



MUKTA ARTS LIMITED

Annual Report
for the year ended March 31, 2013



Mukta A2 Cinemas - (Ahemdabad)



Mukta A2 Cinemas - Vishakhapatnam



Mukta A2 Cinemas - Vadodara

**BOARD OF DIRECTORS**

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

Company Secretary & Compliance Officer

Mr. Ravi B Poplai

Auditors

M/s B S R & Co.

Internal Auditors

M/s Garg Devendra & Associates

Bankers

Kotak Mahindra Bank Limited
HDFC Bank Limited

Registrar & Transfer Agents

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

Registered Office

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

CONTENTS	
Financial Highlights	2
Chairman's Statement	3
Management Discussion & Analysis	5
Notice	7
Directors' Report	14
Corporate Governance	18
<u>FINANCIALS</u>	
Mukta Arts Limited	28
Consolidated Financials of Mukta Arts Limited & its Subsidiaries	63

MUKTA ARTS LIMITED

PERFORMANCE

Performance at a glance

Rupees in millions

	Year ended 31st March 2013	Year ended 31st March 2012	Year ended 31st March 2011	Year ended 31st March 2010	Year ended 31st March 2009
Realisation from productions, distribution & exhibition	2,574.51	2,011.78	1,919.11	886.33	1,651.04
Equipment Hire Income	3.67	6.38	4.23	2.50	7.30
Other Income	48.11	373.16	129.11	53.34	19.16
TOTAL INCOME	2,626.29	2,391.31	2,052.44	942.18	1,677.50
Profit/(Loss) before Interest, Depreciation and Tax					
Depreciation and Tax	124.94	399.78	30.29	(174.96)	89.27
Depreciation	34.80	32.91	29.65	18.65	18.89
Interest	50.31	50.44	60.56	48.58	9.60
Profit/(Loss) before Tax	39.83	316.43	(59.92)	(242.19)	60.78
Profit/(Loss) after Tax	29.03	255.72	(61.63)	(242.44)	41.01
Dividend	11.29	22.58	-	-	22.58
Dividend Rate	10%	20%	-	-	20%
Gross Fixed Assets	1,389.26	1,309.09	1,347.66	473.12	407.89
Net Fixed Assets	436.08	398.44	590.94	258.19	211.62
Total Assets	2,393.41	2,043.19	1,715.75	1,429.63	1,547.59
Equity Share Capital	112.92	112.92	112.92	112.92	112.92
Reserves and Surplus	1,094.19	1,078.37	848.90	910.53	1,152.97
Net Worth	1,207.11	1,191.29	961.81	1,023.45	1,265.89
Earnings per Share (EPS)					
<i>In Rupees</i>					
EPS Basic	1.29	11.32	(2.73)	(10.74)	1.82
EPS Adjusted to Rs. 5	1.29	11.32	(2.73)	(10.74)	1.82



CHAIRMAN'S STATEMENT



This year has been a year of consolidation and development for your company. Many initiatives taken this year will surely blossom into strong performance in the coming years and I am very optimistic about the future course of the company and the development of our main areas of business.

The Media and Entertainment industry has continued to outperform the economy. Overall growth has been 12.6% against GDP growth of around 6%. Film and music have seen excellent growth with Film growing at 21% and Music at 18% according to the latest FICCI report. The Indian box office continues to grow from strength to strength with a host of film performing extremely well. Content has been the key with audiences willing to accept new storylines as well as traditional commercial films. It's an exciting time to be in our business.

The year has again seen Mukta Arts Limited grow overall. Our top-line continues to increase, growing over 20% in key revenue generating areas so that the company can again post record income of Rs 2626.29 millions in the financial year just completed. Profits are down from last year, which was on account of other income, but the company continues to be profitable overall and is building for the next phase.

I have spent most of this year preparing and shooting my next project. 'Kaanchi' is a film that I have great expectations from. It is a movie that I believe will strike a strong chord with audiences given its subject and storyline. 'Kaanchi' stars Rishi Kapoor and Mithun Chakravarty in pivotal roles but it's the fresh cast that I am extremely excited about. Mishti and Karthik both have huge potential and I believe that post this film, they will be big stars.

Filmmaking has always been my greatest passion and the return to doing what I love the most has reinvigorated my love for the movies. Along with my own film, this year we have announced a film with Dharmendra, Sunny Deol and Bobby Deol titled 'Ishq De Maare' as well as a sequel to our hugely successful comedy 'Apna Sapna Money Money'. In addition we have continued our regional focus with films in Marathi, Kannada and shortly Punjabi.

Our Marathi film, 'Samhita' has won a host of awards from festivals in which it has been showcased including MAMI in Mumbai and IFFK in Cochin. The film has also won two National Awards – for best female playback singer and best music direction. It gives us a sense of great pride and I believe regional cinema is a place of great growth.

Other significant events this year include a joint venture creation with UFO Moviez. Mukta Movies is recognized as one of India's leading distributors and also one of the leading programmers of films for cinemas. Your company does programming for over 450 screens and our deal with VN Films Pvt. Ltd (subsidiary of UFO Moviez India Ltd) means we will significantly add to that whilst still remaining the major shareholder. UFO themselves bring significant strengths to the new company and together I am sure the new venture will create great value.

Exhibition continued to be our major investment this year. Mukta Cinemas is now present in three locations – Baroda, Ahmedabad and Gulbarga, which opened in January this year. We will be quickly adding Vizag and our first Mumbai theatre in August and our pipeline means we should reach 12 plus locations by the end of the next financial year in locations like Lalbaug, Sangli, Aurangabad, Kundli (Haryana), Raipur, Bhopal, Selu and Ambarnath as well as adding two more theatres in Mumbai – one in Goregaon and one in Panvel.

Mukta Cinemas is concentrating on a partnership model rather than paying out large rents as overheads. This allows us to continue to be profitable even if a poor box office period persists. Also, we are sourcing the materials for our multiplexes from the best vendors at the best prices ensuring little wastage in set-up costs. This control on expenses added to our shrewd sense of picking up properties in strong segments means our payback period of investment is greatly reduced.

Ahmedabad and Baroda have established themselves as excellent performers in their localities and have built a strong clientele and repeat audience. Gulbarga is a larger theatre where the programming mix differs but slowly it is becoming the leading theatre in its area as well. Mukta Cinemas is focusing on delivering a world-class cinema-going experience to all our patrons and this culture is what we are moving forward strongly with. I am extremely excited about this venture.

MUKTA ARTS LIMITED

Whistling Woods International (WWI), despite all the odds, has continued to live up to its reputation of being one of the best film schools in the world. This summer, the school has opened its doors to over 200 new students, which is the best intake ever. The institute has managed to plan a host of new feathers in its cap over the past year and continues to do us proud. The institute is now almost breaking even on a cash basis and some of this year's initiatives should finally see it profitable.

WWI signed a deal with DY Patil Institute, one of India's biggest educational players, to open a second campus in Pune. The courses start in August 2013 and this will generate more students across WWI courses without any investment from the institute. This partnership is a first step to what we believe can be a huge springboard for the WWI brand and I am thankful to Dr. Ajeenkya Patil for placing his faith in me and my team.

Further, WWI will open its first international campus in September 2013 when the Bradford-WWI Film School opens. Bradford College, drawing on WWI's goodwill and expertise, will combine its successful photography and make-up programmes with a new three year film course to form one of the UK's brightest new Film and media schools.

WWI has also formed a new joint venture with renowned fashion designer Neeta Lulla to open the Whistling Woods-Neeta Lulla School of Fashion. Fashion designing is an extremely popular course and we are confident that with WWI's expertise and infrastructure coupled with Neeta's understanding of the industry, we will have a school that will rival the best in the country. The courses begin in September 2013 and I am sure this will be another promising area for the Institute.

We are hoping that the Review petitions pending in the High Court on the issue of the JV under which land was allotted to WWI is heard favorably and WWI is allowed to continue in its prestigious campus. We are committed to ensure that the Students Education is not disturbed and would address the issues within the legal framework to help find appropriate solutions. WWI is now a well established Brand and acknowledged to be offering good quality Creative and Technical Education in the space of Media, Entertainment, Film and Animation. It continues to be rated as among the Top Film Schools in the World an achievement we can all be proud of. However, we are also working on other plans, should the court order have to be executed in its fullest.

WWI now has graduated over 1000 students into the industry and at the most recent Convocation event where over 200 students graduated, Mr. Amitabh Bachchan our guest of honour and one of the Maestro Awardees lavished high praise on the institute, the team and the students. The industry is with us in this endeavor and I know you all are too. The other Maestro Awardees were Shiv-Hari (Pt. Shivkumar Shankar and Pt. Hari Prasad Chaurasia) and the key-note address to students was delivered by Mr. Anand Sudarshan, former CEO of Manipal Global Education.

As I said at the start, I believe we are now moving toward higher levels of performance and this year will be seen as the start of that upswing. Movies, cinemas, distribution and education are the pillars of your company and I firmly believe they are growing stronger and stronger.



Subhash Ghai



MANAGEMENT DISCUSSION AND ANALYSIS

Industry Performance

The Indian Media and Entertainment (M&E) Industry grew by 12.6% in 2012 according to the KPMG-FICCI report. This again is almost double the growth rate of the Indian GDP. Currently the M&E industry has revenues of Rs. 821 billion and the report suggests that there will be a 15.2% compound growth to come over the next 5 years. The Film industry has had another excellent year. The segment witnessed a 21% growth in 2012 and the music segment also rebounded strongly from a number of poor years, growing at 18%.

The management has carefully examined these trends and our current planning and strategy leaves the company well poised to take advantages of the growth segments whilst trending with caution in areas where there are challenges and inherent weaknesses.

Some of the key themes that have prevailed in the Film space over the past year are as follows:

1. Co-Production continues to be the preferred business model. Producers see it prudent to team with peers who understand local markets and can leverage the pulse of the vernacular audience. These peers are helping local producers take their content to newer geographies.
2. Digital is dominating distribution. The share of the digital format has gone from 50% in 2010 to 80-90% in 2012. This has enabled films to broaden their reach and do it far quicker than before. Having same-day release and pre-sale of TV rights captures revenues far quicker than before as well.
3. Exhibition is seeing penetration into Tier 2 and Tier 3 markets. Most large exhibition companies are now moving into the smaller towns to expand footprint and digital exhibition is making this a more profitable venture by reaching out to a broader base than ever before.
4. The exhibition Industry has also seen significant consolidation. PVR's acquisition of Cinemax reduced the number big players in the market to about 4 or 5. The competition between many players had led to aggressive and ill thought-out expansion efforts, which had hurt the industry. Today with fewer players pulling the shots, this effort is far better strategized. The industry remains under-penetrated and the opportunity for newer players continues to exist.
5. Parallel cinema and newer content genres are slowly but steadily gaining traction. Films with non-mainstream storylines have succeeded exceptionally well over the last year on the back of innovative marketing and good distribution strategies. Their limited budgets allowing distributors to target audiences and therefore releases.
6. Social media use in pre-marketing strategies has also become more prevalent. In India, 25% of all Internet time is spent on a social media platform and the total number of social media users is 70 million and growing. Using strategies that quickly target interested consumers; social media can be the base of pre-release marketing for large commercial projects and non-mainstream films mentioned above.
7. Ancillary revenues are becoming lucrative for the industry especially In-cinema Advertising, Licensing and Merchandising, Content Syndication and PPV.
8. Piracy remains a critical challenge to the industry though there have been some changes that have help the industry battle this menace. The release window between film release and TV release has been significantly reduced thus reducing pirated DVD sales. Piracy however is shifting away from physical formats and the fight is now moving to the Internet.
9. Extreme taxation acts as a major hurdle for the industry. States like Maharashtra, Bihar, UP and Karnataka see the tax burden on film at almost 40-50%.

Company Performance

Even though the company released no films this financial year, work on our next slate of films continued in earnest. 'Kaanchi' directed by Subhash Ghai and starring Rishi Kapoor, Mithun Chakravorthy, Mishti and Karthik Tiwari went on the floors in February. On date, the film is almost complete and the company expects a Q3 release in the next financial year.

In addition to this, the company also announced 'Ishq De Maare' with Dharamendra, Sunny Deol and Bobby Deol as well as 'Apna Sapna Money Money 2' slated to be directed by Sangeet Sivan. To bolster the company's production team, Mr. Rajesh Nair was hired in August 2012. Mr. Nair brings with him significant expertise in the film space including development and production from his time at UTV and the company believes he will continue to add significant value to the motion picture slate.

In addition to this, the company also has two regional films ready for release shortly. 'Samahita' in Marathi has won a number of awards in film festivals and two National Awards. The film is directed by the award winning duo Sumitra Bhavé and Sunil Sukthankar and stars Milind Soman and Rajeshwari Sachdev. The Kannada comedy film 'Nimbehuli' is directed by Hemant Hegde.

MUKTA ARTS LIMITED

The distribution business has continued to thrive in volume over the last year. The company continues to release large movies in major territories due to its programming strengths and strong relationships. The company released 35 films over the last year some of which were big Hollywood films such as Life of Pi, Titanic-3D, Taken-2, Die Hard-5, Ice Age-4 and Vampire Hunter and commercial Hindi films like Bol Bachchan, Jannat-2, Jolly LLB, Matru Ki Bijlee Ka Mann Dola, Murder-3, Raaz-3 and Akaashvani.

The company took an important step in the programming segment of its business in this financial year. In April, the company signed a Joint Venture agreement with VN Films Pvt Ltd, a subsidiary of UFO Moviez India Ltd, to move all its 450 plus screens under programming arrangements into a new company, Mukta V N Films Limited. This company will also see VN Films move its 100 screens into the JV that will still be 55% owned by Mukta Arts Ltd and 45% owned by VN Films Pvt. Ltd, A UFO Moviez India Ltd. subsidiary.

The additional funding that this JV shall bring will help Mukta-VN quickly consolidate more screens to the kitty ensuring it as the largest programmer of theatres in the country and bringing with it huge economies of scale and volume advantages.

The company continued to invest in its new cinema venture during the year. Two new properties opened this year, in Ahmedabad and Gulbarga. Both properties have quickly established themselves as local leaders in those markets for a wide range of content.

Further, the company has signed deals for another 11 properties that it will develop over the coming months. These include screens at Lalbaug, Topiwala (Goregaon), Panvel, Sangli, Vizag, Aurangabad, Kundali (Haryana), Raipur, Bhopal, Selu and Ambarnath. The company expects that the major work for these screens will all be completed over the course of the next financial year and would be operational over the course of the next 15 months.

The company is ramping up its team rapidly for this business both at the head office as well as locally and is rapidly using its existing strength in the programming segment to locate, identify, negotiate and close high-caliber properties for further expansion and execution.

The company has seen its additional real estate assets almost fully rented out. Clients include, Turner International India Pvt. Ltd, Fourcee infrastructure Equipment's Pvt. Ltd, Maya Digital Studios Pvt. Ltd, Reliance Mediaworks Ltd, Micky Mehta's Health Beyond Fitness Pvt. Ltd. These deals have all been done at commercially strong rentals.

The company's investment in Maya Digital Studios Pvt Ltd is beginning to show fruit. Maya has a strong pipeline of projects to be rolled out over the coming year including the 3D digitization of 'Sholay' that is due to release soon across the country. The company holds a significant minority stake in Maya of 10 % which will go upto 26%.

Whistling Woods International (WWI) though still fighting a strong legal battle regarding the High Court order against it from last year has performed admirably under tough circumstances. The company has almost seen break even on a cash basis and has launched a slew of new initiatives which will move the company to profitability.

In November 2012, WWI signed a deal with Bradford College to open the Bradford College-WWI Film School at Bradford College's Old Campus in Bradford, UK. The three-year degree course will begin in September 2013 and will be WWI's first overseas campus. WWI will receive a share of top line revenues from student admissions and has worked with Bradford College to create a state of the art curriculum for the new University.

