Meeting.

Sl. No.	Name of Directors	Number of Meetings Attended out of five Board Meetings held during the year	Attendance at the last AGM on 24.07.2009
1.	Dr. R. P. Goenka	—	No
2.	Mr. S. Goenka	5	No
3.	Mrs. S. Goenka	—	No
4.	Mr. S. Banerjee	3	No
5.	Mr. P. K. Mohapatra	1	No
6.	Mr. H. Neotia	5	No
7.	Mr. D. Basu	3	No
8.	Mr. A. Nagpal	5	Yes

Note : The Chairman of the Audit Committee, who is the Managing Director of another company could not attend the Annual General Meeting as he had to attend the Annual General Meeting of that Company wherein he is the Managing Director.

## REPORT ON CORPORATE GOVERNANCE (contd.)

### C. Number of Board Meetings held and the dates of Board Meetings

Number of Board Meetings held during the Financial Year 2009-2010 – Five.

#### Dates of the Board Meetings

8th June, 2009; 29th June, 2009; 11th September, 2009; 24th December, 2009 and 22nd March, 2010.

### 3. Committee of Directors

#### (i) Composition

The composition of the Committee of Directors as on 31st March, 2010 is as under:

Name of the Directors	Position	Category of Director
Mr. S. Goenka	Chairman	Non-executive Director
Mr. S. Banerjee	Member	Non-executive Independent Director
Mr. P. K. Mohapatra	Member	Non-executive Independent Director
Mr. A. Nagpal	Member	Managing Director

#### (ii) Meetings

During the financial year ended 31st March, 2010, the Committee of Directors met six times on 31st July, 2009, 31st August, 2009, 30th October, 2009, 30th November, 2009, 19th January, 2010 and 22nd February, 2010 respectively.

The attendance of the Committee of Directors at the said meetings are detailed below :-

Sl. No.	Name of the Directors	Number of Meetings attended out of six meetings held during the year
1.	Mr. S. Goenka	—
2.	Mr. S. Banerjee	4
3.	Mr. P. K. Mohapatra	3
4.	Mr. A. Nagpal	6

### 4. Code of Conduct and Ethics for Directors and Senior Management

The Board has adopted a Code of Conduct (the Code) for its Directors and Senior Executives, who have affirmed compliance with the Code.

The adoption of this Code stems from the fiduciary responsibility which the Directors and the Senior Management have towards the stakeholders of the Company. The Directors and Senior Management act as trustees in the interest of all stakeholders of the Company by balancing conflicting interest, if any, between stakeholders for optimal benefit.

### 5. Compliance Reports

At each meeting of the Board of Directors, the Managing Director places a certificate covering compliance of various provisions of law, as applicable.

### 6. Audit Committee

#### (i) Terms of Reference

The terms of reference of the Audit Committee include the powers set out in Clause 49 II (C), role as stipulated in Clause 49 II (D) and review of information pursuant to Clause 49 II (E) of the Listing Agreement with the Stock Exchanges and broadly covers inter alia overseeing the Company's financial reporting process, reviewing with the management the financial statements and adequacy of the internal audit function, discussing significant internal audit findings and statutory compliance issues. The terms of reference also fully conform to the requirements of Section 292A of the Companies Act, 1956.

#### (ii) Composition

The composition of the Audit Committee as on 31st March, 2010 is as under :

Name of the Directors	Position	Category of Director
Mr. S. Banerjee	Chairman	Non-executive Independent Director
Mr. H. Neotia	Member	Non-executive Independent Director
Mr. P. K. Mohapatra	Member	Non-executive Independent Director

The Members of the Audit Committee are eminent persons in the industry and have expertise in finance and accounting. The Audit Committee acts as a link between the management, external and internal Auditors and the Board of Directors.

## REPORT ON CORPORATE GOVERNANCE (contd.)

### (iii) Meetings

During the financial year ended 31st March, 2010, the Audit Committee met six times on 20th May, 2009, 29th June, 2009, 31st July, 2009, 11th September, 2009, 30th October, 2009 and 19th January, 2010 respectively.

The Managing Director and Chief Financial Officer are invitees to the meetings of the Audit Committee. The Company Secretary acts as the Secretary to the Committee.

The attendance of the Audit Committee Members at the said meetings are detailed below :-

Sl. No.	Name of the Directors	Number of Meetings attended out of six meetings held during the year
1.	Mr. S. Banerjee	4
2.	Mr. H. Neotia	5
3.	Mr. P. K. Mohapatra	3

### 7. Remuneration Committee

#### (i) Terms of Reference

The Remuneration Committee of the Company, under the nomenclature "Compensation Committee" was constituted on 30th April, 2001.

The Compensation Committee frames and implements the remuneration policy of the Company including remuneration payable to executive directors and employees and the Employees Stock Option Scheme.

#### (ii) Composition

The composition of the Compensation Committee as on 31st March, 2010 is as under :

Name of the Directors	Position	Category of Director	Attendance
Mr. S. Banerjee	Chairman	Non-executive Independent Director	1
Mr. P. K. Mohapatra	Member	Non-executive Independent Director	1
Mr. H. Neotia	Member	Non-executive Independent Director	1

#### (iii) Meetings

During the financial year ended 31st March, 2010, Compensation Committee met once on 22nd March, 2010.

### 8. Remuneration to Directors

The Non-Executive Directors do not draw any remuneration from the Company except sitting fees in accordance with Article 93 of the Articles of Association of the Company.

The Managing Director is paid remuneration as per the Agreement entered with the Company on 18th March, 2009 and approved by the shareholders at the Annual General Meeting held on 24th July, 2009. At the said meeting the shareholders also authorised the Board to vary and increase the remuneration payable to the Managing Director as the Board may consider appropriate.

Mr. Apurv Nagpal was appointed as Managing Director effective from 15th January, 2009. The Company has applied to the Central Government for approval of appointment/remuneration paid/payable to him. The same is awaited.

The remuneration structure of the Managing Director comprises salary, allowances, perquisites and contributions to the Provident and other funds.

## REPORT ON CORPORATE GOVERNANCE (contd.)

Details of remuneration paid to the Directors, both executive and non-executive, for the Financial Year 2009-2010 are given hereunder :

### A. Executive Directors

(Rupees in thousands)

Name	: Mr. A. Nagpal	
Designation	: Managing Director	
Remuneration	: Salaries and allowances	10,154
	Contribution to Provident Fund	432
	Contribution to Gratuity Fund	120
	Contribution to Superannuation Fund	540
	Other benefits / perquisites	624
	Total	<u>11,870</u>

#### Note:

Service Contract	: For a period not exceeding 5 years with effect from 15th January, 2009.
Notice period	: (i) Not less than 120 days' notice or 120 days' basic salary in lieu of notice. (ii) Termination of Agreement by the Company by giving one month notice or one month's basic salary in lieu of notice.
Severance fees	: Nil.
Stock Option details	: The Company has granted 25,000 stock options in 2008-09 under Employee Stock Option Scheme to Managing Director (Mr. A. Nagpal). The exercise price per option is Rs. 56.20 as determined by the Board of Directors, in keeping with the requirements of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Of the aforesaid 25,000 options, 7,500 options are not linked to performance and the balance are linked to performance. Vesting schedule of the said options granted is as below :- <ul style="list-style-type: none"> <li>– after 1 year from the date of grant : 20 % of the options*</li> <li>– after 2 years from the date of grant : 20 % of the options</li> <li>– after 3 years from the date of grant : 20 % of the options</li> <li>– after 4 years from the date of grant : 20 % of the options</li> <li>– after 5 years from the date of grant : 20 % of the options</li> </ul> Exercise period is 10 years from the vesting date. Exercise of options by the option holder shall entail issuance of shares by the Company on compliance/completion of related formalities. 1,500 options not linked to performance has vested. No option has been exercised during the year. * Based on the decision of the Compensation Committee, options linked to performance have not vested in 2009-10, which will be considered along with the next tranche of vesting in 2010-11.

### B. Non-executive Directors

Sl. No.	Name of the Directors	Sitting Fees Paid / Payable (Rs.)
1.	Dr. R. P. Goenka	—
2.	Mr. S. Goenka	110000
3.	Mrs. S. Goenka	—
4.	Mr. S. Banerjee	115000
5.	Mr. P. K. Mohapatra	60000
6.	Mr. H. Neotia	130000
7.	Mr. D. Basu	60000
	Total	475000

### 9. Investors'/Shareholders' Grievance Committee

#### (i) Composition

In line with the Listing Agreement, the Company has a Shareholders Grievance Committee of the Board of Directors under the Chairmanship of Mr. S. Goenka, Non-executive Director. The Committee is responsible for attending to the grievances of the shareholders.

## REPORT ON CORPORATE GOVERNANCE (contd.)

The following is the composition of the Shareholders Grievance Committee as on 31st March, 2010 is as under :

Name of the Directors	Position	Category
Mr. S. Goenka	Chairman	Non-executive Director
Mr. P. K. Mohapatra	Member	Non-executive Independent Director
Mr. S. Banerjee	Member	Non-executive Independent Director

Any grievances/complaints from shareholders are placed regularly at the Meeting of the Board of Directors. During the year ended 31st March, 2010 two Meetings of the Shareholders' Grievance Committee were held on 29th June, 2009 and 24th December, 2009 respectively.

The attendance of the Shareholders Grievance Committee Members at the said meetings are detailed below :-

Sl. No.	Name of the Directors	Number of Meetings attended out of two meetings held during the year
1.	Mr. S. Goenka	2
2.	Mr. P. K. Mohapatra	1
3.	Mr. S. Banerjee	2

Mr. Tony Paul, Company Secretary & Head Legal is the 'Compliance Officer'.

### Status of Shareholders' Complaints :

Complaints pending as on 1st April, 2009	0
Number of complaints	
– received during the year	14
– resolved during the year	14
Complaints pending as on 31st March, 2010	0

"Share Transfer Sub-Committee" constituted by the Board of Directors is responsible for share transfers, transmissions and allied matters.

The composition of Share Transfer Sub-Committee as on 31st March, 2010 is as under :

Mr. A. Nagpal, Managing Director

Mr. G. B. Aayeer, Chief Financial Officer

Mr. Tony Paul, Company Secretary & Head Legal.

The Share Transfer Sub-Committee held 19 meetings during the financial year ended 31st March, 2010.

## 10. General Body Meetings

### (i) Location and time of the last three Annual General Meetings (AGM) held

Date	Type	Venue	Time	Special Resolutions Passed
24th July, 2009	62nd AGM	G. D. Birla Sabhagar, Kolkata.	10.30 AM	Yes
30th July, 2008	61st AGM	G. D. Birla Sabhagar, Kolkata.	10.30 AM	No
31st December, 2007	60th AGM	Williamson Magor Hall, The Bengal Chamber of Commerce & Industry, Kolkata.	11.00 AM	Yes

### Note :

There was no special resolution put through postal ballot in the last Annual General Meeting (AGM) held on 24th July, 2009. As on date no resolution is proposed to be conducted through postal ballot in the ensuing AGM.

## REPORT ON CORPORATE GOVERNANCE (contd.)

- (ii) Disclosure regarding appointment or reappointment of Directors in accordance with Clause 49 IV (G) of the Listing Agreement has been provided in the Notice convening the Annual General Meeting of the Company.

### 11. Disclosures

- (i) Details of related party transactions during the year have been set out under Note 25 of Schedule XX of the Annual Accounts. These are not having any potential conflict with the interests of the Company at large.
- (ii) The Company has complied with all the requirements of the Listing Agreement with the Stock Exchanges as well as regulations and guidelines of SEBI. No penalties or strictures have been imposed by SEBI, Stock Exchanges or any other statutory authority on matters relating to capital markets during the last three years.
- (iii) Out of the 53,38,628 equity shares of Rs. 10/- each for cash at a premium of Rs.35/- (issue price - Rs.45/-) pursuant to the Rights Issue in 2005, allotment of 5,490 equity shares (relating to cases under litigation / pending clearance from concerned authorities) were kept in abeyance till March, 2009, of which 200 equity shares were allotted in 2009-10 on receipt of required clearances from concerned authorities and proceeds of the same will be utilised for the purposes as mentioned in the Letter of Offer.
- (iv) Laid down procedures for assessment and minimisation of risk are being reviewed and updated periodically by the Board of Directors.
- (v) All mandatory requirements have been appropriately complied with read with the note on para 2B herein above and the non mandatory requirements are dealt with at the end of the Report.
- (vi) Certificate from the Managing Director and Chief Financial Officer in terms of Clause 49(V) of the Listing Agreement with the Stock Exchanges for the financial year ended 31st March, 2010 was placed before the Board of Directors of the Company at its meeting held on 22nd June, 2010.

The Company has established internal control systems and procedures which in certain cases are in the process of being further documented and updated.

### 12. Subsidiary Companies

Of the subsidiaries of the Company, the unlisted Indian subsidiaries (Kolkata Metro Networks Limited and Open Media Network Pvt. Ltd.) as on 31st March, 2010 does not come under the purview of "material non-listed Indian subsidiary" as stipulated in Clause 49 of the Listing Agreement.

### 13. Means of Communication

- Quarterly results which newspapers normally published in : Financial Express (English) and Aajkaal (Bengali).
- Any website, where displayed : www.saregama.com
- Whether it displays official news releases and presentations made to institutional investors or to the analysts : Not Applicable.
- Whether Management Discussions and Analysis is a part of Annual Report or not : Yes, annexed to the Directors' Report.

### 14. General Shareholder Information

- a) **AGM : Date, Time and Venue** : 23rd July, 2010 at 10.30 A.M. at G. D. Birla Sabhagar, 29, Ashutosh Choudhury Avenue, Kolkata - 700 019.
- b) **Financial Year** : 1st April to 31st March.
- c) **Dates of book closure** : From 16th July, 2010 to 23rd July, 2010 (both days inclusive).
- d) **Dividend Payment Date** : No Dividend proposed.
- e) **Listing on Stock Exchanges** : The Calcutta Stock Exchange Ltd.  
7, Lyons Range, Kolkata - 700 001.  
Bombay Stock Exchange Ltd.  
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.  
National Stock Exchange of India Ltd.  
'Exchange Plaza', C-1, Block G, Bandra-Kurla Complex,  
Bandra (East), Mumbai - 400 051.

The Company has paid Listing fees for the year 2009-2010 to all the Stock Exchanges.

## REPORT ON CORPORATE GOVERNANCE (contd.)

### f) Stock Code :

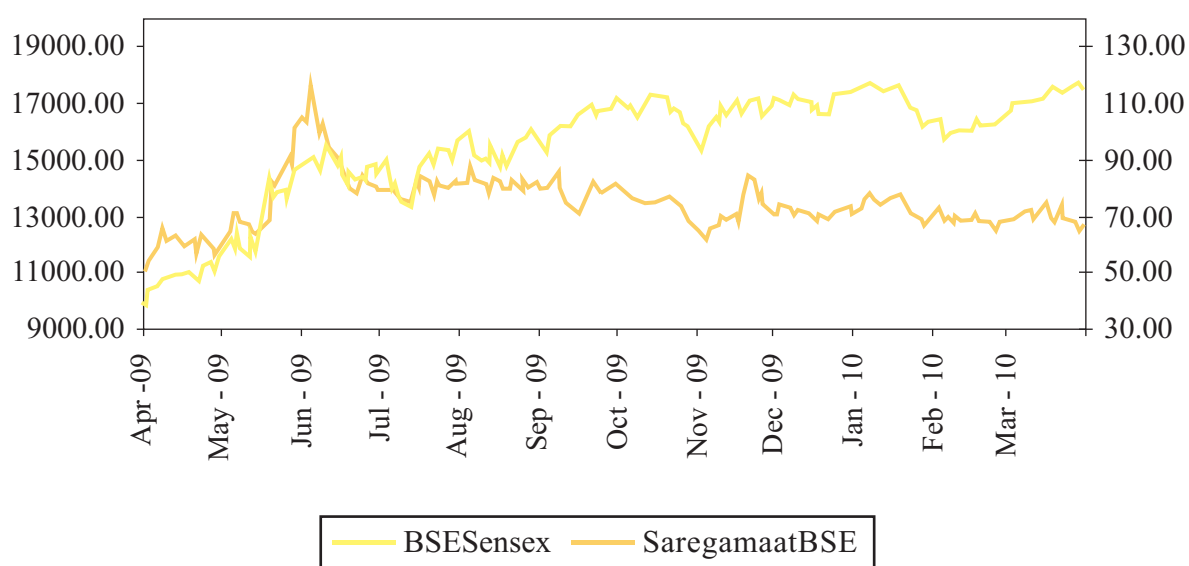
The Calcutta Stock Exchange Ltd. : 17177 for physical and 10017177 for demat scrips.  
Bombay Stock Exchange Ltd. : 532163.  
National Stock Exchange of India Ltd. : SAREGAMA EQ.  
ISIN Number for NSDL and CDSL : INE979A01017

### g) Market Price Data - As quoted in NSE and BSE and reference of Saregama in comparison with BSE Sensex :

Month	Saregama Share prices with NSE		Saregama Share prices with BSE		BSE Sensex	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)	High	Low
April, 2009	73.50	50.00	73.90	48.00	11492.10	9546.29
May, 2009	98.50	56.25	105.00	57.50	14930.54	11621.30
June, 2009	125.00	78.00	126.00	78.50	15600.30	14016.95
July, 2009	84.70	73.05	86.60	73.20	15732.81	13219.99
August, 2009	87.00	77.30	87.95	77.50	16002.46	14684.45
September, 2009	86.80	69.70	87.00	70.25	17142.52	15356.72
October, 2009	82.40	65.30	83.25	64.00	17493.17	15805.20
November, 2009	88.00	62.00	87.80	62.00	17290.48	15330.56
December, 2009	75.70	68.00	75.25	68.50	17530.94	16577.78
January, 2010	80.80	65.35	80.50	66.00	17790.33	15982.08
February, 2010	75.30	65.00	75.40	64.60	16669.25	15651.99
March, 2010	77.00	65.05	76.65	64.60	17793.01	16438.45

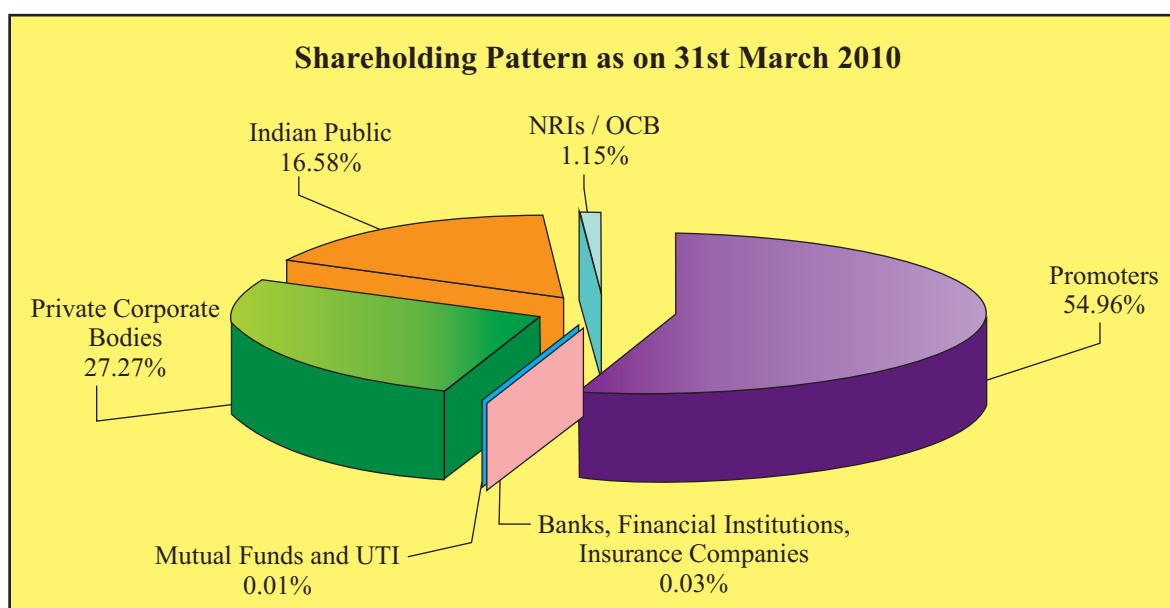
### h) Stock Performance of Saregama India Vs. BSE Indices :

Saregama Share Price versus BSE Sensex



**REPORT ON CORPORATE GOVERNANCE (contd.)****i) Shareholding pattern as on 31st March, 2010 :**

Sl. No.	Category	No. of Equity shares held	Percentage %
1	Promoters	9564859	54.96
2	Mutual Funds and UTI	475	0.01
3	Banks, Financial Institutions, Insurance Companies	5960	0.03
4	Foreign Institutional Investors	Nil	Nil
5	Private Corporate Bodies	4745510	27.27
6	Indian Public	2885645	16.58
7	NRI's /OCB	200489	1.15
8	Any other	Nil	Nil
	Total	17402938	100.00

**j) Distribution of Holdings as on 31st March, 2009 :**

Category	No. of Shareholders	Percentage%	No. of Shares	Percentage %
Upto 500	17488	95.36	1072250	6.16
501 – 1000	393	2.14	311955	1.79
1001 – 2000	211	1.15	321058	1.85
2001 – 3000	87	0.47	223137	1.28
3001 – 4000	37	0.20	130860	0.75
4001 – 5000	26	0.14	119288	0.69
5001 – 10000	40	0.22	294572	1.69
10001 – 50000	32	0.18	657584	3.78
50001 – 100000	7	0.04	466588	2.68
100001 & above	18	0.10	13805646	79.33
Total	18339	100.00	17402938	100.00

## REPORT ON CORPORATE GOVERNANCE (contd.)

### k) Registrar and Share Transfer Agents :

MCS Limited, 77/2A, Hazra Road, Ground Floor, Kolkata - 700 029.

(Contacts: *Mr. Ramesh Agarwal / Mr. A. Mukherjee*)

Telephone: (033) 2476 7350 - 54, (033) 2454 1892 / 93 Fax: (033) 2454 1961 / 2474 7674

Email: mcscol@cal2.vsnl.net.in, mcskol@rediffmail.com

### l) Share transfer system :

A Share Transfer Sub-Committee is constituted to approve the transfers and transmissions of shares and allied matters. MCS Limited the Registrars and Share Transfer Agents looks after the share transfers (for both physical and dematerialised shares) and redressal of investor complaints. In addition, the Company Secretary & Head Legal oversees the work of MCS Limited to ensure that the queries of the investors are replied to within a reasonable period and that share transfers and transmissions are registered at least every fortnight.

The Company's Registrars, MCS Limited, have adequate infrastructure to serve the shareholders and process the share transfers. In compliance with the Listing Agreement every six months the share processing system is audited by a Practising Company Secretary and a Certificate to that effect is issued ensuring that shares are transferred within the period specified under Clause 47(c) of the Listing Agreement.

### m) Dematerialisation of shares and liquidity :

With effect from 29th May, 2000, the Company's scrip forms part of the SEBI's compulsory demat segment for all investors. To facilitate the investors in having an easy access to the Demat System, the Company has signed up with both the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The connectivity has been established through the Company's Registrars, MCS Limited. As at 31st March, 2010, a total of 1,64,56,150 Equity Shares of the Company (includes 27,27,200 shares in process), constituting 94.56% of the paid-up share capital, stand dematerialised.

### n) Outstanding GDR / ADRs / Warrants or any Convertible Instruments, Conversion date and likely impact on Equity :

None.

### o) Plant location :

'The Studios @ Dum Dum'

33, Jessore Road, Kolkata - 700 028

### p) Address for correspondence :

**Registered Office** : 'The Studios @ Dum Dum', 33, Jessore Road, Kolkata - 700 028

**Contact Person** : Mr. Tony Paul, *Company Secretary & Head Legal*

Telephone: (033) 3012 0150

Fax No. : (033) 3012 0157

Email: co.sec@saregama.com

## STATUS OF ADOPTION OF THE NON MANDATORY REQUIREMENTS

### 1. The Board

The Chairman's office is not maintained by the Company. Four of the independent directors have a tenure of more than nine years in aggregate considering their initial dates of induction on the Board.

### 2. Remuneration Committee

The Board has constituted a Remuneration Committee as reported in Section 7 above.

### 3. Audit Qualification

The Company does not have any qualification pertaining to the financial statements other than technical qualification on remuneration to Managing Director.

### 4. Other Items

The rest of the non-mandatory requirements viz. **Shareholder Rights; Training of Board Members; Mechanism for evaluating non-executive Board Members and Whistle Blower Policy** may be implemented in future as and when deemed necessary by the Board of Directors.

Kolkata  
22nd June, 2010

By Order of the Board  
Tony Paul  
*Company Secretary & Head Legal*

## REPORT ON CORPORATE GOVERNANCE (contd.)

### Declaration by the Managing Director under Clause 49I(D)(ii) of the Listing Agreement

I, Apurv Nagpal, Managing Director of Saregama India Limited declare that all the Members of the Board of Directors and Senior Management personnel have, for the year ended 31st March, 2010, affirmed compliance with the Code of Conduct laid down by the Board of Directors in terms of the Listing Agreement entered with the Stock Exchanges.

Kolkata  
22nd June, 2010

A. Nagpal  
Managing Director

### Certification by Chief Executive Officer and Chief Financial Officer of the Company

22nd June, 2010

To  
The Board of Directors,  
Saregama India Limited,  
33, Jessore Road,  
Kolkata 700 028

Dear Sirs,

Pursuant to Clause 49(V) of the Listing Agreement, we hereby certify that for the year ended 31st March 2010 :

- (a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and are not aware of deficiencies in the design or operation of such internal controls, if any, which need to be disclosed to the Auditors and the Audit Committee.
- (d) We have indicated to the Auditors and the Audit committee that
  - (i) there were no significant changes in internal control over financial reporting during the year;
  - (ii) there were no significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) there were no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Yours faithfully,  
For SAREGAMA INDIA LIMITED

A. Nagpal  
Managing Director

G. B. Aayeer  
Chief Financial Officer

## AUDITORS' CERTIFICATE

### Auditors' Certificate regarding compliance of conditions of Corporate Governance

#### To the Members of Saregama India Limited

We have examined the compliance of conditions of Corporate Governance by Saregama India Limited, for the year ended 31st March 2010, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreements), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements other than regarding attendance of Audit Committee Chairman in the last Annual General Meeting as mentioned in the Note on the paragraph 2B of the Corporate Governance Report.

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

For Price Waterhouse  
Firm Registration No. : 301112 E  
Chartered Accountants  
(P. Law)  
Partner  
Membership No. 51790

Place : Kolkata  
Date : 22nd June, 2010

#### GROUP:

Persons constituting group coming within the definition of 'group' as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (MRTP) for the purpose of Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 include the following:

Accurate Commodore Pvt. Ltd.	Integrated Coal Mining Ltd.	Spencer Travel Services Ltd.
Adapt Investments Ltd.	KEC International Ltd.	Spencer's Retail Ltd.
Adorn Investments Ltd.	Kestrel Investments Ltd.	Sri Krishna Chaitanya Trading Co. Pvt. Ltd.
Alipore Towers Pvt. Ltd.	Kutub Properties Pvt. Ltd.	Sri Parvathi Suthan Trading Co. Pvt. Ltd.
Allwyn Apartments Pvt. Ltd.	Malabar Coastal Holdings Ltd.	Stylefile Events Ltd.
Amber Apartments Pvt. Ltd.	Off-Shore India Ltd.	Summit Securities Ltd.
Atlantic Holdings Ltd.	Organised Investments Ltd.	Swallow Investments Ltd.
B N Elias & Company Pvt. Ltd.	Pedriano Investments Ltd.	Tirumala Dealtrade Pvt. Ltd.
Best Apartments Pvt. Ltd.	Peregrine Investments Ltd.	Trade Apartments Ltd.
Blue Niles Holdings Ltd.	Petrochem International Ltd.	Ujala Agency Pvt. Ltd.
Brabourne Investments Ltd.	Phillips Carbon Black Ltd.	Universal Industrial Fund Ltd.
Carnival Investments Ltd.	Puffin Investments Ltd.	Zensar Technologies Ltd.
CEAT Ltd.	Rainbow Investments Ltd.	Rama Prasad Goenka & Sons (HUF)
CESC Ltd.	RPG Cellular Investments & Holdings Pvt. Ltd.	Harsh Anant Goenka (HUF)
Chattarpati Investments Ltd.	RPG Enterprises Ltd.	Sanjiv Goenka & Others (HUF)
Dakshin Bharat Petrochem Ltd.	RPG Farms Ltd.	Sri Rama Prasad Goenka
Eastern Aviation & Industries Pvt. Ltd.	RPG Industries Pvt. Ltd.	Smt. Sushila Goenka
FGP Ltd.	RPG Infrastructure Investments Ltd.	Sri Harsh Vardhan Goenka
Goodhope Sales Pvt. Ltd.	RPG Landscapes Ltd.	Smt. Mala Goenka
Goodluck Dealcom Pvt. Ltd.	RPG Life Sciences Ltd.	Sri Sanjiv Goenka
Harrisons Malayalam Financial Services Ltd.	RPG Resorts Ltd.	Smt. Preeti Goenka
Harrisons Malayalam Ltd.	Sarala Pharmaceuticals Ltd.	Sri Anant Vardhan Goenka
Highway Apartments Pvt. Ltd.	Shaft Investments Pvt. Ltd.	Smt. Radha Goenka
Idea Tracom Pvt. Ltd.	South Asia Electricity Holdings Ltd.	Sri Shashwat Goenka
Indent Investments Ltd.	Spencer & Co. Ltd.	
Instant Holdings Ltd.	Spencer International Hotels Ltd.	

## AUDITORS' REPORT

To The Members of Saregama India Limited

1. We have audited the attached Balance Sheet of Saregama India Limited (the 'Company'), as at 31st March, 2010, the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of Section 227 (4A) of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we further report that :
  - 3.1 (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of its fixed assets (other than for certain fixed assets for which locations are not recorded adequately).
  - (b) The fixed assets of the Company are physically verified by the management according to phased programmes designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programmes, a portion of the fixed assets have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
  - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
  - 3.2 (a) The inventories (excluding stocks with third parties) have been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of physical verification is reasonable.
  - (b) In our opinion, the procedures of 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) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
  - 3.3 (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
  - (b) The Company has taken (renewed) unsecured loans from a company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and year-end balance of such loans aggregates to Rs.30,000 thousands and Rs. Nil respectively.
  - (c) In our opinion, the rate of interest and other terms and conditions of the loans mentioned in Paragraph 3.3(b) above are not prima facie prejudicial to the interest of the Company.
  - (d) In respect of the loans mentioned in Paragraph 3.3(b) above, the Company is regular in repaying the principal amounts as stipulated and is also regular in payment of interest.
  - 3.4 In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
  - 3.5 (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that Section.
  - (b) In our opinion and according to the information and explanations given to us, there have been no transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakhs in respect of any party during the year other than unsecured loans taken (renewed)/repaid dealt with in Paragraph 3.3(b) to 3.3(d) above and preferential allotment dealt with in Paragraph 3.18 below.
  - 3.6 The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
  - 3.7 In our opinion, the Company has an internal audit system commensurate with its size and nature of business.