In March 2013, WWI signed a deal with DY Patil to open second campus in DY Patil's campus in Pune. The DY Patil-WWI Film School will run courses in Filmmaking as well as conduct an MBA in Media and Entertainment at the campus starting August 2013. This initiative will increase the flow of students to WWI's Mumbai campus as well as delivering revenues from the admissions at the Pune campus.

In May 2013, WWI signed a deal to start a School of Fashion Design with renowned designer Neeta Lulla. The WWI-Neeta Lulla School of Fashion will open in September 2013 and will run a 1 and 2-year course in Fashion Design and Technology.

WWI itself launched its own undergraduate Film course backed by Bhartidassan University in July 2013. This new course will cater to students finishing their high school and marks WWI's second entry into undergraduate education after the successful BBA degree launch last year.

WWI's students again held an event celebrating Indian cinema. The '100 years of Cinema: The Next Wave' event was held at the campus in May 2013. Again the backbone of the 2-day event was WWI showcasing its facilities and workshops to the general public. The event was hugely successful with almost 5,000 people arriving on campus over the two days. WWI also managed to use it goodwill to bring a host of industry powerhouses to share thoughts including Salim Khan, Javed Akhtar, Shabana Azmi, Vishal Bhardwaj, Anurag Basu, Zoya Akhtar, Dibakar Banerjee, Amol Gupte, Dia Mirza, Prahlad Kakkar and many more.

WWI's current legal status is that the company has moved for a review of the High Court order asking the Institute to vacate the campus after July 2014. The company continues to be positive about retaining the building at Film City however should the Institute be forced to move, management has made plans to continue the educational business at the Mukta House property in Film City thereby ensuring that the uniqueness of the educational experience for students is not diminished.



NOTICE

Notice is hereby given that the **31st Annual General Meeting** of Mukta Arts Limited will be held on **Saturday, the 21st day of September, 2013 at 4.00 p.m.** at the Whistling Woods Institute Auditorium, Dada Saheb Phalke Chitra Nagari, Goregaon (E), Mumbai- 400 065 to transact the following business:

Ordinary Business:

- 1 To receive, consider, and adopt the audited Profit and Loss Account of the Company for the year ended 31st March, 2013 and the Balance Sheet as at that date together with the Directors' Report and Auditors' Report thereon.
- 2 To declare Dividend.
- 3 To re-appoint Mr. Vijay Choraria, as Director who retires by rotation and, being eligible, offers himself for re-appointment.
- 4 To re-appoint Mr. Anil Harish, as Director who retires by rotation and, being eligible, offers himself for re-appointment.
- 5 To consider and, if thought fit, to pass with or without modification(s) the following resolution as a Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s B S R & Co., Chartered Accountants, Mumbai, (Firm Registration No. 101248W) be and are hereby re-appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

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

Special Business:

- 6 To consider and, if thought fit, to pass with or without modification(s) the following as a Special Resolution:
"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, if required, the approval of the Company be and is hereby accorded to the re-appointment of Mr. Rahul Puri as Whole time Director (to be designated as Executive Director) of the Company for the period of three years w.e.f 23rd October, 2013 on such terms and conditions as are contained in the draft agreement to be entered into between the Company and Mr. Rahul Puri, a copy of which as placed before the meeting and duly initialed by the Chairman for the sake of identification be and is hereby approved."
RESOLVED FURTHER THAT Mr. Parvez A. Farooqui, Executive Director of the Company be and is hereby authorised to sign the Agreement as approved above on behalf of the Company and the Common Seal of the Company be affixed thereon in his presence."
- 7 To consider and, if thought fit, to pass with or without modification(s) the following as a Special Resolution:
"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, if required, the approval of the Company be and is hereby accorded to the re- appointment of Mr. Subhash Ghai as Managing Director of the Company for the period of three years w.e.f 1st April, 2014 on such terms and conditions as are contained in the draft agreement to be entered into between the Company and Mr. Subhash Ghai, a copy of which as placed before the meeting and duly initialed by the Chairman for the sake of identification be and is hereby approved."
RESOLVED FURTHER THAT Mr. Parvez A. Farooqui, Executive Director of the Company be and is hereby authorised to sign the Agreement as approved above on behalf of the Company and the Common Seal of the Company be affixed thereon in his presence."
- 8 To consider and, if thought fit, to pass with or without modification(s) the following as a Special Resolution:
"RESOLVED THAT in accordance with the provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956, approval of the Company be and is hereby accorded to appoint Mr. Ashok Ghai, brother of Mr. Subhash Ghai, Chairman and Managing Director of the Company as Professional Advisor to advise the Company in production of Regional Films to be produced by the Company from time to time in accordance with the MOU dated 1st March, 2013 entered into between the Company and Mr. Ashok Ghai a copy of which as placed before the meeting and duly initialed by the Chairman for the sake of identification be and is hereby approved."

Registered Office:

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

By Order of the Board

Ravi B. Poplai
Company Secretary

Place: Mumbai
Date: 28 May, 2013

MUKTA ARTS LIMITED

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY / PROXIES INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORMS, TO BE EFFECTIVE SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed **from Saturday, the 14th September, 2013 to Saturday, the 21st September, 2013 (both days inclusive)**.
3. Dividend on equity shares as recommended by the Board of Directors, if declared at the meeting, will be payable to those shareholders whose names are registered in the Register of Members of the Company as on 21st September, 2013.
4. Pursuant to Clause 49 of the Listing Agreement, the relevant details in respect of Directors seeking re-appointment included as part of Notice item Nos. 3 and 4 above is annexed herewith as Annexure – I.
5. Members seeking any information or clarification on the Accounts are requested to send their queries in writing to the Company, at least seven days before the date of the meeting. Replies to such written queries received, will be provided only at the meeting.
6. Pursuant to Section 205A and 205C of the Companies Act, 1956, dividend which remains unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company, is required to be transferred to the Investor Education and Protection Fund established by the Central Government. According to the relevant provisions of the Act, no claim shall lie against the said Fund or the Company for the amount of dividend so transferred to the said Fund. Members who have not encashed the dividend warrant(s) upto the year ended 31st March, 2013 are requested to send their claims directly to the Company or to Link Intime Pvt. Ltd., the Company's Registrars and Transfer Agents (the R & T Agents).
6. Members/proxies should bring the Attendance Slip sent herewith, duly filled in, along with the Annual Report for attending the meeting.
7. Shareholders are requested to bring their copy of the Annual Report to the meeting as the practice of handing out copies of the Annual Report at the Annual General Meeting has been discontinued in view of the high cost of paper and printing.

Registered Office:

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

By Order of the Board

Ravi B. Poplai
Company Secretary

Place: Mumbai
Date: 28 May, 2013



Annexure - I to Notice

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

Name of Director	Mr. Vijay Choraria	Mr. Anil Harish
Date of Birth	10/08/1964	19/03/1954
Date of first appointment	24/03/2000	24/03/2000
Qualifications	B Com., C.A., B.G.L.	B.A.(Hons.), L.L.B., L.L.M. (Miami, USA)
Expertise in specific functional areas and experience	<p>Financial & Real Estate Market</p> <p>Currently he is Managing Director of Sharyans Resources Limited. He is the Promoter of Prebon Yamane (India) Ltd. and served as its Managing Director. He has over 25 years of experience and has been actively involved in the Real Estate and Financial Markets. He served as the Chairman of the Board of JMC Projects (India) Ltd., until December 11, 2008.</p>	<p>Partner: M/s D. M. Harish & Co.</p> <p>His key areas of practice include real estate, international investments, corporate law, and taxation.</p> <p>He is involved in several institutions in the legal field such as the Society of Indian Law Firms, of which he was the Executive Vice President. As a specialist in the field of Real Estate, he is also involved with the magazine "Property Scape" as well as the Accommodation Times Institute of Real Estate Management. He has written a number of articles which have been published in the Times of India, Hindustan Times and several professional journals. He is involved in several educational and charitable trusts and is the former President of the Hyderabad (Sind) National Collegiate Board, which runs more than 25 educational institutions and has about 50,000 students. He is also a much sought after speaker in India and abroad and has given several professional speeches at prestigious events such as the India calling Summit in Brussels, Belgium (2009) organized by the Indian Merchants Chamber and the International Fiscal Association {India Chapter} (2000). He has spoken in Dubai, Doha, Muscat and Jakarta on several occasions on topics such as FEMA, Taxation Collaborations and the legal requirements to operate a business in India, and at many Seminars in India.</p>
Directorships held in other Public Companies (Excluding Private Companies)	<ol style="list-style-type: none"> 1. Sharyans Resources Limited 2. ITI Securities Limited 3. Sidhant Cinevision Limited 4. Sky Industries Limited 5. Whistling Woods International Limited 	<ol style="list-style-type: none"> 1. Advani Hotels & Resorts (India) Ltd. 2. Ador Welding Ltd. 3. Ashok Leyland Ltd. 4. Future Ventures India Ltd. 5. Hotel Leelaventure Ltd. 6. Hinduja Global Solutions Ltd. 7. Hinduja Ventures Ltd. 8. Hinduja Leyland Finance Ltd. 9. Mahindra Lifespace Developers Ltd. 10. Oberoi Realty Ltd. 11. Future Retail Ltd. 12. Unitech Ltd. 13. Valecha Engineering Ltd.
Membership of Audit Committees and Shareholder/Investor Grievance Committees across public companies	<p>Audit Committee</p> <ol style="list-style-type: none"> 1. Sky Industries Limited 2. B. E. Billimoria & Co. Ltd. <p>Shareholder/Investor Grievance Committee</p> <ol style="list-style-type: none"> 1. Sharyans Resources Limited 2. Sky Industries Ltd. 	<p>Audit Committee</p> <ol style="list-style-type: none"> 1. Ador Welding Ltd. 2. Hinduja Ventures Ltd. 3. Mahindra Lifespace Developers Ltd. 4. Valecha Engineering Ltd. 5. Hotel Leelaventure Ltd. 6. Hinduja Global Solutions Ltd. 7. Future Ventures India Ltd. 8. Ashok Leyland Ltd. 9. Oberoi Realty Ltd. 10. Unitech Ltd. <p>Shareholder/Investor Grievance Committee</p> <p>Nil</p>

MUKTA ARTS LIMITED

Annexure - II to Notice

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

Item No. 6:

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

Mr. Rahul Puri was re-appointed as Executive Director on 23rd October, 2010 for a term of 3 years on the terms and conditions mentioned in the agreement entered into between Mr. Rahul Puri and the Company which was duly approved by the Shareholders of the Company at Annual General Meeting held on 30th September, 2010.

The Remuneration Committee in its meeting held on 28th May, 2013 had recommended his re-appointment on the terms and conditions contained in the agreement to be entered into between the Company and Mr. Rahul Puri. Accordingly remuneration committee proposed re-appointment of Mr. Rahul Puri as Executive Director of the Company for a period of 3 years commencing from 23rd October, 2013.

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

SALARY:

Rs. 1,32,000/- per month with the liberty to the Board to review and increase the same from time to time upto a maximum of Rs. 3,50,000/- per month during the tenure of this contract.

PERQUISITES:

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

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

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

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

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

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

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

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

I GENERAL INFORMATION

- | | | |
|--|---|-------------------------------------|
| 1. Nature of Industry | : | Production and Exhibition of Films |
| 2. Date of Commencement | : | 07/09/1982 |
| 3. In case of new Companies, expected date of commencement of activities as per project approved by financial institutions in the prospectus | : | Not applicable. |
| 4. Financial Performance based on Given indicators | : | As per financial statements annexed |



5. Export performance and net foreign Exchange collaborations : Rs. 23,774 for 2012-2013

6. Foreign investments of Collaborations, if any : NIL

II INFORMATION ABOUT THE APPOINTEE

1. Background details : Graduate of Kings College London

2. Past Remuneration : Rs. 24,46,320 for 2012-2013

3. Recognition or awards : NIL

4. Job Profile and his suitability : Incharge of overall Business Development and Administration
Worked with UBS Warburg in London in corporate finance on international transactions and has several years of rich experience in India & abroad. Looking at the overall exposure and experience Mr. Rahul Puri is ideally suited for the position.

5. Remuneration Proposed : As contained in Agreement

6. Comparative remuneration profile with respect to Industry etc. : NA

7. Pecuniary Relationship directly or indirectly with the Company : NIL

8. Relationship with managerial Personnel, if any : Son-in-law of Chairman and Managing Director, Mr. Subhash Ghai

III OTHER INFORMATION

1. The Company has made profits during the year ended 31st March 2013

2. Steps Taken or proposed to be Taken for improvement : Budgets for future films rationalized.
Additional Sources of income streamlined.

3. Expected increase in productivity and profits in measurable terms : Not quantifiable

IV DISCLOSURE

1. Remuneration package : Necessary information given in explanatory statement

2. Disclosure in Corporate Governance if any : Necessary information given

The above may be treated an abstract of the terms of re-appointment of Mr. Rahul Puri under section 302 of Companies Act, 1956.

Your directors recommend the resolution for your approval.

Item No. 7:

Re-appointment of Mr. Subhash Ghai as Managing Director for a period of 3 years and fixation of remuneration payable to him.

Mr. Subhash Ghai was re-appointed as Chairman Cum Managing Director on 1st April, 2011 on the terms and condition mentioned in the agreement entered into between Mr. Subhash Ghai and the Company which was duly approved by the Shareholders of the Company at Annual General Meeting held on 30th September, 2010.

Now it is proposed to re-appoint Mr. Subhash Ghai as the Chairman and Managing Director of the Company for a period of 3 years commencing from 1st April, 2014. The Remuneration Committee in its meeting held on 28th May, 2013 had recommended his re-appointment on the terms and conditions contained in the agreement to be entered into between the Company and Mr. Subhash Ghai.

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

COMMISSION

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

MINIMUM REMUNERATION

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

MUKTA ARTS LIMITED

SALARY:

Rs. 2,50,000/- per month with the liberty to the Board to review and increase the same from time to time upto a maximum of Rs. 4,50,000/- per month during the tenure of this contract.

PERQUISITES:

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

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

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

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

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

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

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

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

I GENERAL INFORMATION

- | | | |
|--|---|-------------------------------------|
| 1. Nature of Industry | : | Production and entertainment |
| 2. Date of Commencement | : | 07/09/1982 |
| 3. In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus | : | Not applicable. |
| 4. Financial Performance based on Given indicators | : | As per Financial Statements annexed |
| 5. Export performance and net foreign Exchange collaborations | : | Rs. 23,774 for 2012-2013 |
| 6. Foreign investments of Collaborations, if any | : | NIL |

II INFORMATION ABOUT THE APPOINTEE

- | | | |
|------------------------------------|---|---|
| 1. Background details | : | B. Com, Diploma in cinema from FTII, Pune. |
| 2. Past Remuneration | : | Rs. 45,79,490 for 2012-2013 |
| 3. Recognition or awards | : | Has won many awards as Film Director and Producer |
| 4. Job Profile and his suitability | : | Filmmaker (Writer, Director and Producer) |

He earned accolades from the guiding and making of 37 films in 34 years of his career, out of which 18 films proved to be the blockbusters of their times and got him laurels from the critics as well as the audiences. Looking at the reputation and vast experience Mr. Subhash Ghai is ideally suited for the position.

- | | | |
|--------------------------|---|---------------------------|
| 5. Remuneration Proposed | : | As contained in Agreement |
|--------------------------|---|---------------------------|



6. Comparative remuneration profile with respect to Industry etc. : NA
7. Pecuniary Relationship directly or indirectly with the Company : NIL
8. Relationship with managerial Personnel, if any : Brother-in-law of Parvez Farooqui-Executive Director and Father-in-law of Mr. Rahul Puri- Executive Director

III OTHER INFORMATION

1. The Company has made profits during the year ended 31st March 2013
2. Steps Taken or proposed to be Taken for improvement : Budgets for future films rationalized.
Additional Sources of income streamlined
3. Expected increase in Productivity and profits in measurable terms : Not quantifiable

IV DISCLOSURE

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

The above may be treated an abstract of the terms of re-appointment of Mr. Subhash Ghai under section 302 of Companies Act, 1956.

Your Directors recommend the resolution for your approval.

Item No. 8:

Appointment of Mr. Ashok Ghai as Professional Advisor:

The Board of Directors of the Company in its meeting held on 5th March, 2013 has approved the appointment of Mr. Ashok Ghai as Professional Advisor to advise the Company in production of Regional Films to be produced by the Company from time to time in accordance with the MOU dated 1st March, 2013 entered into between the Company and Mr. Ashok Ghai. Mr. Ashok Ghai is a graduate with Diploma in Editing from FTII, Pune with several years of experience in directing and producing several films which were well received by the audience. He will be paid monthly professional remuneration of Rs. 1,93,000/- subject to revision from time to time for his services. His services as an Advisor to the Company have commenced with the announcement of a Punjabi Film and he shall continue to advise the Company in production of all Regional Films to be produced by the Company from time to time. Mr. Ashok Ghai is brother of Mr. Subhash Ghai, Chairman and Managing Director of the Company.

The proposed special resolution is intended to obtain the approval of members pursuant to the provisions of section 314 of the Companies Act, 1956, in respect of the said Mr. Ashok Ghai holding or continuing to hold office or place of profit under the Company, being relative of Mr. Subhash Ghai, Managing Director of the Company.

Your directors, therefore, recommend the resolution for your approval.

None of the Directors except Mr. Subhash Ghai are concerned or interested in the resolution.

A copy of MOU dated 1st March, 2013 entered into between the Company and Mr. Ashok Ghai is available for inspection at the Registered Office of the Company during working hours on any day.

Registered Office:

Mukta House
Behind Whistling Woods Institute
Filmcity Complex
Goregaon (East)
Mumbai - 400065
Place: Mumbai
Date: 28 May, 2013

By Order of the Board

Ravi B. Poplai
Company Secretary

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

MUKTA ARTS LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Thirty First Annual Report and Audited Statement of Accounts of the Company for the Accounting year ended 31st March, 2013:

Financial Results:

(Figures in millions)

Particulars	Year ending 31.03.2013 (Rs.)	Year ending 31.03.2012 (Rs.)
Profit/(Loss) before interest, depreciation & tax	124.94	399.78
Less : Interest	50.31	50.44
Profit/(Loss) after interest, before depreciation & tax	74.63	349.34
Less : Depreciation	34.8	32.91
Profit/(Loss) before tax	39.83	316.43
Less : Provision for taxation	6.3	54.43
Deferred Tax Liability/(Asset)	4.5	6.28
Profit/(Loss) available for appropriation	29.03	255.72
Less : Interim / Final Dividend	11.29	22.58
Tax on Interim / Final Dividend	1.92	3.66
Profit/(Loss) for the year	15.82	229.48
Add : Balance brought forward	22.6	(187.7)
Less : Transfer to general reserve	0.73	19.18
Profit/(Loss) Carried forward to Balance Sheet	37.69	22.6

Company's Performance:

During the year the total revenues of the Company were placed at Rs. 2626.29 Millions compared to Rs. 2391.32 Millions last year.

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

Share Capital:

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

Dividend:

Based on the Company's performance, the Directors are pleased to recommend for approval of the members a dividend at the rate of 10% (Rs. 0.50 per share of Rs 5/- each) for the year ended 31st March, 2013.

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

The Directors confirm that:

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

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

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

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

**Directors:**

Mr. Vijay Choraria and Mr. Anil Harish, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Auditors:

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

The Company's explanation to the Auditors' observation in their Report have been detailed in Note No.s 3.39 and 3.40 in the notes forming part of accounts which forms part of the Annual Report.

Resolution passed by Postal Ballot:

The Board of Directors of your Company sought and obtained during the year, approval of shareholders by Postal Ballot pursuant to the provision of Section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011, authorizing the Board of Directors to form a Subsidiary Company under the name of Mukta VN Films Limited or any other suitable name that may be available with the Registrar of Companies to be registered in the State of Maharashtra and to allow the said Company to conduct the business of film exhibition and programming being currently conducted by the Company itself and to enter into a Shareholders Agreement with V.N.Films Private Limited, by way of Ordinary Resolution passed with overwhelming majority.

Accordingly, the Ordinary Resolution as set out in the Postal Ballot Notice dated 5th March, 2013 has been taken on record by the Company.

Film Exhibition and Programming Business:

The Company has located an opportunity for alliance to enhance the turnover of film exhibition and programming business substantially by joining hands with another company viz. V.N.Films Private Limited (formerly known as Allied Services Private Limited), a subsidiary of UFO Moviez India Limited which is also a significant player in film exhibition and programming. It is proposed that V.N.Films Private Limited will pool their exhibition and programming business in addition to subscribing to agreed number of shares in the new company. This proposal was duly approved by the members vide postal ballot in April, 2013.

Subsidiary Companies:

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

The Ministry of Corporate Affairs, vide General Circular No. 2/2011 (No. 5/12/2007-CL-III) dated 8th February 2011 has granted general exemption to the Companies from attaching requisite documents of subsidiary companies with Annual Report provided such Holding Companies publish the Audited Consolidated Financial Statements in the Annual Report. Accordingly, the Board has decided to avail the said general exemption from applicability of provisions of Section 212 of the Companies Act, 1956.

Further, pursuant to the aforesaid General Circular, your Company undertakes that the annual accounts of its subsidiary companies and the related detailed information shall be made available to the shareholders and shareholders of subsidiary companies seeking such information. The annual accounts of the subsidiary companies shall also be kept for inspection by the shareholders in the head office/registered office of your Company and of the subsidiary companies concerned.

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

Corporate Governance:

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

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

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

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

MUKTA ARTS LIMITED

Particulars regarding Foreign Exchange earnings and outgo required under Section 217 (1) (e) of the Companies Act, 1956 and Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 are given in Note No.s 3.37 and 3.38 in the notes forming part of accounts which forms part of the Annual Report.

Insurance:

The properties and insurable interests of your Company like buildings, plant and machinery, stocks among others are adequately insured.

Fixed Deposits:

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

Particulars of Employees:

Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011 are not being furnished as there was no employee drawing remuneration over the limits specified under the said Section and the Rules specified thereunder.

Social Commitments:

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

Acknowledgements:

Your Directors express their deep sense of gratitude to the Artistes, Technicians, film distributors, exhibitors, Bankers, stakeholders and business associates for their co-operation and support and look forward to their continued support in future.

Your Directors also place on record, their appreciation for the contribution, commitment and dedication to your Company's performance by the employees of the Company at all levels.

On Behalf of the Board of Directors

Place: Mumbai
Date: 28 May, 2013

Subhash Ghai
Chairman & Managing Director



CORPORATE INFORMATION

Board of Directors

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

Company Secretary and Compliance Officer

Mr. Ravi B Poplai

Auditors

M/s B S R & Co.
Chartered Accountants

Registered Office

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

Audit Committee

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

Remuneration Committee

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

Shareholders/Investors Grievances Committee:

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

Share Transfer Committee

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

Bankers

Kotak Mahindra Bank Limited
HDFC Bank Limited

Registrar & Transfer Agents

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

MUKTA ARTS LIMITED

CORPORATE GOVERNANCE

Your Company's philosophy of Corporate Governance is intended to bring about transparency, accountability and integrity in the organization. The Company is committed to adoption and implementation of policies and procedures so as to ensure high ethical standards in all its business activities. The Company believes that it is good corporate governance that alone protects the trust and expectations of the shareholders, customers, employees, government agencies and the society at large.

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

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

COMPOSITION OF BOARD

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

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

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

BOARD MEETINGS AND ATTENDANCE

Six Board Meetings were held during the year ended 31st March, 2013. Agenda for the Board meetings is sent to the Directors sufficiently in advance to allow them to examine and interact on the issues involved. Also the senior Executives of the Company are invited to make presentation from time to time.

The information as required under Annexure 1A to Clause 49 of the Listing Agreement is made available to the Board. The agenda and the papers for consideration at the Board meeting are circulated sufficiently in advance prior to the meeting. Adequate information is circulated as part of the Board papers and is also made available at the Board meeting to enable the Board take informed decisions.

The dates on which meetings were held are as follows:

S. No.	Date of Meeting	Board Strength	No. of Directors Present
1	05.04.2012	6	6
2	29.05.2012	6	4
3	08.08.2012	6	3
4	01.11.2012	6	5
5	06.02.2013	6	6
6	05.03.2013	6	5

ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND LAST ANNUAL GENERAL MEETING (AGM) AND THE NUMBER OF COMPANIES AND COMMITTEES WHERE HE IS DIRECTOR / MEMBER AS ON 31.03.2013

Directors	No. of Board Meetings Attended during the period	Attendance at the last AGM held on 27.09.2012	No. of Directorship in other Boards as on 31.03.2013 *	No. of Memberships in other Board Committees held in other Companies **	
For whole year				Chairman	Member
Mr. Subhash Ghai	6	Yes	3	Nil	1
Mr. Rahul Puri	6	Yes	1	Nil	Nil
Mr. Parvez A. Farooqui	6	Yes	2	Nil	Nil
Mr. Anil Harish	4	No	13	4	13
Mr. Vijay Chharia	3	No	8	1	6
Mr. Pradeep Guha	4	No	3	Nil	2

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

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



COMMITTEES OF DIRECTORS

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

AUDIT COMMITTEE

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

COMPOSITION, NAME OF MEMBERS, CHAIRMAN AND OTHERS DETAILS

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

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

Meetings & attendance during the year

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

REMUNERATION COMMITTEE

The Committee comprises of following Directors

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

The Remuneration Committee was constituted to recommend and review remuneration package of Directors and Senior Executives.

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

Meetings & attendance during the year

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

*Mr. Pradeep Guha has been appointed as member of Remuneration Committee w.e.f. 1st November, 2012

SHAREHOLDERS / INVESTOR GRIEVANCE COMMITTEE

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

COMPOSITION, NAME OF MEMBERS AND CHAIRMAN

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

MUKTA ARTS LIMITED

MEETINGS AND ATTENDANCE DURING THE YEAR

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

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

DETAILS OF COMPLAINTS RECEIVED AND RESOLVED

Company received 2 complaints from shareholders which have been resolved to the satisfaction of the complainants. None of the shareholders'/investors' complaints were pending unresolved as on March 31, 2013.

SHARE TRANSFER COMMITTEE

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

COMPOSITION, NAME OF MEMBERS AND CHAIRMAN

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

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

DETAILS OF REMUNERATION TO EXECUTIVE DIRECTORS

Particulars	Mr. Subhash Ghai Chairman & Managing Director	Mr. Parvez A. Farooqui Executive Director	Mr. Rahul Puri Executive Director
Salary	4,270,000	2,235,000	2,235,000
Employers Contribution to Provident Fund	-	169,920	169,920
Perquisites	309,490	34,400	41,400
Total	4,579,490	2,439,320	2,446,320

DETAILS OF SERVICE CONTRACT

Names	Period of Contract	Dates of Appointment
Mr. Subhash Ghai	3 Years	1 st April, 2011
Mr. Parvez A. Farooqui	3 Years	1 st April, 2013
Mr. Rahul Puri	3 Years	23 rd October, 2010

DETAILS OF REMUNERATION TO NON-EXECUTIVE DIRECTORS

Names	Sitting fees (Rs.)	Salary & perquisites (Rs.)	Commission (Rs.)	Total (Rs.)
Mr. Anil Harish	20,000	Nil	Nil	20,000
Mr. Vijay Choraria	15,000	Nil	Nil	15,000
Mr. Pradeep Guha	20,000	NIL	Nil	20,000
TOTAL				55,000

EQUITY SHARES OF MUKTA ARTS LIMITED HELD BY DIRECTORS AS ON 31ST MARCH, 2013

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



GENERAL BODY MEETINGS

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

Description of Meeting	Location	Date	Time
30 th AGM***	Whistling Woods Institution's Auditorium Dada Saheb Phalke Chitra Nagari Goregaon (E), Mumbai-400 065	27.09.2012	4.00 P.M
29 th AGM**	Whistling Woods Institution's Auditorium Dada Saheb Phalke Chitra Nagari Goregaon (E), Mumbai-400 065	24.09.2011	4.00 P.M
28 th AGM*	Whistling Woods Institution's Auditorium Dada Saheb Phalke Chitra Nagari Goregaon (E), Mumbai-400 065	30.09.2010	4.00 P.M

*** In the 30th AGM the following special resolutions were passed

1. Re-appointment of Mr. Parvez A. Farooqui as Whole Time Director (Executive Director) of the Company.
2. Re-appointment of Mr. Siraj A. Farooqui as Chief Operating Officer(Production and Studio) of the Company

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

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

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

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

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

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

DISCLOSURES

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

INTERNAL CONTROLS

The Company has an adequate internal audit system commensurate with its size and nature of operations. Regular internal audits and checks are carried out and the management also reviews the internal control systems and procedures to ensure efficient conduct of the business. An independent firm of Chartered Accountants carries out Internal Audit of the Company. The Internal Auditors give their Audit Report at the end of every quarter and the same is discussed and reviewed by the Audit Committee and the Board of Directors of the Company at their respective meetings.

RISK MANAGEMENT

Last few years have seen considerable ups and downs in the fortunes of several entertainment and media companies to evidence that change with times is mandatory to tide over the changing preferences of the audience. Also it is necessary to derisk the business profile to ensure continued viability.

Exhibition and programming streams were added to the business profile of the Company as part of risk mitigant initiatives in view of fluctuating film production revenues. Other initiatives taken were formation of multiplex division of the company viz. Mukta A2 Cinemas, expansion of activities and geographical locations of film education and training subsidiary of the Company viz. Whistling Woods International Limited. Whilst the course content of the educational subsidiary is being continuously enriched and more locations and participating Institutions are being added, churning is also taking place in the exhibition and programming business of the Company by locating new opportunities for expansion through mergers.

CEO/ CFO CERTIFICATION

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

MUKTA ARTS LIMITED

CODE OF CONDUCT

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

A declaration signed by the Chairman has been obtained by the Company confirming the affirmation by all the members of the Board and Senior Management personnel to the effect that they have complied with the said Code of Conduct during the financial year 2012-13.

CERTIFICATE ON CORPORATE GOVERNANCE

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

MEANS OF COMMUNICATION

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

SHAREHOLDERS' INFORMATION

- | | |
|--|--|
| A. Annual General Meeting: | 31st Annual General Meeting |
| Date: | 21 st September, 2013 |
| Time: | 4.00 P.M. |
| Venue: | Whistling Woods Auditorium,
Whistling Woods Institute
Dada Saheb Phalke Chitra Nagari
Goregaon (E), Mumbai – 400 065 |
| B. Financial Calendar: | |
| Financial Year | 1 st April to 31 st March |
| Adoption of Quarterly Results | |
| 1 st Quarter | Within 45 days after the end of June 2013 |
| 2 nd Quarter | Within 45 days after the end of September 2013 |
| 3 rd Quarter | Within 45 days after the end of December 2013 |
| 4 th Quarter (Audited yearly results) | Within 60 days after the end of March, 2014 |
| C. Date of Book Closure: | 14 th September, 2013 to 21 st September, 2013 (both days inclusive) |
| D. Dividend Payment Date: | after 21 st September, 2013 (within 30 days from the date of Annual General Meeting subject to approval of shareholders) |
| E. Listing on Stock Exchanges: | Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001
Tel: + 91 – 22 – 2265 5581
Fax: + 91 – 22 – 2272 3719 / 2272 2039

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

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

The Listing fees for the year 2013–14 have already been paid to all the Stock Exchanges where the Company's shares are listed.