## AUDITORS' REPORT (contd.)

- 3.8 The Central Government of India has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any of the products of the Company.
- 3.9 (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including investor education and protection fund (there being no such case during the year), employees' state insurance, provident fund, wealth tax, custom duty, excise duty, cess and generally regular in respect of sales tax, income-tax, service tax and other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, excise duty, wealth tax, service tax, custom duty and cess as at 31st March, 2010 which have not been deposited on account of a dispute (there being no such case with regard to wealth tax, service tax and cess) are as follows –

Name of the Statute	Nature of the dues	Amount (Rs in Thousands)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Excise Duty	8,808	1996-97 to 1998-99	Customs, Excise & Service Tax Appellate Tribunal
Central Sales Tax Act, 1956	Sales Tax	8	1991-92	Tribunal
Central Sales Tax Act, 1956	Sales Tax	162	2005-06 to 2006-07	Joint Commissioner
Central Sales Tax Act, 1956	Sales Tax	426	1987-88 1988-89 1990-91 1998-99 2003-04	Deputy Commissioner
Central Sales Tax Act, 1956	Sales Tax	35,449	1999-00 2002-03 2004-05 to 2006-07	Additional Commissioner
West Bengal Sales Tax Act, 1994	Sales Tax	17,441	1989-90 1994-95 2001-02 2003-04	Deputy Commissioner
West Bengal Sales Tax Act, 1994	Sales Tax	2,993	2000-01 to 2004-05	Additional Commissioner
Bombay Sales Tax Act, 1959	Sales Tax	890	1991-92	Tribunal
Madhya Pradesh Commercial Tax Act, 1994	Sales Tax	40	2005-06	Additional Commissioner
Delhi Sales Tax Act, 1975	Sales Tax	691	1987-88 1988-89 1991-92	Deputy Commissioner
Tamil Nadu General Sales Tax Act, 1959	Sales Tax	675	1986-87 to 1991-92	Tamil Nadu Special Tribunal
Andhra Pradesh General Sales Tax Act, 1957	Sales Tax	1,615	2000-01	Tribunal
Andhra Pradesh General Sales Tax Act, 1957	Sales Tax	328	2004-05	Deputy Commissioner
Kerala General Sales Tax Act, 1963	Sales Tax	530	1999-00 2000-01 2002-03	Deputy Commissioner
Kerala General Sales Tax Act, 1963	Sales Tax	418	1997-98	Sales Tax Officer
Uttar Pradesh Trade Tax Act, 1948	Sales Tax	233	2001-02 2005-06 2006-07	Joint Commissioner
Customs Act, 1962	Custom Duty	6,675	2003-04 to 2007-08	Commissioner of Customs
Income-tax Act, 1961	Income Tax	13,433	2000-01 to 2006-07	Commissioner

**AUDITORS' REPORT (contd.)**

- 3.10 The Company has no accumulated losses as at 31st March, 2010 and it has not incurred cash losses in the financial year ended on that date and in the immediately preceding financial year.
- 3.11 According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders, as applicable, as at the Balance Sheet date.
- 3.12 The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 3.13 The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
- 3.14 In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- 3.15 In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- 3.16 In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- 3.17 On the basis of an overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- 3.18 The Company has made preferential allotment of shares to a company covered in the register maintained under Section 301 of the Act during the year. In our opinion and according to information and explanations given to us, the price at which such shares have been issued is not prejudicial to the interest of the Company.
- 3.19 The Company has not issued any debenture during the year and no amount is outstanding in respect of debenture as on the balance sheet date.
- 3.20 The Company has not raised any money by public issues during the year.
- 3.21 During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management other than for loss arising from piracy, the amount of which is not ascertainable.
4. Further to our comments in paragraph 3 above, we report that:
- 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;
  - 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;
  - The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Act;
  - On the basis of the written representations received from the directors as on 31st March, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Act;
  - In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act and **subject to Note 9(b) on Schedule XX to the accounts regarding remuneration of Managing Director of Rs. 11,870 thousands for which Central Government's approval is awaited**, give a true and fair view in conformity with the accounting principles generally accepted in India:
    - in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
    - in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Kolkata,  
22nd June, 2010

For Price Waterhouse  
Firm Registration No. : 301112 E  
Chartered Accountants  
(P. Law)  
Partner  
Membership No.51790

## BALANCE SHEET

(Rupees in Thousands)

	Schedule	As at 31st March, 2010	As at 31st March, 2009
<b>Sources of Funds</b>			
<b>Shareholders' Funds</b>			
Share Capital	I	174,029	146,757
Reserves and Surplus	II	1,360,437	1,102,675
		<b>1,534,466</b>	1,249,432
<b>Loan Funds</b>			
Secured Loans	III	306,671	223,228
Unsecured Loans	IV	167,889	275,340
		<b>474,560</b>	498,568
<b>Deferred Tax Liability ( net )</b>		—	—
( Note 11 on Schedule XX )		<b>2,009,026</b>	1,748,000
<b>Application of Funds</b>			
<b>Fixed Assets</b>	V		
Gross Block		1,171,809	1,172,042
Less : Depreciation		350,969	323,610
Net Block		<b>820,840</b>	848,432
<b>Investments</b>	VI	<b>416,799</b>	442,419
<b>Current Assets, Loans and Advances</b>			
Inventories	VII	115,260	161,599
Debtors	VIII	160,256	222,943
Cash and Bank Balances	IX	69,409	78,093
Other Current Assets	X	19,714	22,120
Loans and Advances	XI	1,009,034	624,969
		<b>1,373,673</b>	1,109,724
<b>Less:Current Liabilities and Provisions</b>			
Current Liabilities	XII	461,628	546,855
Provisions	XIII	140,658	118,402
		<b>602,286</b>	665,257
<b>Net Current Assets</b>		<b>771,387</b>	444,467
<b>Miscellaneous Expenditure</b>			
(to the extent not written off or adjusted)			
Payment under Voluntary Retirement Scheme		—	12,682
(Note 30 on schedule XX)		<b>2,009,026</b>	1,748,000
<b>Statement on Significant Accounting Policies</b>	XIX		
<b>Notes to Accounts</b>	XX		

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

This is the Balance Sheet referred to in our report of even date.

For Price Waterhouse  
Firm Registration No. 301112 E  
Chartered Accountants  
(P Law)  
Partner  
Kolkata,  
22nd June, 2010

Membership No. - 51790

T. Paul  
Company Secretary

On behalf of the Board

A. Nagpal  
Managing Director

S. Banerjee  
Director

**PROFIT AND LOSS ACCOUNT**

(Rupees in Thousands)

	Schedule	Year ended 31st March, 2010	Year ended 31st March, 2009
<b>Income</b>			
Sales and Licence Fees	XIV	994,323	1,041,722
Other Income	XV	80,038	208,381
		<u>1,074,361</u>	<u>1,250,103</u>
<b>Expenditure</b>			
Materials, Films, Television Serials etc.	XVI	269,702	341,706
Expenses	XVII	677,008	812,952
Interest	XVIII	55,066	42,284
Depreciation		32,496	33,732
Transferred from Fixed Assets			
Revaluation Reserve [Note 6(d) on Schedule XX]		596	608
		<u>31,900</u>	<u>33,124</u>
		<u>1,033,676</u>	<u>1,230,066</u>
<b>Profit before Taxation</b>		40,685	20,037
Provision for Taxation			
Current Tax (Note 4 on Schedule XX)		34,500	1,300
Fringe Benefit Tax		—	5,000
<b>Profit after Taxation</b>		6,185	13,737
Balance brought forward from previous year		73,832	60,095
Balance carried to Balance Sheet		<u>80,017</u>	<u>73,832</u>
Basic and Diluted Earnings per share (Rs.) ( Note 15(b) on Schedule XX )		0.38	0.94
<b>Statement on Significant Accounting Policies</b>	XIX		
<b>Notes to Accounts</b>	XX		

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

This is the Profit and Loss Account referred to in our report of even date.

For Price Waterhouse  
Firm Registration No. 301112 E  
Chartered Accountants  
(P Law)

Kolkata,  
22nd June, 2010

Partner  
Membership No. - 51790

On behalf of the Board

T. Paul  
Company Secretary

A. Nagpal  
Managing Director

S. Banerjee  
Director

## SCHEDULES TO THE ACCOUNTS

### SCHEDULE I

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Share Capital</b>		
Authorised		
25,000,000 Equity Shares of Rs. 10/- each	250,000	250,000
Issued, subscribed and paid up		
1,74,02,938 ( Previous Year - 1,46,75,738 ) Equity Shares of Rs. 10/- each fully paid up	174,029	146,757
Of the above:-		
1,373,370 Equity Shares of Rs. 10/- each was allotted as fully paid up pursuant to a scheme of amalgamation without payment being received in cash.	174,029	146,757

#### Notes:

- Out of the 53,38,628 equity shares of Rs. 10/- each for cash at a premium of Rs. 35/- (issue price - Rs. 45/-) pursuant to the Rights Issue in 2005, allotment of 5,290 (31.03.09 - 5,490) equity shares (relating to cases under litigation / pending clearance from concerned authorities) are in abeyance as on 31st March, 2010. 200 (Previous year - Nil) equity shares were allotted during the year on receipt of required clearances from concerned authorities.
- The shareholders have approved the preferential issue of 27,27,000 equity shares of Rs.10/- each to the promoters and others. The said 27,27,000 equity shares has been allotted on 11th September, 2009 at a price of Rs. 102.47 per share including premium of Rs. 92.47 per share to Promoter Group Companies viz. 13,50,000 equity shares to Adorn Investments Limited, 2,00,000 equity shares to Hilltop Holdings India Limited and 11,77,000 equity shares to Non-Promoters (Select Group) viz. 4,50,000 equity shares to Gyan Traders Limited and 7,27,000 equity shares to Progressive Star Holdings & Consultants Private Limited on receipt of applicable approvals from concerned regulatory authorities.
- The Company has granted ( net of options lapsed ) 21,799 ( 31.03.2009 - 21,799 ) stock options in 2001-02 under the Employee Stock Option Scheme. All the options have already vested in earlier years. Nil (Previous Year Nil) vested options have been exercised during the year. Pending completion of related regulatory formalities, the 9282 (previous year 9282) exercised options are yet to be allotted by the Company. Exercise Price per option is Rs. 119.85. Exercise period is 10 years from the vesting date. Exercise of options by the option holders shall entail issuance of shares by the Company on compliance/completion of related formalities.
- The Company has granted (net of options lapsed) another 32,000 (31.03.2009- 43,500 ) stock options in 2006-07 under Employee Stock Option Scheme, to eligible employees / the then Managing Director at an exercise price of Rs. 184.85 per option, as determined by the Board of Directors, in keeping with the requirements of Securities and Exchange Board of India ( Employee Stock Option Scheme and Employee Stock Option Purchase Scheme) Guidelines, 1999.  
Vesting schedule of the said options granted is as below :-  
  - after 1 year from the date of grant : 20 % of the options
  - after 2 years from the date of grant : 20 % of the options \*
  - after 3 years from the date of grant : 20 % of the options \*
  - after 4 years from the date of grant : 20 % of the options
  - after 5 years from the date of grant : 20 % of the options
Exercise period is 10 years from the vesting date. Exercise of options by the option holders shall entail issuance of shares by the Company on compliance/completion of related formalities. No option has been exercised during the year.  
\* Based on the decision of the Compensation Committee, options have not vested in 2008-09 and 2009-10, which will be considered along with the next tranche of vesting in 2010-11.
- The Company has granted 25,000 stock options in 2008-09 under Employee Stock Option Scheme to Managing Director (Mr. A. Nagpal). The exercise price per option is Rs.56.20 as determined by the Board of Directors, in keeping with the requirements of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Of the aforesaid 25,000 options 7,500 options are not linked to performance and the balance are linked to performance.  
Vesting schedule of the said options granted is as below :-  
  - after 1 year from the date of grant : 20 % of the options \*
  - after 2 years from the date of grant : 20 % of the options
  - after 3 years from the date of grant : 20 % of the options
  - after 4 years from the date of grant : 20 % of the options
  - after 5 years from the date of grant : 20 % of the options
Exercise period is 10 years from the vesting date. Exercise of options by the option holder shall entail issuance of shares by the Company on compliance/completion of related formalities. 1500 options not linked to performance have vested. No option has been exercised during the year.  
\* Based on the decision of the Compensation Committee, options linked to performance have not vested in 2009-10, which will be considered along with the next tranche of vesting in 2010-11.

**SCHEDULES TO THE ACCOUNTS (contd.)****SCHEDULE II**

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Reserves and Surplus</b>		
<b>Fixed Assets Revaluation Reserve</b>		
Balance as per last Account	306,717	307,325
Less: Transferred to Profit and Loss Account [Note 6(d) on Schedule XX]	596	608
	<u>306,121</u>	<u>306,717</u>
<b>Share Premium Account</b>		
Balance as per last Account	655,737	655,737
Add : On Preferential issue of 27,27,000 shares at a premium of Rs. 92.47 per share referred to in Note 2 on Schedule I and allotment of 200 right shares at a premium of Rs. 35.00 per share referred to in Note 1 on Schedule I.	252,173	—
	<u>907,910</u>	<u>655,737</u>
<b>General Reserve</b>		
Balance as per last Account	66,389	66,389
<b>Profit and Loss Account</b>	80,017	73,832
	<u>1,360,437</u>	<u>1,102,675</u>

**SCHEDULE III**

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Secured Loans</b>		
Term loan from scheduled bank	170,000	100,000
Interest accrued and due	—	1,344
Bank Borrowings for Working Capital:		
Cash credit from scheduled banks	135,466	118,596
Vehicle Loan from Banks / Non Banking Financial Company ( NBFC )		
— Banks	858	2,735
— NBFC	347	553
For nature of security, refer Note 1 on Schedule XX		
	<u>306,671</u>	<u>223,228</u>

**SCHEDULE IV**

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Unsecured Loans - Short Term</b>		
Inter Corporate Deposit	162,000	273,000
Interest accrued and due	5,568	2,340
Temporary Bank Overdraft	321	—
	<u>167,889</u>	<u>275,340</u>

**SCHEDULES TO THE ACCOUNTS (contd.)**

**SCHEDULE V**

FIXED ASSETS		GROSS BLOCK			DEPRECIATION			NET BLOCK		(Rupees in Thousands)
	Cost/ Valuation as at 31st March, 2009	Additions during the year	Deletions/ Adjustments during the year	Cost/ Valuation as at 31st March, 2010	As at 31st March, 2009	For the year	On Deletions/ Adjustments during the year	As at, 31st March 2010	As at 31st March, 2010	As at 31st March, 2009
Land - Freehold	656,747	—	—	656,747	—	—	—	—	656,747	656,747
Buildings - Freehold	77,196	—	—	77,196	27,917	1,749	—	29,666	47,530	49,279
Leasehold Buildings	7,060	—	—	7,060	2,197	198	—	2,395	4,665	4,863
Plant and Machinery	184,865	—	2,046	182,819	154,361	4,670	805	158,226	24,593	30,504
Furniture, Fittings and Equipment	170,774	6,235	1,773	175,236	103,094	10,990	734	113,350	61,886	67,680
Vehicles	24,365	—	4,265	20,100	9,172	2,127	2,566	8,733	11,367	15,193
Copyrights	12,124	4,779	3,163	13,740	2,430	1,383	1,032	2,781	10,959	9,694
Software	38,911	—	—	38,911	24,439	11,379	—	35,818	3,093	14,472
Total	1,172,042	11,014	11,247	1,171,809	323,610	32,496	5,137	350,969	820,840	848,432
Previous Year	1,172,177	16,343	16,478	1,172,042	294,597	33,732	4,719	323,610	848,432	

**SCHEDULES TO THE ACCOUNTS (contd.)****SCHEDULE VI**

Investments	Number		Face Value of each share/unit	(Rupees in Thousands)	
	As at 31st March, 2010	As at 31st March, 2009		Book Value as at 31st March, 2010	Book Value as at 31st March, 2009
<b>A. Long Term - Trade</b>					
<b>Unquoted</b>					
Saregama Regency Optimedia Private Limited	1,459,684	1,459,684	Rs. 10	14,597	14,597
				<u>14,597</u>	<u>14,597</u>
<b>B. Long Term - Other than Trade</b>					
<b>1. Fully Paid Debentures</b>					
<b>Unquoted</b>					
Rs.5,000 6 1/2% Non-redeemable Registered Debentures, 1962 of The Bengal Chamber of Commerce and Industry				5	5
Rs.7,500 5% Non-redeemable Mortgage Debenture Stock, 1957 of Woodlands Hospital and Medical Research Centre Ltd.				7	7
Rs.7,500 1/2% Debentures of Woodlands Hospital and Medical Research Centre Ltd.					
				<u>12</u>	<u>12</u>
<b>2. Fully Paid Equity/Ordinary Shares in Subsidiary Companies</b>					
<b>Quoted*</b>					
Saregama Plc.	7,012,222	7,012,222	1 pence	4,852	4,852
* based on OFEX trading facility in London					
<b>Unquoted</b>					
RPG Global Music Ltd.	2,314,885	2,314,885	US \$ 1	102,620	102,620
Kolkata Metro Networks Ltd.	50,000	50,000	Rs.10	500	500
Open Media Network Private Limited	10,000	10,000	Rs. 10	100	100
				<u>108,072</u>	<u>108,072</u>
<b>3. Fully Paid Equity Shares in Other Companies</b>					
<b>Quoted</b>					
CESC Ltd.	1,544,988	1,544,988	Rs.10	397,186	397,186
Phillips Carbon Black Ltd.	100	100	Rs.10	6	6
Summit Securities Ltd. ( formerly KEC Infrastructures Ltd. )**	—	100	Rs.10	—	7
KEC International Ltd.	144	144	Rs.10	7	7
Harrisons Malayalam Ltd.	100	100	Rs.10	4	4
CFL Capital Financial Services Ltd.	100	100	Rs.10	2	2
CEAT Ltd.	75	75	Rs.10	5	5
CHI Investments Ltd. **	—	25	Rs.10	—	1
Octav Investment Ltd. **	—	8	Rs.10	—	—
RPG Cables Ltd.	170	170	Rs.10	5	5
Brabourne Enterprises Ltd. (formerly RPG Life Sciences Ltd.)**	—	100	Rs.10	—	8
RPG Life Sciences Ltd.	100	100	Rs. 8	—	—

Contd.....

## SCHEDULES TO THE ACCOUNTS (contd.)

Investments (Contd.)	Number		Face Value of each share/unit	(Rupees in Thousands)	
	As at 31st March, 2010	As at 31st March, 2009		Book Value as at 31st March, 2010	Book Value as at 31st March, 2009
<b>Unquoted</b>					
Spencer and Company Ltd.	200	200	Rs.10	7	7
Summit Securities Ltd. (formerly RPG Itochu Finance Ltd.)**	14	—	Rs.10	16	—
				<b>397,238</b>	397,238
Total				<b>519,919</b>	519,919
Less: Provision for Diminution in Value of Investment				<b>103,120</b>	77,500
				<b>416,799</b>	442,419
Aggregate Book Value of Investments					
Quoted				<b>402,067</b>	402,083
Unquoted (net of provision)				<b>14,732</b>	40,336
				<b>416,799</b>	442,419
Aggregate Market Value of Quoted Investments				<b>597,344</b>	332,339

\*\* Pursuant to a sanctioned Scheme of Arrangement (the Scheme) between Summit Securities Ltd., CHI Investment Ltd., Octav Investment Ltd., Braborne Enterprises Ltd., (transferor Companies) and others, the aforesaid four companies got merged with RPG Itochu Finance Limited (RIFL) and the company has become entitled to receive 14 shares in RIFL based on the ratio and cash for the fractional entitlement as set out in the Scheme. Pursuant to the Scheme, the name of the merged entity has been changed from RIFL to Summit Securities Ltd. (transferee company). As at March 31, 2010, the shares of the transferee company were not quoted on any stock exchanges. Aggregate book value of investments in the transferor companies prior to the Scheme becoming effective has been reflected against the transferee company.

**SCHEDULES TO THE ACCOUNTS (contd.)****SCHEDULE VII**

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Inventories</b>		
Stores and Spares	678	641
Raw Materials	5,920	5,157
Work in Progress [including films under production Rs. 10,500 thousands, (31.03.09- Rs. 39,592 thousands) and Television Serials under production Rs. 7,019 thousands (31.03.09 - Rs. NIL)]	18,079	40,515
Untelecasted Television serials	4,908	4,775
Finished Goods	85,675	110,511
	<u>115,260</u>	<u>161,599</u>

**SCHEDULE VIII**

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Debtors</b>		
Unsecured		
Debts outstanding for over six months :		
Considered Good	16,288	32,787
Considered Doubtful	114,558	81,680
Other debts		
Considered Good	143,968	190,156
	<u>274,814</u>	<u>304,623</u>
Less : Provision for Doubtful Debts	114,558	81,680
	<u>160,256 *</u>	<u>222,943 *</u>

\* Includes Rs. 11,847 thousands [net of provision Rs. 412 thousands; 31.03.09 - Rs. 9,412 thousands (net of provision Rs. Nil)] due from subsidiary companies.

## SCHEDULES TO THE ACCOUNTS (contd.)

### SCHEDULE IX

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Cash and Bank Balances</b>		
Cash in hand	421	967
Cheques in hand	23,676	16,424
Bank Balances with Scheduled Banks on -		
Rights Issue	194	280
Current Account [including Remittances in transit of Rs.10,069 thousands (31.03.09 Rs. 9,462 thousands)]	44,759	60,059
Unpaid Dividend Account	134	138
Term Deposit with The Municipal Cooperative Bank Ltd. [maximum amount outstanding at any time during the year Rs. 225 thousands (previous year Rs.225 thousands)]	225	225
	<u>69,409</u>	<u>78,093</u>

### SCHEDULE X

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Other Current Assets</b>		
Unsecured-Considered Good		
Deposits	19,714	22,120
	<u>19,714</u>	<u>22,120</u>

### SCHEDULE XI

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Loans and Advances</b>		
Unsecured - considered good (unless otherwise stated below)		
Loan to Employees	1,356	1,841
Advances recoverable in cash or in kind or for value to be received from - Balances with Excise Authorities	3	16
Subsidiary Companies (including considered doubtful Rs. Nil ; 31.03.09-Rs.27,075 thousands)	362,950	175,556
Less : Provision for Doubtful Advances	—	(27,075)
Capital Advances (including considered doubtful Rs. 200 thousands; 31.03.09-Rs.Nil)	975	1,100
Less : Provision for Doubtful Advances	(200)	—
Minimum Guarantee Royalty Advances	7,300	11,231
Advance against Film Projects (including considered doubtful Rs. 8,383 thousands; 31.03.09-Rs 5,048 thousands)	378,233	207,866
Less : Provision for Doubtful Advances	(8,383)	(5,048)
Others (including considered doubtful Rs. 51,006 thousands; 31.03.09 Rs.31,135 thousands)	191,342	185,817
Less: Provision for Doubtful Advances	(51,006)	(31,135)
Advance payment of Income Tax and Tax deducted at source [net of provision for taxation Rs 133,894 thousands (31.03.09- Rs.99,394 thousands)]	124,745	100,652
Advance payment of Fringe Benefit Tax (net of provision Rs.15,076 thousands: 31.03.09- Rs. 19,231 thousands)	1,719	4,148
	<u>1,009,034</u>	<u>624,969</u>

**SCHEDULES TO THE ACCOUNTS (contd.)****SCHEDULE XII**

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Current Liabilities</b>		
Sundry Creditors		
Due to Micro and Small Enterprises (Note 14 on Schedule XX)	1,200	1,016
Others	374,836	433,699
	<u>376,036</u>	<u>434,715</u>
Advance from Customers	9,950	16,244
Investor Education and Protection Fund shall be credited by the following amounts namely :		
Unpaid Dividend ( Note below )	134	138
Unpaid application money ( Note below )	194	280
Other Liabilities (Note 2 on Schedule XX)	71,884	86,305
Interest accrued but not due on loan	3,430	9,173
	<u>461,628</u>	<u>546,855</u>

Note: There is no amount due to be credited to Investor Education and Protection Fund as at Balance Sheet date.

**SCHEDULE XIII**

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Provisions</b>		
Provision for Gratuity	744	4,632
Provision for Leave Encashment	14,050	15,148
Provision for Royalty (Note 28 on Schedule XX)	125,864	98,622
	<u>140,658</u>	<u>118,402</u>

**SCHEDULE XIV**

	Year ended 31st March, 2010		Year ended 31st March, 2009	
	(Qty '000)	(Rs '000)	(Qty '000)	(Rs '000)
<b>Sales and Licence Fees</b>				
Pre recorded Cassettes	128	1,442	1,688	36,370
Audio Compact Discs	5,467	292,540	5,771	355,405
Digital Versatile Discs	62	12,198	177	49,485
Free Commercial Time		105,113		101,377
Distribution rights		3,391		32,181
Licence Fees		550,296		408,585
Others		29,343		58,319
		<u>994,323</u>		<u>1,041,722</u>

## SCHEDULES TO THE ACCOUNTS (contd.)

### SCHEDULE XV

(Rupees in Thousands)

	Year ended 31st March,2010	Year ended 31st March,2009
<b>Other Income</b>		
Liabilities no longer required written back	17,319	96,968
Provision for Royalty no longer required written back	5,524	68,823
Provision for doubtful Debts/ Advances no longer required written back	27,712	6,795
Dividend from Long Term (other than trade ) Investments	6,181	6,182
Dividend from Current (other than trade ) Investments	—	9
Interest (Gross)		
— on Bank Deposits	21	18
— on Security Deposits	264	249
(Tax deducted at source Rs 54 thousands, Previous year Rs 51 thousands )		
— on Advance Tax	1,573	683
Profit on sale of Current (other than trade) Investments	—	7
Profit on sale of Fixed Assets	38	99
Rent Income [ Note 24(b) on Schedule XX ]	11,582	11,057
(Tax deducted at source - Rs.1,125 thousands, Previous year Rs.1,921 thousands)		
Gain on Exchange Fluctuation	1,547	3,554
Miscellaneous Income	8,277	13,937
	<b>80,038</b>	<b>208,381</b>

### SCHEDULE XVI

(Rupees in Thousands)

	Year ended 31st March,2010	Year ended 31st March,2009
<b>Materials, Films, Television Serials etc</b>		
Materials etc.		
Raw Materials consumed	6,292	17,299
Purchase and Contract Manufacturing Charges	128,920	178,786
Opening Stocks – Work in Progress	923	474
— Finished Goods	110,511	107,985
Closing Stocks – Work in Progress	(560)	(923)
— Finished Goods	(85,675)	(110,511)
Films and Television Serials		
Opening Stock	44,367	84,655
(including films under production Rs. 39,592 thousands; previous year Rs. 81,200 thousands)		
Add: Cost of Production of Films/Serials	87,351	95,279
Less: Closing Stock	(22,427)	(44,367)
[including films under production Rs. 10,500 thousands; previous year Rs. 39,592 thousands) and Television Serials under production Rs. 7,019 thousands (previous year - Rs. Nil)]		
	<b>109,291</b>	<b>135,567</b>
Add: Opening stock of amount in ventorised towards unutilised Free Commercial Time	—	13,029
	<b>109,291</b>	<b>148,596</b>
	<b>269,702</b>	<b>341,706</b>

**SCHEDULES TO THE ACCOUNTS (contd.)****SCHEDULE XVII**

(Rupees in Thousands)

	Year ended 31st March,2010	Year ended 31st March,2009
<b>Expenses</b>		
Salaries, Wages, Bonus, etc.(Note 30 on schedule XX)	189,388	208,440
Contribution to Provident Fund	7,909	8,612
Contribution to Superannuation Fund	1,769	573
Contribution to Gratuity Fund	1,804	5,524
Contribution under Employees' State Insurance Scheme	534	1,190
Workmen and Staff Welfare	9,113	10,907
Consumption of Stores and Spare Parts	842	770
Power and Fuel	9,671	10,654
Rent [ Note 24 (a) on Schedule XX ]	27,921	35,450
Repairs – Buildings	2,858	2,544
– Machinery	1,388	1,078
– Others	2,882	2,924
Royalties	103,593	145,385
Recording Expenses	13,431	42,500
Carriage, Freight and Forwarding Charges	53,366	52,458
Rates and Taxes	13,778	11,675
Insurance	1,082	1,421
Travel and Conveyance	20,098	15,913
Subscriptions and Donations	6,394	6,449
Advertisement and Sales Promotion	31,777	69,567
Printing and Communication Expenses	16,417	18,933
Bad Debts/Advances written off	637	7,291
Provision for Doubtful Debts/Advances (including provision for subsidiary company Rs. 412 thousands; previous year-Rs 27,075 thousands)	56,921	63,095
Provision for Diminution of value of Investment	25,620	500
Directors' Fees	475	400
Loss on sale of Fixed Assets	2,163	980
Assets Written off / Scrapped (including copyrights Rs. 2,131 thousands, previous year - Rs 9,195 thousands)	2,151	9,408
Legal/Consultancy Expenses	36,241	33,801
Event Management Expenses	701	1,658
Loss on Exchange Fluctuation	2,481	3,579
Miscellaneous Expenditure	33,603	39,273
	<b>677,008</b>	<b>812,952</b>

**SCHEDULE XVIII**

(Rupees in Thousands)

	Year ended 31st March,2010	Year ended 31st March,2009
<b>Interest</b>		
Interest on :		
Fixed Loans	29,142	24,072
Bank and other accounts	25,924	18,212
	<b>55,066</b>	<b>42,284</b>

## SCHEDULES TO THE ACCOUNTS (contd.)

### SCHEDULE XIX

#### Significant Accounting Policies

##### (a) Basis of the Preparation of the Financial Statements

The Financial Statements have been prepared under the Historical Cost Convention (except for revaluation of certain Fixed Assets as detailed below and in Notes 6(a), 6(b) and 6(c) on Schedule XX) in accordance with the accounting principles generally accepted in India and the applicable Accounting Standards in India. The Financial Statements have also been prepared in accordance with relevant presentational requirements of the Companies Act, 1956 of India. A summary of important accounting policies, which have been applied, is set out below.

##### (b) Fixed Assets

Fixed Assets are stated at their original cost less depreciation other than revalued items which are stated at valuation less depreciation, as referred to in Notes 6 (a), 6 (b), 6 (c) and 6 (d) on Schedule XX.

Outright acquisition of copyrights wherein future economic benefits are established are capitalised.

Softwares are capitalised where it is expected to provide future enduring economic benefits. Capitalisation costs includes license fees and cost of implementation/system integration services. The costs are capitalised in the year in which the relevant software is implemented for use.

Impairment loss is recognised wherever the carrying amount of fixed assets of a cash generating unit exceeds its recoverable amount i.e. net selling price or value in use, whichever is higher.

##### (c) Depreciation

Copyrights (outright acquisition) are depreciated under the straight line method over 10 years.

Softwares capitalised are amortised on a straight line basis over a period of three years from the date of capitalisation.

Depreciation on original cost of fixed assets is provided on straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1956 of India. Additional Depreciation on the amount added on revaluation is provided on straight line basis and is adjusted against the available balance in revaluation reserve account in respect of the related items.

##### (d) Investments

Long term investments are stated at cost/ cost less write down. Provision for diminution is made to recognise a decline other than temporary in the carrying amount of long term investments as determined by the Board of Directors on periodical review. Current investments are carried at lower of cost and fair value.

##### (e) Inventories

Inventories are valued at lower of cost and net realisable value.

The cost is determined on specific identification/weighted average basis, as considered appropriate by the Company, and includes, where applicable, appropriate share of overheads.

Provision is made for obsolete, slow moving and defective stocks, where necessary.

##### (f) Employee Benefits

Short-term Employee Benefits (i.e. benefits payable within one year) are recognised in the period in which employee services are rendered.

Contribution towards superannuation at rates specified in related approved scheme covering eligible employees opting for such contribution is recognised as expense and funded.

Contribution towards provident fund to Government administered provident fund is recognised as expense.

Liability towards gratuity (defined benefit), covering eligible employees, is provided and funded on the basis of year-end actuarial valuation.

Accrued liability towards leave encashment benefits (defined benefit), covering eligible employees, evaluated on the basis of year-end actuarial valuation is recognised as charge.

Contribution to Government administered Employees' State Insurance Scheme for eligible employees is recognised as charge.

Actuarial gains/losses arising in Defined Benefit Plans are recognised immediately in the Profit and Loss Account as income/expense for the year in which they occur.

##### (g) Sales and Licence Fees

Sales represent invoiced value of products sold and are net of trade discounts. Licence Fees represent income from music rights.

Revenue from films is recognised on assignment of distribution rights and revenue relating to television serials is recognised on telecast.

## SCHEDULES TO THE ACCOUNTS (contd.)

### Significant Accounting Policies (Contd.)

#### (h) Royalty

Minimum guarantee advance is recognised as expense within the license period or ten years, whichever is lower.

Royalty on sales, other than physical sales, is provided on the basis of management's best estimate of the expenditure required to settle the obligation.

Other royalty payments are charged at agreed rates on related sales.

#### (i) Foreign Currency Transactions

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year-end exchange rates. Gains / losses arising out of fluctuations in the exchange rates are recognised in Profit and Loss Account in the period in which they arise.

#### (j) Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the year based on applicable tax rate and laws.

Deferred tax is provided/recognised on timing differences between taxable income and accounting income using the liability method subject to consideration of prudence. Deferred tax asset on the unabsorbed depreciation and carry forward of losses under the tax laws are not recognised unless there is virtual certainty that there will be sufficient future taxable income available to realise such assets.

## SCHEDULE XX

### Notes to the Accounts

#### 1 Secured Loans (Schedule III)

##### Nature of Security

Term Loan from Scheduled bank is secured by revenue from Phonographic Performance Limited (by way of escrow account), demand promissory note and first charge created on three properties in Mumbai and one property in Kolkata in terms of the related agreement.

Bank borrowings for working capital are secured by first charge of entire stocks of raw materials, stock in process, finished goods, receivable / book debts and other current assets of the Company ranking pari passu with other consortium banks.

Vehicle loans from Banks/Non Banking Financial Company are secured by hypothecation of the vehicles financed.

#### 2 Other Liabilities (Schedule XII) include -

a) Rs. 13,074 thousands (31.03.09 - Rs. 16,374 thousands) being advance from sub-lessees adjustable over the sub-lease period.

b) Rs. 2,500 thousands (31.03.09 - Rs. 2,500 thousands) being advance from a party against proposed sale of fixed assets.

#### 3 Capital commitments (net of advances of Rs. 975 thousands; 31.03.09 - Rs.1,100 thousands) towards outright acquisition of copyrights and software as at 31st March, 2010 is Rs. 500 thousands (31.03.09 - Rs.3,200 thousands) and Rs. 175 thousands (31.03.09 - Rs. Nil) respectively.

#### 4 Provision for Current Tax includes Rs. 18,613 thousands (Previous year - Rs. Nil) in respect of earlier years consequent to amendment in Section 115JB of Income Tax Act, 1961 with retrospective effect vide Finance (No.2) Act, 2009.

#### 5 Contingent liabilities in respect of -

(a) Any unpaid amount out of specified liabilities of the Company amounting to Rs. 1,74,906 thousands (31.03.09 - Rs. 1,74,906 thousands) against certain receivables of Rs. 1,70,406 thousands (31.03.09 - Rs. 1,70,406 thousands) of the Company taken over by the assignee in 2006-07 has to be discharged by the Company.

(b) (Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
(i) Guarantees given by Banks	150	650
(ii) Claims against the Company not acknowledged as debts in respect of -		
- Copyright matters	7,500	—
- Income Tax matters	20,100	23,500
- Sales tax/value added tax/entry tax matters	68,527	55,903
- Excise duty matters	5,608	5,608
- Customs duty matters	26,675	26,675

Interest at appropriate rate relating to excise duty matter, which is not readily ascertainable.

## SCHEDULES TO THE ACCOUNTS (contd.)

### Notes to the Accounts (contd.)

- 6 (a) Based on valuation reports of valuers, appointed for the purpose, the fixed assets (other than furniture, fittings and equipment, vehicles and certain items of plant and machinery) were revalued on 31st March, 1984 and again (except for those relating to record making machinery items) on 30th September, 1987 after considering the then (a) current market value/ derived rates attributable to land (b) current replacement cost after depreciation etc. and Rs. 58,731 thousands and Rs. 62,819 thousands were added to the book value of the related assets (with corresponding credit to Fixed Asset Revaluation Reserve) on 31st March, 1984 and 30th September, 1987 respectively.
- (b) Certain assets of the Company viz Land and Buildings were revalued in June 2003 by registered valuers at the lower of current replacement cost and realisable value. Resultant incremental value amounting to Rs 237,411 thousands were added to the book value of the related assets with utilisation of the corresponding credit amount pursuant to an approved scheme of arrangement.
- (c) Company's land was revalued on 31st March, 2007 by registered valuers, at lower of current replacement cost and realisable value. Resultant incremental value amounting to Rs 442,130 thousands were added to the book value of land with corresponding credit to Revaluation Reserve of Rs 269,756 thousands and utilisation of the balance amount of Rs 172,374 thousands pursuant to a sanctioned scheme of amalgamation of erstwhile Saregama Films Limited with the Company in 2006-07.
- (d) Depreciation for the year ended 31st March, 2009 on items of depreciable fixed assets revalued has been calculated on the respective revalued amounts at the rates applicable based on useful balance life of the assets. Depreciation so calculated include an additional charge of Rs.1,844 thousands (previous year - Rs. 1,856 thousands) over that calculated on original cost at rates prescribed under Schedule XIV of the Companies Act, 1956 as amended during 1993-1994 and an amount of Rs.596 thousands (previous year - Rs. 608 thousands) being the related available balance in Revaluation Reserve in respect of the aforesaid revaluation has been transferred to Profit and Loss Account from Revaluation Reserve.

### 7 Amount paid/payable to Auditors :

(Rupees in Thousands)

	Year ended 31st March, 2010	Year ended 31st March, 2009
As Auditors -		
– Audit Fees	1,200	1,200
– Tax Audit	400	400
– Limited Reviews	525	525
– Others [certificates, etc.]	300	268
Reimbursement of Expenses (including Service Tax Rs.250 thousands - previous year Rs.379 thousands)	306	432

- 8 Total consumption of stores and spares during the year amounted to Rs. 842 thousands (previous year - Rs. 770 thousands).

### 9 (a) Remuneration paid/ payable to Managing Directors and Directors' Fees

(Rupees in Thousands)

	Year ended 31st March, 2010	Year ended 31st March, 2009
Remuneration paid/ payable to Managing Directors		
Salaries and Allowances	10,154	9,488
Contribution to Provident Fund	432	334
Contribution to Gratuity Fund	120	146
Contribution to Superannuation Fund	540	115
Other benefits/ perquisites	624	202
	11,870	10,285
Directors' Fees	475	400
Total	12,345	10,685

The Company has granted 25,000 stock options to the Managing Director (Mr. Apurv Nagpal) in 2008-09 under Employee Stock Option Scheme, of which 1,500 options have vested in 2009-10. No option has been exercised by the said Managing Director.

- 9 (b) Managing Directors' remuneration [Note 9(a) above] include Rs. 11,917 thousands (previous year - Rs. 2,549 thousands) is subject to the approval of Central Government.
- 10 Pending completion of the relevant formalities of transfer of certain assets and liabilities acquired pursuant to the Scheme of Amalgamation of RPG Music International Limited and Gramco Music Publishing Limited with The Gramophone Company of India Limited (now Saregama India Limited) in 1999-2000, such assets and liabilities remain included in the books of the Company under the name of the Transferor Companies.

**SCHEDULES TO THE ACCOUNTS (contd.)****Notes to the Accounts (contd.)**

11 Net Deferred tax asset/liability accounted for :

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
Deferred Tax Liability on Depreciation	34	4,196
Deferred tax Asset (restricted to Deferred Tax Liability) on :-		
items allowable for tax purpose on payment	(34)	(3,512)
provision for doubtful debts	—	(684)
	<u>Nil</u>	<u>Nil</u>

On a prudent basis Deferred Tax on unabsorbed depreciation, business / capital loss and others have not been recognised in these accounts.

12 Expenses (Schedule XVII) include reimbursements.

13 In keeping with the Company's gratuity scheme (a defined benefit plan), eligible employees are entitled to gratuity benefit (at one half months eligible salary for each completed year of service) on retirement / death / incapacitation / resignation. Also refer Note 1 (f) for accounting policy relating to gratuity. Following are the further particulars with respect to gratuity :-

	2009-10 (Rs. in thousand)	2008-09 (Rs. in thousand)	2007-08 (Rs. in thousand)
<b>I. Reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation</b>			
(a) Present Value of Obligation at the beginning of the year	48,147	40,273	60,159
(b) Current Service Cost	3,403	3,533	3,262
(c) Interest Cost	3,510	3,220	3,670
(d) Actuarial (Gain)/Loss	(607)	2,138	2,068
(e) (Benefits Paid)	(2,683)	(1,017)	(28,886)
(f) Present Value of Obligation at the end of the year	<u>51,770</u>	<u>48,147</u>	<u>40,273</u>
<b>II. Reconciliation of opening and closing balances of the fair value of Plan Assets</b>			
(a) Fair Value of Plan Assets at the beginning of the year	43,515	37,984	51,099
(b) Expected Return on Plan Assets	4,187	3,515	3,879
(c) Actuarial Gain/(Loss)	315	(148)	(1,006)
(d) Contributions by employer	5,692	3,181	12,898
(e) (Benefits Paid)	(2,683)	(1,017)	(28,886)
(f) Fair Value of Plan Assets as at the end of the year	<u>51,026</u>	<u>43,515</u>	<u>37,984</u>
<b>III. Reconciliation of the present value of Defined Benefit Obligation in 'I' above and the fair value of Plan Assets in 'II' above</b>			
(a) Present Value of Obligation as at the end of the year	51,770	48,147	40,273
(b) Fair Value of Plan Assets as at the end of the year	<u>51,026</u>	<u>43,515</u>	<u>37,984</u>
(c) Liability recognised in the Balance Sheet	<u>744</u>	<u>4,632</u>	<u>2,289</u>
<b>IV. Expense charged to the Profit and Loss Account</b>			
(a) Current Service Cost	3,403	3,533	3,262
(b) Interest Cost	3,510	3,220	3,670
(c) (Expected Return on Plan Assets)	(4,187)	(3,515)	(3,879)
(d) Actuarial (Gain)/Loss	(922)	2,286	3,074
(e) Total expense charged to the Profit and Loss Account*	<u>1,804</u>	<u>5,524</u>	<u>6,127</u>
<b>V. Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at Balance Sheet date</b>			
(a) Fund with Life Insurance Corporation of India	84%	83%	82%
(b) NAV based Group Balanced Fund with ICICI Prudential Life Insurance Company Limited	8%	8%	9%
(c) NAV based Group Short Term Debt Fund with ICICI Prudential Life Insurance Company Limited	4%	5%	9%
(d) NAV based Group Debt Fund with ICICI Prudential Life Insurance Company Limited	4%	4%	—

\* reflected as 'Contribution to Gratuity Fund' under 'Expenses' on Schedule XVII of respective year

## SCHEDULES TO THE ACCOUNTS (contd.)

### Notes to the Accounts (contd.)

	2009-10 (Rs. in thousand)	2008-09 (Rs. in thousand)	2007-08 (Rs. in thousand)
<b>VI. Actual Return on Plan Assets</b>	<b>4,502</b>	<b>3,367</b>	<b>2,873</b>
<b>VII. Principal Actuarial Assumptions as at Balance Sheet date</b>			
(a) Discount Rate	7.7%	7.5%	8.1%
(b) Expected Rate of Return on Plan Assets	9.3%	9.3%	9.0%
(c) Salary Escalation			
– Management Staff	7.0%	7.0%	9.0%
– Non Management Staff	7.0%	7.0%	6.5%
(d) Inflation Rate	7.0%	7.0%	6.0%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The expected rate of return on plan assets is based on the composition of plan assets held, assessed risks of asset management, historical results of the return on plan assets, the Company's policy for plan asset management and other relevant factors.

### 14 Information relating to Micro and Small Enterprises (MSEs):

	As at 31st March, 2010 (Rs. in thousands)	As at 31st March, 2009 (Rs. in thousands)
(i) The principal amount and interest due thereon remaining unpaid to any supplier as at the end of the year.		
Principal	1,007	947
Interest	59	58
	<b>1,066</b>	<b>1,005</b>
(ii) The amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amounts of the payment made to supplier beyond the appointed day during the year.		
Principal	28	—
Interest	21	—
	<b>49</b>	<b>—</b>
(iii) The amount of interest due and payable for principal paid during the year beyond the appointed day but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006		
Principal	2,084	—
Interest	134	—
	<b>2,218</b>	<b>—</b>
(iv) The amount of interest accrued and remaining unpaid at the end of the year [including Rs. 51 thousands (previous year Rs. 13 thousands) being interest outstanding as at the beginning of the accounting year]	<b>193</b>	<b>69</b>

15 (a) The Company has adopted the Intrinsic value method in keeping with the applicable regulatory pronouncements for accounting the stock options granted as referred to in Notes 4 and 5 on Schedule I, which has no impact on the financial results of the Company. Had the fair value method been used in keeping with the said pronouncements, net result and earnings per share (basic and diluted) for the year would have been higher by about Rs. 250 thousands (Previous Year - Rs. 289 thousands) and Re.0.02 (Previous Year - Re. 0.02) respectively.

### 15 (b) Basic and Diluted Earnings per share

	Year ended 31st March, 2010	Year ended 31st March, 2009
Number of equity shares at the beginning of the year	14,675,738	14,675,738
Number of equity shares at the end of the year	17,402,938	14,675,738
Weighted average number of equity shares outstanding during the year	16,185,038 (a)	14,675,738
Weighted average number of equity shares for computing diluted earnings per share	16,191,424 (b)	14,677,376 (b)
Nominal value of each equity share (Rs.)	10	10
Profit after tax available for equity shareholders (Rupees in thousands)	6,185	13,737
Basic earnings per share (Rs.)	0.38	0.94
Diluted earnings per share (Rs.)	0.38	0.94

(a) After considering the allotment of shares pursuant to the Rights Issue and Preferential Issue referred to Notes 1 and 2 on Schedule I.

(b) Weighted average number of equity shares outstanding during the year is adjusted for the options outstanding (including options exercised and pending allotment) under Employees Stock Option Scheme referred to in Notes 3, 4 and 5 on Schedule I.

**SCHEDULES TO THE ACCOUNTS (contd.)****Notes to the Accounts (contd.)**

16 Licensed Capacity, Installed Capacity and Actual Production :

Class of Goods Manufactured	Licensed Capacity		Installed Capacity as certified by Technical Experts		Actual Production	
	As at 31.03.10 Pcs. '000	As at 31.03.09 Pcs. '000	As at 31.03.10 Pcs. '000	As at 31.03.09 Pcs. '000	Year ended 31st March, 2010 Pcs. '000	Year ended 31st March, 2009 Pcs. '000
Pre-recorded Cassettes	Not Applicable	Not Applicable	34,000(a)	34,000(a)	532	1,912
Audio Compact Discs(b)	Not Applicable	Not Applicable	274	274	47	19

(a) On triple-shift basis.

(b) Includes conversion of blank Compact Discs into customised recorded Compact Discs

17 Opening and Closing Stocks :

Unit			Opening Stock		Closing Stock	
			Quantity (in thousands)	Value (Rupees in Thousands)	Quantity (in thousands)	Value (Rupees in Thousands)
Pre-recorded Cassettes	Pcs	Current Year	2,802	15,982	1,920*	1,276
		Previous Year	2,679	24,117	2,802*	15,982
Audio Compact Discs	Pcs	Current Year	3,781	82,110	4,125*	69,301
		Previous Year	2,539	48,954	3,781*	82,110
Digital Versatile Discs	Pcs	Current Year	262	7,228	239*	9,346
		Previous Year	197	13,834	262*	7,228
Unutilised FCTs	Seconds	Current Year	—	—	—	—
		Previous Year	99	13,029	—	—
Others		Current Year	—	9,966	—	10,660
		Previous Year	—	24,535	—	9,966
Total		Current Year		115,286		90,583
		Previous Year		124,469		115,286

\* after adjustments due to breakages, cancellations, shortages, excesses, etc. where applicable.

18 Purchases and contract manufacturing charges :

	Year ended 31st March, 2010		Year ended 31st March, 2009	
	Quantity (Pcs. '000)	Value (Rupees in Thousands)	Quantity (Pcs. '000)	Value (Rupees in Thousands)
Audio Compact Discs	6,048	114,828	7,039	142,887
Digital Versatile Discs	163	10,823	255	22,472
Others		3,269		13,427
		<b>128,920</b>		<b>178,786</b>

## SCHEDULES TO THE ACCOUNTS (contd.)

### Notes to the Accounts (contd.)

#### 19 Raw Materials Consumed :

		Year ended 31st March, 2010		Year ended 31st March, 2009	
		Quantity (‘000)	Value (Rupees in Thousands)	Quantity (‘000)	Value (Rupees in Thousands)
Magnetic Tape	Reels	18	2,192	45	4,240
Cassette Plastic Components	Pcs	312	953	1,605	5,934
Polystyrene	Kgs	11	757	46	3,307
Others			2,390		3,818
			6,292		17,299

#### 20 Value of Imported and Indigenous Raw Materials, Stores, Spare Parts and Components consumed during the year :

		Year ended 31st March, 2010				Year ended 31st March, 2009			
		Raw materials		Stores, Spare Parts & Components		Raw materials		Stores, Spare Parts & Components	
		Rs. in thousands	%	Rs. in thousands	%	Rs. in thousands	%	Rs. in thousands	%
Imported		9	0.14	—	—	48	0.28	10	1.30
Indigenous		6,283	99.86	842	100.00	17,251	99.72	760	98.70
		6,292		842		17,299		770	

#### 21 Value of Imports on C.I.F. basis :

Rupees in Thousands

	Year ended 31st March, 2010	Year ended 31st March, 2009
Raw Materials	—	48
Spares	—	10
	—	58

#### 22 Expenditures in Foreign Currency :

Rupees in Thousands

	Year ended 31st March, 2010	Year ended 31st March, 2009
Royalties (net of tax)	6,519	37,192
Others	4,798	806
	11,317	37,998

#### 23 Earnings in Foreign Exchange :

Rupees in Thousands

	Year ended 31st March, 2010	Year ended 31st March, 2009
Export of goods calculated on F.O.B. Basis	2,620	2,853
License Fees (net of tax)	37,404	39,635
Others	18,340	16,524
	58,364	59,012

**SCHEDULES TO THE ACCOUNTS (contd.)****Notes to the Accounts (contd.)**

- 24 (a) Rent expenditure includes lease payments of Rs. 24,136 thousands (previous year - Rs. 30,555 thousands) relating to operating leases taken on or after 1st April, 2001. These leasing arrangements range from less than an year to ten years and are primarily in respect of accommodation for employees / office premises. The significant leasing arrangements inter alia include escalation clause and option for renewal.
- (b) Rent income includes sub-lease payments of Rs. 11,276 thousands (previous year - Rs. 10,649 thousands) for the year relating to sub-lease agreements entered into by the Company on or after 1st April, 2001. These lease arrangements inter alia include escalation clause/option for renewal.
- (c) As on 31st March, 2010, Rs. 15,725 thousands (previous year - Rs. 20,218 thousands) is expected to be received in respect of future minimum sublease payments under non cancellable sublease.
- (d) The total of future minimum lease payments under non-cancellable operating leases:
- not later than one year- Rs. 5,831 thousands (previous year Rs. 3,955 thousands)
  - later than one year and not later than five years - Rs. 9,021 thousands (previous year Rs. 11,029 thousands)
  - more than five years -Rs.2,407 thousands (previous year Rs. 4,470 thousands)
- 25 Related Party Disclosures in keeping with Accounting Standard (AS) 18 notified in the Companies Act, 1956

Name of Related Party	Current Year	Previous Year	Nature of Relationship
<b>A Where control exists</b>	Saregama Plc. ( SPLC )	Saregama Plc. ( SPLC )	Subsidiary Company
	RPG Global Music Limited (RPGG)	RPG Global Music Limited (RPGG)	Subsidiary Company
	Kolkata Metro Networks Ltd. (KMNL)	Kolkata Metro Networks Ltd. (KMNL)	Subsidiary Company
	Open Media Network Pvt. Ltd. (OMNPL)	Open Media Network Pvt. Ltd. (OMNPL)*	Subsidiary Company
		[Formerly Imagine Media Network Private Limited (formerly RPG Publications Private Limited)]	
<b>B Others</b>	Saregama Regency Optimedia Private Ltd. (SROPL)	Saregama Regency Optimedia Private Ltd. (SROPL)	Joint Venture Company
	A Nagpal	S. Chattopadhyay**	Key Management Personnel
	Managing Director	Managing Director	
		A Nagpal***	Key Management Personnel
		Managing Director	

\* Wholly-owned subsidiary with effect from 15th May, 2008

\*\* Resigned from the position of Managing Director effective 15th January, 2009

\*\*\* Appointed effective 15th January, 2009

**Related Party Transactions**

(Rupees in Thousands)

		Subsidiary Companies				Joint Venture	Key Management Personnel	
		SPLC	RPGG	KMNL	OMNPL	SROPL	Total	
Sale of Goods	Current Year	1,213	1,319	-	-	-	2,532	-
	Previous Year	1,367	1,384	-	-	-	2,751	-
Licence Fees - Income	Current Year	35,017	1,150	-	-	-	36,167	-
	Previous Year	42,551	2,161	-	-	-	44,712	-
Purchase of Goods/Services	Current Year	-	-	-	-	71,780	71,780	-
	Previous Year	-	-	-	-	33,477	33,477	-
Rent Expenses	Current Year	-	-	-	-	1,560	1,560	-
	Previous Year	-	-	-	-	1,560	1,560	-
Reimbursement of	Current Year	-	1,011	944	101,496	1	103,452	-
Expense received/receivable	Previous Year	-	1,088	38	69,732	46	70,904	-
Remuneration to	Current Year #	-	-	-	-	-	-	11,870
Managing Director	Previous Year #	-	-	-	-	-	-	10,285*
Advance given during the year	Current Year	-	-	1,625	109,000	-	110,625	-
	Previous Year	-	-	393	56,218	-	56,611	-
Receipt towards Advance given	Current Year	-	1,182	25,430	30	-	26,642	-
	Previous Year	-	7,805	-	3,000	-	10,805	-
Investments made during the year	Current Year	-	-	-	-	-	-	-
	Previous Year	-	-	-	100	4,197	4,297	-
Provision for Doubtful Advances written back	Current Year	-	-	27,075	-	-	27,075	-
	Previous Year	-	-	-	-	-	-	-
Balance Outstanding at year end :								
Investments @	Current Year	4,852	102,620	500	100	14,597	122,669	-
	Previous Year	4,852	102,620	500	100	14,597	122,669	-
Loans & Advances	Current Year	560	24,760	4,214	333,416	-	362,950	-
	Previous Year	600	24,931	27,075	122,950	-	175,556	-
Other Current Assets	Current Year	-	-	-	-	780	780	-
	Previous Year	-	-	-	-	780	780	-
Sundry Debtors	Current Year	12,259@	-	-	-	-	12,259	-
	Previous Year	9,412	-	-	-	-	9,412	-
Sundry Creditors	Current Year	-	-	-	-	21,296	21,296	-
	Previous Year	-	-	-	-	15,482	15,482	-
Provision for Doubtful Advances	Current Year	-	-	-	-	-	-	-
	Previous Year	-	-	27,075	-	-	27,075	-
Provision for Doubtful Debts	Current Year	412	-	-	-	-	412	-
	Previous Year	-	-	-	-	-	-	-

@ Gross of Provision; # also refer Note 9 above; \* represents Rs. 2,549 thousands for Mr. A. Nagpal and Rs. 7,736 thousands for Mr. S. Chattopadhyay.

## SCHEDULES TO THE ACCOUNTS (contd.)

### Notes to the Accounts (contd.)

26 The Company's interest as a venturer in the jointly controlled entity (incorporated joint venture) is:-

Name	Country of Incorporation	Proportion of ownership interest as at 31st March, 2010	Proportion of ownership interest as at 31st March, 2009
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Saregama Regency Optimedia Private Limited	India	26%	26%
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The Company's interest in the joint venture is reported as Long Term Investments (Schedule-VI) and stated at cost. The Company's share of each of the assets, liabilities, income and expenses (each without elimination of the effect of transactions between the Company and Joint Venture) related to its interest in the joint venture are:-

(Rupees in Thousands)

	31st March, 2010	31st March, 2009
<b>I ASSETS</b>		
1. Fixed Assets		
a) Net Block	27,339	30,209
b) Capital-Work-in Progress	101	820
2. Current Assets, Loans and Advances		
a) Inventories	877	1,070
b) Sundry Debtors	5,560	4,026
c) Cash and Bank Balances	614	2,334
d) Loans and Advances	1,327	959
	<u>35,818</u>	<u>39,418</u>
<b>II LIABILITIES</b>		
1. Secured Loan	3,895	2,485
2. Unsecured Loan	17,359	18,980
3. Current Liabilities and Provisions		
a) Current Liabilities	2,950	4,918
b) Provisions	63	34
	<u>24,267</u>	<u>26,417</u>
<b>III Profit and Loss Account Debit Balance</b>	2,947	1,382
<b>IV Foreign Currency Monetary Item Translation Difference Account</b>	98	216
	<b>Year ended 31st March, 2010</b>	<b>Year ended 31st March, 2009</b>
<b>V Income</b>		
a) Net Sales	17,983	8,576
b) Other Income	634	2,209
	<u>18,617</u>	<u>10,785</u>
<b>VI Expenditure</b>		
a) Materials, etc	9,243	4,807
b) Interest and finance charge	909	1,041
c) Depreciation / Amortisation	1,809	1,167
d) Other Expenses	8,221	4,544
e) Provision for Taxation (Fringe Benefit Tax)	—	21
	<u>20,182</u>	<u>11,580</u>

27. In terms of Accounting Standard (AS) 17 on 'Segment Reporting' notified in the Companies Act, 1956, segment information has been presented in the Consolidated Financial Statements (prepared pursuant to Accounting Standard (AS) 21 on 'Consolidated Financial Statements' and Accounting Standard (AS) 27 on 'Financial Reporting of Interests in Joint Ventures' notified in the Companies Act, 1956) included in the Annual Report for the year.

**SCHEDULES TO THE ACCOUNTS (contd.)****Notes to the Accounts (contd.)**

(Rupees in Thousands)

Particulars	Year ended 31st March, 2010	Year ended 31st March, 2009
28 Details of Provision for Royalty :		
Carrying amount at the beginning of the year	98,622	123,720
Add: Created during the year	62,592	46,750
	161,214	170,470
Less: Amounts utilised during the year	29,826	3,025
Excess provision of earlier years, written back	5,524	68,823
Carrying amount at the end of the year	125,864	98,622

Above obligation with respect to royalty shall be settled in accordance with applicable terms and conditions and on receipt of related information.

- 29 (a) The Company is engaged in the production/making of serials (media software) / films, which requires various types, qualities and quantities of raw materials and inputs in different denominations. Due to the multiplicity and complexity of items, it is not practicable to maintain the quantitative records/continuous stock register, as the process of making programme software/film is not amenable to it. Hence quantitative details are not maintained by the Company as is the practice generally followed by companies in the industry.