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

National Stock Exchange of India Ltd.
Symbol: MUKTAARTS

Calcutta Stock Exchange Association Ltd.
Scrip Code – 23922

G. Market Price Data

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

Month	BSE			NSE		
	Highest Rate (Rs.)	Lowest Rate (Rs.)	Average Volume Traded (Nos.)	Highest Rate (Rs.)	Lowest Rate (Rs.)	Average Volume Traded (Nos.)
April 2012 to March 2013						
April	39.90	25.00	2247	35.00	25.00	2727
May	29.25	24.60	745	33.00	24.00	1051
June	30.90	24.75	5995	30.80	24.00	2187
July	29.80	23.75	2672	34.00	23.75	3244
August	29.90	24.20	2110	30.90	24.15	2993
September	35.85	25.70	5122	35.90	25.55	7973
October	35.95	30.75	2562	38.75	29.40	3645
November	42.70	32.85	3333	43.00	32.05	7636
December	44.05	36.35	3207	44.40	35.30	10026
January	44.80	35.85	5711	44.75	35.20	17779
February	38.00	29.55	2410	38.00	29.55	4328
March	34.45	26.70	1676	33.85	26.50	3524

H. Address of Registrars and Transfer Agents

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

I. Share Transfer System

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

J. Distribution of Shareholding as on 31st March, 2013

Shareholding of Nominal Value (Rs)	No. of Shareholders	% of Total Shareholders	No. of Shares held	% of Total Shares
Range				
1 - 500	4637	87.24	563860	2.50
501 - 1000	311	5.85	255099	1.13
1001 - 2000	149	2.80	224858	1.00
2001 - 3000	52	0.98	132706	0.59
3001 - 4000	27	0.51	94611	0.42
4001 - 5000	28	0.53	130091	0.58
5001 - 10000	37	0.70	286758	1.27
10001 and above	74	1.39	20893217	92.52
TOTAL	5315	100	22581200	100

K. Dematerialization of Shares

Since the Company's shares are traded in dematerialised form, the Company has entered into agreement with both the depositories i.e., National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). Shareholders can open account with any of the depository participants registered with any of these depositories.

As on 31st March, 2013, 22560857 shares were held in dematerialized form, which is 99.91% of total paid up capital.

MUKTA ARTS LIMITED

L. Company's Branches/Locations

Registered and Corporate Office

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

Premises Owned and Leased

Bait-Ush-Sharaf

29th Road, Bandra, Mumbai- 400 050

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

Other Locations

Bashiron, 28th Road,

TPS- III, Bandra (West)

Mumbai- 400 050

1/A, Naaz Building,

Lamington Road,

Mumbai- 400004

1493, Above Canara Bank,

2nd Floor, Main Road, Chandni Chowk,

Delhi- 110 006.

Dhupar Bldg, 1st Floor, Near Standard Hotel,

Railway Road, Jalandar City- 144001

107, Rudraksha Bldg,

3rd Floor, 16th Meera Path Colony,

Dhenu Market, Indore- 452 003.

M. Address for correspondence

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

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

N. NOMINATION FACILITY

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

O. UNCLAIMED DIVIDEND

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

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

P. GOVERNANCE OF SUBSIDIARIES

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



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

TO THE MEMBERS OF MUKTAARTS LIMITED

We have examined the compliance of the conditions of Corporate Governance by Mukta Arts Limited for the year ended on March 31, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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

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

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

For K. C. NEVATIA & ASSOCIATES
COMPANY SECRETARIES

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

Place: Mumbai
Date: 28 May 2013

MUKTA ARTS LIMITED

CEO/CFO CERTIFICATION

I Parvez A. Farooqui, Executive Director certify that:

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

For and on behalf of
Mukta Arts Limited

Parvez A. Farooqui
Executive Director

Place: Mumbai
Date: 28 May 2013



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

I, Subhash Ghai, Managing Director of Mukta Arts Limited hereby declare that all Board members and Senior Management personnel have confirmed compliance with Code of Conduct as laid down by the Company during Financial Year 2012-2013.

For and o Behalf of
Mukta Arts Limited

Subhash Ghai
Managing Director

Place: Mumbai
Date: 28 May 2013

MUKTA ARTS LIMITED

Independent Auditors' Report

To the Members of
Mukta Arts Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Mukta Arts Limited ('the Company'), which comprise the Balance sheet as at 31 March 2013, the Statement of profit and loss and the Cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Basis for Qualified Opinion

- a. *As explained in Note 3.39 to the financial statements, the remuneration paid to the managing director of the Company for the year ended 31 March 2013 amounting to Rs 9,979,490 (including fees as film director) and for earlier financial years from 2005-06 to 2011-2012 aggregating to Rs 100,626,669, is in excess of the limits prescribed under Schedule XIII to the Act. The Company has made applications to the Central Government seeking post-facto approval for earlier years, which is awaited; application for the current year is proposed to be made. During the previous year, the Company had received approval for part of the excess remuneration paid (approval received for remuneration aggregating to Rs 25,200,000 for the financial years 2005-06, 2006-07 and 2007-08). The Company had made an application to authorities requesting reconsideration/ approval for the balance excess remuneration. Pending final communication from the authorities in this regard and application for the current year, no adjustment has been made in these financial statements.*
- b. *As at 31 March 2013, the Company's investment in its subsidiary, Whistling Woods International Limited (WWI), a joint venture between the Company and Maharashtra Film, Stage and Cultural Development Corporation Limited ('MFSCDCL'), aggregates to Rs 369,997,000 and loans, advances and deposits include Rs 424,096,877 recoverable from WWI. As more fully explained in Note 3.40 to these financial statements, through its order of 9 February 2012, the High Court of Judicature at Bombay ('High Court') has quashed the Joint Venture Agreement ('JVA') between the Company and MFSCDCL and passed consequential orders. WWI's petition for special leave to appeal filed with the Supreme Court of India has been dismissed. However, the Company and WWI have filed applications to review the said order with the High Court, which have not yet come up for hearing. During the year, the Public Works Department (PWD) Engineer has given his valuation report based on the Balance sheet of WWI as at 31 March 2011. Further, MAL has made an application to the Government of Maharashtra in February 2013 to appoint expert valuers to determine the market price. Also, WWI's net worth stands fully eroded as at 31 March 2013 - management is currently evaluating plans for the future.*

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



Independent Auditors' Report (Continued)

Qualified opinion

1. *In our opinion and to the best of our information and according to the explanations given to us, except for the matter relating to the investment in and loans and advances recoverable from the Company's subsidiary WWIL referred to in paragraph (b) of the Basis for Qualified Opinion paragraph above, the outcome and consequent adjustments to the financial statements of which cannot be presently determined, and for the matter relating to the remuneration to the managing director referred to in paragraph (a) of the Basis for Qualified Opinion paragraph above, the said financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:*
 - (a) *in the case of the Balance sheet, of the state of affairs of the Company as at 31 March 2013;*
 - (b) *in the case of the Statement of profit and loss, of the profit of the Company for the year ended on that date; and*
 - (c) *in the case of the Cash flow statement, of the cash flows of the Company for the year ended on that date.*

Report on other Legal and Regulatory Requirements

2. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. As required by section 227(3) of the Act, 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, Statement of profit and loss and Cash flow statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance sheet, Statement of profit and loss and Cash flow statement comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act; and
 - (e) on the basis of written representations received from the directors of the Company as at 31 March 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

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

Place : Mumbai
Date : 28 May 2013

Bhavesh Dhupelia
Partner
Membership No: 042070

MUKTA ARTS LIMITED

Annexure to the Independent Auditors' Report – 31 March 2013

(Referred to in our report of even date)

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets *except that tagging of certain fixed assets is yet to be completed.*
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified annually. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification during the year.
- (c) The Company has not disposed off any fixed assets during the year.
- ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- iv) In our opinion and according to the information and explanations given to us, *controls relating to purchase of fixed assets, customer contracting and tracking of amounts billable need to be further strengthened*, and having regard to the explanation that certain services rendered/ rights sold are of a specialised nature and are rendered/ sold to specific buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories (food and beverage items) and fixed assets and with regard to sale of services and food and beverage items. We have not observed any material weaknesses during the course of audit.
- v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under Section 301 of the Act.
- vi) *In our opinion and according to the information and explanations given to us, Company has not complied with the provisions of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the loan taken and repaid during the year from a director shareholder of the Company.*
- vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any of the services rendered/ food and beverages sold by the Company.
- ix) (a) According to the information and explanations given to us and on the basis of our examination of records of the Company, *except for Value added tax dues aggregating to Rs 35,592,323* amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, and other material statutory dues have been generally regularly deposited during the year by the Company with appropriate authorities. As explained to us, the Company did not have any dues on account of Excise duty, Custom duty and Investor Education and Protection Fund.

According to the information and explanations given to us, the following undisputed statutory dues are outstanding as at 31 March 2013 for a period of more than six months from the date they became payable:

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

*Credit available Rs 12,885,786 pending adjustment.

Except for the above, there are no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, and other material statutory dues which were in arrears as at 31 March 2013 for a period of more than six months from the date they became payable.



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

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

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

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the current and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or nidhi/ mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year to companies/ firms/ parties covered in the register maintained under Section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

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

Place : Mumbai
Date : 28 May 2013

Bhavesh Dhupelia
Partner
Membership No: 042070

MUKTA ARTS LIMITED

BALANCE SHEET AS AT 31 MARCH 2013

		(Currency: Indian Rupees)	
	Notes	31 March 2013	31 March 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3.1	112,917,500	112,917,500
Reserves and surplus	3.2	1,094,192,593	1,078,373,087
Non-current liabilities			
Long-term borrowings	3.3	170,235,278	206,691,716
Deferred tax liabilities (net)	3.4	10,781,523	6,278,931
Other long-term liabilities	3.5	267,969,294	70,089,703
Long-term provisions	3.6	6,170,075	5,708,711
Current liabilities			
Short-term borrowings	3.7	188,272,278	149,027,575
Trade payables	3.8	378,087,080	235,271,010
Other current liabilities	3.9	156,658,550	133,941,009
Short-term provisions	3.10	8,123,368	44,886,085
TOTAL		2,393,407,539	2,043,185,327
ASSETS			
Non-current assets			
Fixed assets	3.11		
Tangible assets		426,414,886	388,985,231
Intangible assets		9,664,889	9,453,595
Capital work-in-progress		66,633,518	167,721,237
Intangible assets under development		84,692,154	43,474,120
Non-current investments	3.12	390,991,850	390,991,850
Long-term loans and advances	3.13	544,122,139	510,679,382
Other non-current assets	3.14	9,711,041	11,168,432
Current assets			
Current investments	3.15	-	13,382,449
Inventories	3.16	1,172,712	447,612
Trade receivables	3.17	489,529,746	228,679,174
Cash and bank balances	3.18	31,769,883	27,171,813
Short term-loans and advances	3.19	338,704,720	251,030,432
TOTAL		2,393,407,539	2,043,185,327
Summary of significant accounting policies	2		
The accompanying notes from 1 to 3.44 are an integral part of these financial statements.			

As per our report of even date attached.

For and on behalf of the Board of Directors

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

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Bhavesdh Dhupelia
Partner
Membership No: 042070

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2013

(Currency: Indian Rupees)

	Notes	31 March 2013	31 March 2012
Income			
Revenue from operations	3.20	2,578,177,212	2,018,167,374
Other income	3.21	48,110,906	373,156,589
Total income		2,626,288,118	2,391,323,963
Expenses			
Cost of production, distribution, exhibition and theatrical	3.22	2,338,058,779	1,737,702,865
Purchases of food and beverages		3,864,539	2,002,602
Changes in inventories of food and beverages	3.23	(725,100)	(447,612)
Employee benefits expense	3.24	44,827,016	39,484,381
Finance costs	3.25	50,307,908	50,439,528
Depreciation and amortisation expense	3.11	42,525,841	156,177,734
Other expenses	3.26	107,595,314	89,534,646
Total expenses		2,586,454,297	2,074,894,144
Profit for the year before tax		39,833,821	316,429,819
Profit from continuing operations before tax (also refer note 3.42)		23,245,319	301,822,289
Tax expenses			
-Current tax (including MAT credit entitlement recognised and utilised)		2,934,385	49,652,384
-Deferred tax		2,487,524	6,315,252
Profit from continuing operations after tax		17,823,410	245,853,653
Profit from discontinuing operations before tax (note 3.42)		16,588,502	14,607,530
Tax expenses			
-Current tax (including MAT credit entitlement recognised and utilised)		3,367,900	4,776,500
-Deferred tax		2,015,069	(36,357)
Profit from discontinuing operations after tax		11,205,533	9,868,387
Profit for the year after tax		29,028,943	255,722,041
Earnings per equity share (Rs)	3.27		
Basic		1.29	11.32
Diluted		1.29	11.32
Face value of shares (Rs)		5	5
Summary of significant accounting policies	2		
The accompanying notes from 1 to 3.44 are an integral part of these financial statements.			

As per our report of even date attached.

For and on behalf of the Board of Directors

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

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Bhavesh Dhupelia
Partner
Membership No: 042070

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

Place : Mumbai
Date : 28 May 2013

MUKTA ARTS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

(Currency: Indian Rupees)

	31 March 2013	31 March 2012
A. Cash flows from operating activities		
Profit for the year before tax	39,833,821	316,429,819
Adjustments for:		
Depreciation and amortisation expense	42,525,844	156,177,734
Provision for doubtful debts/ advances	2,163,770	5,089,593
Loss on sale of current investment	3,813	-
Provision for diminution in value of investments (net)	-	19,785
Bad debts/ advances written-off	14,071,847	9,754,003
Finance costs	50,307,908	50,439,528
Interest income	(44,278,437)	(34,731,507)
Interest on income tax refund	(1,205,572)	(5,739,301)
Dividend income	(34,339)	(1,181,832)
Profit on sale of assets, net	-	(2,221,606)
Excess provision written back, net	(1,656,450)	(1,154,407)
Operating cash flow before working capital changes	101,732,205	492,881,809
Adjustment for working capital changes		
(Increase)/ decrease in trade receivables	(260,850,572)	10,718,470
(Increase)/ decrease in loans and advances and other non-current assets	(124,544,997)	23,380,436
(Increase) in inventories	(725,100)	(447,612)
Increase/ (decrease) in trade payables, provisions, other long-term and other current liabilities	348,109,549	(81,888,158)
Cash generated from operations	63,721,085	444,644,945
Income taxes (paid)/ refund	(49,424,509)	34,378,921
Net cash generated from operating activities (A)	14,296,576	479,023,866
B. Cash flows from investing activities		
Interest income	44,278,437	34,731,507
Dividend income	34,339	1,181,832
Purchase of fixed assets (tangible and intangible)	(108,242,510)	(171,755,586)
Proceeds from sale of fixed assets	-	5,080,000
Purchase of investment in mutual funds	(34,339)	(1,181,832)
Proceeds from sale of investment in mutual funds	13,412,975	7,600,750
Proceeds from maturity/ (reinvestment) of fixed deposits, net	(7,152,910)	4,222,655
Movement in dividend bank account	300	10,697
Proceeds on termination of agreement for institute at Haryana (net of interest income)	28,687,138	-
Investments in equity shares of subsidiaries	-	(7,400,000)
Investment in equity instruments-others	-	(5,000,000)
	(29,016,570)	(132,509,977)
Income taxes paid on interest income	(3,783,861)	(3,249,296)
Net cash generated/ (used in) investing activities (B)	(32,800,431)	(135,759,273)



CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

	31 March 2013	31 March 2012
C. Cash flows from financing activities		
Secured loan taken/ (repaid), net	70,226,489	(316,483,090)
Unsecured loan (repaid)/ taken, net	(2,600,000)	37,525,259
Interest paid	(50,348,786)	(43,018,207)
Dividend (including unclaimed) and tax thereon	(300)	(26,255,133)
Interest income on income tax	1,205,572	5,739,301
Net cash flow used in from financing activities(C)	18,482,975	(342,491,870)
Net (decrease)/ increase in cash and cash equivalent (A+B+C)	(20,880)	772,723
Cash and cash equivalents as at beginning of the year	9,841,156	9,068,433
Cash and cash equivalents as at end of the year (Refer note 1 below)	9,820,276	9,841,156
Cash Flow Statement has been prepared under indirect method as set out in Accounting Standard 3 - Cash Flow Statement.		
Notes:		
1) Cash and cash equivalents at year-end comprises:		
Cash in hand	2,149,263	1,016,857
Cheque in hand	-	-
Balances with scheduled banks in		
- Current accounts	7,671,012	8,824,299
	9,820,276	9,841,156

As per our report of even date attached.