(Rupees in Thousands)

Particulars	Year ended 31st March, 2010	Year ended 31st March, 2009
29 (b) Details of Cost of Production of Films/Television Serials		
Telecast Fees	33,588	39,584
Payment to artistes, directors, script-writers, etc.	25,740	30,977
Cost of Tapes	7,552	6,453
Food, Lodging and Travel	12,200	11,242
Set, properties and equipment charges	21,001	41,142
Other Production Expenses	9,210	6,169
	109,291	135,567
Unutilised Free Commercial Time written down	—	13,029
	109,291	148,596

- 30 An amount of Rs. 46,094 thousands has been paid during 2007-08 by the Company to its employees who retired under the Company's Voluntary Retirement Scheme-2007. This amount is being charged off over the remaining period of service of the related employees or three years which ever is lower and accordingly an amount of Rs. 18,096 thousands and Rs. 15,316 thousands has been charged off in 2007-08 and 2008-09 respectively and the remaining balance of Rs. 12,682 thousands has been charged off in the current year [included in Salaries, Wages, Bonus, etc. under 'Expenses' (Schedule XVII)].
- 31 Previous year's figures have been regrouped or rearranged, where considered necessary.

Signature to Schedules I to XX

For Price Waterhouse  
Firm Registration No. 301112 E  
Chartered Accountants  
(P Law)

Kolkata,  
22nd June, 2010

Partner  
Membership No. - 51790

On behalf of the Board

T. Paul  
Company Secretary

A. Nagpal  
Managing Director

S. Banerjee  
Director

## BALANCE SHEET ABSTRACT

**Information pursuant to part IV of Schedule VI to the Companies Act , 1956**

Balance sheet abstract and Company's general business profile :

**i) Registration details :**

Registration number	1	4	3	4	6	State code	2	1	Balance Sheet date	3	1	0	3	2	0	1	0
---------------------	---	---	---	---	---	------------	---	---	--------------------	---	---	---	---	---	---	---	---

ii) **Capital raised during the year (Amount in Rupees '000):**

Public issue	N	I	L	Rights issue			2
Private placement	2	7	2	7	0		
Bonus issue	N	I	L				

iii) **Position of mobilisation and Deployment of Funds (Amount in Rupees '000)**

Total liabilities (including Shareholders' Funds) Total Assets (incl. Misc. Expd. to the extent not written off)

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

**Sources of Funds :**

Paid up Capital	Reserves and Surplus
174029	1360436
Secured Loans	Unsecured Loans
306671	167889
Current Liabilities	Provisions
461628	140658

**Application of funds :**

Net fixed assets	Investments
<input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="9"/>
Current assets, loans and Advances	Deferred Tax Asset (net)
<input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="7"/> <input type="text" value="3"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="–"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>
Misc. Expenditure(to the extent not written off or adjusted)	Profit/(Loss) after Tax
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="–"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="–"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>

iv) **Performance of the Company : (Amount in Rupees '000)**

Turnover (including other income)	Total Expenditure
1 0 7 4 3 6 1	1 0 3 3 6 7 6
Profit before tax	Profit after Tax
4 0 6 8 5	6 1 8 5
Earnings per share in Rupees (Basic & Diluted)	Dividend Rate percentage
0 . 3 8	—

v) **Generic Names of Principal Products/Services of the Company (as per monetary terms)**

<i>Product Description</i>	Item Code Number (ITC Code)
Pre-recorded Cassettes	8 5 2 4 3 2 9 0
Audio Compact Discs	8 5 2 4 3 2 1 0
Video Compact Discs	8 5 2 4 3 9 2 0
Digital Versatile Discs	8 5 2 4 3 9 3 0

On behalf of the Board

Kolkata,  
22nd June, 2010

T. Paul  
*Company Secretary*

A. Nagpal  
*Managing Director*

S. Banerjee  
*Director*

## CASH FLOW STATEMENT

(Rupees in Thousands)

	Year ended 31st March, 2010	Year ended 31st March, 2009
<b>A. Cash Flow from Operating Activities</b>		
Profit Before Taxation	40,685	20,037
Adjustment for:		
Depreciation	31,900	33,124
Bad debt / Advances Written off	637	7,291
Provision for doubtful Debts/Advances (including provision for subsidiary Company Rs. 412 thousands, 2008-09:Rs. 27,075 thousands)	56,921	63,095
Provision for Diminution in value of Investments	25,620	500
Interest Expenses	55,066	42,284
Liabilities no longer required written back	(17,319)	(96,968)
Provision for Royalty no longer required written back	(5,524)	(68,823)
Provision for doubtful Debts/ Advances no longer required written back	(27,712)	(6,795)
Interest Income	(21)	(18)
Unrealised Loss on Exchange Fluctuation	1,891	1,820
Unrealised Gain on Exchange Fluctuation	(47)	(3,119)
Assets Scrapped / written off (including copyrights Rs. 2,130 thousands, 2008-09 : Rs. 9,195 thousands)	2,151	9,408
Loss on sale of Fixed Assets	2,163	980
Profit on sale of Fixed Assets	(38)	(99)
Profit on sale of Current (other than trade) Investments	—	(7)
Dividend from Current (other than trade) Investments	—	(9)
Dividend from Long Term (other than trade) Investments	(6,181)	(6,182)
Amortisation of payments under Voluntary Retirement Scheme	12,682	15,316
	<b>132,189</b>	<b>(8,202)</b>
	<b>172,874</b>	<b>11,835</b>
<b>Operating profit before Working Capital Changes</b>		
Adjustments for:		
Trade and other receivables	(382,438)	(360,862)
Inventories	46,339	48,116
Trade and other payables	(34,622)	54,817
	<b>(370,721)</b>	<b>(257,929)</b>
Cash generated from operations	<b>(197,847)</b>	<b>(246,094)</b>
Direct Taxes Paid	<b>(2,588)</b>	<b>(7,170)</b>
Net Cash from/(used in) operating activities	<b>(200,435)</b>	<b>(253,264)</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(11,014)	(16,343)
Sale proceeds of Fixed Assets	1,834	1,470
Interest Received	21	18
Dividend from Current (other than trade) Investments	—	9
Dividend from Long Term (other than trade) Investments	6,181	6,182
Purchase of Long Term Investments (2009-10 Rs. Nil, 2008-09 represents Rs. 4,197 thousands further investment made in Joint Venture "Saregama Regency Optimedia Private Limited"; and Rs. 100 thousands towards acquisition of Subsidiary "Open Media Network Private Limited")	—	(4,297)
Sale proceeds of Current Investments	—	184
Net Cash from / (used in) investing activities	<b>(2,978)</b>	<b>(12,777)</b>

## CASH FLOW STATEMENT (Contd.)

(Rupees in Thousands)

	Year ended 31st March, 2010	Year ended 31st March, 2009
<b>C. Cash Flow from Financing Activities</b>		
Repayment of Long Term Borrowings	(2,083)	(3,402)
Proceeds from Long Term Borrowings	70,000	101,162
Net increase/(decrease) in Cash credit facility and other Short Term Borrowings	(93,809)	241,396
Proceeds from right issue (2005) of shares	2	—
Proceeds from preferential issue of shares	27,270	—
Premium on right issue (2005) of shares	7	—
Premium on preferential issue of shares	252,166	—
Share application money refunded relating to Rights Issue (2005)	(86)	(1)
Interest paid	(58,734)	(29,898)
Dividend paid (2008-09 - including tax thereon Rs. 2,494 thousands)	(4)	(17,249)
<b>Net Cash from Financing Activities</b>	<b>194,729</b>	<b>292,008</b>
	<b>(8,684)</b>	<b>25,967</b>
Opening Cash and Cash Equivalents	<b>78,093</b>	<b>52,126</b>
Closing Cash and Cash Equivalents	<b>69,409</b>	<b>78,093</b>

### Notes to the Cash Flow Statement for the year ended 31st March, 2010

- The above Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard (AS) 3 on Cash Flow Statements.
- Cash and Cash Equivalents comprise:-

(Rupees in Thousands)

	Year ended 31st March, 2010	Year ended 31st March, 2009
Cash in hand	421	967
Cheques in hand	23,676	16,424
Bank Balances with Scheduled Banks on -		
Rights Issue	194	280
Current Account [including Remittances in transit of Rs.10,069 thousands ( 31.03.09 Rs. 9,462 thousands)]	44,759	60,059
Unpaid Dividend Account	134	138
Term Deposit with The Municipal Cooperative Bank Ltd.	225	225
	<b>69,409</b>	<b>78,093</b>

- Previous year's figures have been regrouped or rearranged, where considered necessary.  
This is the Cash Flow Statement referred to in our report of even date

For Price Waterhouse  
Firm Registration No. 301112 E  
Chartered Accountants  
(P Law)

Kolkata,  
22nd June, 2010

Partner  
Membership No. - 51790

On behalf of the Board

T. Paul  
Company Secretary

A. Nagpal  
Managing Director

S. Banerjee  
Director

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATED TO SUBSIDIARY COMPANIES

Name of the Subsidiary	Saregama Plc.	RPG Global Music Limited	Kolkata Metro Networks Ltd	Open Media Network Private Limited
1. Financial year of the subsidiary ended on	Year ended 31st March, 2010	Year ended 31st March, 2010	Year ended 31st March, 2010	Period ended 31st March, 2010
2. Shares of the subsidiary held by the Company on the above date :				
(a) Number and Face value	7,012,222 Equity shares of 1 pence each, fully paid	2,314,885 Equity shares of US \$ 1 each, fully paid	50,000 Equity shares of Rs.10 each, fully paid	10,000 Equity shares of Rs.10 each, fully paid
(b) Extent of holding	70.23%	100.00%	100.00%	100.00%
3. Net aggregate amount of profits/(losses) of the subsidiary for the above financial year not dealt with in the Company's accounts :				
(i) for the financial year of the subsidiary	(GBP 1,056)	(Rs. 45,67,457)	(Rs. 38,65,246)	(Rs. 20,63,62,564)
(ii) for the previous financial years/period since it became a subsidiary	(GBP 5,85,041)	(Rs. 12,07,57,900)	(Rs. 8,81,192)	(Rs. 8,81,08,219)
4. Net aggregate amount of profits/(losses) of the subsidiary for the above financial year dealt with in the Company's accounts :				
(i) for the financial year of the subsidiary	Nil	Nil	Nil	Nil
(ii) for the previous financial years/period since it became a subsidiary	GBP 98,172	Nil	Nil	Nil

On behalf of the Board

Kolkata,  
22nd June, 2010T. Paul  
Company SecretaryA. Nagpal  
Managing DirectorS. Banerjee  
Director

## DIRECTORS' REPORT

### COMPANY INFORMATION

#### Directors

G B Aayeer (non-executive director)  
A Nagpal (non-executive director)  
P K Mohapatra (non-executive director)

#### Secretary

A Jha

#### Registered Office

Unit 14, Europa Studios  
Victoria Road  
London NW10 6 ND

#### Auditors

Hanson Burnells  
Chartered Certified Accountants and  
Registered Auditors  
Third Floor, Stanmore House  
15-19 Church Road  
Stanmore  
Middlesex HA7 4AR  
United Kingdom

#### Accounts & Tax Advisors

Hanson Burnells  
Chartered Certified Accountants  
Third Floor, Stanmore House  
15-19 Church Road  
Stanmore  
Middlesex HA7 4AR  
United Kingdom

#### Bankers

Canara Bank  
Longbow House  
14-20 Chiswell Street  
London EC1Y 4TW

#### Company's Registered Number

3736163

### Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31st March, 2010.

#### Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company at the end of the period and of the profit or loss of the company for that period. The Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware :

- there is no relevant audit information (information needed by the Company's Auditors in connection with preparing their report) of which the Company's Auditors are unaware, and
- the Directors have taken all the steps that they ought to have taken to make aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

## DIRECTORS' REPORT (contd.)

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### Financial Risk Management

The Company is aware of the various financial risks, faced by it in day-to-day business. The Company has formulated an effective risk management policy to mitigate the adverse impact on its financial performance on account of various risks such as credit, foreign exchange, technology, fraud etc.

The small size of the operations and lean structure of the Company does not necessitate the requirement to have a separate sub-committee of the Board of Directors for management of the risk policy. The Board of Directors however has laid down various policy initiatives for the operating personnel to manage various risks.

### Credit Risk

The Company's exposure to credit risk is moderate and is managed through a mix of initiatives like obtaining post-dated cheques, entering into legally sound and enforceable agreements, monitoring of credit exposure within the limits fixed for various customers. The doubtful debts arising out of factors like dealer closure are immediately recognised and provided for in the accounts.

### Foreign Exchange Risk

The Company is moderately exposed to the risk of fluctuations in exchange rates of various foreign currencies due to its imports from India and exports to various countries. This risk is managed through a discipline of operating within budgeted rates of imports and exports. For major exposures, the Company secures itself by taking currency hedge from banks.

### Technology Risk

Due to constant changes in technology, the music industry faces the risk of the formats becoming obsolete over a short period of time. The Company in recognising this risk factor focuses on inventory management where the inventory of dying formats like music cassettes is kept at a minimal level backed by the creation of an appropriate provision in the books for slow-moving inventory.

### Fraud Risk

The Company has low exposure to fraud risk with strong internal control systems in place.

### Results & Dividends

The loss after taxation for the year ending 31st March, 2010 amounted to £1,504, (2009 - £39,182). The Company experienced a drop in its physical sales during the year ended 31st March, 2010. This was a result of worldwide trend in the music industry.

The total sales revenue in the current year increased at £1,514,550, (2009 - £1,068,768). The company continued its foray into live events by organising two successful concerts in U.K. The Company continued its initiatives to penetrate the mainstream markets of North America and Canada and similarly in U.K.

Income from Live Events in the current year increased to £694,850 from £128,997 in the previous year. This was the result of the Company's continuing efforts to organise concerts by bringing reputed artists from South East Asia.

Like in the previous year, the board does not propose a dividend in respect of the year ended 31st March, 2010 in view of the accumulated losses.

### Principal activities and review of the business

The Company's principal activities continue to be that of selling predominantly Indian music through physical formats of compact discs and publishing of music in key international markets through traditional and modern distribution channels. We have added the live events vertical of business to our existing business.

## DIRECTORS' REPORT *(contd.)*

### Substantial shareholdings

Save as disclosed below, as at 31st March, 2010 (the Directors are not aware of any person or persons who hold more than 3 % of the issued share capital of the Company) the Company has been advised of the following holdings representing 3% or more in its issued Ordinary shares:

	Number of Ordinary shares	% of Share Capital
Saregama India Limited	7,012,222	70.23%
BTS Investment Fund	616,850	6.18%
Goldman Sachs Securities	591,294	5.92%

### Auditors

Re-appointment of the Auditors of your Company, who retires at the ensuing Annual General Meeting, shall be in accordance with Section 487(2) of the Companies Act, 2006.

This report was approved by the Board of Directors on June 22, 2010 and signed on its behalf.

G. B. Aayeer  
Director  
June 22, 2010

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SAREGAMA PLC

We have audited the financial statements of Saregama Plc for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Directors and Auditors

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; and the overall presentation of the financial statements.

#### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Opinion on other matter prescribed by the Companies Act 2006.

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Hanson Burnells  
Chartered Certified Accountants and  
Registered Auditors  
Date: 22nd June 2010

Third Floor Stanmore House  
15-19 Church Road  
Stanmore  
Middlesex HA7 4AR, UK

## BALANCE SHEET

### Balance Sheet as at 31st March, 2010

Schedule		As at 31st March, 2010				As at 31st March, 2009			
		GBP		INR 000		GBP		INR 000	
Sources of Funds									
Shareholders' Funds									
Share Capital	I	99,850.00		6,924.00		99,850.00		6,924.00	
Reserves and Surplus	II	2,391,113.00	2,490,963.00	166,638.00	173,562.00	2,391,113.00	2,490,963.00	166,638.00	173,562.00
Loan Funds									
Secured Loans	III	296,199.57		20,420.00		203,275.19		15,007.81	
Unsecured Loans	IV	—	296,199.57	—	20,420.00	—	203,275.19	—	15,007.81
			2,787,162.57		193,982.00		2,694,238.19		188,569.81
Application of Funds									
Fixed Assets		V							
Gross Block		2,191,550.67		143,729.10		2,191,550.67		143,729.10	
Less : Depreciation		1,290,741.15		66,299.21		1,190,542.79		59,450.63	
Net Block		900,809.52		77,429.89		1,001,007.88		84,278.47	
Capital Work in Progress		—	900,809.52	—	77,429.89	—	1,001,007.88	—	84,278.47
Investments	VI		—		—		—		—
Current Assets, Loans and Advances									
Inventories	VII	212,841.00		14,285.89		206,841.39		14,894.65	
Debtors	VIII	1,127,846.34		75,701.04		843,033.70		60,706.85	
Cash and Bank Balances	IX	53,431.75		3,586.34		87,793.97		6,322.04	
Loans and Advances	X	16,653.50		1,117.78		12,297.27		885.53	
		1,410,772.59		94,691.05		1,149,966.33		82,809.07	
Less: Current Liabilities and Provisions									
Current Liabilities	XI	358,959.56		24,772.25		289,771.85		21,393.86	
Provisions	XII	—		—		—		—	
		358,959.56		24,772.25		289,771.85		21,393.86	
Net Current Assets			1,051,813.03		69,918.80		860,194.48		61,415.21
Profit and Loss Account			834,540.02		46,633.31		833,035.83		42,876.13
			2,787,162.57		193,982.00		2,694,238.19		188,569.81
Statement on Significant Accounting Policies		XIX							
Notes to Accounts		XX							

## PROFIT AND LOSS ACCOUNT

For the year ended 31st March, 2010

	Schedule	12 Months ended 31st March, 2010		12 Months ended 31st March, 2009	
		GBP	INR 000	GBP	INR 000
<b>Income</b>					
Sales and Licence Fees	XIII	819,700.02	62,461.15	939,771.07	74,364.08
Other Income	XIV	694,849.80	52,947.55	128,997.00	10,208.00
		<u>1,514,549.82</u>	<u>115,408.70</u>	<u>1,068,768.07</u>	<u>84,572.08</u>
<b>Expenditure</b>					
Materials and Films/Serials	XV	53,201.10	5,119.85	8,192.16	2,054.22
Expenses	XVI	1,351,967.44	106,383.09	906,697.81	75,514.23
Interest	XVII	10,687.11	814.36	14,497.25	1,147.17
Depreciation		100,198.36	6,848.58	100,198.36	6,848.58
Transferred from Fixed Assets					
Revaluation Reserve					
		<u>1,516,054.01</u>	<u>119,165.88</u>	<u>1,029,585.58</u>	<u>85,564.20</u>
<b>Profit/ (Loss) from Operations</b>		<b>(1,504.19)</b>	<b>(3,757.18)</b>	39,182.49	(992.12)
Extraordinary Items		—	—	—	—
<b>Profit/ (Loss) before taxation</b>		<b>(1,504.19)</b>	<b>(3,757.18)</b>	39,182.49	(992.12)
Provision for Taxation					
Current Tax		—	—	—	—
Deferred Tax		—	—	—	—
<b>Profit/ (Loss) after taxation</b>		<b>(1,504.19)</b>	<b>(3,757.18)</b>	39,182.49	(992.12)
Basic and Diluted Earnings per share (GBP/Rs.)	XVIII	—	<b>(0.38)</b>	0.004	(0.10)
<b>Statement on Significant Accounting Policies</b>	XIX				
<b>Notes to Accounts</b>	XX				

## SCHEDULES TO THE ACCOUNTS

### SCHEDULE I

	As at 31st March, 2010		As at 31st March, 2009	
	GBP	INR 000	GBP	INR 000
<b>Share Capital</b>				
Authorised				
10000000 Ordinary Shares of 1pence each				
Issued, subscribed and paid up				
No of Shares      Held By				
7,012,222      SIL- on 16.03.99	70,122.22	4,852.00	70,122.22	4,852.00
322,778      Directors & Financial Advisors - on 10.08.99	3,227.78	225.00	3,227.78	225.00
2,450,000      Public on 10.08.99	24,500.00	1,710.00	24,500.00	1,710.00
200,000      Others - Oasis April/ May 2000	2,000.00	137.00	2,000.00	137.00
9,985,000	99,850.00	6,924.00	99,850.00	6,924.00

### SCHEDULE II

	As at 31st March, 2010		As at 31st March, 2009	
	GBP	INR 000	GBP	INR 000
<b>Reserves and Surplus</b>				
<b>Reserves:</b>				
<b>Share Premium Account</b>				
Balance as per last Account	2,391,113.00	166,638.00	2,391,113.00	166,638.00
Add: Additions during the year (if any)	—	—	—	—
Closing Balance	2,391,113.00	166,638.00	2,391,113.00	166,638.00
<b>Profit and Loss Account</b>				
Balance as per last Account	(833,035.83)	(42,876.13)	(872,218.32)	(41,883.54)
	(833,035.83)	(42,876.13)	(872,218.32)	(41,883.54)
Reserves on Unrealised Foreign Exchange	—	—	—	—
Current period's Profit / (Loss)	(1,504.19)	(3,757.18)	39,182.49	(992.59)
Balance carried forward to Balance Sheet	(834,540.02)	(46,633.31)	(833,035.83)	(42,876.13)

### SCHEDULE III

	As at 31st March, 2010		As at 31st March, 2009	
	GBP	INR 000	GBP	INR 000
<b>Secured Loans</b>				
Bank Borrowings for Working Capital:				
Cash Credit	296,199.57	20,420.00	203,275.19	15,007.81
(Secured against Book Debts and Stocks)	296,199.57	20,420.00	203,275.19	15,007.81

**SCHEDULES TO THE ACCOUNTS (contd.)****SCHEDULE IV**

	As at 31st March, 2010		As at 31st March, 2009	
	GBP	INR 000	GBP	INR 000
<b>Unsecured Loans</b>				
Short Term Loan from bank	—	—	—	—
Dealers' Security Deposits	—	—	—	—
Interest accrued and due	—	—	—	—
	—	—	—	—
	—	—	—	—

**SCHEDULE V**

GBP

Fixed Assets	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	Cost/ Valuation as at 31st March, 2009	Additions during the period	Deletions/ Adjustments during the period	Cost/ Valuation as at 31st March, 2010	As at 31st March, 2009	On Deletions/ Adjustments during the period	As at 31st March, 2010	As at 31st March, 2010	As at 31st March, 2009
Land - Freehold	—	—	—	—	—	—	—	—	—
- Leasehold	—	—	—	—	—	—	—	—	—
Buildings	—	—	—	—	—	—	—	—	—
Leasehold Buildings	—	—	—	—	—	—	—	—	—
Company Website	89,367	—	—	89,367	89,367	—	89,367	—	—
Furniture, Fittings and Equipment	36,424.77	—	—	36,424.77	35,415.79	198.36	35,614.15	810.62	1,008.98
Vehicles	13,100.00	—	—	13,100.00	13,100.00	—	13,100.00	—	—
Copyrights	2,052,658.90	—	—	2,052,658.90	1,052,660.00	100,000.00	1,152,660.00	899,998.90	999,998.90
<b>Total</b>	<b>2,191,550.67</b>	<b>—</b>	<b>—</b>	<b>2,191,550.67</b>	<b>1,190,542.79</b>	<b>100,198.36</b>	<b>1,290,741.15</b>	<b>900,809.52</b>	<b>1,001,007.88</b>
Capital - Work in Progress	—	—	—	—	—	—	—	—	—

**SCHEDULE V**

INR '000

Fixed Assets	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	Cost/ Valuation as at 31st March, 2009	Additions during the period	Deletions/ Adjustments during the period	Cost/ Valuation as at 31st March, 2010	As at 31st March, 2009	On Deletions/ Adjustments during the period	As at 31st March, 2010	As at 31st March, 2010	As at 31st March, 2009
Land - Freehold	—	—	—	—	—	—	—	—	—
- Leasehold	—	—	—	—	—	—	—	—	—
Buildings	—	—	—	—	—	—	—	—	—
Leasehold Buildings	—	—	—	—	—	—	—	—	—
Company Website	—	—	—	—	—	—	—	—	—
Furniture, Fittings and Equipment	2,495.10	—	—	2,495.10	1,931.67	13.59	1,945.26	549.84	563.43
Vehicles	935.00	—	—	935.00	935.00	—	935.00	—	—
Copyrights	140,299.00	—	—	140,299.00	56,583.96	6,834.99	63,418.95	76,880.05	83,715.04
<b>Total</b>	<b>143,729.10</b>	<b>—</b>	<b>—</b>	<b>143,729.10</b>	<b>59,450.63</b>	<b>6,848.58</b>	<b>66,299.21</b>	<b>77,429.89</b>	<b>84,278.47</b>
Previous Period	143,729.10	—	—	143,729.10	52,602.05	6,848.58	59,450.63	84,278.47	—
Capital - Work in Progress	—	—	—	—	—	—	—	—	—

## SCHEDULES TO THE ACCOUNTS (contd.)

### SCHEDULE VI

Investments	Number			GBP	
	As at 31st March, 2010	As at 31st March, 2009	Face Value of each share/unit GBP	Book Value As at 31st March, 2010	Book Value As at 31st March, 2009
Long-term - Other than Trade (unless otherwise stated)					
1. FULLY PAID DEBENTURES					
Unquoted	—	—	—	—	—
Quoted	—	—	—	—	—
2. FULLY PAID EQUITY SHARES					
Quoted	—	—	—	—	—
Unquoted - Trade	—	—	—	—	—
3. FULLY PAID EQUITY SHARES IN SUBSIDIARY COMPANIES					
Aggregate Book Value of Investments in Shares etc. :					
Quoted	—	—	—	—	—
Unquoted	—	—	—	—	—
Aggregate Market Value of Quoted Investments in Shares etc.	—	—	—	—	—
				—	—
				—	—

### SCHEDULE VII

	As at 31st March, 2010		As at 31st March, 2009	
	GBP	INR 000	GBP	INR 000
<b>Inventories</b>				
Finished Goods				
SIL	212,841.00	14,285.89	206,841.39	14,894.65
	212,841.00	14,285.89	206,841.39	14,894.65

**SCHEDULES TO THE ACCOUNTS (contd.)****SCHEDULE VIII**

	As at 31st March, 2010		As at 31st March, 2009	
	GBP	INR 000	GBP	INR 000
<b>Debtors</b>				
Unsecured				
Debts outstanding for over six months :				
Considered Good	—	—	—	—
Considered Good - RPPG	36,722.29	2,464.80	36,722.29	2,644.37
Considered Doubtful	—	—	9,248.30	665.97
Debts outstanding for less than six months :				
Trade debtors	773,119.85	51,891.80	449,279.13	32,352.59
Considered Good - SIL	84,730.08	5,687.08	84,730.08	6,101.41
Considered Good - RPPG	233,274.12	15,657.36	272,302.20	19,608.48
	1,127,846.34	75,701.04	852,282.00	61,372.82
Less : Provision for Doubtful Debts	—	—	(9,248.30)	(665.97)
	1,127,846.34	75,701.04	843,033.70	60,706.85

**SCHEDULE IX**

	As at 31st March, 2010		As at 31st March, 2009	
	GBP	INR 000	GBP	INR 000
<b>Cash and Bank Balances</b>				
Cash in hand	200.00	13.42	3,410.82	245.61
Bank Balances with Banks on -				
Current Account	53,231.75	3,572.92	84,383.15	6,076.43
	53,431.75	3,586.34	87,793.97	6,322.04

## SCHEDULES TO THE ACCOUNTS (contd.)

### SCHEDULE X

	As at 31st March, 2010		As at 31st March, 2009	
	GBP	INR 000	GBP	INR 000
<b>Loans and Advances</b>				
Unsecured - considered good (unless otherwise stated below)				
Advances to Sundry Creditors	16,653.50	1,117.78	12,297.27	885.53
	<u>16,653.50</u>	<u>1,117.78</u>	<u>12,297.27</u>	<u>885.53</u>

### SCHEDULE XI

	As at 31st March, 2010		As at 31st March, 2009	
	GBP	INR 000	GBP	INR 000
<b>Current Liabilities</b>				
Acceptances	—	—	—	—
Sundry Creditors (Others)	33,738.63	2,325.94	32,204.61	2,377.67
SIL & RPPG				
SIL	267,378.30	18,433.06	215,438.23	15,905.80
RPPG	21,346.68	1,471.64	21,346.68	1,576.03
Other Liabilities	28,162.95	1,941.55	12,449.33	919.13
SIL	8,333.00	600.06	8,333.00	615.23
	<u>358,959.56</u>	<u>24,772.25</u>	<u>289,771.85</u>	<u>21,393.86</u>

**SCHEDULES TO THE ACCOUNTS (contd.)**
**SCHEDULE XII**

	As at 31st March, 2010		As at 31st March, 2009	
	GBP	INR 000	GBP	INR 000
<b>Provisions</b>				
Proposed Dividend	—	—	—	—
Provision for Leave Encashment / Gratuity	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

**SCHEDULE XIII**

	Year ended 31st March, 2010			Year ended 31st March, 2009		
	Qty '000	GBP	INR 000	Qty '000	GBP	INR 000
<b>Sales and Licence Fees</b>						
Compact Discs	109.00	172,858.73	13,171.84	140.00	232,211.70	18,374.91
Licence Fees	—	644,766.55	49,131.21	—	702,262.64	55,570.04
Others - DVD	1.00	2,074.74	158.10	3.00	5,296.73	419.13
		<u>819,700.02</u>	<u>62,461.15</u>		<u>939,771.07</u>	<u>74,364.08</u>

## SCHEDULES TO THE ACCOUNTS (contd.)

### SCHEDULE XIV

	Year ended 31st March, 2010		Year ended 31st March, 2009	
	GBP	INR 000	GBP	INR 000
<b>Other Income</b>				
Provision for Doubtful debts written back	—	—	—	—
Exchange Difference Gain (net)	—	—	—	—
Others (event income)	694,849.80	52,947.55	128,997.00	10,208.00
	<u>694,849.80</u>	<u>52,947.55</u>	<u>128,997.00</u>	<u>10,208.00</u>

### SCHEDULE XV

	Year ended 31st March, 2010		Year ended 31st March, 2009	
	GBP	INR 000	GBP	INR 000
<b>Materials and Films/Serials</b>				
<b>Materials-</b>				
Raw Materials consumed				
Purchase of Goods				
SIL	15,933.25	1,214.11	17,273.59	1,366.86
Others	43,267.46	3,296.98	26,626.90	2,106.99
Opening Stocks – Finished Goods	206,841.39	14,894.65	171,133.06	13,475.02
Closing Stocks – Finished Goods	(212,841.00)	(14,285.89)	(206,841.39)	(14,894.65)
	<u>53,201.10</u>	<u>5,119.85</u>	<u>8,192.16</u>	<u>2,054.22</u>

**SCHEDULES TO THE ACCOUNTS (contd.)****SCHEDULE XVI**

	Year ended 31st March, 2010		Year ended 31st March, 2009	
	GBP	INR 000	GBP	INR 000
<b>Expenses</b>				
Salaries, Wages, Bonus, etc.	142,056.50	10,824.71	201,292.32	15,928.26
Power and Fuel	1,617.34	123.24	2,031.52	160.75
Rent (net)	37,864.97	2,885.31	53,851.13	4,261.24
Repairs - Others	1,409.55	107.41	2,455.93	194.34
Royalties				
SIL	464,597.48	35,402.33	537,336.75	42,519.46
Others	472.19	35.98	—	—
Carriage and Freight	35,529.01	2,707.31	51,529.20	4,077.51
Insurance	5,261.47	400.92	10,647.59	842.54
Travel and Conveyance	32,039.05	2,441.38	19,314.77	1,528.38
Advertisement and Sales Promotion	13,076.81	996.45	21,867.84	1,730.40
Printing and Communication Expenses	15,444.90	1,176.90	18,861.77	1,492.53
Provision for Doubtful Debts charged back	(9,248.30)	(704.72)	(145,718.20)	(11,530.68)
Exchange Difference	128,635.21	9,802.00	(106,295.97)	(8,411.20)
Exchange Difference on Conversion	—	3,363.18	—	3,767.23
Event Expenses	384,692.18	29,313.54	137,660.00	10,893.04
Miscellaneous Expenses	98,519.08	7,507.15	101,863.16	8,060.43
	<u>1,351,967.44</u>	<u>106,383.09</u>	<u>906,697.81</u>	<u>75,514.23</u>

**SCHEDULE XVII**

	Year ended 31st March, 2010		Year ended 31st March, 2009	
	GBP	INR 000	GBP	INR 000
<b>Interest</b>				
Interest on :				
Fixed Loans	—	—	—	—
Bank and other accounts	10,687.11	814.36	14,497.25	1,147.17
	<u>10,687.11</u>	<u>814.36</u>	<u>14,497.25</u>	<u>1,147.17</u>
<b>SCHEDULE XVIII</b>				
Basic and Diluted Earnings per share (GBP/Rs.)	—	(0.38)	0.004	(0.10)

## SCHEDULES TO THE ACCOUNTS (contd.)

### SCHEDULE XIX

#### Significant Accounting Policies

##### 1. Fixed Assets

Fixed assets are stated at cost less depreciation

##### 2. Capital work-in-progress

These are stated at cost

##### 3. Depreciation

Depreciation is provided at the following annual rates in order to write-off each asset over its useful life after adjustment of any impairment losses.

Furniture & fixtures - 15% on cost

Motor Vehicles - 25% on cost

Company website - 20% on cost

##### 4. Investments

Investments in shares and securities are stated at cost/cost less written down in respect of diminution other than temporary in the carrying amount as determined by the Board of Directors based on periodical review.

##### 5. Inventories

Inventory items are valued at lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

##### 6. Retirement Benefits

Gratuity and Superannuation – Accrued liabilities recognised and funded through the parent company.

##### 7. Sales and Licence fees

Sales represents net invoiced sales of goods excluding value added tax. Income is recognised on the sale of goods on the invoice date, that is the date the product is despatched to customers. Licence fees represents publishing income.

##### 8. Royalty

Royalty receivable are recognised as income when earned. Royalty payable are recognised upon delivery of music tapes or compact discs to customers.

##### 9. Foreign currency transaction

Foreign currency transactions are translated at the applicable exchange rates prevailing on the date of transaction. Current assets and liabilities are converted at period end rates.

The resultant exchange differences (other than those relating to fixed assets, which are adjusted with fixed assets) are dealt with in the Profit and Loss account.

##### 10. Recognition of Income and Expenditure

Items of income and expenditure are recognised on accrual (except where there are significant uncertainties) and prudent basis.

## SCHEDULES TO THE ACCOUNTS (contd.)

### Significant Accounting Policies (contd.)

#### 11. Taxes on income

Current tax is determined as the amount of tax payable in respect of taxable income for the period based on applicable tax rate and laws.

Deferred tax is recognised, subject to consideration of prudence in respect of deferred tax asset, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods and is measured using tax rates and laws that have enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are periodically reviewed to reassess realisation thereof.

## SCHEDULE XX

### Notes to Account

	As at 31st March, 2010 GBP	As at 31st March, 2009 GBP
1 Capital commitments (net of advances of GBP - Nil; Previous year - GBP -Nil)	None	None
2 Contingent liabilities in respect of -		
(a) Counter guarantee given to Bankers	None	None
(b) Claims against the Company not acknowledged as debts in respect of -		
Sales Tax matters under dispute	None	None
Income-tax matters under dispute	None	None
Others	None	None
	<b>Twelve Months ended 31st March, 2010 GBP</b>	<b>Twelve Months ended 31st March, 2009 GBP</b>
3 Remuneration paid/payable		
Salaries and Allowances	—	—
Contribution to Provident, Gratuity and Superannuation Funds	—	—
Perquisites	—	—
	—	—
Director Fees (Sitting Fees)	—	—
	—	—
	—	—

## SCHEDULES TO THE ACCOUNTS (contd.)

### Notes to Account (contd.)

	As at 31st March, 2010 GBP	As at 31st March, 2009 GBP
4 Details of Deferred tax asset/liability :		
Deferred Tax Asset on -		
Unabsorbed depreciation	2,520*	3,151*
Payment under Voluntary Retirement Scheme	—	—
Business Loss	—	—
Disallowances allowable for tax purpose on payment		
Capital Loss	—	—
Others	—	—
Total (A)	2,520*	3,151*
Deferred Tax Liability on -		
Depreciation	—	—
Royalty Amortisation	—	—
Total (B)	—	—
Net (A-B)	2,520*	3,151*

(Mark '\*' against the figures not recognised in accounts )

## RPG GLOBAL MUSIC LIMITED

### DIRECTORS' REPORT

Our Directors have pleasure in presenting their ninth annual report together with the audited accounts for the twelve months ended 31st March, 2010.

#### Financial Performance

Our Company's financial results are summarized as below :

(Rs. in lakhs)

	Year Ended 31st March, 2010	Year Ended 31st March, 2009
Total Income	65	112
Profit/(Loss) from Operations	(46)	(78)
Extraordinary items	—	—
Profit/(Loss) before tax	(46)	(78)
Profit/(Loss) after tax and extraordinary Items	(46)	(78)
Dividend (including tax thereon)	—	—
Transfer to General Reserve	—	—
Reserve (excluding revaluation reserve)	—	—

#### Dividend

In view of the carried forward losses from previous years, your Directors regret their inability to recommend any dividend for the year.

#### Operations

Your Company is continuing to have carry forward losses aggregating to Rs.1253.25 lakhs due to the high amortization charges.

#### Audit

Though there are no requirements under laws of Mauritius for statutory audit of financial statements, these accounts however have been audited by Vidya & Company, Chartered Accountants, Kolkata and their report is attached.

By order of the Board

Kolkata  
27th May, 2010

B. L. Chandak  
Director

G. B. Aayeer  
Director

## AUDITORS' REPORT

### The Board of Directors

#### RPG Global Music Limited

1. We have audited (for management purposes) the attached Balance Sheet of **RPG Global Music Limited** as at 31st March, 2010 and the related Profit & Loss Account for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management and prepared by you in keeping with the generally accepted accounting principles followed in India. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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 have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
4. In our opinion, proper books of account have been kept by the company so far as appears from our examination of those books ( including overseas locations not visited by us ) as made available to us in India.
5. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with books of account.
6. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto ( in particular Note 2 on Schedule XI to Accounts regarding preparation of accounts on going concern basis) give a true and fair view in conformity with the accounting principles generally accepted in India :
  - ( i ) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010 ; and
  - ( ii ) in the case of Profit and Loss Account, of the loss for the year ended on that date.

KOLKATA  
DATE : 27th May, 2010

For VIDYA & CO.  
Chartered Accountants  
( JITENDRA NAGAR )  
Partner  
Membership No. : 55659

**BALANCE SHEET**

Balance Sheet as at 31st March, 2010

(Rupees in Thousands)

	Schedule	As at 31st March, 2010	As at 31st March, 2009
<b>Sources of Funds</b>			
<b>Shareholders' Funds</b>			
Share Capital	I	102,620.06	102,620.06
<b>Loan Funds</b>		—	—
		<u>102,620.06</u>	<u>102,620.06</u>
<b>Application of Funds</b>			
<b>Fixed Assets</b>	II		
Gross Block		59,952.13	59,952.13
Less : Depreciation		40,865.90	34,865.90
Net Block		<u>19,086.23</u>	<u>25,086.23</u>
<b>Current Assets, Loans and Advances</b>			
Sundry Debtors	III	4,297.44	6,741.14
Cash and Bank Balances	IV	2,657.48	2,913.63
Loans and Advances	V	21.20	815.02
		<u>6,976.12</u>	<u>10,469.79</u>
<b>Less: Current Liabilities and Provisions</b>			
Current Liabilities	VI	48,767.63	53,693.86
		<u>48,767.63</u>	<u>53,693.86</u>
<b>Net Current Assets</b>		<u>(41,791.51)</u>	<u>(43,224.07)</u>
<b>Profit and Loss Account (DR.)</b>		<u>125,325.34</u>	<u>120,757.90</u>
		<u>102,620.06</u>	<u>102,620.06</u>
<b>Notes on Accounts</b>	XI		

The schedules referred to above and attached notes form an integral part of the accounts.

This is the Balance Sheet referred to in our report of even date.

(Jitendra Nagar)  
 Partner  
 Membership No.55659  
 For and on behalf of  
 Vidya & Co.  
 Chartered Accountants

On behalf of the Board

Kolkata,  
 27th May, 2010

B. L. Chandak  
 Director

G. B. Aayeer  
 Director

## PROFIT AND LOSS ACCOUNT

Profit and Loss Account for the year ended 31st March, 2010

(Rupees in Thousands)

	Schedule	Twelve Months ended 31st March, 2010	Twelve Months ended 31st March, 2009
<b>Income</b>			
Sales and Licence Fees	VII	6,462.22	11,214.78
Other Income	VIII	2,042.90	398.48
		<u>8,505.12</u>	<u>11,613.26</u>
<b>Expenditure</b>			
Purchases	IX	1,318.71	1,384.36
Expenses	X	5,753.87	12,030.11
Depreciation		6,000.00	6,000.00
		<u>13,072.58</u>	<u>19,414.47</u>
<b>Loss before taxation</b>		(4,567.46)	(7,801.21)
Provision for Taxation		—	—
<b>Loss after taxation</b>		(4,567.46)	(7,801.21)
Loss brought forward from previous year		(120,757.90)	(112,956.69)
Balance carried to Balance Sheet		<u>(125,325.34)</u>	<u>(120,757.90)</u>
<b>Notes on Accounts</b>	XI		

The schedules referred to above and attached notes form an integral part of the accounts.

This is the Profit & Loss Account referred to in our report of even date.

(Jitendra Nagar)  
Partner  
Membership No.55659  
For and on behalf of  
Vidya & Co.  
Chartered Accountants

On behalf of the Board

Kolkata,  
27th May, 2010

B. L. Chandak  
Director

G. B. Aayeer  
Director

## SCHEDULES TO THE ACCOUNTS

### SCHEDULE I

	As at 31st March, 2010	As at 31st March, 2009
<b>Share Capital</b>		
<b>Authorised</b>		
40,00,000 Equity shares of USD 1 each	USD 40,00,000 (Rupees in thousands)	USD 40,00,000 (Rupees in thousands)
<b>Issued, Subscribed and Paid up</b>	102,620.06	102,620.06
23,14,885 (Previous Period-23,14,885) Equity shares of USD 1/- each, fully paid-up in cash.	102,620.06	102,620.06

Note: Entire issued capital is held by Saregama India Ltd., the holding company

### SCHEDULE II

FIXED ASSETS										Rs.'000
GROSS BLOCK					DEPRECIATION			NET BLOCK		
Particulars	Cost as at 1st April 2009	Additions during the year	Deletions during the year	Cost as at 31st March 2010	As at 1st April 2009	For the Year	On Deletions during the year	As at 31st March 2010	As at 31st March 2010	As at 31st March, 2009
Copyrights	59,952.13	—	—	59,952.13	34,865.90	6,000.00	—	40,865.90	19,086.23	25,086.23
<b>Total</b>	<b>59,952.13</b>	<b>—</b>	<b>—</b>	<b>59,952.13</b>	<b>34,865.90</b>	<b>6,000.00</b>	<b>—</b>	<b>40,865.90</b>	<b>19,086.23</b>	<b>25,086.23</b>
Previous Period	59,952.13	—	—	59,952.13	28,865.90	6,000.00	—	34,865.90	25,086.23	

### SCHEDULE III

(Rupees in thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Sundry Debtors</b>		
Unsecured		
Debts outstanding for over six months :		
Considered Good	2,407.14	1,998.67
Considered Doubtful	3,723.94	2,883.94
Other debts		
Considered Good	1,890.30	4,742.47
Considered Doubtful	—	—
	8,021.38	9,625.08
Less : Provision for Doubtful Debts	3,723.94	2,883.94
	4,297.44	6,741.14

## SCHEDULES TO THE ACCOUNTS (contd.)

### SCHEDULE IV

(Rupees in thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Cash and Bank Balances</b>		
Bank Balances in Current Account	2,657.48	2,913.63
	<u>2,657.48</u>	<u>2,913.63</u>

### SCHEDULE V

(Rupees in thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Loans and Advances</b>		
Others	21.20	815.02
	<u>21.20</u>	<u>815.02</u>

### SCHEDULE VI

(Rupees in thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Liabilities</b>		
Sundry Creditors	42,052.64	45,797.22
Dealers Security Deposit	6,002.05	5,326.39
Other Liabilities	713.10	2,570.24
	<u>48,767.79</u>	<u>53,693.85</u>

Note: Creditors include Rs. 24760.72 thousands  
[previous period - Rs.24931.53 thousands]  
due to Saregama India Limited, the holding company.

### SCHEDULE VII

(Rupees in thousands)

	Twelve Months ended 31st March, 2010	Twelve Months ended 31st March, 2009
<b>Sales and Licence Fees</b>		
Audio Compact Discs	2,527.31	3,521.31
Video Compact Discs	70.41	100.04
Digital Versatile Discs	171.66	198.64
Licence Fees	3,692.84	7,394.79
	<u>6,462.22</u>	<u>11,214.78</u>

**SCHEDULES TO THE ACCOUNTS (contd.)****SCHEDULE VIII**

(Rupees in thousands)

	Twelve Months ended 31st March, 2010	Twelve Months ended 31st March, 2009
<b>Other Income</b>		
Interest from Bank	—	4.99
Gain on Foreign Exchange Fluctuations	2,042.90	393.48
	<u>2,042.90</u>	<u>398.48</u>

**SCHEDULE IX**

(Rupees in thousands)

	Twelve Months ended 31st March, 2010	Twelve Months ended 31st March, 2009
<b>Purchases</b>		
Purchase & Contract Manufacturing Charges	1,318.71	1,384.36
	<u>1,318.71</u>	<u>1,384.36</u>

**SCHEDULE X**

(Rupees in thousands)

	Twelve Months ended 31st March, 2010	Twelve Months ended 31st March, 2009
<b>Expenses</b>		
Salaries and Allowances	1,714.44	1,395.94
Contribution to provident and other funds	—	128.23
Royalties (Note 4 on Schedule XI)	1,150.14	2,846.75
Travel and Conveyance	120.01	148.14
Advertisement and Sales Promotion	—	55.28
Printing and Communication Expenses	82.25	122.05
Loss on Foreign Exchange Fluctuations	1,113.30	4,553.45
Provision for Doubtful Debts	840.00	2,079.94
Consultancy Expenses	137.07	23.52
Miscellaneous Expenses (Note 6 on Schedule XI)	596.66	676.82
	<u>5,753.87</u>	<u>12,030.11</u>

## SCHEDULES TO THE ACCOUNTS (contd.)

### SCHEDULE XI

#### Notes to the Accounts

1 The Company was incorporated in the Republic of Mauritius as the Global Company on January 7, 2000 and these accounts have been prepared in Indian Rupees (reporting currency) and include overseas activities/ operations in Mauritius, Malaysia, Singapore, Dubai.

#### 2 Significant Accounting Policies :

##### (i) Fixed Assets

Fixed assets including outright acquisition of copyrights are stated at their original cost less depreciation.

##### (ii) Depreciation

Depreciation on tangible items of fixed assets is provided on straight line method at the following rates :

Furniture, Fittings and Equipment	– 15% p.a.
Computer	– 15% p.a.
Vehicles	– 25% p.a.

Outright acquisition of copyrights are depreciated under the straight line method over 10 years.

##### (iii) Inventories

Inventory items are valued at lower of cost and net realisable value.

##### (iv) Foreign Currency Transactions

With regard to operations in functional currencies of overseas locations

- issued capital, fixed assets and related depreciation are translated at historical rates
- revenue and expense items are translated at average rate.

Period-end balances of foreign currency liabilities / receivables and bank balances denominated in foreign currency are translated at the period-end rates and the resultant gains and losses are appropriately recognised as income / revenue charge or adjusted against cost of related items of fixed assets.

##### (v) Retirement Benefits

###### Gratuity and Superannuation :-

Accrued liabilities recognised and funded through holding company.

###### Leave encashment benefits:-

Liability accrued during the period is recognised as a charge.

##### (vi) Sales and Licence Fees

Sales represent invoiced value of products and are net of trade discounts. Licence fees represent income from music rights.

##### (vii) Royalty

Payments towards advances for music rights/licences to use rights are adjustable within 10 years over the licence period.

Other royalty payments are charged at agreed rates on related sales.

##### (viii) Recognition of income and expenditure

Items of Income and Expenditure are recognised on accrual and prudent basis.

**SCHEDULES TO THE ACCOUNTS (contd.)****Notes to the Accounts (Contd.)**

- 3 The Company is a wholly owned subsidiary of Saregama India Limited (SIL) and enjoys financial and other supports from SIL. Despite the year-end losses and resultant erosion of the Company's net worth, management is confident as to the continuance of the Company.
- 4 Royalties (Schedule X) include amortisation of Rs. Nil (previous Period Rs. 685.91 thousands).
- 5 Miscellaneous Expenses (Schedule X) include special audit fees Rs. 150 thousands (Previous Period Rs. 150 thousand).
- 6 Expenses (Schedule X) include reimbursements.
- 7 Related Party Disclosures in keeping with AS 18 issued by ICAI.

<b>Name of the Related Party</b>	<b>Nature of Relationship</b>
Saregama India Limited	Holding Company with 100% holding
Saregama Plc.(SPLC)	Fellow Subsidiary Company
Kolkata Metro Networks Limited (KMNL)	Fellow Subsidiary Company
Saregama Regency Optimedia Pvt. Ltd. (SROPL)	Joint Venture of Holding Company (Saregama India Limited)
Open Media Network Pvt. Ltd. (OMNPL)	Fellow Subsidiary Company

Related Party Transactions for the year ended 31st March, 2010 are as under:

Related Party Transactions:- (Rupees in Thousands)

		Holding Co.	Fellow Subsidiary Company (SPLC)	Fellow Subsidiary Company (KMNL)	Fellow Subsidiary Company (OMNPL)	Joint Venture of Holding Company (Saregama India Limited) (SROPL)	Total Fellow Subsidiary/Joint Venture of Holding Company
License Fees (Expenses)	Current Period	<b>1,150</b>	—	—	—	—	—
	Previous Period	2,161	—	—	—	—	—
Current Liability	Current Period	<b>24,761</b>	<b>17,142</b>	—	—	—	<b>17,142</b>
	Previous Period	24,932	20,716	—	—	—	20,716
Purchase of Goods	Current Period	<b>1,319</b>	—	—	—	—	—
	Previous Period	1,384	—	—	—	—	—
Expense Reimbursement	Current Period	<b>1,011</b>	—	—	—	—	—
	Previous Period	1,088	—	—	—	—	—
Repayment of Advance	Current Period	<b>1,182</b>	—	—	—	—	—
	Previous Period	7,805	—	—	—	—	—

- 8 Previous year's figures have been regrouped or rearranged, where considered necessary.

Signatures to Schedules I to XI

This is the Balance Sheet referred to in our report of even date.

(Jitendra Nagar)  
Partner  
Membership No.55659  
For and on behalf of  
Vidya & Co.  
Chartered Accountants

On behalf of the Board

Kolkata,  
27th May, 2010

B. L. Chandak  
Director

G. B. Aayeer  
Director

## DIRECTORS' REPORT

Your Directors present the Annual Report of Kolkata Metro Networks Limited along with the audited accounts for the year ended 31st March, 2010.

### Financial Performance

The performance of your Company for the year ended 31st March, 2010 is summarised below:

(Rs. in lakhs)

	Year ended 31st March '10	Year ended 31st March '09
Total income	Nil	Nil
Profit/(Loss) from operations	(38.65)	(8.33)
Extraordinary item	Nil	Nil
Provision for Contingencies	Nil	Nil
Profit/(Loss) before tax	(38.65)	(8.33)
Provision for Taxation	Nil	Nil
Net profit/(Loss) (after tax and extraordinary items)	(38.65)	(8.33)
Dividend (including tax thereon)	—	—
Transfer to general reserve	—	—
Reserves (excluding revaluation reserves)	—	—

### Holding company

The entire paid up share capital of your Company was acquired by Saregama India Limited with effect from 30th October, 2006 by virtue of which your Company became a 100% subsidiary of Saregama India Limited with effect from that date.

### Operations

Your Company is in the process of setting up a web-based portal for hosting of audio, audio-visual and other content relating to entertainment and media. Your Company is also in discussions with several entertainment players for hosting their content on this web-based portal.

### Directors' Responsibility Statement

In terms of the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors state:

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

### Particulars of Employees

The Company has no employee of the category specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

**DIRECTORS' REPORT (contd.)**

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**Directors**

In terms of Article 121 of the Articles of Association, Mr. S. Bhandari retires by rotation and, being eligible, offers himself for re-appointment at the ensuing Annual General Meeting.

**Auditors**

Messrs. Vidya & Company, the Auditors, retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

**Conservation of Energy, Technology Absorption**

Your Company has not yet been engaged in any activity and consequently no electricity/energy has been consumed or technology absorbed during the year. Consequently the disclosures as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 in the prescribed formats have not been annexed to this Report.

**Foreign Exchange Earnings and Outflow**

Since your Company has not yet been engaged in any commercial activity there has been no foreign exchange earnings and outgo during the financial year.

By order of the Board

Kolkata,  
27th May, 2010

G. B. Aayeer  
*Director*

S. Bhandari  
*Director*

## AUDITORS' REPORT

To the members of

### KOLKATA METRO NETWORKS LTD.

We have audited the attached Balance Sheet of **KOLKATA METRO NETWORKS LTD.** as at 31st March 2010 and the Profit & Loss Account for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. An audit includes examining on a test basis evidence supporting the amount 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.

A. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we further report that:

1. The Company does not have any Fixed Assets for the year ended on 31st March, 2010. Therefore clause 4 (i) of the Companies (Auditor's Report) (Amendment) Order, 2004 relating to Fixed Assets are not applicable to the Company.
2. The Company is not trading in any goods. Therefore the provisions of clause 4 (ii) of the Companies (Auditor's Report) (Amendment) Order, 2004 relating to inventories are not applicable to the Company.
3. During the year the Company has not given/taken any loans, secured or unsecured to/from any Company, firm or other party covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the paragraphs 4 (iii)(b), 4 (iii)(c) and 4 (iii)(d) of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, the internal control procedures are not applicable to the Company.
5. In our opinion and according to the information and explanations given to us, the particulars of transactions or arrangements referred to in section 301 that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
6. In our opinion and according to the information and explanations given to us, the Company has not entered into any transactions made in pursuance of contracts or arrangement entered in the register maintained under section 301 of the Companies Act, 1956 aggregating during the year to Rs. 500000/- (Rupees Five Lacs Only) or more in respect of any party.
7. The Company has not accepted any deposits within the meaning of the section 58A, 58AA or any other relevant provisions of the Act and rules framed thereunder and the directives issued by the Company Law Board, National Company Law Tribunal or the Reserve Bank of India, or any other Tribunal applicable, with regard to the deposits accepted from the public.
8. In our opinion, the internal audit is not applicable to the Company.
9. The provisions relating to clause 4(viii) of the Companies (Auditor's Report) (Amendment) Order, 2004 relating to maintenance of cost records as per clause (d) of sub section (1) of section 209 of the Act are not applicable to the Company.
10. (a) According to the records of the Company, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Income-Tax, Wealth Tax, Sales Tax, Custom Duty, Excise Duty, Service Tax and cess and other statutory dues as applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty, Excise Duty, Service Tax and cess were outstanding as at 31st March, 2010 for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, there are no dues of the Income Tax, Wealth Tax, Custom Duty, Excise Duty, Service Tax and cess which have not been deposited on account of dispute.
11. The Company has accumulated losses Rs. 25.99 Lacs at the beginning of the year and has incurred cash loss Rs. 38.65 Lacs in the current financial year.

## AUDITORS' REPORT (contd.)

12. Based on our examination of documents and records and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks or debentureholders.
13. Based on our examination of documents and records and according to the information and explanations given by the management, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
14. In our opinion the Company is not a chit fund or a nidhi mutual fund/society. Therefore, the provisions of clause 4(xiii) of the order are not applicable to the Company.
15. In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies ( Auditor's Report ) ( Amendment ) Order, 2004 are not applicable to the Company.
16. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
17. In our opinion and according to the information and explanations given to us, the Company has not availed any term loan. Therefore the clause 4 (xvi) of the Companies ( Auditor's Report ) ( Amendment ) Order, 2004 are not applicable to the Company.
18. In our opinion and on the basis of an overall examination of the Balance Sheet of the Company, we report that the Company does not have and accordingly has not used any short term funds for long term investments .
19. The Company has not made preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year .
20. The Company has not issued any debenture during the year. Accordingly, the clause 4 (xix) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
21. The Company has not raised monies by public issues during the year and hence the question of disclosure and verification of end use of such monies does not arise.
22. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the course of our audit.

B. Further to our comments 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 purpose of our audit ;
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books ;
- c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account ;
- d) In our opinion, the Balance Sheet, Profit & Loss Account dealt with by this report comply with accounting standards referred to in Section 211(3C) of the Companies Act, 1956;
- e) On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956;
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with other notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
  - ii) in the case of Profit and Loss Account, of the Loss of the Company for the year ended on that date.

Kolkata,  
27th May, 2010

(Jitendra Nagar)  
Partner  
For VIDYA & CO.  
Chartered Accountants  
Membership No. : 55659  
Firm Registration No. 308022E

## BALANCE SHEET

### Balance Sheet as at 31st March, 2010

	Schedule	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
<b>Sources of Funds</b>			
<b>Shareholders' Funds</b>			
Share Capital	I	500,000	500,000
<b>Loan Funds</b>			
Unsecured Loan	II	555,000	555,000
		<u>1,055,000</u>	<u>1,055,000</u>
<b>Application of Funds</b>			
<b>Fixed Assets</b>			
<b>Current Assets, Loans and Advances</b>			
Cash and Bank Balances	III	145,545	121,169
Loans and Advances	IV	—	25,430,000
		<u>145,545</u>	<u>25,551,169</u>
<b>Less: Current Liabilities and Provisions</b>			
Current Liabilities	V	5,554,863	27,095,241
		<u>5,554,863</u>	<u>27,095,241</u>
<b>Net Current Assets</b>		<b>(5,409,318)</b>	<b>(1,544,072)</b>
<b>Profit and Loss Account (DR.)</b>		<b>6,464,318</b>	<b>2,599,072</b>
		<u>1,055,000</u>	<u>1,055,000</u>
<b>Significant Accounting Policies &amp; Notes on Accounts</b>	VII		

The schedules referred to above and attached notes form an integral part of the accounts.

This is the Balance Sheet referred to in our report of even date.

(Jitendra Nagar)  
Partner  
Membership No.55659  
For and on behalf of  
Vidya & Co.  
Chartered Accountants

On behalf of the Board

Kolkata,  
27th May, 2010

G. B. Aayeer  
Director

S. Bhandari  
Director

## PROFIT AND LOSS ACCOUNT

### Profit and Loss Account for the year ended on 31st March, 2010

	Schedule	Year ended 31st March, 2010 Rupees	Year ended 31st March, 2009 Rupees
<b>Income</b>			
Sales and Licence Fees		—	—
Other Income		—	—
		<u>—</u>	<u>—</u>
<b>Expenditure</b>			
Expenses	VI	3,865,246	833,381
		<u>3,865,246</u>	<u>833,381</u>
<b>Loss before taxation</b>		(3,865,246)	(833,381)
Provision for Taxation		—	—
<b>Loss after taxation</b>		(3,865,246)	(833,381)
Loss brought forward from previous year		(2,599,072)	(1,765,691)
		<u>(6,464,318)</u>	<u>(2,599,072)</u>
Balance Carried to Balance Sheet			
Basic Earnings Per Share (Face Value Rs. 10/-)		(77.30)	(16.67)
Diluted Earnings Per Share (Face Value Rs. 10/-)		(77.30)	(16.67)

### Significant Accounting Policies & Notes on Accounts

VII

The schedules referred to above and attached notes form an integral part of the accounts.

This is the Profit & Loss A/c referred to in our report of even date.

(Jitendra Nagar)  
Partner  
Membership No.55659  
For and on behalf of  
Vidya & Co.  
Chartered Accountants

On behalf of the Board

Kolkata,  
27th May, 2010

G. B. Aayeer  
Director

S. Bhandari  
Director

## SCHEDULES TO THE ACCOUNTS

### SCHEDULE I

	Year ended 31st March, 2010 Rupees	Year ended 31st March, 2009 Rupees
<b>Share Capital</b>		
<b>Authorised</b>		
1,00,00,000 Equity Shares of Rs 10/- each	<u>100,000,000</u>	<u>100,000,000</u>
<b>Issued, Subscribed and Paid up</b>		
50,000 ( P.Y. 50,000 ) Equity shares of Rs 10/- each, fully paid-up in cash.	<u>500,000</u>	<u>500,000</u>
	<u>500,000</u>	<u>500,000</u>

Note: Entire issued Capital is held by Saregama India Ltd.,  
the holding Company

### SCHEDULE II

#### Unsecured Loan

Inter Corporate Deposits	<u>555,000</u>	<u>555,000</u>
	<u>555,000</u>	<u>555,000</u>

### SCHEDULE III

#### Cash and Bank Balances

Bank Balances in Current Account	<u>145,545</u>	<u>121,169</u>
	<u>145,545</u>	<u>121,169</u>

### SCHEDULE IV

#### Loans and Advances

Unsecured - considered good		
Inter Corporate Deposits	—	25,430,000
Others	<u>794,464</u>	<u>794,464</u>
(- considered doubtful Rs. 7,94,464 P.Y. Rs. 7,94,464 )		
Less : Provision for Doubtful Advances	<u>794,464</u>	<u>794,464</u>
	<u>—</u>	<u>—</u>
		<u>25,430,000</u>

### SCHEDULE V

#### Liabilities

Other Liabilities	<u>5,554,863</u>	<u>27,095,241</u>
	<u>5,554,863</u>	<u>27,095,241</u>

Note: Other Liabilities include Rs. 13,673/-  
[previous period - Rs. 2,70,75,241/-] due to Saregama India Limited,  
the holding Company.