For and on behalf of the Board of Directors

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

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Bhavesh Dhupelia
Partner
Membership No: 042070

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

Place : Mumbai
Date : 28 May 2013

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(Currency: Indian Rupees)

1. Background

Mukta Arts Limited ('Mukta' or 'the Company') is a company incorporated in India under the Companies Act, 1956 ('the Act'). The Company was incorporated on 7 September 1982 as Mukta Arts Private Limited and was converted to a public limited company on 30 September 2000 and renamed as Mukta Arts Limited. The Company is promoted by Mr. Subhash Ghai who holds approximately 54.99% of the outstanding equity share capital as at 31 March 2013. The Company is primarily engaged in the business of film production and distribution and film exhibition (wherein it provides film content to multiplexes and single screens across India) as also manages/ operates theatres. The Company also provides production equipment to other production houses and independent producers.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

During the year ended 31 March 2012 (effective 1 April 2011), the revised Schedule VI notified under the Act had become applicable to the Company for preparation and presentation of its financial statements. Accordingly, all assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the revised Schedule VI to the Act. The Company has identified its operating cycle as 12 months. However, the adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements.

2.2 Use of estimates

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

2.3 Current-non-current classification

All assets and liabilities are classified into current and non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

- (a) it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is expected to be realised within 12 months after the reporting date; or
- (d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- (a) it is expected to be settled in the company's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is due to be settled within 12 months after the reporting date; or
- (d) the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities.

All other liabilities are classified as non-current.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Continued)

Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

2.4 Fixed assets

Tangible assets

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

Intangible assets

Film rights comprising negative rights and distribution rights.

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

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

Software

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

2.5 Depreciation/ amortisation

Tangible assets

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

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

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

Intangible assets

Film rights comprising negative rights and distribution rights

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

Software

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

2.6 Impairment

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

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Continued)

2.6 Impairment (Continued)

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

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

2.7 Revenue recognition

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

Film/content production and related income

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

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

Income from distribution and exhibition

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

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

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

Theatrical exhibition and related income

Sale of tickets

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

Sale of food and beverages

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

Advertisement / sponsorship revenue

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

Revenue from equipment hire/ facility rental

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

Interest income

Interest income is recognised on a time proportion basis.

Dividend income

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

2.8 Inventory

Inventories of food and beverages are valued at the lower of cost and net realisable value. Cost of inventories comprises all cost of purchases, cost of conversion and other cost incurred in bringing the inventories to their present location and condition. Cost is determined on the First-In, First-Out ('FIFO') basis.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Continued)

2.9 Investments

Long-term investments and current maturities of long term investments are stated at cost less any provision for diminution, which is other than temporary, in value.

Current investments, except for current maturities of long term investments are carried at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

2.10 Employee benefits

(a) Short term employee benefits

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

(b) Post employment benefits

Defined contribution plan:

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

Defined benefit plan:

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

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation at each Balance sheet date by an independent actuary, using the Projected Unit Credit Method, which recognises each period of service as giving rise to one additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligations are measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligations under the defined benefit plan are based on the market yields on government bonds as at the Balance sheet date.

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

(c) Other long-term employee benefits

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

2.11 Foreign currency transactions

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

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

2.12 Earnings per share ('EPS')

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

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Continued)

2.13 Taxation

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

Current tax

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

Minimum Alternative Tax Credit entitlement

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

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

Deferred tax

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

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

2.14 Leases

Finance lease

Assets acquired on finance lease are recognised as a fixed asset with a corresponding liability at the inception of the lease, at an amount equal to the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Such leased assets are depreciated over the lease term or estimated useful life, whichever is shorter. Further, the payment of minimum lease payments are apportioned between finance charges (debited to the Statement of profit and loss) and reduction in lease obligations (recorded at the inception of the lease).

Operating lease

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

Assets given on operating lease

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

2.15 Borrowing costs

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

2.16 Provisions and contingencies

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

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



NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2013

(Currency: Indian Rupees)

3.1 Share capital

	31 March 2013	31 March 2012
Authorised		
24,000,000 (2012: 24,000,000) equity shares of Rs 5 each	120,000,000	120,000,000
Issued, subscribed and paid-up		
22,581,200 (2012: 22,581,200) equity shares of Rs 5 each, fully paid-up	112,906,000	112,906,000
Add :- Forfeited shares (Amount originally paid-up)	11,500	11,500
(No. of shares forfeited: 4,000 (2012: 4,000))		
	112,917,500	112,917,500

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

	31 March 2013		31 March 2012	
	No. of Shares	Amount	No. of Shares	Amount
Equity shares				
Balance as at the beginning of the year	22,581,200	112,917,500	22,581,200	112,917,500
Issued during the year	-	-	-	-
Buyback/forfeiture/reduction during the year	-	-	-	-
Balance as at the end of the year	22,581,200	112,917,500	22,581,200	112,917,500

b) Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having par value of Rs 5 per share. Each equity shareholder is entitled to one vote per share. The voting rights of an equity shareholder are in proportion to its share of the paid-up equity capital of the Company.

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

The Board of Directors, in their meeting on 28 May 2013, declared final dividend of Rs.0.50 per equity share. The total dividend appropriation for the year ended 31 March 2013 amounted to Rs 13,209,437 including corporate dividend tax Rs 1,918,837.

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

	31 March 2013		31 March 2012	
	No. of shares	% holding	No. of shares	% holding
1. Mr. Subhash Ghai	12,417,990	54.99%	12,417,990	54.99%
2. Ms. Meghna Ghai Puri	1,650,000	7.31%	1,650,000	7.31%
3. Ms. Mukta Ghai	1,650,000	7.31%	1,650,000	7.31%

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.2 Reserves and surplus

	31 March 2013	31 March 2012
Securities premium account	973,360,000	973,360,000
General reserve		
At the commencement of the year	82,419,067	63,239,914
Add : Transfer from balance in Statement of profit and loss on account of equity dividend	725,724	19,179,153
	83,144,791	82,419,067
Surplus/ (deficit) in the Statement of profit and loss		
At the commencement of the year	22,594,020	(187,704,432)
Add : Profit for the year	29,028,943	255,722,040
Less : Appropriations		
Equity dividend (Rs 0.50 per share (2012:Rs 1))	(11,290,600)	(22,581,200)
Tax on equity dividend	(1,918,837)	(3,663,235)
Transfer to general reserve on account of equity dividend	(725,724) (13,935,161)	(19,179,153) (45,423,588)
	37,687,802	22,594,020
	1,094,192,593	1,078,373,087

3.3 Long-term borrowings

	31 March 2013	31 March 2012
a) Term loans		
Secured loans		
- From banks:		
Kotak Mahindra Bank Limited *	220,956,337	197,247,822
(Repayable within a year Rs 56,658,757 (2012: Rs 46,440,205))		
- Motor vehicle finance loans **	8,312,821	7,630,409
(Repayable within a year Rs 4,924,068 (2012: Rs 4,208,745))		
- From financial institution ***	7,817,000	6,607,000
(Repayable within a year Rs 7,817,000 (2012: Rs Nil))		
b) Deferred payment liabilities # #	-	59,916,217
(Repayable within a year Rs Nil (2012: Rs 14,060,782))		
c) Finance lease obligations (secured)# # #	2,780,859	-
(Repayable within a year Rs 231,914 (2012: Rs Nil))		
Amount disclosed under other current liabilities (note 3.9)	(69,631,739)	(64,709,732)
	170,235,278	206,691,716



NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.3 Long-term borrowings (Continued)

- (i) * Term loan is secured against all current assets, commercial property at Oshiwara and residential flats (3 nos.) at Bandra. Loan is also secured by the personal guarantee of Mr Subhash Ghai, the Managing Director of the Company and Mrs. Mukta Ghai, a relative of the Managing Director and a shareholder. The term loan has been taken in various tranches, having separate maturity periods ranging from 2 to 5 years and at interest rate varying from 10% to 14% per annum. The details of repayment and other terms are as follows:

Loan tranches	Repayment schedule
Term loan of Rs.50,000,000 taken on 13 December 2011	Outstanding amount of loan will be repayable within 4 years from the reporting date with monthly EMI of Rs 1,163,413
Term loan of Rs 30,000,000 taken on 29 September 2011	Outstanding amount of loan will be repayable within 4 years from the reporting date with monthly EMI of Rs 686,830
Term loan of Rs 100,000,000 taken on 17 January 2011	Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 2,318,645
Term loan of Rs 50,000,000 taken on 28 January 2009	Outstanding amount of loan will be repayable within 2 years from the reporting date with monthly EMI of Rs 1,112,222
Term loan of Rs 25,000,000 taken on 4 January 2013	Outstanding amount of loan will be repayable within 5 years from the reporting date with monthly EMI of Rs 588,534
Term loan of Rs 50,000,000 taken on 4 January 2013	Outstanding amount of loan will be repayable within 5 years from the reporting date with monthly EMI of Rs 1,157,280

- (ii) **The Company has taken car loans from Reliance Capital Ltd on 2 July 2012 and closed all the outstanding motor vehicle loans taken from various banks. The loans are secured against the related vehicles. Repayment schedule is as detailed below:

Lendor	Repayment schedule
Reliance Capital Ltd	Outstanding amount of loan will be repayable within 2 years from the reporting date with monthly EMI of Rs 25,240
Reliance Capital Ltd	Outstanding amount of loan will be repayable within 2 years from the reporting date with monthly EMI of Rs 36,120
Reliance Capital Ltd	Outstanding amount of loan will be repayable within 2 years from the reporting date with monthly EMI of Rs 36,250
Reliance Capital Ltd	Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 41,500
Reliance Capital Ltd	Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 12,250
Reliance Capital Ltd	Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 77,500
Reliance Capital Ltd	Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 19,500
Reliance Capital Ltd	Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 46,000
Reliance Capital Ltd	Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 282,500
Reliance Capital Ltd	Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 37,500

- (iii) ***Term loan from financial institution - Life Insurance Corporation loan is secured against keyman insurance policy of Mr. Parvez Farooqui at an interest rate of 9% p.a. Loan is repayable on or before the maturity of the keyman policy i.e. October 2013.
- (iv) ## The Company had entered into an agreement in October 2011 with Sarpanch of Gram Panchayat Badsa-Haryana for purchase of 20 acres land for setting up a film and TV institute and multimedia complex for Rs 80,316,000. As per the agreement, the land cost was to be paid in seven equal installments. The first payment was to be made on the date of signing the agreement and the balance amount payable in 6 installments, subject to condition that last installment should be paid on or before October 2016. The Company had paid the first two installments till 31 March 2012 of Rs 29,818,286 and the balance amount was disclosed as deferred payment liabilities.

A Public interest litigation ('PIL') had been filed with regards to the above sale agreement and the Hon'ble High Court of Punjab and Haryana vide Order dated 11 September 2012 has quashed the land purchase agreement between the Company and Gram Panchayat of Village Badsa (Panchayat) and directed that payments made by the Company of Rs 29,818,286 be refunded together with specified interest. The money was received on 15 November 2012.

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.3 Long-term borrowings (Continued)

- (v) ### The Company has obtained equipment on finance lease basis in December 2012. The legal title to these items vests with the lessors. The lease term for such equipment is 5 years with equated monthly payments beginning from the month subsequent to the commencement of the lease. The total future minimum lease payments at the Balance sheet date, element of interest included in such payments, and present value of these minimum lease payments are as follows:

	Non Current portion		Current portion	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
a. Total future minimum lease payments	2,805,000	-	360,000	-
b. Future interest included in (a) above	256,055	-	128,086	-
c. Present value of future minimum lease payments	2,548,945	-	231,914	-

The rate of interest implicit in the above is at 10%

3.4 Deferred tax liabilities

Deferred tax liabilities

Arising on account of timing differences in:

Depreciation/ amortisation

31 March 2013	31 March 2012
15,313,060	14,614,905
15,313,060	14,614,905

Deferred tax assets

Arising on account of timing differences in:

Unabsorbed depreciation allowance and carried forward business loss

Provision for leave encashment and gratuity

Provision for doubtful debts and advances

Long term capital loss as per Income tax Act, 1961

-	-
2,542,580	2,169,542
1,988,956	5,406,343
-	760,089
4,531,536	8,335,974

Net deferred tax (liability)

(10,781,523)	(6,278,931)
--------------	-------------

3.5 Other long-term liabilities

Security deposits received

Rent straight lining liability

Income received in advance

31 March 2013	31 March 2012
33,883,368	33,095,875
5,352,903	3,992,828
228,733,023	33,001,000
267,969,294	70,089,703

3.6 Long-term provisions

Provisions for employee benefits

Provision for gratuity (note 3.28)

Provision for leave salary (note 3.28)

31 March 2013	31 March 2012
4,025,460	3,515,019
2,144,615	2,193,692
6,170,075	5,708,711

3.7 Short-term borrowings

Secured :

Cash credit from Kotak Mahindra Bank Limited*

Unsecured :

Inter corporate deposits**

31 March 2013	31 March 2012
153,372,278	111,527,575
34,900,000	37,500,000
188,272,278	149,027,575



NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.7 Short-term borrowings (Continued)

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

**At interest rate of 15% p.a. repayable on demand provided 30 days advance notice is given to the borrower.

3.8 Trade payables

	31 March 2013	31 March 2012
Dues to subsidiary companies	1,396,671	1,699,182
Others (also refer note 3.35)	376,690,409	233,571,828
	378,087,080	235,271,010

3.9 Other current liabilities

	31 March 2013	31 March 2012
Current maturities of term loans (note 3.3)	69,399,825	50,648,950
Current maturities of finance lease obligations (note 3.3)	231,914	-
Current maturities of deferred payment liabilities (note 3.3)	-	14,060,782
Interest accrued but not due on borrowings	1,570,416	1,611,294
Income received in advance	18,746,605	25,000,000
Advances received for films and other services	2,146,450	12,517,771
Employee benefit expenses payable	611,840	1,162,697
Creditors for fixed assets	12,835,267	14,326,290
Temporary book overdraft	1,601,437	25,259
Unpaid dividends	681,976	682,276
Dividend payable	11,290,600	-
Statutory dues payable*	28,710,713	13,905,690
Security deposits received	8,831,507	-
	156,658,550	133,941,009

*Statutory dues payable includes

- Provident fund	203,733	133,594
- ESIC	11,641	19,603
- CST/VAT payable	22,706,537	11,986,954
- Service tax payable	-	-
- TDS payable	2,806,568	1,742,749
- Profession tax	19,410	22,790
- Dividend tax payable	1,918,837	-
- ET/INR/Show tax payable	1,043,987	-

3.10 Short-term provisions

	31 March 2013	31 March 2012
Provisions for employee benefits		
Provision for leave salary (note 3.28)	1,310,302	978,120
Provision for taxation	6,813,066	43,907,965
(Net of advance tax and tax deducted at source Rs 68,320,945 ; 2012: Rs 33,144,882)		
	8,123,368	44,886,085

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.11 Fixed assets

	Intangible assets				Total	Tangible assets					Computers	Total
	Distribution rights	Negative rights	Exhibition rights	Computer software		Ownership premises	Leasehold premises	Plant and machinery	Motor vehicles	Furniture fixtures and office equipment		
Gross block												
As at 1 April 2011	205,500,320	335,705,688	2,500,000		1,925,826	232,516,372	120,762,320	191,854,486	46,239,913	31,448,164	3,697,758	626,519,013
Additions	27,000,000	73,780,041	-		1,147,474	-	22,016,674	11,183,498	1,111,922	3,317,919	2,652,574	40,282,587
Disposals	-	181,415	-		-	4,326,100	-	-	775,000	-	-	5,101,100
Other adjustment	-	-	-		-	-	(5,826)	-	(4,826)	1,639,325	(1,639,325)	(10,652)
As at 31 March 2012	232,500,320	409,304,314	2,500,000		3,073,300	228,190,272	142,784,820	203,037,984	46,581,661	33,126,758	7,989,657	661,711,152
Additions	7,500,000	-	-		437,361	-	41,954,254	18,059,900	-	7,709,674	4,505,604	72,229,433
Disposals	-	-	-		-	-	-	-	-	-	-	-
Other adjustment	-	-	-		-	-	(1,971,431)	1,971,431	-	-	-	-
As at 31 March 2013	240,000,320	409,304,314	2,500,000		3,510,661	228,190,272	182,767,643	223,069,315	46,581,661	40,836,432	12,495,261	733,940,585
Accumulated Depreciation/Amortisation												
As at 1 April 2011	205,500,320	306,300,191	2,080,856		771,596	33,379,457	5,247,791	151,285,895	30,277,854	18,999,170	2,872,102	242,062,269
Charge for the year	27,000,000	95,380,041	83,829		807,506	6,637,391	8,507,526	9,453,887	4,247,097	2,330,954	1,729,503	32,906,358
Disposals	-	-	-		-	1,650,884	-	-	591,822	-	-	2,242,706
Other adjustment	-	-	-		-	-	-	-	-	-	-	-
As at 31 March 2012	232,500,320	401,680,232	2,164,685		1,579,102	38,365,964	13,755,317	160,739,782	33,933,129	21,330,124	4,601,605	272,725,921
Charge for the year	6,973,067	-	67,063		685,937	6,171,761	11,089,398	9,576,092	3,176,778	2,719,388	2,066,360	34,799,777
Disposals	-	-	-		-	-	-	-	-	-	-	-
Other adjustment	-	-	-		-	-	-	-	-	-	-	-
As at 31 March 2013	239,473,387	401,680,232	2,231,748		2,265,039	44,537,724	24,844,715	170,315,874	37,109,907	24,049,512	6,667,966	307,525,698
Net block												
As at 31 March 2012	-	7,624,082	335,315		1,494,198	189,824,308	129,029,503	42,298,202	12,648,532	11,796,634	3,388,052	388,985,231
As at 31 March 2013	526,933	7,624,082	268,252		1,245,622	183,652,548	157,922,928	52,753,441	9,471,754	16,786,920	5,827,295	426,414,886

Tangible/Intangible given as security

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

31 March 2013 31 March 2012
66,633,518 167,721,237

Tangible assets - Capital work-in-progress

(also refer note 3.30)

Intangible assets under development

Also refer note 3.29

* Additions to Tangible assets- Capital work-in-progress includes interest capitalized Rs Nil (2012: Rs 9,454,502)



NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.12 Non - current investments

Trade investments (valued at cost unless stated otherwise)

Name of the corporate bodies Investments in equity share of subsidiaries (un-quoted)	31 March 2013		31 March 2012	
	% of holding	Amount	% of holding	Amount
(a) Connect.1 Limited 594 (2012: 594) equity shares of Rs 1,000 each, fully paid-up.	99%	594,000	99%	594,000
(b) Whistling Woods International Limited 169,997 (2012: 169,997) equity shares of Rs 1,000 each, fully paid-up. (note 3.40)	84.99%	169,997,000	84.99%	169,997,000
(c) Mukta Tele Media Limited 4,996 (2012: 4,996) equity shares of Rs 100 each, fully paid-up.	99.92%	499,600	99.92%	499,600
(d) Coruscant Tec Private Limited 750,000 (2012: 750,000) equity shares of Rs 10 each, fully paid-up.	100%	9,900,000	100%	9,900,000
		<u>180,990,600</u>		<u>180,990,600</u>
Investment in preference shares of subsidiary (un-quoted)				
(a) 200,000 (2012: 200,000) 8% Redeemable cumulative preference shares of Whistling Woods International Limited of Rs 1,000 each, fully paid-up (note 3.40). These preference shares were issued on 27 August 2007 and are redeemable at par at any time on or after 21 June 2012 and before 21 June 2027.	100%	200,000,000	100%	200,000,000
		<u>200,000,000</u>		<u>200,000,000</u>
Investment in equity instruments-others (un-quoted)				
(a) Indiasound Limited 7,500,000 (2012: 7,500,000) equity shares of 0.1 Pence each, fully paid-up (net of write off/ provision for diminution Rs 3,778,158 (2012: Rs 3,778,158))		-		-
(b) Maya Digital Studios Private Limited 1,000,000 (2012: 1,000,000) equity shares of Rs 10 each, fully paid-up As per the terms of the Shareholders agreement, additional shares, not exceeding 1,000,000 may be allotted to the Company.		10,000,000		10,000,000
(c) Bashiron Co. Op. Housing Society Limited 10 Shares (2012: 10) of Rs 50 each *		500		500
(d) Bait-Ush-Sharaf Co. Op. Housing Society Limited 15 Shares (2012: 15) of Rs 50 each *		750		750
* pledged as security against borrowings (refer Note 3.3)		<u>10,001,250</u>		<u>10,001,250</u>
		<u>390,991,850</u>		<u>390,991,850</u>
Aggregate value of unquoted investments		394,770,008		394,770,008
Aggregate provision for diminution in value of investments		-		3,778,158
Aggregate amount written off		3,778,158		-

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.13 Long-term loans and advances

Unsecured, considered good

Capital advances

- Tangible

- Intangible

Security deposits #

Advances to related parties ##

Advance tax (including tax deducted at source)

(net of provision Rs 115,296,156; 2012: Rs 107,075,234)

31 March 2013	31 March 2012
28,859,783	17,403,066
29,728,770	50,649,270
45,475,624	39,880,469
362,300,000	334,800,000
77,757,962	67,946,577
544,122,139	510,679,382

Security deposits include deposit to subsidiaries

- Whistling Woods International Limited (note 3.40)

- Connect.1 Limited

Security deposits include deposit to Proprietary concern of the Managing Director of the Company

- Mukta Arts

Advances to related party includes to subsidiaries

- Whistling Woods International Limited (note 3.40)

30,000,000	30,000,000
1,950,000	1,950,000
300,000	300,000
362,300,000	334,800,000

3.14 Other non-current assets

Unsecured, considered good unless stated otherwise

Other bank balances (note 3.18)

Rent straight lining asset

31 March 2013	31 March 2012
9,440,661	6,907,001
270,380	4,261,431
9,711,041	11,168,432

3.15 Current investments

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

Investment in quoted mutual funds

Nil (2012: 1,317,429.457) units of LIC NOMURA floating rate fund- Short term plan [Net asset value: Rs Nil (2012: Rs 13,382,449)]

31 March 2013	31 March 2012
-	13,382,449
-	13,382,449

3.16 Inventories

(valued at lower of cost and net realisable values)

Food and beverages

31 March 2013	31 March 2012
1,172,712	447,612
1,172,712	447,612



NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.17 Trade receivables

	31 March 2013	31 March 2012
(a) Unsecured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	21,300,133	19,072,489
Other debts	468,229,613	209,606,685
	489,529,746	228,679,174
(b) Unsecured, considered doubtful		
Outstanding for a period exceeding six months from the date they are due for payment	1,791,088	9,704,567
Other debts	-	-
	1,791,088	9,704,567
Less: Provision for doubtful receivables	1,791,088	9,704,567
	-	-
	489,529,746	228,679,174
Trade receivables (unsecured, considered good) include Rs 677,500 (2012: Rs 3,887,045) due from directors or other officers, or any of them, either severally or jointly with any other person or from firms or private companies in which any director is a partner or a director or member as listed below:		
- Coruscant Tec Private Limited (Wholly-owned subsidiary)	677,500	3,887,045

3.18 Cash and bank balances

	31 March 2013	31 March 2012
Cash and cash equivalents		
Balance with banks		
-in current accounts	7,671,012	8,824,299
Cash in hand	2,149,263	1,016,857
	9,820,276	9,841,156
Other bank balances		
Balance in dividend account	681,976	682,276
Deposits under lien		
- Deposits with original maturity of less than three months	4,021,019	11,385,654
- Deposit with original maturity of more than 3 months but less than 12 months	17,246,612	5,262,727
- Deposit with original maturity of more than 12 months	9,440,661	6,907,001
	31,390,268	24,237,658
Less : Deposits with maturity of more than 12 months from the Balance sheet date disclosed under non -current assets (note 3.14)	(9,440,661)	(6,907,001)
	31,769,883	27,171,813



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(Currency: Indian Rupees)

3.20 Revenue from operations

	31 March 2013		31 March 2012	
(a) Sale of products/ film rights				
Own Film/Content production	75,641,611		135,533,099	
Food and beverages	10,501,272	86,142,883	4,917,559	140,450,658
(b) Sale of services				
Distribution/Exhibition, theatrical and film production services				
Distribution and exhibition	2,389,014,318		1,789,554,619	
Equipment hire income	3,672,846		6,381,865	
Box office collection				
Sale of tickets	46,733,039		17,580,597	
Less: Entertainment tax	(8,194,556)	2,431,225,647	(198,000)	1,813,319,081
(c) Other operating revenue				
Rent and amenities charges	57,402,254		62,572,407	
Other income from theatrical operations	3,406,428	60,808,682	1,825,228	64,397,635
		2,578,177,212		2,018,167,374

3.21 Other income

	31 March 2013	31 March 2012
Interest income on bank deposits (Tax deducted at source Rs. 250,875 (2012: Rs 179,577))	1,955,080	1,799,875
Interest income on others (Tax deducted at source Rs. 3,532,986 (2012: Rs 3,069,719))	42,323,357	32,931,632
Dividend income on current investment	34,339	1,181,832
Other non-operating income		
Keyman insurance claim received	-	327,600,000
Interest on income tax refund	1,205,572	5,739,301
Profit on sale of asset (net)	-	2,221,606
Excess provision written back (net)	1,656,450	1,154,407
Miscellaneous income (net)	936,108	527,936
	48,110,906	373,156,589

3.22 Cost of production, distribution, exhibition and theatrical

	31 March 2013	31 March 2012
Own production - publicity, print, dubbing etc.	652,884	35,686,948
Distributor and producers share	2,340,271,368	1,703,266,726
Operator's share in theatrical operations	(2,865,473)	(1,250,809)
	2,338,058,779	1,737,702,865

3.23 Changes in inventories of food and beverages

	31 March 2013	31 March 2012
Inventories at the end of the year		
Food and beverages	1,172,712	447,612
	1,172,712	447,612
Inventories at the beginning of the year		
Food and beverages	447,612	-
	447,612	-
(Increase)/decrease in inventories	(725,100)	(447,612)

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.24 Employee benefits expense

	31 March 2013	31 March 2012
Salaries and other benefits (Notes 3.30 and 3.39)	41,453,223	36,450,193
Staff welfare	14,763	668,816
Gratuity and leave encashment (Note 3.28)	1,339,570	390,593
Contribution to provident and other funds (Note 3.28)	2,019,460	1,974,779
	44,827,016	39,484,381

3.25 Finance costs

	31 March 2013	31 March 2012
a) Interest cost on		
- Term loan	25,387,352	27,607,921
- Cash credit facilities	13,728,859	15,279,399
- Car loan	1,982,808	505,471
- Unsecured loan	6,649,934	3,641,853
- Others	687,248	1,733,982
b) Processing cost and other charges	1,871,707	1,670,902
	50,307,908	50,439,528

3.26 Other expenses

	31 March 2013	31 March 2012
Legal and professional fees	22,297,275	18,640,955
Rent	15,622,294	20,559,550
Bad debts / advances written-off	14,071,847	9,754,003
Repairs and maintenance		
Buildings	12,422,429	2,203,299
Plant and machinery	662,335	497,735
Others	472,619	2,076,964
Electricity charges	8,256,702	4,893,329
Business promotion	4,622,477	2,086,407
Motor vehicle expenses	3,100,625	2,741,266
Travelling expenses	2,556,266	2,484,982
Brokerage and commission	2,400,000	1,604,486
Provision for doubtful debts and advances	2,163,770	5,089,593
Rates and taxes	1,962,523	1,811,913
Printing and stationery	1,777,226	1,195,574
Communication	1,705,750	1,938,149
Insurance	1,607,168	1,165,735
Payment to auditor (Refer details below)	1,153,850	1,136,524
Loss on sale of current investments	3,813	-
Provision for diminution in value of investments (net)	-	19,785
Miscellaneous expenses	10,736,345	9,634,397
	107,595,314	89,534,646
Payment to auditor (excluding service tax)		
As auditor:		
Audit fee	1,100,000	1,050,000
Reimbursement of expenses	53,850	86,524
	1,153,850	1,136,524



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.27 Earnings per equity share:

	31 March 2013	31 March 2012
a) Net profit after tax	29,028,943	255,722,041
b) Weighted average number of equity shares outstanding during the year for basic EPS	22,581,200	22,581,200
c) Weighted average number of equity shares outstanding during the year for dilutive EPS	22,581,200	22,581,200
d) Basic EPS	1.29	11.32
e) Dilutive EPS	1.29	11.32
f) Nominal value per share	5	5

3.28 Gratuity and other post employment benefit plans

(i) Defined contribution plans

Contribution to provident fund - amount of Rs 1,693,216 (2012: Rs 1,663,970) and ESIC - amount of Rs 326,244 (2012: Rs 310,809) is recognized as an expense and included in "Employee benefit expenses" in the Statement of profit and loss.

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

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

The leave wages are payable to all eligible employees at the rate of daily salary for each day of accumulated leave on death or on resignation or upon retirement on attaining superannuation age. During the year, Rs 350,505 (2012: Rs Nil) is recognized as an expense in the Statement of profit and loss.

Actuarial assumptions	31 March 2013	31 March 2012
Discount Rate (p.a)	7.95%	8.65%
Salary Escalation rate (p.a)	8.00%	8.00%

(b) Gratuity (Defined benefit plan)

There is a defined benefit gratuity plan. Every employee who has completed five years or more of service gets gratuity on death or resignation or retirement at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

	31 March 2013	31 March 2012
A) Change in defined benefit obligation		
Opening defined benefit obligation	7,471,543	7,907,683
Current service cost	501,468	476,052
Interest cost	579,389	522,554
Actuarial (gain) / loss	214,765	(303,784)
Benefits paid	(18,173)	(1,130,962)
Closing defined benefit obligation	8,748,992	7,471,543
B) Change in fair value of plan assets		
Opening fair value of plan assets	3,956,524	4,281,507
Expected return on plan assets	238,624	178,078
Actuarial gain on plan assets	121,901	126,151
Contributions by employer	424,656	501,750
Benefits paid	(18,173)	(1,130,962)
Closing fair value of plan assets	4,723,532	3,956,524
C) Expenses recognised in the statement of profit and loss		
Current service cost	501,468	476,052
Prior year charge	-	-
Interest on Defined Benefit Obligation	579,389	522,554
Expected return on plan assets	(238,624)	(178,078)
Net actuarial (gain)/ loss recognized	92,864	(429,935)
Total expense recognized	935,097	390,593

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.28 Gratuity and other post employment benefit plans (Continued)

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

(b) Gratuity (Defined benefit plan) (Continued)

	31 March 2013	31 March 2012
D) Amount recognised in Balance sheet		
Present value of Funded obligations	(8,748,992)	(7,471,543)
Fair value of plan assets	4,723,532	3,956,524
Net Liability	(4,025,460)	(3,515,019)
E) Actuarial assumptions		
Discount Rate (p.a)	7.95%	8.65%
Expected rate of return on assets (p.a)	7.50%	7.50%
Salary Escalation rate (p.a)	8.00%	8.00%
F) Details of Plan Assets		
LIC managed funds	4,723,532	3,956,524

G) Experience adjustments

	31 March 2013	31 March 2012	31 March 2011
Present value of the defined benefit obligation	8,748,992	7,471,543	7,907,683
Fair value of the plan assets	4,723,532	3,956,524	4,281,507
(Deficit)/ Surplus	(4,025,460)	(3,515,019)	(3,626,176)
Experience adjustment on defined benefit obligation	(109,839)	47,723	(199,427)
Experience adjustment on plan assets	121,901	126,151	109,839

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

3.29 Lease disclosure under AS 19 – ‘Leases’

Operating lease : Company as lessee

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

Lease rent expenses of Rs 15,622,294 (2012: Rs 20,559,550) have been included under ‘Rent’ in the Statement of profit and loss.