**SCHEDULES TO THE ACCOUNTS (contd.)****SCHEDULE VI**

	Year ended 31st March, 2010 Rupees	Year ended 31st March, 2009 Rupees
<b>Expenses</b>		
Rates and Taxes	5,624	3,660
Consultancy Charges	—	2,153
Licence Fees	3,832,041	—
Provision for Doubtful Advances	—	794,464
Miscellaneous Expenses	27,581	33,104
	<b>3,865,246</b>	<b>833,381</b>

**SCHEDULE VII****Significant Accounting Policies****(i) Basis of Preparation of Accounts :-**

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

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

**(ii) Recognition of Income & Expenditure :-**

Items on income and expenditure are recognised on accrual (except where there are significant uncertainties) and prudent basis.

**(iii) Taxes on Income :-**

Current tax is determined as the amount of tax payable in respect of taxable income for the period based on applicable tax rate and laws.

Deferred tax is recognised, subject to consideration of prudence in respect of deferred tax asset, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods and is measured using tax rate and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets will be periodically reviewed to reassess realisation thereof.

**NOTES ON ACCOUNTS**

- Interest free Inter-Corporate Deposits made with companies other than those covered under section 301 of the Companies Act, 1956, of Rs. NIL (P.Y. Rs. 2,54,30,000).
- A provision of Rs. NIL (P.Y. Rs. 7,94,464/-) has been considered by the Management with respect to certain advances made in the connection with development of a Portal that has been presently considered a dropped venture keeping in mind uncertain market conditions.
- There were no dues payable to Micro, Small and Medium Enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006 as on 31.03.2010. This has been determined on the basis of information available with the Company.

## SCHEDULES TO THE ACCOUNTS (contd.)

### NOTES ON ACCOUNTS (contd.)

4. Miscellaneous Expenses (Schedule VI) includes amount paid/payable to Auditors:

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
(i) Statutory Audit Fee	20,000	20,000
(ii) Others	5,000	5,000
(iii) Reimbursement of Expenses (including Service Tax)	8,205	8,104

5. Details of Deferred tax asset / liability

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
Deferred Tax Asset on —		
Business Loss	1,927,183	613,386
Provision for Doubtful Advances	270,038	270,038
Total (A)	2,197,221	883,424
Deferred Tax Liability on —	—	—
Total (B)	—	—
Net (A-B)	2,197,221	883,424

On a prudent basis deferred tax asset for the period ended as on 31st March, 2010 has not been recognised in these accounts.

6. Additional information pursuant to the provision of paragraph 3, 4C and 4D of part II of Schedule VI of the Companies Act, 1956 (to the extent applicable)

Not Applicable

7. Related Party Disclosures in keeping with AS 18 issued by ICAI.

Name of the Related Party	Nature of Relationship
Saregama India Limited	Holding Company with 100% holding
RPG Global Music Limited	Fellow Subsidiary Company
Saregama Plc.	Fellow Subsidiary Company
Open Media Network Pvt. Ltd.	Fellow Subsidiary Company
Saregama Regency Optimedia Pvt.Ltd.	Joint Venture of Holding Company (Saregama India Limited)

### Related Party Transactions

		(Rupees)		
		Holding Company	Fellow Subsidiary Companies	Joint Venture of Holding Company
Current Liability	Current Period	4,213,673	—	—
	Previous Period	27,075,241	—	—
Expense Reimbursement	Current Period	943,562	—	—
	Previous Period	38,097	—	—
Repayment	Current Period	25,430,130	—	—
	Previous Period	—	—	—
Receipt towards Advance	Current Period	1,625,000	—	—
	Previous Period	393,198	—	—

8. Previous year's figures have been regrouped or rearranged, where considered necessary.

Signatures on Schedules I to VII

Kolkata,  
27th May, 2010

On behalf of the Board

G. B. Aayeer  
Director

S. Bhandari  
Director

**BALANCE SHEET ABSTRACT****Information pursuant to part IV of Schedule VI to the Companies Act , 1956**

Balance Sheet Abstract and Company's general business profile :

Amount in  
Rs.'000

## i) Registration details :

Registration number	U23209WB1989PLC047337
State code	21
Balance Sheet date	31.03.2010

## ii) Capital raised during the period :

Public issue	NIL
Rights issue	NIL
Bonus issue	NIL
Others	NIL

## iii) Position of mobilisation and deployment of funds :

Total liabilities (including Shareholders' Funds)	1,055
Total assets (including Miscellaneous Expenditure to the extent not written off)	1,055

## Sources of funds :

Paid up capital	500
Reserves and surplus	—
Secured loans	—
Unsecured loans	555

## Application of funds :

Net fixed assets	—
Investments	—
Net Current Assets	(5,409)
Miscellaneous Expenditure	—
Profit and Loss Account (Debit Balance)	6,464

## iv) Performance of the Company :

Turnover (including other income)	—
Total expenditure	3,865
Profit/(Loss) before tax	(3,865)
Profit/(Loss) after tax	(3,865)
Earnings per share in Rupees (Basic and Diluted)	(77.30)
Dividend rate percentage	Not Applicable

## v) Generic names of principal products/services of the Company (as per monetary terms):

Item code number		Product description
ITC Code	N.A.	
ITC Code	N.A.	

Kolkata,  
27th May, 2010

On behalf of the Board

G. B. Aayeer  
DirectorS. Bhandari  
Director

## DIRECTORS' REPORT

### Directors' Report

Your Directors are pleased to present the Second Annual Report of Open Media Network Private Limited along with the audited accounts for the year ended 31st March, 2010.

### Financial Performance

The Company's broad financial results are summarised below:

	Year ended 31st March, 2010 Rs.	Period ended 31st March, 2009 Rs.
Total income	17,176,780	Nil
Profit/(Loss) from operations	(206,362,564)	(88,108,219)
Extraordinary item	Nil	Nil
Provision for Contingencies	Nil	Nil
Profit/(Loss) before tax	(206,362,564)	(88,108,219)
Provision for Taxation (FBT + Deferred Tax Liability)	1,281,216	1,791,818
Net Profit/(Loss) (after tax and extra-ordinary items)	(207,643,780)	(89,900,037)
Dividend (including tax thereon)	Nil	Nil
Transfer to General Reserve	Nil	Nil
Reserves (excluding Revaluation Reserves)	Nil	Nil

### Holding company

The entire paid up share capital of your Company was acquired by Saregama India Limited by virtue of which your Company became a 100% subsidiary of Saregama India Limited with effect from 15th May, 2008.

### Operations

Your Company has launched the weekly current affairs and features magazine "OPEN" in April 2009 across 12 cities in India, namely Delhi, Mumbai, Bangalore, Kolkata, Chennai, Hyderabad, Pune, Ahmedabad, Lucknow, Chandigarh, Jaipur and Kochi. In its first year of operation itself, the magazine has been well received by readers and advertisers at large. Your Company has focused its efforts on expanding the market reach and presence of OPEN across the country. However, since OPEN's revenue is primarily advertisement based, the economic slowdown across all business verticals has adversely affected the Company's planned revenues with clients looking to curtail their advertisement spends. The print media space has a long gestation period. OPEN is gradually covering territories to better its circulation and is gaining foothold in the advertisement space. It will however take some time before the magazine establishes its market position and achieves break even.

The general outlook of the Indian Media industry over the next 5 - 7 years, as duly endorsed by industry federations such as FICCI, is extremely promising. Your Company intends to capitalize on the emerging opportunities by exploring the viability of launching newer titles in niche specialty segments. The Company also expects to minimize its losses by generating planned revenues coupled with effective cost management.

### Deposits

Your Company has not accepted any deposits during the period under review within the meaning of Section 58A of the Companies Act, 1956 and the Rules made thereunder.

### Auditors' Report

The observations made in the Auditors' Report are self-explanatory and therefore do not call for any further comments under Section 217(3) of the Companies Act, 1956.

### Auditors

Messrs. Vidya & Company, the Auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

## DIRECTORS' REPORT (contd.)

### Directors

In terms of Section 256 of the Companies Act, 1956, Mr. S. Chakrabarti retires by rotation and, being eligible, offers himself for re-appointment at the ensuing Annual General Meeting.

### Particulars of Employees

In terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees needs to be disclosed. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Directors Report excluding the aforesaid information is being sent to all the Members of the Company and others entitled thereto. Any Member interested in obtaining such particulars may write to the Company at the registered office of the Company.

As on date of this Report the Company has eleven employees.

### Directors' Responsibility Statement

In terms of the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors state:

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

### Conservation of Energy, Technology Absorption

No comments are made on technology absorption considering the nature of activities undertaken by your Company during the year under review.

### Foreign Exchange Earnings and Outflow

The inflow and outflow of Foreign Exchange are :

Foreign Exchange Inflow	– Nil
Foreign Exchange Outflow	– Rs. 13,26,997.48

### Acknowledgement

Your Directors express their sincere thanks to the shareholders, journalists, reporters, authors, suppliers, dealers, employees, bankers and Government authorities for their continued support and cooperation.

Kolkata,  
27th May, 2010

By order of the Board

G. B. Aayeer  
Director

S. Chakrabarti  
Director

## AUDITORS' REPORT

To the members of

### OPEN MEDIANETWORK PVT. LTD.

We have audited the attached Balance Sheet of **OPEN MEDIA NETWORK PVT. LTD.** as at 31st March 2010 and the Profit & loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. An audit includes examining on a test basis evidence supporting the amount 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.

A. As required by the Companies ( Auditor's Reports ) ( Amendment ) Order , 2004 issued by the Central Government of India in terms of Section 227( 4A ) of the Companies Act'1956 of India ( the 'Act' ) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that :

1. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) The fixed assets of the company are physically verified by the management according to a phased programme designed to cover all the items within a period ,which in our opinion is reasonable having regard to the size of the Company and nature of the business . It has been explained to us that in respect of assets physically verified during the year, the discrepancies noticed were not material and have been properly dealt within the books of accounts.
- c) During the year, the Company has not disposed off any substantial part of its fixed assets , which affect the going concern status of the Company .
2. In respect of its inventories :
  - a) As explained to us, inventories were physically verified by the management during the period excepting material lying with third parties ( which have substantially been confirmed ). In our opinion, the frequency of the verification is reasonable.
  - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification .
3. The Company has not granted / taken any loans, secured or unsecured to/from any company, firm or other party covered in the register maintained under section 301 of the Companies Act'1956. Accordingly, the paragraphs 4( iii )(b) ,4 (iii)(c) and 4 ( iii ) (d) of the order are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventories and fixed assets and for the sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weakness in internal control system.
5. In respect of contracts or arrangements Under Section 301 :
  - a) In our opinion and according to the information and explanations given to us, the particulars of transactions or arrangements referred to in section 301 that need to be entered into the register maintained under section 301 of the Companies Act'1956 have been so entered.
  - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangement entered in the register maintained under section 301 of the Companies Act'1956 exceeding the value of Rupees five lacs in respect of any party during the period have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits within the meaning of the section 58A, 58AA or any other relevant provisions of the Act and rules framed thereunder and the directives issued by the Company Law Board, National Company Law Tribunal or the Reserve Bank of India, or any Court or any other Tribunal where applicable, with regard to the deposits accepted from public.
7. In our opinion, the internal audit system of the company is commensurate with its size and nature of the business.
8. The provisions relating to clause 4(viii) of the Companies ( Auditor's Report ) ( Amendment ) Order, 2004 relating to maintenance of cost records as per clause ( d ) of sub section (1) of section 209 of the Act are not applicable to the Company.
9. In respect of Statutory dues :
  - a) According to the records of the Company, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Income-Tax, Wealth Tax, Sales Tax, Custom Duty, Excise Duty, Service Tax and cess and other statutory dues as applicable to it.

**AUDITORS' REPORT (contd.)**

- b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty Excise Duty, Service Tax and cess were outstanding as at 31st March, 2010 for a period of more than six months from the date they became payable.
  - c) According to the records of the Company, there are no dues of Income Tax, Wealth Tax, Custom Duty, Excise Duty, Service Tax and cess which have not been deposited on account of dispute.
  10. The Company has accumulated losses Rs. 910.57 Lacs at the beginning of the year and has incurred cash loss Rs. 1987.85 Lacs in the current financial year.
  11. Based on our examination of documents and records and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks or debentureholders.
  12. Based on our examination of documents and records and according to the information and explanations given by the management, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
  13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Company (Auditor's report) (Amendment) Order, 2004 are not applicable to the Company.
  14. In our opinion, the Company is not dealing or trading in shares, securities, debentures and other securities. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
  15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
  16. In our opinion and according to the information and explanations given to us, the Company has not availed any term loan. Therefore the clause 4 (xvi) of the Companies (Auditor's Reports) (Amendment) Order, 2004 are not applicable to the Company.
  17. In our opinion and on the basis of an overall examination of the Balance Sheet of the Company, we report that the Company has not used any short term funds for long term investments.
  18. The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act 1956 during the period.
  19. The Company has not issued any debenture during the period. Accordingly, the clause 4 (xix) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
  20. The Company has not raised monies by public issues during the period and hence the question of disclosure and verification of end use of such monies does not arise.
  21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the course of our audit.
- B. Further to our comments 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 purpose of our audit ;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books ;
  - c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit & Loss Account dealt with by this report comply with accounting standards referred to in Section 211(3C) of the Companies Act, 1956
  - e) On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956;
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with other notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
    - ii) in the case of Profit and Loss Account, of the Loss of the Company for the year ended on that date.

Kolkata, 27th May, 2010

For **VIDYA & CO.**  
Chartered Accountants  
(JITENDRA NAGAR)  
Partner  
Membership No. : 55659  
Firm Registration No. 308022E

## BALANCE SHEET

### Balance Sheet as at 31st March, 2010

	Sch	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
<b>Sources of Funds</b>			
<b>Shareholders' Funds</b>			
Share Capital	I	100,000	100,000
Reserves and Surplus		— 100,000	— 100,000
Deferred Tax Liability		2,528,034	1,246,818
		<u>2,628,034</u>	<u>1,346,818</u>
<b>Application of Funds</b>			
<b>Fixed Assets</b>	II		
Gross Block		32,922,081	28,030,178
Less : Depreciation		<u>6,245,612</u>	<u>1,781,148</u>
Net Block		26,676,469	26,249,030
Capital Work in Progress		— 26,676,469	982,640 27,231,670
<b>Current Assets, Loans and Advances</b>			
Inventories	III	2,820,372	6,448,969
Debtors	IV	8,653,354	—
Cash and Bank Balances	V	5,598,647	644,763
Loans and Advances	VI	8,038,257	10,811,128
		<u>25,110,630</u>	<u>17,904,860</u>
<b>Less: Current Liabilities and Provisions</b>			
Current Liabilities	VII	342,604,692	134,673,409
Provisions	VIII	<u>5,255,422</u>	<u>1,908,102</u>
		<u>347,860,114</u>	<u>134,846,981</u>
<b>Net Current Assets</b>		(322,749,484)	(116,942,121)
<b>Profit &amp; Loss Account (Dr.)</b>		298,701,049	91,057,269
		<u>2,628,034</u>	<u>1,346,818</u>
<b>Statement on Significant Accounting Policies</b>	XIV		
<b>Notes to Accounts</b>	XV		

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

This is the Balance Sheet referred to in our report of even date.

(Jitendra Nagar)  
Partner  
Membership No.55659  
For and on behalf of  
Vidya & Co.  
Chartered Accountants

On behalf of the Board

Kolkata,  
27th May, 2010

G. B. Aayeer  
Director

S. Chakrabarti  
Director

**PROFIT AND LOSS ACCOUNT****Profit and Loss Account for the year ended 31st March, 2010**

	Sch.	Year Ended 31st, March 2010 Rupees	For the Period Ended 31st, March 2009 Rupees
<b>Income</b>			
Sales	IX	20,061,754	—
Other Income	X	147,319	46,940
		<u>20,209,073</u>	<u>46,940</u>
<b>Expenditure</b>			
Materials Consumed	XI	21,171,634	168,240
Expenses	XII	200,854,386	86,204,660
Depreciation		4,545,618	1,782,259
		<u>226,571,638</u>	<u>88,155,159</u>
<b>Loss from Operations</b>		<u>(206,362,564)</u>	<u>(88,108,219)</u>
<b>Loss before taxation</b>		<u>(206,362,564)</u>	<u>(88,108,219)</u>
<b>Provision for Taxation :</b>			
Provision for Deferred Tax Liability		1,281,216	1,246,818
Fringe Benefit Tax		—	545,000
<b>Loss after taxation</b>		<u>(207,643,780)</u>	<u>(89,900,037)</u>
Loss brought forward from previous year		<u>(91,057,269)</u>	<u>(1,157,232)</u>
<b>Balance carried to Balance Sheet</b>		<u>(298,701,049)</u>	<u>(91,057,269)</u>
Basic and Diluted Loss per Share	XIII	<u>(20,764.38)</u>	<u>(8,990.00)</u>
<b>Statement on Significant Accounting Policies</b>	XIV		
<b>Notes to Accounts</b>	XV		

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

This is the Profit & Loss A/c referred to in our report of even date.

(Jitendra Nagar)  
Partner  
Membership No.55659  
For and on behalf of  
Vidya & Co.  
Chartered Accountants

On behalf of the Board

Kolkata,  
27th May, 2010

G. B. Aayeer  
Director

S. Chakrabarti  
Director

## SCHEDULES TO THE ACCOUNTS

### SCHEDULE I

	As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
<b>Share Capital</b>		
Authorised		
500000 Equity shares of Rs 10/- each	5000000	5000000
Issued, subscribed and paid up		
10000 Equity Shares of Rs.10/- each fully paid up in cash.	100,000	100,000
	<u>100,000</u>	<u>100,000</u>

Entire issued capital is held by Saregama India Limited, the holding Company.

### SCHEDULE-II

Fixed Assets	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	Cost/ Valuation as at 31st March, 2009	Additions during the period	Deletions/ Adjustments during the period	Cost/ Valuation as at 31st March, 2010	As at 31st March, 2009	For the period	On Deletions/ Adjustments during the period	As at 31st March, 2010	As at 31st March, 2010	As at 31st March 2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Leasehold Buildings	—	—	—	—	—	—	—	—	—	—
Furniture, Fittings and Equipment	16,357,322	648,687	24,000	16,982,009	350,933	965,393	3,855	1,312,471	15,669,538	16,006,389
Vehicles	354,041	—	354,041	—	35,404	41,895	77,299	—	—	318,637
Computers	6,444,292	876,432	—	7,320,724	395,925	1,135,419	—	1,531,344	5,789,380	6,048,367
Softwares	4,874,522	4,233,861	489,035	8,619,348	998,886	2,402,911	—	3,401,797	5,217,551	3,875,636
Total as on 31-03-2010	28,030,177	5,758,980	867,076	32,922,081	1,781,148	4,545,618	81,154	6,245,612	26,676,469	26,249,029
Total as on 31-03-2009	—	28,038,177	8,000	28,030,177	—	1,782,259	1,111	1,781,148	26,249,029	
Capital - Work in Progress	982,640	—	—	—	—	—	—	—	—	982,640

### SCHEDULE - III

	As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
<b>Inventories</b>		
Raw Materials : Papers	2,820,372	6,448,969
	<u>2,820,372</u>	<u>6,448,969</u>

### SCHEDULE - IV

#### Debtors

##### Unsecured Debtors

Debts outstanding for over six months :

Considered Good

Considered Doubtful

Other debts, Considered Good

Provision for Doubtful Debts

	As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
Considered Good	—	—
Considered Doubtful	—	—
Other debts, Considered Good	8,653,354	—
	<u>8,653,354</u>	—
Provision for Doubtful Debts	—	—
	<u>8,653,354</u>	—

**SCHEDULES TO THE ACCOUNTS (contd.)**

	As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
<b>SCHEDULE-V</b>		
<b>Cash and Bank Balances</b>		
Cash and Cheques in hand and in transit	60,702	20,838
Bank Balances with Scheduled Banks in - Current Account	5,537,945	623,925
	<u>5,598,647</u>	<u>644,763</u>
<b>SCHEDULE- VI</b>		
<b>Loans and Advances</b>		
Unsecured - considered good ( unless otherwise stated below )		
Advances recoverable in cash or in kind or for value to be received from		
Advance given to Employees	81,524	359,981
Other Advances	1,317,621	4,597,947
Advance Tax & TDS receivable	336,412	—
Security Deposits	6,302,700	5,853,200
	<u>8,038,257</u>	<u>10,811,128</u>
<b>SCHEDULE-VII</b>		
<b>Current Liabilities &amp; Provisions</b>		
Sundry Creditors	2,805,373	3,289,796
Advance - Subscription	751,708	—
Advance - Other than Subscription	3,709	—
Other Liabilities	339,043,902	131,383,613
	<u>342,604,692</u>	<u>134,673,409</u>
(Note: Other liabilities include Rs. 33,34,16,286/- being due to Saregama India Limited, the holding company.)		
<b>SCHEDULE-VIII</b>		
Provision for FBT (net of Advance Tax - Rs. 545,000; 31.03.2009 - Rs. 371,428)	—	173,572
Provision for Leave encashment	1,315,310	1,099,350
Provision for Gratuity	907,820	635,180
Provision for Returns of Magazines	3,032,292	—
	<u>5,255,422</u>	<u>1,908,102</u>

**SCHEDULES TO THE ACCOUNTS (contd.)**

	Year ended 31st March, 2010 Rs.	For the Period ended 31st March, 2009 Rs.
<b>SCHEDULE-IX</b>		
<b>Sales</b>		
- Advertising	11,488,050	—
- News Stand	6,641,873	—
- Subscription	1,105,725	—
- Institutional	826,106	—
	<u>20,061,754</u>	<u>—</u>
<b>SCHEDULE-X</b>		
<b>Other Income</b>		
Miscellaneous Income	147,319	46,940
	<u>147,319</u>	<u>46,940</u>
<b>SCHEDULE- XI</b>		
<b>Materials Consumed</b>		
Opening Stock		
Raw Materials - Papers	<u>6,448,969</u>	<u>—</u>
	6,448,969	—
Add: Purchase of Papers	17,543,036	6,617,209
(Less):- Closing Stock		
Raw Materials - Papers	<u>2,820,372</u>	<u>6,448,969</u>
	2,820,372	6,448,969
Materials Consumed	<u>21,171,634</u>	<u>168,240</u>
<b>SCHEDULE-XII</b>		
<b>Expenses</b>		
Salaries, Wages, Bonus, etc.	89,806,333	51,244,885
Contribution to Provident fund	2,607,712	1,520,334
Provision for Gratuity Expenses	272,641	635,180
Workmen and Staff Welfare	1,920,284	2,778,038
Printing & Publishing Expenses	15,812,017	124,570
Rent	10,607,965	10,030,597
Power and Fuel	2,418,728	280,574
Editorial Expenses	7,859,573	2,961,129
Advertisement, Publicity & Promotion	36,774,872	7,138,940
Repairs - Buildings	—	—
- Machinery	1,363,747	83,806
- Others	221,082	256,612
Travel and Conveyance	7,497,163	4,163,552
Carriage, Freight and forwarding Charges	12,671,562	193,367
Subscription and Donations	229,507	81,453
Consultancy Expenses	1,026,154	567,432
Printing and Communication Expenses	3,607,727	1,693,463
Insurance Expenses	1,060,628	13,187
Bank charges	105,997	33,174
Rates and Taxes	75,896	841,762
Loss on Sale of Fixed Assets	71,742	—
Loss on Exchange Fluctuation	27,147	3,284
Provision for Magazine Returns	3,032,293	—
Amortisation of Preliminary Expenses	—	32,807
Miscellaneous Expenses	1,783,617	1,526,514
Total	<u>200,854,386</u>	<u>86,204,660</u>

**SCHEDULES TO THE ACCOUNTS (contd.)**

	Year ended 31st March, 2010	For the period ended 31st March, 2009
<b>SCHEDULE XIII</b>		
<b>Basic and Diluted Loss per Share</b>		
Number of equity shares at the beginning of the Year	10000	10000
Number of equity shares at the end of the Year	10000	10000
Weighted average number of equity shares outstanding during the Year	10000	10000
Nominal value of each equity share (Rs.)	10	10
Loss after tax available for equity shareholders (Rs.)	(207643780)	(89900037)
Basic loss per share (Rs.)	(20764.38)	(8990.00)
Diluted loss per share (Rs.)	(20764.38)	(8990.00)

**SCHEDULE - XIV****Significant Accounting Policies****(i) Basis of Accounting :-**

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

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

**(ii) Fixed assets :-**

Fixed Assets are stated at their original cost less depreciation.

**(iii) Depreciation :-**

Depreciation on tangible items of fixed assets is provided on straight line method at rates prescribed in Schedule XIV to the Companies Act, 1956 of India.

**(iv) Inventories :-**

Inventory items are valued at cost or net realisable value, whichever is lower.

**(v) Employee Benefits :-**

Short-term Employee Benefits (i.e. benefits payable within one year) are recognised in the period in which employee services are rendered.

Contribution towards provident fund to Government administered provident fund is recognised as expense.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of the financial year.

Accrued liability towards leave encashment benefits, covering eligible employees, evaluated on the basis of year-end actuarial valuation is recognised as charge.

**(vi) Revenue Recognition :-****a) Advertising Revenues**

Advertising Revenue from Current Affairs & Features Magazine is recognised in the period in which the magazines are published and are accounted net of commission and discounts

**b) Subscription Revenues**

Subscription Revenue recognition from subscription to the Company's print publications recognised as earned, prorata on a per issue basis over the subscription period.

**c) Circulation Revenues**

Circulation Revenue includes sales to retail outlets/newsstands, which are subject to returns. The Company records these retail sales upon delivery, net of estimated / actual returns. These estimated / actual returns are based on historical return rate and are revised as necessary based on actual returns realised.

## SCHEDULES TO THE ACCOUNTS (contd.)

### Significant Accounting Policies (Contd.)

#### (vii) Recognition of Income & Expenditure :-

Items on income and expenditure are recognised on accrual (except where there are significant uncertainties) and prudent basis.

#### (viii) Foreign Currency Transactions.

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end exchange rates. Gains /losses arising out of the fluctuations in the exchange rates are recognised in Profit & Loss Account in the period in which they arise.

#### (ix) Taxes on Income :-

Current tax is determined as the amount of tax payable in respect of taxable income for the period based on applicable tax rate and laws.

Deferred tax is recognised, subject to consideration of prudence in respect of deferred tax asset, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods and is measured using tax rate and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets will be periodically reviewed to reassess realisation thereof.

### SCHEDULE- XV

#### NOTES ON ACCOUNTS

- There were no dues payable to Micro, Small and Medium Enterprises as defined under Micro, Small and Medium Enterprises Development Act'2006 as on 31.03.2010. This has been determined on the basis of information available with the Company.
- Miscellaneous Expenses (Schedule XII) includes amount paid/payable to Auditors:

	(As at 31st March, 2010) Rupees	(As at 31st March, 2009) Rupees
(i) Statutory Audit Fees	120,000	100,000
(ii) Tax Audit Fees	20,000	—
(iii) Professional Fees	10,000	—
(iv) Reimbursement of Expenses (incl. of Service Tax)	11,330	—

- Net Deferred tax asset/liability accounted for :

The break down of deferred tax asset and deferred tax liabilities into major components of the respective balances are stated below :

	(As at 31st March, 2010) Rupees	(As at 31st March, 2009) Rupees
Deferred Tax Liability on :-		
– Depreciation	2,836,602	1,462,716
Deferred Tax Asset on :-		
– Items allowable for tax purpose on payment	308,568	215,898
Net Deferred Liability	2,528,034	1,246,818

- Additional information pursuant to the provision of paragraph 3, 4C and 4D of part II of schedule VI of the Companies Act, 1956 (to the extent applicable)

		(As at 31st March, 2010) Qty Value	(As at 31st March, 2009) Qty Value
A. Paper Consumption			
Paper	Kg	382,394 21,171,634	2,854 168,240

**SCHEDULES TO THE ACCOUNTS (contd.)****NOTES ON ACCOUNTS (Contd.)**

	(As at 31st March, 2010) Rupees	(As at 31st March, 2009) Rupees
B. Expenditure in Foreign Exchange :		
Travelling	20,546	69,592
Editorial Expenses (Net of TDS)	1,182,791	168,420
Others (Net of TDS)	69,569	153,383
	<u>1,272,906</u>	<u>391,395</u>

	(As at 31st March, 2010) Rupees	(As at 31st March, 2009) Rupees
C. CIF Value of Imports		
Paper	—	3,193,428

## 5 Gratuity and other post-employment benefit plans

The Company has a defined benefit gratuity plan whereby all those who have completed five years or more of service get a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service.

The principal actuarial assumptions used in determining gratuity obligation are given below

	(As at 31st March, 2010)	(As at 31st March, 2009)
Discount rate	8.60%	8.20%
Expected rate of return on planned assets	N.A.	N.A.
Rate of Increase in Salary	7%	9%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

## 6 Related Party Disclosures in keeping with AS 18 issued by ICAI.

Name of the Related Party	Nature of Relationship
Saregama India Limited	Holding Company with 100% holding
RPG Global Music Limited	Fellow Subsidiary Company
Saregama Plc.	Fellow Subsidiary Company
Kolkata Metro Networks Limited	Fellow Subsidiary Company
Saregama Regency Optimedia Private limited	Joint Venture of Holding Company (Saregama India Limited)

**Related Party Transactions**

(Rupees)						
	Period	Holding Company	RPGG	Fellow Subsidiaries SPLC	KMNL	Joint Venture of Holding Company (Saregama India Limited) SROPL
Expense reimbursements	Current Year	101,496,728	—	—	—	—
	Previous Year	69,731,558	—	—	—	—
Repayment of Advance	Current Year	30,000	—	—	—	—
	Previous Year	3,000,000	—	—	—	—
Receipt towards Advance	Current Year	109,000,000	—	—	—	—
	Previous Year	56,218,000	—	—	—	—
Balance outstanding at	Current Year	333,416,286	—	—	—	—
year end Current Liability	Previous Year	122,949,558	—	—	—	—

Signature on Schedule 1 to XV

Kolkata,  
27th May, 2010

On behalf of the Board

G. B. Aayeer  
Director

S. Chakrabarti  
Director

## BALANCE SHEET ABSTRACT

### Information pursuant to part IV of Schedule VI to the Companies Act , 1956

Balance Sheet Abstract and Company's general business profile :

Amount in  
Rs.'000

i) Registration details :		ii) Capital raised during the period :	
Registration number	U22100WB2008PTC124295	Public issue	NIL
State code	21	Rights issue	NIL
Balance Sheet date	31.03.2010	Bonus issue	NIL
		Others	NIL
iii) Position of mobilisation and deployment of funds :			
Total liabilities (including Shareholders' Funds)	2,628		
Total assets (including Miscellaneous Expenditure to the extent not written off)	2,628		
Sources of funds :		Application of funds :	
Paid up capital	100	Net fixed assets	26,676
Reserves and surplus	—	Investments	—
Secured loans	—	Net Current Assets	(322,749)
Unsecured loans	—	Miscellaneous Expenditure	—
Deferred Tax Liability	2,528	Profit and Loss Account (Debit Balance)	298,701
iv) Performance of the Company :		v) Generic names of principal products/services of the Company (as per monetary terms):	
Turnover (including other income)	20,209	Item code number	Product description
Total expenditure	226,572		
Profit/(Loss) before tax	(206,363)	ITC Code	N.A. Publication
Profit/(Loss) after tax	(207,644)		
Earnings per share in Rupees (Basic and Diluted)	(20,764.38)	ITC Code	N.A. N/A
Dividend rate percentage	Not Applicable		

Kolkata,  
27th May, 2010

On behalf of the Board

G. B. Aayeer  
Director

S. Chakrabarti  
Director

## AUDITORS' REPORT (CONSOLIDATED)

To the Board of Directors of  
Saregama India Limited

1. We have audited the attached consolidated balance sheet of Saregama India Limited (the "Company") and its subsidiaries and jointly controlled entity; hereinafter referred to as the "Group" [refer Note 1 on Schedule XX to the attached consolidated financial statements] as at 31st March, 2010, the related consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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 the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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 of four subsidiaries and a jointly controlled entity included in the consolidated financial statements, which constitute total assets of Rs.185,259 thousands and net assets of Rs.110,571 thousands as at 31st March, 2010, total revenue of Rs.177,189 thousands, net loss of Rs.171,252 thousands and net cash flows amounting to Rs.267 thousands for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the reports of such other auditors.
4. We report that the consolidated financial statements have been prepared by Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements and Accounting Standard (AS) 27 - Financial Reporting of Interests in Joint Ventures notified under Section 211 (3C) of the Companies Act, 1956.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements **subject to Note 8(b) on Schedule XX to the consolidated accounts regarding remuneration of Parent Company's Managing Director of Rs.11,870 thousands for which Central Government's approval is awaited**, 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 31st March, 2010;
  - (b) in the case of the consolidated profit and loss account, of the loss of the Group for the year ended on that date; and
  - (c) in the case of the consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

Kolkata,  
22nd June, 2010

For Price Waterhouse  
Firm Registration No. : 301112 E  
Chartered Accountants  
(P. Law)  
Partner  
Membership Number- 51790

**CONSOLIDATED BALANCE SHEET**

(Rupees in Thousands)

Schedule		As at 31st March, 2010		As at 31st March, 2009	
<b>I. Sources of Funds</b>					
<b>(1) Shareholders' Funds</b>					
(a) Share Capital	I	174,029		146,757	
(b) Reserves and Surplus	II	1,331,061	1,505,090	1,079,484	1,226,241
<b>(2) Minority interests</b>		51,674		50,623	
<b>(3) Loan Funds</b>					
(a) Secured Loans	III	330,986		240,721	
(b) Unsecured Loans	IV	185,803	516,789	294,875	535,596
<b>(4) Deferred Tax Liability ( net )</b>		2,528		1,247	
(Note 9 on Schedule XX )					
		2,076,081		1,813,707	
<b>II. Application of Funds</b>					
<b>(1) Fixed Assets</b>		V			
(a) Gross Block		1,300,409		1,296,302	
(b) Less : Depreciation		409,233		369,516	
(c) Net Block		891,176		926,786	
(d) Capital Work in Progress		101	891,277	1,690	928,476
<b>(2) Investments</b>		VI		397,250	
<b>(3) Current Assets, Loans and Advances</b>					
(a) Inventories	VII	135,469		183,445	
(b) Debtors	VIII	218,810		256,649	
(c) Cash and Bank Balances	IX	82,011		90,428	
(d) Other Current Assets	X	26,017		27,973	
(e) Loans and Advances	XI	650,286		509,363	
		1,112,591		1,067,858	
<b>Less: Current Liabilities and Provisions</b>					
(a) Current Liabilities	XII	486,241		573,125	
(b) Provisions	XIII	145,976		120,169	
		632,217		693,294	
<b>Net Current Assets</b>		480,374		374,564	
<b>4 (a) Miscellaneous Expenditure</b>					
<b>(to the extent not written off or adjusted)</b>		—		12,682	
Payment under Voluntary Retirement Scheme (Note 17 on Schedule XX)					
<b>(b) Profit and Loss Account</b>		373,569		167,124	
Set off against General Reserve - Contra		66,389		66,389	
		2,076,081		1,813,707	
<b>Statement on Significant Accounting Policies</b>		XIX			
<b>Notes to Accounts</b>		XX			

The schedules referred to above form an integral part of the Consolidated Balance Sheet.  
This is the Consolidated Balance Sheet referred to in our report of even date.

For Price Waterhouse  
Firm Registration No. 301112 E  
Chartered Accountants

(P Law)

Partner

Membership No. - 51790

Kolkata,  
22nd June, 2010

On behalf of the Board

T. Paul  
Company Secretary

A. Nagpal  
Managing Director

S. Banerjee  
Director

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

(Rupees in Thousands)

	Schedule	Year ended 31st March, 2010		Year ended 31st March, 2009	
<b>Income</b>					
Sales and Licence Fees	XIV		1,115,540		1,098,622
Other Income	XV		70,236		244,097
			<u>1,185,776</u>		<u>1,342,719</u>
<b>Expenditure</b>					
Materials, Films, Television Serials etc.	XVI		301,230		350,119
Expenses	XVII		953,162		958,051
Interest	XVIII		56,658		44,421
Depreciation [net of Rs. Nil (previous year Rs. 51 thousands) represents amount transferred to Capital Work-in-Progress included in pre-operative expenses relating to the Joint venture]			44,935		42,911
Transferred from Fixed Assets					
Revaluation Reserve [Note 2(d) on Schedule XX]			596	44,339	608
			<u>1,355,389</u>		<u>1,394,894</u>
<b>Loss before Taxation</b>			(169,613)		(52,175)
Provision for Taxation					
Current Tax (Note 5 on Schedule XX)			34,500		1,300
Deferred Tax			1,281		1,247
Fringe Benefit Tax [including share of joint venture (Note 1(b) on Schedule XX) Rs. Nil (previous year Rs. 21 thousands)]			—		5,566
<b>Loss after Taxation before Minority Interests</b>			<u>(205,394)</u>		<u>(60,288)</u>
Minority Interests			1,051		1,840
<b>Loss after Taxation and Minority Interests</b>			<u>(206,445)</u>		<u>(62,128)</u>
Loss brought forward from previous year			(167,124)		(104,996)
Balance carried to Balance Sheet			<u>(373,569)</u>		<u>(167,124)</u>
Basic and Diluted (Loss) per share (Rs.) (Note 10.2 on Schedule XX )			(12.75)		(4.23)
<b>Statement on Significant Accounting Policies</b>	XIX				
<b>Notes to Accounts</b>	XX				

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

This is the Consolidated Profit and Loss Account referred to in our report of even date.

For Price Waterhouse  
Firm Registration No. 301112 E  
Chartered Accountants  
(P Law)  
Partner  
Membership No. - 51790

Kolkata,  
22nd June, 2010

On behalf of the Board

T. Paul  
Company Secretary

A. Nagpal  
Managing Director

S. Banerjee  
Director

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

### SCHEDULE I

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Share Capital</b>		
Authorised		
25,000,000 Equity Shares of Rs. 10/- each	250,000	250,000
Issued, subscribed and paid up		
1,74,02,938 ( Previous Year - 1,46,75,738 )		
Equity Shares of Rs. 10/- each fully paid up	174,029	146,757
Of the above:-		
1,373,370 Equity Shares of Rs. 10/- each was allotted as fully paid up pursuant to a scheme of amalgamation without payment being received in cash.	174,029	146,757

#### Notes:

- Out of the 53,38,628 equity shares of Rs. 10/- each for cash at a premium of Rs. 35/- (issue price - Rs. 45/-) pursuant to the Rights Issue in 2005 of the Parent Company, allotment of 5,290 (31.03.09 -5,490) equity shares (relating to cases under litigation / pending clearance from concerned authorities) are in abeyance as on 31st March, 2010. 200 (Previous year - Nil) equity shares were allotted during the year on receipt of required clearances from concerned authorities.
- The shareholders of the Parent Company has approved the preferential issue of 27,27,000 equity shares of Rs.10/- each to the promoters and others. The said 27,27,000 equity shares has been allotted on 11th September, 2009 at a price of Rs. 102.47 per share including premium of Rs. 92.47 per share to Promoter Group Companies viz. 13,50,000 equity shares to Adorn Investments Limited, 2,00,000 equity shares to Hilltop Holdings India Limited and 11,77,000 equity shares to Non-Promoters (Select Group) viz. 4,50,000 equity shares to Gyan Traders Limited and 7,27,000 equity shares to Progressive Star Holdings & Consultants Private Limited on receipt of applicable approvals from concerned regulatory authorities.
- The Parent Company has granted ( net of options lapsed ) 21,799 ( 31.03.2009 - 21,799 ) stock options in 2001-02 under the Employee Stock Option Scheme. All the options have already vested in earlier years. Nil (Previous Year Nil) vested options have been exercised during the year. Pending completion of related regulatory formalities, the 9282 ( previous year 9282) exercised options are yet to be allotted by the Parent Company. Exercise Price per option is Rs. 119.85. Exercise period is 10 years from the vesting date. Exercise of options by the option holders shall entail issuance of shares by the Parent Company on compliance/completion of related formalities.
- The Parent Company has granted (net of options lapsed) another 32,000 (31.03.2009- 43,500 ) stock options in 2006-07 under Employee Stock Option Scheme, to eligible employees / the then Managing Director at an exercise price of Rs. 184.85 per option, as determined by the Board of Directors, in keeping with the requirements of Securities and Exchange Board of India ( Employee Stock Option Scheme and Employee Stock Option Purchase Scheme) Guidelines, 1999.  
Vesting schedule of the said options granted is as below :-  
  - after 1 year from the date of grant : 20 % of the options
  - after 2 years from the date of grant : 20 % of the options \*
  - after 3 years from the date of grant : 20 % of the options \*
  - after 4 years from the date of grant : 20 % of the options
  - after 5 years from the date of grant : 20 % of the options
Exercise period is 10 years from the vesting date. Exercise of options by the option holders shall entail issuance of shares by the Parent Company on compliance/completion of related formalities. No option has been exercised during the year.  
\* Based on the decision of the Parent Company's Compensation Committee, options have not vested in 2008-09 and 2009-10, which will be considered along with the next tranche of vesting in 2010-11.
- The Parent Company has granted 25,000 stock options in 2008-09 under Employee Stock Option Scheme to Managing Director (Mr. A. Nagpal). The exercise price per option is Rs.56.20 as determined by the Board of Directors, in keeping with the requirements of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Of the aforesaid 25,000 options 7,500 options are not linked to performance and the balance are linked to performance.  
Vesting schedule of the said options granted is as below :-  
  - after 1 year from the date of grant : 20 % of the options \*
  - after 2 years from the date of grant : 20 % of the options
  - after 3 years from the date of grant : 20 % of the options
  - after 4 years from the date of grant : 20 % of the options
  - after 5 years from the date of grant : 20 % of the options
Exercise period is 10 years from the vesting date. Exercise of options by the option holder shall entail issuance of shares by the Parent Company on compliance/completion of related formalities. 1500 options not linked to performance have vested. No option has been exercised during the year.  
\* Based on the decision of the Parent Company's Compensation Committee, options have not vested in 2009-10, which will be considered along with the next tranche of vesting in 2010-11.

**SCHEDULES TO THE CONSOLIDATED ACCOUNTS (contd.)****SCHEDULE II**

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Reserves and Surplus</b>		
<b>Fixed Assets Revaluation Reserve</b>		
Balance as per last Account	306,717	307,325
Less: Transferred to Profit and Loss Account [Note 2(d) on Schedule XX]	596	608
	<u>306,121</u>	<u>306,717</u>
<b>Share Premium Account</b>		
Balance as per last Account	772,767	772,767
Add : On Preferential issue by Parent Company of 27,27,000 shares at a premium of Rs. 92.47 per share referred to in Note 2 on Schedule I and allotment of 200 right shares at a premium of Rs. 35.00 per share referred to in Note 1 on Schedule I.	252,173	—
	<u>1,024,940</u>	<u>772,767</u>
<b>General Reserve</b>		
Balance as per last Account	66,389	66,389
Less : Set off against debit balance in Profit and Loss Account - Contra (note below)	66,389	—
	<u>—</u>	<u>—</u>
	<u>1,331,061</u>	<u>1,079,484</u>

Note : For the purpose of disclosure, the debit balance in Profit and Loss Account has been set off to the extent of balance available in General Reserve.

**SCHEDULE III**

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Secured Loans</b>		
Term loan from scheduled bank	170,000	100,000
Interest accrued and due	—	1,344
Bank Borrowings for Working Capital:		
Cash credit	155,886	133,604
Vehicle Loan from Banks / Non Banking Financial Company ( NBFC )		
— Banks	858	2,735
— NBFC	347	553
	<u>327,091</u>	<u>238,236</u>
Share of Joint venture [Note 1(b) on Schedule XX]	3,895	2,485
	<u>330,986</u>	<u>240,721</u>

**SCHEDULE IV**

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Unsecured Loans</b>		
Intercompany Deposit - Short Term	162,555	273,555
Interest accrued and due	5,568	2,340
Temporary Bank Overdraft	321	—
	<u>168,444</u>	<u>275,895</u>
Share of Joint venture [Note 1(b) on Schedule XX]	17,359	18,980
	<u>185,803</u>	<u>294,875</u>

**SCHEDULES TO THE CONSOLIDATED ACCOUNTS (contd.)**
**SCHEDULE V**

(Rupees in Thousands)

FIXED ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	Cost/ Valuation as at 31st March, 2009	Additions during the year	Deletions/ Adjustments during the year	Cost/ Valuation as at 31st March, 2010	As at 31st March, 2009	For the year	On Deletions/ Adjustments during the year	As at 31st March, 2010	As at 31st March, 2009
Goodwill on Consolidation	1,409	—	1,409	—	—	—	—	—	1,409
Land - Freehold	656,747	—	—	656,747	—	—	—	656,747	656,747
Buildings - Freehold	77,196	—	—	77,196	27,917	1,749	—	29,666	47,530
Leasehold Buildings	7,060	—	—	7,060	2,197	198	—	2,395	4,863
Plant and Machinery	184,865	—	2,046	182,819	154,360	4,670	805	158,225	30,505
Furniture, Fittings and Equipment	196,068	7,760	1,797	202,031	106,255	13,172	738	118,689	89,813
Vehicles	25,653	—	4,619	21,034	10,087	2,224	2,643	9,668	15,566
Copyrights	75,676	4,779	3,163	77,292	42,186	7,378	1,032	48,532	33,490
Software	43,786	4,234	489	47,531	25,438	13,782	—	39,220	18,348
Share of Joint venture [Note 1(b) on Schedule XX]	1,268,460	16,773	13,523	1,271,710	368,440	43,173	5,218	406,395	900,020
Total	27,842	857	—	28,699	1,076	1,762	—	2,838	26,766
Previous Year	1,296,302	17,630	13,523	1,300,409	369,516	44,935	5,218	409,233	926,786
	1,240,930	73,576	18,204	1,296,302	331,274	42,962	4,720	369,516	
Capital work-in-progress								—	983
Share of Joint venture [Note 1(b) on Schedule XX]								101	707
								101	1,690

**SCHEDULES TO THE CONSOLIDATED ACCOUNTS (contd.)**
**SCHEDULE VI**

Investments	Number		Face Value of each share/unit (Rs.)	(Rupees in Thousands)	
	As at 31st March, 2010	As at 31st March, 2009		Book Value as at 31st March, 2010	Book Value as at 31st March, 2009
<b>A. Long Term - Other than Trade</b>					
<b>1. Fully Paid Debentures</b>					
<b>Unquoted</b>					
Rs.5,000 6 1/2% Non-redeemable Registered Debentures, 1962 of The Bengal Chamber of Commerce and Industry				5	5
Rs.7,500 5% Non-redeemable Mortgage Debenture Stock, 1957 of Woodlands Hospital and Medical Research Centre Ltd.				7	7
Rs.7,500 1/2% Debentures of Woodlands Hospital and Medical Research Centre Ltd.					
				<u>12</u>	<u>12</u>
<b>2 Fully Paid Equity Shares</b>					
<b>Quoted</b>					
CESC Ltd.	1,544,988	1,544,988	10	397,186	397,186
Phillips Carbon Black Ltd.	100	100	10	6	6
Summit Securities Ltd. ( formerly KEC Infrastructures Ltd. )*	—	100	10	—	7
KEC International Ltd.	144	144	10	7	7
Harrisons Malayalam Ltd.	100	100	10	4	4
CFL Capital Financial Services Ltd.	100	100	10	2	2
CEAT Ltd.	75	75	10	5	5
CHI Investments Ltd.*	—	25	10	—	1
Octav Investment Ltd.*	—	8	10	—	—
RPG Cables Ltd.	170	170	10	5	5
Brabourne Enterprises Ltd. (formerly RPG Life Sciences Ltd.)*	—	100	10	—	8
RPG Life Sciences Ltd.	100	100	8	—	—

Contd.....

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS (contd.)

Investments (contd.)	Number		Face Value of each unit (Rs.)	(Rupees in Thousands)	
	As at 31st March, 2010	As at 31st March, 2009		Book Value as at 31st March, 2010	Book Value as at 31st March, 2009
<b>Unquoted</b>					
Spencer and Company Ltd.	200	200	10	7	7
Summit Securities Ltd. (formerly RPG Itochu Finance Ltd.)*	14	—	10	16	—
				<u>397,238</u>	<u>397,238</u>
Total				<u>397,250</u>	<u>397,250</u>
Aggregate Book Value of Investments					
Quoted				397,215	397,231
Unquoted (net of provision)				35	19
				<u>397,250</u>	<u>397,250</u>
Aggregate Market Value of Quoted Investments				591,400	326,027

\* Pursuant to a sanctioned Scheme of Arrangement (the Scheme) between Summit Securities Ltd., CHI Investment Ltd., Octav Investment Ltd., Braborn Enterprises Ltd., (transferor Companies) and others, the aforesaid four companies got merged with RPG Itochu Finance Limited (RIFL) and the company has become entitled to receive 14 shares in RIFL based on the ratio and cash for the fractional entitlement as set out in the Scheme. Pursuant to a sanctioned Scheme, the name of the merged entity has been changed from RIFL to Summit Securities Ltd. (transferee company). As at March 31, 2010, the shares of the transferee company were not quoted in any of the stock exchanges. Aggregate book value of investments in the transferor companies prior to the Scheme becoming effective has been reflected against the transferee company.

**SCHEDULES TO THE CONSOLIDATED ACCOUNTS (contd.)****SCHEDULE VII**

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Inventories</b>		
Stores and Spares	678	641
Raw Materials	8,740	11,606
Work in Progress [including films under production Rs. 10,500 thousands, (31.03.09- Rs. 39,592 thousands) and Television Serials under production Rs. 7,019 thousands (31.03.09 - Rs. Nil)]	18,079	40,515
Untelecasted Television serials	4,908	4,775
Finished Goods	102,186	124,838
	134,591	182,375
Share of Joint venture [Note 1(b) on Schedule XX]	878	1,070
	135,469	183,445

**SCHEDULE VIII**

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Debtors</b>		
Unsecured		
Debts outstanding for over six months :		
Considered Good	18,695	34,786
Considered Doubtful	117,870	85,230
Other debts		
Considered Good	194,553	217,839
	331,118	337,855
Less : Provision for Doubtful Debts	117,870	85,230
	213,248	252,625
Share of Joint venture [Note 1(b) on Schedule XX]	5,560	4,024
	218,808	256,649

**SCHEDULE IX**

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Cash and Bank Balances</b>		
Cash in hand	495	1,233
Cheques in hand	23,676	16,424
Bank Balances on -		
Rights Issue	194	280
Current Account [including Remittances in transit of Rs. 10,069 thousands (31.03.09 Rs. 9,462 thousands)]	56,673	69,794
Unpaid Dividend Account	134	138
Term Deposit Account	225	225
	81,397	88,094
Share of Joint venture [Note 1(b) on Schedule XX]	614	2,334
	82,011	90,428

**SCHEDULES TO THE CONSOLIDATED ACCOUNTS (contd.)**

**SCHEDULE X**

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Other Current Assets</b>		
Unsecured - Considered Good		
Deposits	26,017	27,973
	<u>26,017</u>	<u>27,973</u>

**SCHEDULE XI**

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Loans and Advances</b>		
Unsecured - considered good (unless otherwise stated below)		
Loan to Employees	1,437	2,201
Advances recoverable in cash or in kind or for value to be received from -		
Balances with Excise Authorities	3	16
Inter-Corporate Deposits	—	25,430
Capital Advances	975	1,100
(including considered doubtful Rs.200; 31.03.09 - Rs. Nil)		
Less: Provision for Doubtful Advances	(200) 775	— 1,100
Minimum Guarantee Royalty Advances	7,300	11,231
Advance against film projects	378,233	207,866
(including considered doubtful Rs. 8,383 thousands; 31.03.09 - Rs. 5,048 thousands)		
Less: Provision for Doubtful Advances	(8,383) 369,850	(5,048) 202,818
Others	194,593	192,910
(including considered doubtful Rs. 51,800 thousands; 31.03.09 - Rs. 31,929 thousands)		
Less: Provision for Doubtful Advances	(51,800) 142,793	(31,929) 160,981
Advance payment of Income Tax and Tax deducted at source [net of provision for taxation Rs. 133,894 thousands; (31.03.09-Rs.99,394 thousands)]	125,081	100,652
Advance payment of Fringe Benefit Tax (net of provision Rs. 15,621 thousands; 31.03.09-Rs. 19,776 thousands)	1,719	3,974
	<u>648,958</u>	<u>508,403</u>
Share of Joint venture [Note 1(b) on Schedule XX]	1,328	960
	<u>650,286</u>	<u>509,363</u>

**SCHEDULES TO THE CONSOLIDATED ACCOUNTS (contd.)****SCHEDULE XII**

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Current Liabilities</b>		
Sundry Creditors		
Due to Micro and Small Enterprises (Note 16 on Schedule XX)	1,200	1,016
Others	380,117	439,516
	381,317	440,532
Advance from Customers	9,950	16,244
Investor Education and Protection Fund shall be credited by the following amounts namely :		
Unpaid Dividend (Note below)	134	138
Unpaid Application money (Note below)	194	280
Other Liabilities (Note 3 on Schedule XX)	88,266	101,840
Interest accrued but not due on loans	3,430	9,173
	483,291	568,207
Share of Joint venture [Note 1(b) on Schedule XX]	2,950	4,918
	486,241	573,125

Note: There is no amount due to be credited to Investor Education and Protection Fund as at Balance Sheet date.

**SCHEDULE XIII**

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
<b>Provisions</b>		
Provision for Gratuity	1,652	5,268
Provision for Leave Encashment	15,365	16,246
Provision for Royalty (Note 13 on Schedule XX)	125,864	98,622
Provision for Magazine Returns	3,032	—
	145,913	120,136
Share of Joint venture [Note 1(b) on Schedule XX]	63	33
	145,976	120,169

**SCHEDULE XIV**

(Rupees in Thousands)

	Year ended 31st March, 2010	Year ended 31st March, 2009
<b>Sales and Licence Fees</b>		
Pre recorded Cassettes	1,442	36,370
Audio Compact Discs	305,897	374,550
Digital Versatile Discs	12,367	50,103
Free Commercial Time	105,113	101,377
Advertising	11,488	—
News Stand	6,642	—
Distribution Rights	3,391	32,181
Licence Fees	566,953	426,838
Others	84,264	68,627
	1,097,557	1,090,046
Share of Joint venture [Note 1(b) on Schedule XX]	17,983	8,576
	1,115,540	1,098,622

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS (contd.)

### SCHEDULE XV

(Rupees in Thousands)

	Year ended 31st March, 2010	Year ended 31st March, 2009
<b>Other Income</b>		
Liabilities no longer required, written back	17,319	96,968
Provision for Royalty no longer required written back	5,524	68,823
Provision for doubtful Debts/ Advances no longer required written back	1,303	18,326
Dividend from Long Term (other than trade) Investments	6,181	6,182
Dividend from Current (other than trade) Investments	—	9
Interest (gross)		
– on Bank Deposits	21	23
– on Security Deposits (Tax deducted at source Rs. 54 thousands, Previous year Rs. 51 thousands)	264	249
– on Advance Tax	1,573	683
Profit on sale of Current (other than trade) Investments	—	7
Profit on sale of Fixed Assets	38	99
Rent Income [Note 15 (b) on Schedule XX] (Tax deducted at source - Rs.1,125 thousands, Previous year Rs. 1,921 thousands)	11,582	11,057
Gain on Exchange Fluctuation	15,325	25,478
Miscellaneous Income	8,424	13,984
	<u>67,554</u>	<u>241,888</u>
Share of Joint Venture [Note 1(b) on Schedule XX]	2,682	2,209
	<u>70,236</u>	<u>244,097</u>

### SCHEDULE XVI

(Rupees in Thousands)

	Year ended 31st March, 2010	Year ended 31st March, 2009
<b>Materials, Films, Television Serials etc.</b>		
Materials etc.		
Raw Materials consumed	27,464	17,467
Purchase and Contract Manufacturing Charges	132,217	180,893
Opening Stocks – Work in Progress	923	474
– Finished Goods	124,838	123,643
Closing Stocks – Work in Progress	(560)	(923)
– Finished Goods	(102,186)	(124,838)
Films and Television Serials		
Opening Stock (including films under production Rs. 39,592 thousands; previous year Rs. 81,200 thousands)	44,367	84,655
Add: Cost of Production of Films / Serials	87,351	95,279
Less: Closing Stock [including films under production Rs. 10,500 thousands; (Previous year - Rs. 39,592 thousands) and Television Serials under production Rs. 7,019 thousands (Previous year - Rs. Nil)]	(22,427)	(44,367)
	<u>109,291</u>	<u>135,567</u>
Add: Opening stock amount inventorised towards unutilised Free Commercial Time	—	13,029
	<u>109,291</u>	<u>148,596</u>
	<u>291,987</u>	<u>345,312</u>
Share of Joint venture [Note 1(b) on Schedule XX]	9,243	4,807
	<u>301,230</u>	<u>350,119</u>

**SCHEDULES TO THE CONSOLIDATED ACCOUNTS (contd.)****SCHEDULE XVII**

(Rupees in Thousands)

	Year ended 31st March, 2010	Year ended 31st March, 2009
<b>Expenses</b>		
Salaries, Wages, Bonus, etc. (Note 17 on Schedule XX)	291,733	277,009
Contribution to Provident Fund	10,517	10,261
Contribution to Superannuation Fund	1,769	573
Contribution to Gratuity Fund	1,804	5,524
Provision for Gratuity Expenses	273	635
Contribution under Employees' State Insurance Scheme	534	1,190
Workmen and Staff Welfare	11,033	13,685
Consumption of Stores and Spare Parts	842	770
Power and Fuel	12,213	11,095
Rent [Note 15 (a) on Schedule XX]	41,414	49,742
Repairs – Buildings	2,858	2,544
– Machinery	2,752	1,162
– Others	3,210	3,375
Royalties	107,461	146,071
Recording Expenses	13,431	42,500
Carriage, Freight and Forwarding Charges	68,745	56,729
Rates and Taxes	13,860	12,520
Insurance	2,544	2,264
Travel and Conveyance	30,156	21,753
Subscriptions and Donations	6,624	6,530
Advertisement and Sales Promotion	69,548	78,492
Editorial Expenses	7,860	2,961
Publishing Expenses	15,812	–
Printing and Communication Expenses	21,284	22,366
Bad Debts/Advances written off	637	7,291
Provision for Doubtful Debts/Advances	57,349	38,889
Provision for Magazine Returns	3,032	–
Directors' Fees (Parent Company)	475	400
Loss on sale of Fixed Assets	2,235	980
Assets Written off / Scrapped (including copyrights Rs. 2,130 thousands, Previous year - Rs. 9,195 thousands)	2,151	9,408
Impairment of Goodwill	1,409	1,718
Legal/ Consultancy Expense	37,404	34,394
Event Management Expenses	30,015	12,551
Exchange difference Loss	28,303	24,573
Miscellaneous expenditure	43,622	49,651
	<b>944,909</b>	<b>949,606</b>
Share of Joint venture [Note 1(b) on Schedule XX]	<b>8,253</b>	<b>8,445</b>
	<b>953,162</b>	<b>958,051</b>

**SCHEDULE XVIII**

(Rupees in Thousands)

	Year ended 31st March, 2010	Year ended 31st March, 2009
<b>Interest</b>		
Interest on :		
Fixed Loans	29,142	24,072
Bank and other accounts	26,738	19,359
	<b>55,880</b>	<b>43,431</b>
Share of Joint venture [Note 1(b) on Schedule XX]	<b>778</b>	<b>990</b>
	<b>56,658</b>	<b>44,421</b>

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS (contd.)