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

	31 March 2013	31 March 2012
Amounts due within one year	4,407,510	5,596,322
Amounts due after one year but not later than five years	24,724,230	22,385,287
Amounts due later than five years	56,985,045	58,528,199
	86,116,785	86,509,808

Operating lease : Company as lessor

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

Lease rent income of Rs 19,056,395 (2012: Rs 17,819,015) has been included under ‘Rent and amenities charges’ in the Statement of profit and loss.

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

	31 March 2013	31 March 2012
Amounts due within one year	10,002,423	16,219,225
Amounts due after one year but not later than five years	10,014,375	65,959,301
Amounts due later than five years	-	11,646,283
	20,016,798	93,824,809



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.29 Lease disclosure under AS 19 – 'Leases' (Continued)

Operating lease : Company as lessor (Continued)

The carrying amount of assets is as follows :

	Ownership premises	
	31 March 2013	31 March 2012
Gross block	171,362,055	193,508,380
Accumulated depreciation	16,010,742	10,804,872
Net block	155,351,313	182,703,508
Depreciation for the year	5,220,680	6,388,405

Operating lease : Company as sub-lessor

The Company has subleased part of the office premises taken on lease. The future minimum sublease payment expected to be received under non-cancellable sub-lease as at 31 March 2013 is Rs 54,773,355 (2012: Rs 58,618,140).

Sublease rent income of Rs 23,568,537 (2012: Rs 21,413,250) has been included under 'Rent and amenities charges' in the Statement of profit and loss.

The carrying amount of assets is as follows :

	31 March 2013	31 March 2012
Gross block	77,352,652	70,715,929
Accumulated depreciation	12,140,041	6,812,489
Net block	65,212,612	63,903,440
Depreciation for the year	4,495,669	4,213,456

Finance lease : Company as lessee

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2013 are as follows:

	Minimum lease payments		Present Value	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Amounts due within one year	360,000	-	231,914	-
Amounts due after one year but not later than five years	2,805,000	-	2,548,945	-
Amounts due later than five years	-	-	-	-

Finance lease obligations are secured against the respective assets taken on lease

The Company has obtained plant and equipment on finance lease basis as at 31 March 2013. The legal title to these items vests with their lessors. The lease term for such equipment is 5 years. The carrying amount of assets is as follows.

	Finance lease assets	
	31 March 2013	31 March 2012
Gross block	2,864,683	-
Accumulated depreciation	229,960	-
Net block	2,634,724	-
Depreciation for the year	229,960	-

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.30 Capitalisation of expenditure

During the year, the Company has capitalised the salaries, wages and bonus amounting to Rs 3,751,895 (2012: Rs 2,876,920) to the cost of Fixed asset/Capital work in progress(CWIP). Consequently, expenses disclosed under note 3.24 are net of amount capitalised by the Company.

3.31 Segment information

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

3.32 Related party disclosures

Details of related parties including summary of transactions entered into by the Company during the year ended 31 March 2013 are summarized below:

A Parties where control exists

(i) Shareholders holding more than 20%

- Subhash Ghai

(ii) Subsidiary companies

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

(iii) Key management personnel and relatives of such personnel

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.32 Related party disclosures (Continued)

A. Parties where control exists (Continued)

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

- Mukta Arts – Proprietary concern of Chairman and Managing Director
- Mukta Tele Arts Private Limited – Enterprise in which Subhash Ghai exercises significant influence
- Sharyans Resources Limited - Enterprise in which Vijay Choraria is the common director

B. Transactions with related parties for the year ended 31 March 2013 are as follows:-

Transactions	Subsidiary Companies		Key Management Personnel and relatives of such personnel		Enterprises over which key management personnel have control / substantial interest / significant influence	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Rendering of services-Sale of products						
Coruscant Tec Private Limited	4,841,579	15,108,094	-	-	-	-
Receiving of services						
Ashok Ghai - Professional fees	-	-	193,000	2,196,000	-	-
Connect. 1 Limited - Rent	240,000	240,000	-	-	-	-
Mukta Arts - Rent	-	-	-	-	60,000	60,000
Interest income						
Whistling Woods International Limited	35,329,863	29,745,505	-	-	-	-
Salaries and other benefit						
Siraj Farooqui	-	-	2,444,320	2,173,400	-	-
Sameer Farooqui	-	-	504,060	435,000	-	-
Sajid Farooqui	-	-	539,040	480,240	-	-
Managerial remuneration						
Subhash Ghai	-	-	4,579,490	12,997,900	-	-
Shbhash Ghai - Film Director fees	-	-	5,400,000	-	-	-
Parvez A. Farooqui	-	-	2,439,320	2,329,680	-	-
Rahul Puri	-	-	2,446,320	2,336,680	-	-
Reimbursement of expenses received by the Company						
Whistling Woods International Limited	64,273	55,045	-	-	-	-
Reimbursement of expenses paid by the Company						
Whistling Woods International Limited	4,629,557	4,355,387	-	-	-	-
Sharyans Resources Limited	-	-	-	-	1,275,614	1,632,902
Loan given during the year						
Whistling Woods International Limited	47,000,000	70,550,000	-	-	-	-
Loan repaid during the year						
Whistling Woods International Limited	19,500,000	15,250,000	-	-	-	-
Advances given during the year						
Coruscant Tec Private Limited	3,059,455	545,000	-	-	-	-
Advances repaid during the year						
Coruscant Tec Private Limited	3,139,454	5,962,088	-	-	-	-
Loan receivable						
Whistling Woods International Limited	362,300,000	334,800,000	-	-	-	-
Interest receivable						
Whistling Woods International Limited	31,796,877	26,795,281	-	-	-	-
Payables						
Whistling Woods International Limited	1,004,671	1,483,182	-	-	-	-
Mukta Arts	-	-	-	-	60,000	60,000
Sharyans Resources Limited	-	-	-	-	420,609	2,574,983
Ashok Ghai	-	-	193,000	-	-	-
Connect.1 Limited	392,000	216,000	-	-	-	-

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.32 Related party disclosures (Continued)

B. Transactions with related parties for the year ended 31 March 2013 are as follows:- (Continued)

Transactions	Subsidiary Companies		Key Management Personnel and relatives of such personnel		Enterprises over which key management personnel have control / substantial interest / significant influence	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Trade receivables						
Corusant Tec Private Limited	677,500	3,887,045	-	-	-	-
Advances receivable						
Mukta Tele Media Ltd	13,272,984	10,487,984	-	-	-	-
Deposit receivable						
Whistling Woods International Limited (pursuant to mutual sharing arrangement)	30,000,000	30,000,000	-	-	-	-
Connect. 1 Limited	1,950,000	1,950,000	-	-	-	-
Mukta Arts	-	-	-	-	300,000	300,000
Personal guarantee given jointly by Mr. Subhash Ghai and Mrs. Mukta Ghai for secured loans taken from Kotak Mahindra Bank						
Letter of support to Whistling Woods International Limited						
Corporate guarantee given						
Whistling Woods International Limited	50,000,000	150,000,000	-	-	-	-

Disclosure as per Clause 32 of the Listing agreement

Name of the Company	Balance as at		Maximum outstanding during the year	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
(a) Particulars in respect of loans and advances in the nature of loans to subsidiary companies				
- Whistling Woods International Limited	394,096,877	361,595,281	405,096,877	361,595,281
No repayment schedule has been prescribed				
(b) Particulars of Loans and advances to Companies in which director (s) is a Director or member:				
None	-	-	-	-

3.33 Commitments

Estimated amounts of contracts remaining to be executed on capital account and not provided for aggregate to Rs 9,598,304 (2012: Rs 27,428,576).

3.34 Contingent liabilities

	31 March 2013	31 March 2012
a) Claims against the Company not acknowledged as debt		
Service tax matters *	2,915,000	2,915,000
b) Guarantees given by bank on behalf of the Company	21,651,390	19,701,390
c) Corporate guarantees for loans taken by subsidiary	50,000,000	150,000,000
d) The Company Law Board had passed an order directing Central Government to undertake the investigation under Section 237 of the Act. The Company aggrieved by the Order had moved the Bombay High Court and obtained stay on the Order. The hearing in this matter was completed on 7 January 2009 and Hon'ble Bombay High Court had quashed the investigation. The Central Government has on 25 February 2012 moved the Hon'ble Supreme Court challenging the Order passed by the Hon'ble Bombay High Court on 7 January 2009.		
e) Support letter provided to Whistling Woods International Limited, a subsidiary of the Company.		

* Notes

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

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.35 Dues to Micro and Small Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into force from 2 October 2006, certain disclosures are required to be made relating to Micro and Small Enterprises (MSE). On the basis of the information and records available with the Management, none of the Company's suppliers are covered.

	31 March 2013	31 March 2012
The amounts remaining unpaid to micro and small suppliers as at the end of the year / period.		
-Principal	-	-
-Interest	-	-
The amount of interest paid by the buyer as per the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006)	-	-
The amounts of the payments made to micro and small suppliers beyond the appointed day during each accounting year / period.	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year / period) but without adding the interest specified under MSMED Act, 2006	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year / period.	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act, 2006.	-	-

3.36 Foreign currency exposures not covered by forward contracts

The Company has no foreign currency exposures as at 31 March 2013 (2012: Rs Nil).

3.37 Expenditure in foreign currency (on accrual basis)

	31 March 2013	31 March 2012
Travelling expenses	892,998	1,433,357

3.38 Earnings in foreign exchange (on accrual basis)

	31 March 2013	31 March 2012
Revenue from operations - Own film/content production	23,774	2,476,621

3.39 Managerial remuneration

The remuneration paid to the managing director of the Company for the year ended 31 March 2013 amounting to Rs 9,979,490 (including fees as film director) and for earlier financial years from 2005-06 to 2011-2012 aggregating to Rs 100,626,669, is in excess of the limits prescribed under Schedule XIII of the Act. The Company made applications to the Central Government seeking post-facto approval for earlier years, which is awaited; application for the current year is proposed to be made. During the previous year, the Company had received approval for part of the excess remuneration paid (approval received for remuneration aggregating to Rs 25,200,000 for the financial years 2005-06, 2006-07 and 2007-08). The Company had made an application to authorities requesting reconsideration/ approval for the balance excess remuneration. Pending final communication from the authorities in this regard and application for the current year, no adjustment has been made in these financial statements.

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

- 3.40** Public Interest Litigations ('PIL') had been filed alleging that the Maharashtra Film, Stage and Cultural Development Corporation Limited ('MFSCDCL') had not followed proper procedure while entering into a Joint Venture Agreement ('JVA') with the Company and subsequent allotment of 20 acre land to the said joint venture, Whistling Woods International Limited ('WWI'), a subsidiary of the Company. During the previous year, pursuant to the Order of the High Court of Judicature at Bombay ('High Court') dated 9 February 2012, inter-alia, the JVA with MFSCDCL has been quashed/ rendered cancelled, WWI has been ordered to return the land to MFSCDCL and pay rent (including interest on arrears) retrospectively on the entire land since the date of the JVA. Of the total land admeasuring 20 acres, 14.5 acres vacant unused land has been handed over to MFSCDCL on 18 April 2012 and the balance is to be handed over on or before 31 July 2014. Pending discussion and/ or agreement with MFSCDCL and/or clarifications to be sought from the concerned parties, no adjustments have been made to the Share Capital structure of WWI and the carrying value of the Land rights in its books of account. Further, MFSCDCL had demanded Rs 832,062,611 towards arrears of rent and interest thereon vide letter dated 3 December 2012. However, in terms of the Order of the High Court, the said amount together with future rent till the date of vacation of the premises is adjustable against the market price of the Institute building of WWI on the said land. The valuation is to be carried out by an expert valuer to be appointed by the Government. During the year, the PWD Engineer has given his valuation report based on the Balance Sheet of WWI as at 31 March 2011. Further, the Company has made an application to the Government of Maharashtra in February 2013 to appoint expert valuers to determine the market price. WWI's petition for special leave to appeal filed with the Supreme Court of India has been dismissed. However, the Company and WWI have filed review petitions with the High Court, which have not yet come up for hearing. Pending final disposal of the review petitions and valuation of the building, and in view of the future plans for WWI which are being evaluated, management believes that the Company's investments in WWI and amounts due therefrom are good and recoverable as management is hopeful of reliefs based on the issues involved and on merits of the case, as also of a high valuation of the building.

3.41 Details of opening stock, closing stock, purchases and consumption of food and beverages items

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

Particulars	Opening stock	
	31 March 2013	31 March 2012
Bottled beverages	23,487	-
Non bottled beverages	105,853	-
Non packaged food items	51,745	-
Packing material	256,909	-
Others	9,618	-
Total	447,612	-

Information with regards to the sale of food and beverage items

Particulars	Sales	
	31 March 2013	31 March 2012
Bottled beverages	1,235,908	209,230
Non bottled beverages	2,178,808	1,446,571
Non packaged food items	5,209,111	2,549,307
Packaged food items	1,877,445	712,451
Total	10,501,272	4,917,559

Information with regards to the purchase of food and beverage items

Particulars	Purchases	
	31 March 2013	31 March 2012
Bottled beverages	509,131	260,200
Non bottled beverages	796,441	554,283
Non packaged food items	1,965,918	670,072
Packing material	229,470	368,757
Others	363,579	149,290
Total	3,864,539	2,002,602



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.41 Details of opening stock, closing stock, purchases and consumption of food and beverages items (Continued)

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

Particulars	Closing stock	
	31 March 2013	31 March 2012
Bottled beverages	5,688	23,487
Non bottled beverages	260,625	105,853
Non packaged food items	626,130	51,745
Packing material	46,735	256,909
Others	233,534	9,618
Total	1,172,712	447,612

Information with regards to the consumption of food and beverage items

Particulars	Consumption	
	31 March 2013	31 March 2012
Bottled beverages	526,930	236,713
Non bottled beverages	641,669	448,430
Non packaged food items	1,391,533	618,327
Packing material	439,644	111,848
Others	139,663	139,672
Total	3,139,439	1,554,990

3.42 Discontinuing operations

During the year, vide term sheet dated 11 September 2012, the Company entered into an agreement with VN Films Pvt. Ltd., (formerly known as Allied Services Private Limited,) to form a Joint Venture Company under the name "MUKTA V N FILMS LIMITED" to conduct the business of exhibition and programming presently being conducted by MAL and forming part of MAL's revenue under 'Software' segment. MAL will hold 55% in the Joint Venture Company. The Board of Directors of MAL had passed a resolution at their meeting held on 5 March 2013, authorising the Company to enter into a shareholders' agreement. Further, on 19 April 2013, the proposal has been approved by the shareholders through postal ballot. Consequently, the exhibition and programming business is disclosed as a discontinuing operation.