### SCHEDULE XIX

#### Significant Accounting Policies

##### (a) Basis of the Preparation of the Financial Statements

The Consolidated Financial Statements have been prepared under the Historical Cost Convention (except for revaluation of certain Fixed Assets as detailed below and in Notes 2(a), 2(b) and 2(c) on Schedule XX) in accordance with the applicable Accounting Standards in India. A summary of important accounting policies, which have been applied is set out below.

##### (b) Fixed Assets

Fixed Assets are stated at their original cost less depreciation other than revalued items which are stated at valuation less depreciation, as referred to in Notes 2 (a), 2 (b), 2 (c) and 2 (d) on Schedule XX.

Outright acquisition of copyrights wherein future economic benefits are established are capitalised.

Softwares are capitalised where it is expected to provide future enduring economic benefits. Capitalisation costs includes license fees and cost of implementation/system integration services. The costs are capitalised in the year in which the relevant software is implemented for use.

Impairment loss is recognised wherever the carrying amount of fixed assets of a cash generating unit exceeds its recoverable amount i.e net selling price or value in use, whichever is higher.

##### (c) Depreciation

Copyrights (outright acquisition) are depreciated under the straight line method over 10 years.

Softwares capitalised are amortised on a straight line basis over a period of three years from the date of capitalisation.

Depreciation on original cost of fixed assets is provided on straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1956 of India. Additional depreciation on the amount added on revaluation is provided on straight line basis and is adjusted against the available balance in revaluation reserve account in respect of related items.

##### (d) Goodwill on Consolidation

Goodwill arising on consolidation are stated at cost and impairment is recognised, where applicable.

##### (e) Investments

Long term investments are stated at cost/ cost less write down. Provision for diminution is made to recognise a decline other than temporary in the carrying amount of long term investments as determined by the Board of Directors on periodical review.

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

##### (f) Inventories

Inventories are valued at lower of cost and net realisable value.

The cost is determined on specific identification/weighted average basis, as considered appropriate by the management, and includes, where applicable, appropriate share of overheads.

Provision is made for obsolete, slow moving and defective stocks, where necessary.

##### (g) Employee Benefits

Short-term Employee Benefits (i.e. benefits payable within one year) are recognised in the period in which employee services are rendered. Contribution towards superannuation at rates specified in related approved scheme covering eligible employees opting for such contribution is recognised as expense and funded.

Contribution, where applicable, towards provident fund to Government (in India) administered provident fund is recognised as expense. Liability towards gratuity (defined benefit), covering eligible employees, is provided and funded (where applicable) on the basis of year-end actuarial valuation.

Accrued liability towards leave encashment benefits (defined benefit), covering eligible employees, evaluated on the basis of year-end actuarial valuation is recognised as charge.

Contribution, where applicable, to Government (in India) administered Employees' State Insurance Scheme for eligible employees is recognised as charge.

Actuarial gains/losses arising in Defined Benefit Plans are recognised immediately in the Profit and Loss Account as income/expense for the year in which they occur.

##### (h) Sales and Licence Fees

Sales represent invoiced value of products sold and are net of trade discounts. Licence Fees represent income from music rights.

Revenue from films is recognised on assignment of distribution rights and revenue relating to television serials is recognised on telecast.

With regard to activities relating to printing/publication and distribution of magazines -

Revenue recognition from subscription to the print publications is recognised as earned, prorata on a per issue basis over the subscription period. Circulation Revenue includes sales to retail outlets/news-stands, which are subject to returns. These retail sales are recorded upon delivery, net of estimated/actual returns. These estimated/actual returns are based on historical return rate and are revised as necessary based on actual returns realised. Advertising Revenue from Current Affairs & Features Magazine is recognised in the period in which the magazines are published and are accounted net of commission and discounts.

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS (contd.)

### Significant Accounting Policies (contd.)

(i) **Royalty**

Minimum guarantee advance is recognised as expense within the license period or ten years, whichever is lower.

Royalty on sales, other than physical sales, is provided on the basis of management's best estimate of the expenditure required to settle the obligation.

Other royalty payments are charged at agreed rates/terms on related sales.

(j) **Foreign Currency Transactions**

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year-end exchange rates. Gains / losses arising out of fluctuations in the exchange rates are recognised in Profit and Loss Account in the period in which they arise. Foreign operations of overseas subsidiaries are integral to the operations of Saregama India Limited (the reporting enterprise).

(k) **Taxes on Income**

Current tax is determined as the amount of tax payable in respect of taxable income for the year based on applicable tax rate and laws.

Deferred tax is provided/recognised on timing differences between taxable income and accounting income using the liability method subject to consideration of prudence. Deferred tax asset on the unabsorbed depreciation and carryforward of losses under the tax laws are not recognised unless there is virtual certainty that there will be sufficient future taxable income available to realise such assets.

## SCHEDULE XX

### Notes to the Accounts

1 The Consolidated Financial Statements have been prepared in accordance with Accounting Standard (AS) 21 "Consolidated Financial Statements" and Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures", notified under Section 211 (3C) of the Companies Act, 1956

(a) The joint venture [refer Note 1(b) below] and subsidiaries [which along with Saregama India Limited (Parent Company) constitute the Group] considered in the preparation of these Consolidated Financial Statements are :

Name	Country of Incorporation	Proportion of ownership interest as at 31st March, 2010	Proportion of ownership interest as at 31st March, 2009
Saregama Plc.	United Kingdom	70.23%	70.23%
RPG Global Music Limited	Mauritius	100%	100%
Kolkata Metro Networks Limited	India	100%	100%
Open Media Network Pvt. Ltd.# [formerly Imagine Media Network Private Limited (formerly RPG Publications Private Limited)]	India	100%	100%

# Subsidiary effective 15th May, 2008.

For preparation of these Consolidated Financial Statement, uniform accounting policies for like transaction and other events in similar circumstances have been adopted and presented to the extent possible, in the same manner as the Parent Company's separate financial statements.

Minority Interests in the net profit of a consolidated subsidiary for the reporting period has been identified and adjusted with a loss of the Group.

(b) Interest in Joint Venture (jointly controlled entity) is :

Name	Country of Incorporation	Proportion of ownership interest as at 31st March, 2010	Proportion of ownership interest as at 31st March, 2009
Saregama Regency Optimedia Private Limited	India	26%	26%

Interest in the Joint Venture is accounted for using proportionate consolidation.

2 (a) Based on valuation reports of valuers, appointed for the purpose, the fixed assets of Parent Company (other than furniture, fittings and equipment, vehicles and certain items of plant and machinery) were revalued on 31st March, 1984 and again (except for those relating to record making machinery items) on 30th September, 1987 after considering the then (a) current market value/ derived rates attributable to land (b) current replacement cost after depreciation etc. and Rs. 58,731 thousands and Rs. 62,819 thousands were added to the book value of the related assets (with corresponding credit to Fixed Asset Revaluation Reserve) on 31st March, 1984 and 30th September, 1987 respectively.

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS (contd.)

### Notes to the Accounts (contd.)

- (b) Certain assets of the Parent Company viz. Land and Buildings were revalued in June 2003 by registered valuers at the lower of current replacement cost and realisable value. Resultant incremental value amounting to Rs. 237,411 thousands were added to the book value of the related assets with utilisation of the corresponding credit amount pursuant to an approved scheme of arrangement.
- (c) Parent Company's land was revalued on 31st March, 2007 by registered valuers, at lower of current replacement cost and realisable value. Resultant incremental value amounting to Rs. 442,130 thousands were added to the book value of land with corresponding credit to Revaluation Reserve of Rs. 269,756 thousands and utilisation of the balance amount of Rs.172,374 thousands pursuant to a sanctioned scheme of amalgamation of erstwhile Saregama Films Limited with the Parent Company in 2006-07.
- (d) Depreciation for the year ended 31st March, 2010 on items of depreciable fixed assets revalued has been calculated on the respective revalued amounts at the rates applicable based on useful balance life of the assets. Depreciation so calculated include an additional charge of Rs.1,844 thousands (previous year - Rs. 1,856 thousands) over that calculated on original cost at rates prescribed under Schedule XIV of the Companies Act, 1956 as amended during 1993-1994 and an amount of Rs. 596 thousands (previous year - Rs. 608 thousands) being the related available balance in Revaluation Reserve in respect of the aforesaid revaluation has been transferred to Profit and Loss Account from Revaluation Reserve.
- 3 Other Liabilities (Schedule XII) include -
- a) Rs. 13,074 thousands (31.03.09 - Rs. 16,374 thousands) being advance from sub-lessees adjustable over the sub-lease period.
- b) Rs. 2,500 thousands (31.03.09 - Rs. 2,500 thousands) being advance from a party against proposed sale of fixed assets.
- 4 Capital commitments (net of advances of Rs. 975 thousands; 31.03.09 - Rs.1,100 thousands) towards outright acquisition of copyrights and softwares as at 31st March, 2010 is Rs.500 thousands (31.03.09 - Rs. 3,200 thousands) and Rs. 175 thousands (31.03.09 - Rs. Nil) respectively.
- 5 Provision for Current Tax of the Parent Company includes Rs. 18,613 thousands (Previous year - Rs. Nil) in respect of earlier years consequent to amendment in Section 115JB of Income - Tax Act, 1961 with retrospective effect vide Finance (No.2) Act, 2009.
- 6 Contingent liabilities in respect of -
- (a) Any unpaid amount out of specified liabilities of the Parent Company amounting to Rs 1,74,906 thousands (31.03.09 - Rs. 1,74,906 thousands) against certain receivables of Rs. 1,70,406 thousands (31.03.09 - Rs 1,70,406 thousands) of the Parent Company taken over by the assignee in 2006-07 has to be discharged by the Parent Company.
- (b) (Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
(i) Guarantees given by Banks	150	650
(ii) Claims against the Parent Company not acknowledged as debts in respect of -		
Copyright matters	7,500	—
Income Tax matters	20,100	23,500
Sales tax/value added tax/entry tax matters	68,527	55,903
Excise duty matters	5,608	5,608
Custom duty matters	26,675	2,675
Interest at appropriate rate relating to excise duty matters, which is not readily ascertainable.		

- 7 Un-hedged exposures in foreign currencies of the group in Joint Venture is

	As at 31st March, 2010		As at 31st March, 2009	
	Foreign Currency (in'000)	Rupees (in '000)	Foreign Currency (in'000)	Rupees (in '000)
Unsecured Loan - External Commercial Borrowing	US\$ 365	16,429	US\$ 365	18,477
Secured Loan - Buyers Credit	US\$ 17	786	—	—
Interest on unsecured loan	US\$ 24	1,065	US\$ 16	770
Interest on secured loan	US\$ 0.03	1	—	—
Current Liabilities	AU\$ 22	915	AU\$ 49	1,678
Balances with Bank	US\$ 0.41	18	US\$ 28	1,417
Current Assets	EURO 1	63	—	—
Current Assets	US\$ 0.38	17	—	—

**SCHEDULES TO THE CONSOLIDATED ACCOUNTS (contd.)****Notes to the Accounts (contd.)****8 (a) Remuneration paid/ payable to Managing Director (Parent Company)**

(Rupees in Thousands)

	Year ended 31st March, 2010	Year ended 31st March, 2009
Salaries and Allowances	10,154	9,488
Contribution to Provident Fund	432	334
Contribution to Gratuity Fund	120	146
Contribution to Superannuation Fund	540	115
Other benefits/ perquisites	624	202
<b>Total</b>	<b>11,870</b>	<b>10,285</b>

The Parent Company has granted 25,000 stock options to the Managing Director (Mr. Apurv Nagpal) in 2008-09 under Employee Stock Option Scheme, of which 1500 options have vested in 2009-10. No option has been exercised by the said Managing Director.

(b) Parent Company's Managing Director's Remuneration [Note 8(a) above] of Rs. 11,870 thousands (previous year - Rs. 2,549 thousands) is subject to the approval of Central Government.

**9 Net Deferred tax asset/liability accounted for :**

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
Deferred Tax Liability on Depreciation	2,871	5,659
Deferred Tax Asset on :-		
(a) Items allowable for tax purpose on payment (31.03.10 - restricted to deferred tax liability of Rs. 34 thousands in Parent Company)	(343)	(3,728)
(b) Provision for doubtful debts [31.03.10 - restricted to deferred tax liability (after adjusting deferred tax assets of Rs. 3,512 thousands included in 'a' above) in Parent Company]	—	(684)
	<b>2,528</b>	<b>1,247</b>

On a prudent basis Deferred Tax on unabsorbed depreciation, business / capital loss and others have not been recognised in these accounts.

10.1 The Parent Company has adopted the Intrinsic value method in keeping with the applicable regulatory pronouncements for accounting the stock options granted as referred to in Note 4 and 5 on Schedule I, which has no impact on the financial results of the Company. Had the fair value method been used in keeping with the said pronouncements, net result and loss per share (basic and diluted) for the year would have been lower by about Rs. 250 thousands (Previous Year - Rs. 289 thousands) and Re. 0.02 (Previous year - Re. 0.02) respectively.

**10.2 Basic and Diluted Loss per share :**

	Year ended 31st March, 2010	Year ended 31st March, 2009
Number of equity shares at the beginning of the year	14,675,738	14,675,738
Number of equity shares at the end of the year	17,402,938	14,675,738
Weighted average number of equity shares outstanding during the year	16,185,038 (a)	14,675,738
Weighted average number of equity shares for computing diluted loss per share	16,191,424 (b)	14,677,376 (b)
Nominal value of each equity share (Rs.)	10	10
Loss after Taxation and Minority Interests available for equity shareholders (Rupees in thousands)	206,445	62,128
Basic loss per share (Rs.)	12.75	4.23
Diluted loss per share (Rs.)	12.75	4.23

(a) after considering the allotment of shares pursuant to Right Issue and preferential issue referred to in Notes 1 and 2 on Schedule I.

(b) weighted average number of equity shares outstanding during the year is adjusted for the options outstanding (including options exercised and pending allotment) under Employees Stock Option Scheme referred to in Note 3, 4 and 5 on Schedule I.

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS (contd.)

### Notes to the Accounts (contd.)

#### 11 Segment Reporting :

##### Primary Segment information (Business Segments)

(Rupees in Thousands)

Particulars	Year ended 31st March, 2010						Year ended 31st March, 2009					
	Music	Films/ TV Serials	Publication	Segment Total	Elimination	Consolidated Total	Music	Films/ TV Serials	Publication	Segment Total	Elimination	Consolidated Total
1 Segment Revenue												
– External Sales and License Fees	976,050	119,428	20,062	1,115,540	–	1,115,540	962,638	135,984	–	1,098,622	–	1,098,622
– Intersegment Sales and License Fees	–	–	–	–	–	–	–	–	–	–	–	–
Total	976,050	119,428	20,062	1,115,540	–	1,115,540	962,638	135,984	–	1,098,622	–	1,098,622
2 Segment Result	251,472	(32,420)	(206,363)	12,689	–	12,689	266,863	(60,989)	(88,109)	117,765	–	117,765
Interest expense not allocated to segments						(56,658)						(44,421)
Other unallocated income (net)						(125,644)						(125,519)
Loss before taxation						(169,613)						(52,175)
3 Segment Assets	1,672,414	465,268	51,787	2,189,469	(333,416)	1,856,053	1,611,479	311,684	46,294	1,969,457	(122,950)	1,846,507
Unallocated						545,065						559,759
Total Assets						2,401,118						2,406,266
4 Segment Liabilities	639,630	10,534	347,860	998,024	(333,416)	664,608	684,299	12,831	134,673	831,803	(122,950)	708,853
Unallocated						486,926						521,284
Total Liabilities						1,151,534						1,230,137
5 Segment Capital Expenditure	11,265	–	4,776	16,041			31,396	42	29,021	60,459		
6 Segment Depreciation and amortisation	28,332	82	4,546	32,960			28,835	743	1,782	31,360		
7 Segment non-cash expenditure other than Depreciation and amortisation	56,878	20,935	–	77,813			62,664	15,792	–	78,456		

Business Segments - The internal business segmentation and activities are :-

Music (including Home Video) : Manufacturing and sale of Music Cassettes and Compact/Digital Discs, dealing with related music rights and Home Video business.

Films / TV Serials : Production and sale / telecast / broadcast of films / TV serials, pre recorded programmes and dealing in related rights.

Publication : Printing / publication and distribution of magazines.

#### Secondary Segment Information (Geographical Segments)

	12 Months to 31.03.10	12 Months to 31.03.09
1 Segment Revenue		
– within India	974,092	1,002,050
– outside India	141,448	96,572
Total	1,115,540	1,098,622
2 Segment Assets		
– within India	1,757,066	1,756,281
– outside India	98,987	90,226
Total	1,856,053	1,846,507
3 Capital Expenditure		
– within India	16,041	60,459
– outside India	–	–
Total	16,041	60,459

The Geographical Segments considered for disclosure are India and outside India.

**SCHEDULES TO THE CONSOLIDATED ACCOUNTS (contd.)****Notes to the Accounts (contd.)****12 Related Party Disclosures in keeping with Accounting Standard (AS) 18 notified in the Companies Act, 1956**

<u>Name of Related Party</u>	<u>Current Year</u>	<u>Previous Year</u>	<u>Nature of Relationship</u>
Saregama Regency Optimedia Private Ltd (SROPL)		Saregama Regency Optimedia Private Ltd (SROPL)	Joint Venture Company
A. Nagpal (Managing Director of Parent Company)		A. Nagpal* (Managing Director of Parent Company)	Key Management Personnel
		S. Chattopadhyay** (Managing Director of Parent Company)	Key Management Personnel

\* Appointed effective 15th January, 2009

\*\* Resigned from the position of Managing Director effective 15th January, 2009.

**Related Party Transactions**

(Rupees in Thousands)

		<u>Joint Venture SROPL</u>	<u>Key Management Personnel</u>
Purchases of Goods / Services	Current Year	71,780	—
	Previous Year	33,477	—
Rent Expenses	Current Year	1,560	—
	Previous Year	1,560	—
Reimbursement of Expense received / receivable	Current Year	1	—
	Previous Year	46	—
Remuneration to Managing Director	Current Year #	—	11,870
	Previous Year #	—	10,285@
Balance Outstanding at year end :			
Other Current Assets	Current Year	780	—
	Previous Year	780	—
Sundry Creditors	Current Year	21,296	—
	Previous Year	15,482	—

# also refer Note 8 above.

@ represents Rs. 2,549 thousands for Mr. A. Nagpal and Rs. 7,736 thousands for Mr. S. Chattopadhyay.

**13 Details of Provision for Royalty :**

(Rupees in Thousands)

	<u>Year ended 31st March, 2010</u>	<u>Year ended 31st March, 2009</u>
Carrying amount at the beginning of the year	98,622	123,720
Add: Created during the year	62,592	46,750
	161,214	170,470
Less: Amounts utilised during the year	29,826	3,025
Excess provision of earlier years, written back	5,524	68,823
Carrying amount at the end of the year	125,864	98,622

Above obligation with respect to royalty shall be settled in accordance with applicable terms and conditions and on receipt of related information.

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS (contd.)

### Notes to the Accounts (contd.)

- 14 In keeping with the Parent Company's gratuity scheme (a defined benefit plan), eligible employees are entitled to gratuity benefit (at one half months eligible salary for each completed year of service) on retirement / death / incapacitation / resignation. Also refer Note 1 (g) for accounting policy relating to gratuity. Following are the further particulars with respect to gratuity:-

	2009-10 (Rs. in thousand)	2008-09 (Rs. in thousand)	2007-08 (Rs. in thousand)
<b>I. Reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation</b>			
(a) Present Value of Obligation at the beginning of the year	48,796	40,275	60,159
(b) Current Service Cost	4,618	3,547	3,264
(c) Interest Cost	3,564	3,221	3,670
(d) Actuarial (Gain)/Loss	(1,589)	2,770	2,068
(e) (Benefits Paid)	(2,683)	(1,017)	(28,886)
(f) Present Value of Obligation at the end of the year	52,706	48,796	40,275
<b>II. Reconciliation of opening and closing balances of the fair value of Plan Assets</b>			
(a) Fair Value of Plan Assets at the beginning of the year	43,515	37,984	51,099
(b) Expected Return on Plan Assets	4,187	3,515	3,879
(c) Actuarial Gain/(Loss)	315	(148)	(1,006)
(d) Contributions by employer	5,692	3,181	12,898
(e) (Benefits Paid)	(2,683)	(1,017)	(28,886)
(f) Fair Value of Plan Assets as at the end of the year	51,026	43,515	37,984
<b>III. Reconciliation of the present value of Defined Benefit Obligation in 'I' above and the fair value of Plan Assets in 'II' above</b>			
(a) Present Value of Obligation as at the end of the year	52,706	48,796	40,275
(b) Fair Value of Plan Assets as at the end of the year	51,026	43,515	37,984
(c) Liability recognised in the Balance Sheet	1,680	5,281	2,291
<b>IV. Expense charged to the Profit and Loss Account</b>			
(a) Current Service Cost	4,618	3,547	3,264
(b) Interest Cost	3,564	3,221	3,670
(c) (Expected Return on Plan Assets)	(4,187)	(3,515)	(3,879)
(d) Actuarial (Gain)/Loss	(1,904)	2,918	3,074
(e) Total expense charged to the Profit and Loss Account*	2,091	6,171	6,129
* reflected/included as/in 'Contribution to Gratuity Fund' / 'Provision for Gratuity Expenses'/'Share of Joint Venture' under 'Expenses' on Schedule XVII of respective year			
<b>V. Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at Balance Sheet date</b>			
(a) Fund with Life Insurance Corporation of India	84%	83%	82%
(b) NAV based Group Balanced Fund with ICICI Prudential Life Insurance Company Limited	8%	8%	9%
(c) NAV based Group Short Term Debt Fund with ICICI Prudential Life Insurance Company Limited	4%	5%	9%
(d) NAV based Group Debt Fund with ICICI Prudential Life Insurance Company Limited	4%	4%	—
<b>VI. Actual Return on Plan Assets</b>	4,502	3,367	2,873
<b>VII. Principal Actuarial Assumptions as at Balance Sheet date</b>			
(a) Discount Rate	7.7%/8.6%/8.0%	7.5%/8.2%/8.0%	8.1%
(b) Expected Rate of Return on Plan Assets	9.3%	9.3%	9.0%
(c) Salary Escalation			
— Management Staff	7.0%/5.0%	7.0%/5.0%	9.0%
— Non Management Staff	7.0%/5.0%	7.0%/5.0%	6.5%
(d) Inflation Rate	7.0%	7.0%	6.0%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The expected rate of return on plan assets is based on the composition of plan assets held, assessed risks of asset management, historical results of the return on plan assets, the Parent Company's policy for plan asset management and other relevant factors.

**SCHEDULES TO THE CONSOLIDATED ACCOUNTS (contd.)****Notes to the Accounts (contd.)**

- 15 (a) Rent expenditure includes lease payments of Rs.24,136 thousands (previous year - Rs.30,555 thousands) relating to operating leases taken on or after 1st April, 2001. These leasing arrangements range from less than an year to ten years and are primarily in respect of accommodation for employees / office premises. The significant leasing arrangements inter alia include escalation clause and option for renewal.
- 15 (b) Rent income includes sub-lease payments of Rs.11,276 thousands (Previous Year - Rs. 10,649 thousands) for the year relating to sub-lease agreements entered on or after 1st April, 2001. These lease arrangements inter alia include escalation clause/option for renewal.
- 15 (c) As on 31st March, 2010, Rs. 15,725 thousands (Previous Year - Rs. 20,218 thousands) is expected to be received in respect of future minimum sublease payments under non cancellable sublease.
- 15 (d) The total of future minimum lease payments under non-cancellable operating leases:
- not later than one year - Rs. 5,831 thousands (previous year Rs. 3,955 thousands)
  - later than one year and not later than five years - Rs. 9,021 thousands (previous year Rs. 11,029 thousands)
  - more than five years - Rs. 2,407 thousands (previous year Rs. 4,470 thousands)
- 16 Information relating to Micro and Small Enterprises (MSEs):

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
(i) The principal amount and interest due thereon remaining unpaid to any supplier as at the end of the year.		
Principal	1,007	947
Interest	59	58
	<u>1,066</u>	<u>1,005</u>
(ii) The amount of interest paid in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amounts of the payment made to supplier beyond the appointed day during the year.		
Principal	28	—
Interest	21	—
	<u>49</u>	<u>—</u>
(iii) The amount of interest due and payable for principal paid during the year beyond the appointed day but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.		
Principal	2,084	—
Interest	134	—
	<u>2,218</u>	<u>—</u>
(iv) The amount of interest accrued and remaining unpaid at the end of the year. [Including Rs. 51 thousands (Previous Year - 13 thousands) being interest outstanding as at the beginning of the accounting year.]		
	<u>193</u>	<u>69</u>

- 17 An amount of Rs. 46,094 thousands has been paid during 2007-08 by the Parent Company to its employees who retired under the Company's Voluntary Retirement Scheme-2007. This amount is being charged off over the remaining period of service of the related employees or three years which ever is lower and accordingly an amount of Rs.18,096 thousands and Rs. 15,316 thousands has been charged off in 2007-08, 2008-09 respectively and remaining balance of Rs. 12,682 thousands has been charged off in the current year [included in Salaries, Wages, Bonus, etc. under 'Expenses' (Schedule XVII)].
- 18 Previous year's figures have been regrouped or rearranged, where considered necessary.

Signature to Schedules I to XX

For Price Waterhouse  
Firm Registration No. 301112 E  
Chartered Accountants  
(P Law)  
Partner  
Membership No. - 51790

Kolkata,  
22nd June, 2010

T. Paul  
Company Secretary

On behalf of the Board  
  
A. Nagpal  
Managing Director

S. Banerjee  
Director

## CONSOLIDATED CASH FLOW STATEMENT

(Rupees in Thousands)

	Year ended 31st March, 2010	Year ended 31st March, 2009
<b>A. Cash Flow from Operating Activities</b>		
(Loss) Before Taxation	(169,613)	(52,175)
Adjustment for:		
Depreciation	44,339	42,303
Impairment of Goodwill	1,409	1,718
Bad Debts / Advances written off	637	7,291
Provision for doubtful Debts/Advances	57,349	38,889
Interest Expenses	56,658	44,421
Liabilities no longer required written back	(17,319)	(96,968)
Provision for royalty no longer required written back	(5,524)	(68,823)
Provisions for Doubtful Debts/ Advances no longer required written back	(1,303)	(18,326)
Interest Income	(21)	(23)
Unrealised Loss on Foreign Exchange fluctuation	3,585	5,834
Unrealised Gain on Foreign Exchange fluctuation	(4,133)	(3,512)
Assets scrapped / written off (including Copyrights Rs.2,131 thousands, 2008-09 - Rs. 9,195 thousands)	2,151	9,408
Loss on sale of Fixed Assets	2,235	980
Profit on sale of Fixed Assets	(38)	(99)
Profit on sale of Current (other than trade) Investments	—	(7)
Dividend from Current (other than trade) Investments	—	(9)
Dividend from Long Term (other than trade) Investments	(6,181)	(6,182)
Amortisation of payments under Voluntary Retirement Scheme	12,682	15,316
	<b>146,526</b>	<b>(27,789)</b>
<b>Operating Loss before Working Capital Changes</b>	<b>(23,087)</b>	<b>(79,964)</b>
Adjustments for:		
Trade and Other Receivables	(190,137)	(250,609)
Inventories	47,976	41,928
Trade and other payables	(33,036)	71,540
	<b>(175,197)</b>	<b>(137,141)</b>
<b>Cash Generated from Operations</b>	<b>(198,284)</b>	<b>(217,105)</b>
Direct Taxes paid	(3,097)	(7,541)
<b>Net Cash from Operating Activities</b>	<b>(201,381)</b>	<b>(224,646)</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(16,041)	(64,142)
Sale proceeds of Fixed Assets	2,548	1,477
Interest Received	21	23
Dividend from Current (other than trade) Investments	—	9
Dividend from Long Term (other than trade) Investments	6,181	6,182
Sale proceeds from Current Investments	—	184
<b>Net Cash used in Investing Activities</b>	<b>(7,291)</b>	<b>(56,267)</b>

**CONSOLIDATED CASH FLOW STATEMENT (contd.)**

(Rupees in Thousands)

	Year ended 31st March, 2010	Year ended 31st March, 2009
<b>C. Cash Flow from Financing Activities</b>		
Repayment of Long Term Borrowings	(2,113)	(3,426)
Proceeds from Long Term Borrowings	70,000	105,401
Net increase / (decrease) in Cash Credit facility and other short term Borrowings	(86,958)	248,475
Share Application money refunded relating to Rights Issue (2005)	(86)	(1)
Proceeds from preferential issue of shares	27,270	—
Premium on issue of preferential shares	252,166	—
Proceeds from rights issue (2005) of shares	2	—
Premium on rights issue (2005) of shares	7	—
Interest paid	(60,029)	(31,313)
Dividend paid (2008-09 - including tax thereon Rs. 2,494 thousands)	(4)	(17,249)
<b>Net Cash from Financing Activities</b>	<b>200,255</b>	<b>301,887</b>
	<b>(8,417)</b>	<b>20,974</b>
Opening Cash and Cash Equivalents	<b>90,428</b>	<b>69,454</b>
Closing Cash and Cash Equivalents	<b>82,011</b>	<b>90,428</b>

**Saregama India Limited****Notes to the Consolidated Cash Flow Statement for the year ended 31st March, 2010**

- The above Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard (AS) 3 on Cash Flow Statements.
- Cash and Cash Equivalents comprise:-

(Rupees in Thousands)

	As at 31st March, 2010	As at 31st March, 2009
Cash in hand	495	1,233
Cheques in hand	23,676	16,424
Bank Balances on -		
Rights Issue	194	280
Current Account [including Remittances in transit of Rs. 10,069 thousands (31.03.09 Rs. 9,462 thousands)]	56,673	69,794
Unpaid Dividend Account	134	138
Term Deposit Account	225	225
	<b>81,397</b>	<b>88,094</b>
Share of Joint venture [Note 1(b) on Schedule XX of Accounts]	614	2,334
<b>Total</b>	<b>82,011</b>	<b>90,428</b>

- Previous year's figures have been regrouped or rearranged, where considered necessary.  
This is the Consolidated Cash Flow Statement referred to in our report of even date.

For Price Waterhouse  
Firm Registration No. 301112 E  
Chartered Accountants  
(P Law)  
Partner

Kolkata,  
22nd June, 2010

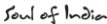
Membership No. - 51790

T. Paul  
Company Secretary

On behalf of the Board

A. Nagpal  
Managing Director

S. Banerjee  
Director



## NOTES