(a) The carrying amounts of the total assets and the total liabilities attributable to the discontinuing operation:

	31 March 2013	31 March 2012
Liabilities		
Non-current liabilities		
Long-term provisions	431,905	399,610
Current liabilities		
Short-term borrowings	100,000,000	100,000,000
Trade payables	252,154,409	187,385,959
Other current liabilities	42,829	81,389
Short-term provisions	91,721	68,468
Total liabilities	352,720,864	287,935,426
Assets		
Deffered tax asset	2,166,937	151,868
Current assets		
Trade receivables	243,474,432	210,462,288
Short term-loans and advances	155,484,633	99,329,257
Total assets	401,126,001	309,943,413

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.42 Discontinuing operations (Continued)

(b) The amounts of revenue and expenses from ordinary activities attributable to the discontinuing operation:

	31 March 2013	31 March 2012
Income		
Revenue from operation	2,150,270,498	1,660,849,703
Expenses		
Cost of operations	2,104,699,056	1,618,011,677
Employee benefit expense	7,524,436	6,771,992
Finance cost	14,000,000	14,000,000
Other expenses	7,458,504	7,458,504
Total expenses	2,133,681,996	1,646,242,173
Profit before tax	16,588,502	14,607,530
Provision for taxation	5,382,969	4,740,143
Profit after tax	11,205,533	9,867,386

(c) The amounts of net cash flow attributable to the operating, investing and financing activities of the discontinuing operation:

	31 March 2013	31 March 2012
Cash flows from operating activities		
Profit for the year before tax	16,588,502	14,607,530
Adjustments for:		
Decrease / (increase) in trade receivables	(32,739,363)	7,130,469
Decrease / (increase) in loans and advances and other non-current assets	(61,518,974)	(104,510,121)
(Decrease) / increase in trade payables, provisions, other long-term and other current liabilities	64,785,438	65,200,885
Cash generated from operations	(12,884,397)	(17,571,238)
Income taxes paid	(5,382,969)	4,740,143
Net cash generated from operating activities (A)	(18,267,366)	(12,831,094)
Cash flows from investing activities (B)	-	-
Cash flows from financing activities	-	-
(Increase)/ Decrease in balance with Corporate and other business units	18,267,366	12,831,094
Cash flows from financing activities (C)	18,267,366	12,831,094

3.43 Other information

Information with regard to other matters specified in revised Schedule VI to the Act is either nil or not applicable to the Company for the year.

3.44 Prior period comparatives

Upto the previous year, Rs 37,283,265 was classified under 'Long-term loans and advances' (Advances to related parties), which has now have been shown as 'Short-term loan and advances' (Advances to related parties).

As per our report of even date attached.

For and on behalf of the Board of Directors

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

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Bhavesh Dhupelia
Partner
Membership No: 042070

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

Place : Mumbai
Date : 28 May 2013



Independent Auditors' Report

To the Board of Directors of
Mukta Arts Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Mukta Arts Limited ('the Company') and its subsidiaries (collectively referred to as 'the Group'), which comprise the consolidated Balance sheet as at 31 March 2013, the consolidated Statement of profit and loss and consolidated Cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion

Basis for Qualified Opinion

- a. *As explained in Note 3.37 to the consolidated financial statements, the remuneration paid to the managing director of the Company for the year ended 31 March 2013 amounting to Rs 9,979,490 (including fees as film director) and for earlier financial years from 2005-06 to 2011-2012 aggregating to Rs 100,626,669, is in excess of the limits prescribed under Schedule XIII to the Act. The Company has made applications to the Central Government seeking post-facto approval for earlier years, which is awaited; application for the current year is proposed to be made. During the previous year, the Company had received approval for part of the excess remuneration paid (approval received for remuneration aggregating to Rs 25,200,000 for the financial years 2005-06, 2006-07 and 2007-08). The Company had made an application to authorities requesting reconsideration/ approval for the balance excess remuneration. Pending final communication from the authorities in this regard and application for the current year, no adjustment has been made in these financial statements.*
- b. *As more fully explained in Note 3.34(d) to the consolidated financial statements, Whistling Woods International Limited ('WWI'), a subsidiary of the Company, has disputed the demand from Income-tax authorities aggregating to Rs 3,630,861 (2012: Rs 9,272,861 (including interest Rs 872,982 (2012: Rs 872,982) and penalty Rs Nil (2012: Rs 5,642,000)) for the financial years ended 31 March 2004 (assessment year 2004-05), 31 March 2005 (assessment year 2005-06) and 31 March 2006 (assessment year 2006-07). No provision has been made in the financial statements in this regard. Had the Company accrued for this liability, the loss for the year and the deficit in balance at year end would have been higher by Rs.3,630,861 (2012: Rs 9,272,861).*
- c. *As more fully explained in Note 3.38 to the consolidated financial statements, through its order of 9 February 2012, the High Court of Judicature at Bombay ('High Court') had quashed the Joint Venture Agreement ('JVA') relating to WWI between the Company and Maharashtra Film, Stage and Cultural Development Corporation Limited ('MFSCDCL') and passed consequential orders. WWI's petition for Special Leave to Appeal with the Supreme Court has been dismissed in April 2012. However, the Company and WWI have filed applications to review the said order with the High Court, which have not yet come up for hearing.*

MUKTA ARTS LIMITED

Independent Auditors' Report (Continued)

Pursuant to the High Court's aforesaid Order, the allotment of land to WWI, pursuant to the JVA (in lieu of which equity shares of corresponding value were issued to MFSCDCL), recorded in the books of the WWI as land rights at a cost of Rs 30,000,000, had been cancelled and WWI had been ordered to return the land to MFSCDCL (of the total land admeasuring 20 acres, 14.5 acres vacant unused land has been handed over to MFSCDCL on 18 April 2012 and the balance is to be handed over on or before 31 July 2014). Pending discussion and/ or agreement with MFSCDCL and/ or clarifications to be sought from the concerned parties, no adjustments have been made to the Share Capital structure of WWI and carrying value of the Land rights in the books of account.

Further, MFSCDCL had demanded Rs 832,062,611 towards arrears of rent and interest thereon vide letter dated 3 December 2012, which has not been accounted for in view of the pending review petition referred to above. Also, as per the High Court Order which is under challenge from the Company and WWI, there is an option to set-off the arrears of rent and interest thereon against the market price of the building with net excess or shortfall to be refunded to/ claimed from the Company/ WWI, as applicable. During the current year, the Public Works Department (PWD) Engineer has given his valuation report of Institute building based on the Balance sheet of the Company as at 31 March 2011. The Company has made an application to the Government of Maharashtra in February 2013 to appoint expert valuers to determine the market price.

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

Qualified opinion

1. In our opinion and to the best of our information and according to the explanations given to us, except for the matter relating to the litigation with MFSCDCL referred to in paragraph (c) of the Basis for Qualified Opinion paragraph above, the outcome and consequent adjustments to the financial statements of which cannot be presently determined, and for the matter relating to the remuneration to the managing director referred to in paragraph (a) and the matter related to disputed income tax dues of WWI referred to in paragraph (b) of the Basis for Qualified Opinion paragraph above, the said consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:
 - (a) in the case of the consolidated Balance sheet, of the state of affairs of the Group as at 31 March 2013;
 - (b) in the case of the consolidated Statement of profit and loss, of the profit 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.
2. Other matters

We have not audited the financial statements of subsidiaries mentioned in the Annexure to this report whose total assets and total revenues are mentioned in the Annexure to this report. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors.

For **B S R & Co.**

Chartered Accountants

Firm's Registration No: 101248W

Bhavesh Dhupelia

Partner

Membership No: 042070

Place : Mumbai

Date : 28 May 2013

Annexure to the Auditors' Report- 31 March 2013

Name of the Company	Accounting period	Subsidiary	Total Assets	Total Revenues	Name of the Auditor
Connect 1 Limited	April 2012 to March 2013	Direct	3,120,235	240,000	M/s Garg Devendra & Associates
Mukta Tele Media Limited	April 2012 to March 2013	Direct	7,345,798	5,553,459	M/s Garg Devendra & Associates
Coruscant Tele Private Limited	April 2012 to March 2013	Direct	3,489,339	5,960,872	M/s Garg Devendra & Associates



CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2013

(Currency: Indian Rupees)

	Note	31 March 2013	31 March 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3.1	112,917,500	112,917,500
Reserves and surplus	3.2	488,321,104	515,222,875
Minority interest		6,341	5,879
Non-current liabilities			
Long-term borrowings	3.3	171,262,768	207,133,076
Deferred tax liabilities (net)	3.4 (a)	10,782,180	6,279,268
Other long-term liabilities	3.5	281,263,594	85,796,646
Long-term provisions	3.6	9,088,996	6,952,619
Current liabilities			
Short-term borrowings	3.7	218,777,705	198,661,746
Trade payables	3.8	391,052,460	255,239,062
Other current liabilities	3.9	243,502,455	206,132,102
Short-term provisions	3.10	8,789,660	46,576,413
TOTAL		1,935,764,763	1,640,917,186
ASSETS			
Non-current assets			
Fixed assets	3.11		
Tangible assets		737,816,694	731,515,359
Intangible assets		11,447,606	11,332,610
Capital work-in-progress		66,633,518	167,721,237
Intangible assets under development		87,462,113	46,244,079
Deferred tax assets (net)	3.4 (b)	-	-
Non - current investments	3.12	10,001,750	10,001,750
Long - term loans and advances	3.13	166,820,778	160,457,632
Other non-current assets	3.14	9,711,041	11,204,805
Current assets			
Current investments	3.15	-	13,382,449
Inventories	3.16	1,172,712	447,612
Trade receivables	3.17	503,117,313	243,108,278
Cash and bank balances	3.18	33,142,431	28,360,740
Short term - loans and advances	3.19	308,438,807	217,140,635
TOTAL		1,935,764,763	1,640,917,186
Summary of significant accounting policies	2		

The accompanying notes from 1 to 3.41 are an integral part of these consolidated financial statements.

As per our report of even date attached.

For and on behalf of the Board of Directors

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

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Bhavesh Dhupelia
Partner
Membership No: 042070

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

Place : Mumbai
Date : 28 May 2013

MUKTA ARTS LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2013

(Currency: Indian Rupees)

	Note	31 March 2013	31 March 2012
Income			
Revenue from operations	3.20	2,768,115,884	2,196,849,253
Other income	3.21	22,459,489	356,784,154
Total income		2,790,575,373	2,553,633,407
Expenses			
Cost of operations	3.22	2,343,169,620	1,740,959,280
Purchases of food and beverages		3,864,538	2,002,602
Changes in inventories of food and beverages	3.23	(725,100)	(447,612)
Employee benefits expense	3.24	81,984,375	75,554,054
Finance costs	3.25	56,948,607	59,154,411
Depreciation and amortisation expense	3.11	76,972,359	198,514,293
Other expenses	3.26	231,226,293	249,448,183
Total expenses		2,793,440,692	2,325,185,211
(Loss)/ Profit for the year before tax		(2,865,319)	228,448,196
(Loss)/ Profit from continuing operations before tax (also refer note 3.39)		(19,453,821)	213,840,666
Tax expenses			
-Current tax (including MAT credit entitlement recognised and utilised)		2,955,740	52,843,595
-Deferred tax		2,487,843	6,315,625
(Loss)/ Profit from continuing operations after tax		(24,897,404)	213,839,666
Profit from discontinuing operations before tax (note 3.39)		16,588,502	14,607,530
Tax expenses			
- Current tax (including MAT credit entitlement recognised and utilised)		3,367,900	4,775,500
- Deferred tax		2,015,069	(36,357)
Profit from discontinuing operations after tax		11,205,533	9,868,387
(Loss)/ Profit for the year after tax and before minority interest		(13,691,872)	164,549,833
Less: Minority interest allocation		462	529
(Loss)/ Profit for the year after tax		(13,692,334)	164,549,304
Earnings per equity share (Rs)	3.27		
Basic		(0.61)	7.29
Diluted		(0.61)	7.29
Face value of shares (Rs)		5	5
Summary of significant accounting policies	2		

The accompanying notes from 1 to 3.41 are an integral part of these consolidated financial statements.

As per our report of even date attached.

For and on behalf of the Board of Directors

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

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Bhavesh Dhupelia
Partner
Membership No: 042070

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

(Currency: Indian Rupees)

	31 March 2013	31 March 2012
A. Cash flows from operating activities		
(Loss)/ profit for the year before tax	(2,865,319)	228,448,196
Adjustments for:		
Depreciation and amortisation expense	76,972,359	198,514,293
Provision for doubtful debts/ advances	2,606,903	5,454,498
Loss on sale of current investment	3,813	-
Provision for diminution in value of investments (net)	-	19,785
Bad debts/ advances written-off	14,403,312	10,871,254
Finance costs	56,948,607	59,154,411
Interest income	(8,951,287)	(4,961,975)
Interest on income tax refund	(1,214,045)	(5,744,980)
Dividend income	(34,339)	(1,181,832)
Loss/ (profit) on sale of assets, net	21,714	(2,221,606)
Excess provision written back, net	(2,856,009)	(1,426,604)
Miscellaneous expenditure written-off	690	-
Operating cash flow before working capital changes	135,036,399	486,925,440
Adjustment for working capital changes		
(Increase) in trade receivables	(262,218,725)	(652,839)
(Increase)/ decrease in loans and advances and other non-current assets	(88,053,794)	78,073,990
(Increase) in inventories	(725,100)	(447,612)
Increase/ (decrease) in trade payables, provisions, other long-term and other current liabilities	334,986,187	(54,763,382)
Cash generated from operations	119,024,968	509,135,597
Income taxes (paid)/ refund	(52,121,913)	27,177,281
Net cash generated from operating activities (A)	66,903,055	536,312,878
B. Cash flows from investing activities		
Interest income	44,278,437	4,961,975
Dividend income	34,339	1,181,832
Purchase of fixed assets (tangible and intangible)	(116,405,431)	(178,549,940)
Advance received for sale of assets	10,000,000	-
Proceeds from sale of fixed assets	813,438	5,261,415
Purchase of investment in mutual funds	(34,339)	(1,181,832)
Proceeds from sale of investment in mutual funds	13,412,975	7,600,750
Proceeds from maturity/ (reinvestment) of fixed deposits, net	(7,152,910)	4,219,653
Movement in dividend bank account	300	(10,698)
Proceeds on termination of agreement for institute at Haryana (net of interest income)	28,687,138	-
Investment in equity instruments-others	-	(5,000,000)
	(26,366,054)	(161,516,845)
	(3,783,861)	(272,342)
Net cash (used in) investing activities (B)	(30,149,915)	(161,789,187)
C. Cash flows from financing activities		
Secured loan taken/ (repaid), net	71,237,993	(330,065,747)
Unsecured loan (repaid)/ taken, net	(2,600,000)	37,525,259
Working loan facility	(19,128,744)	-
Interest paid	(87,311,843)	(61,185,027)
Dividend (including unclaimed) and tax thereon	(300)	(26,255,133)
Interest income on income tax	1,205,572	5,744,980
Net cash flow used in financing activities (C)	(36,597,322)	(374,235,668)
Net increase in cash and cash equivalent (A+B+C)	155,818	288,023
Cash and cash equivalents as at beginning of the year	11,030,083	10,742,060
Cash and cash equivalents as at end of the year (Refer note 1 below)	11,185,901	11,030,083
Cash Flow Statement has been prepared under indirect method as set out in Accounting Standard 3 - Cash Flow Statement.		
Notes:		
1) Cash and cash equivalents at year-end comprises:		
Cash in hand	2,207,403	1,016,857
Cheque in hand	-	-
Balances with scheduled banks in	-	-
- Current accounts	8,978,499	8,824,299
	11,185,901	9,841,156

As per our report of even date attached.

For and on behalf of the Board of Directors

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

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Bhavesh Dhupelia
Partner
Membership No: 042070

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

Place : Mumbai
Date : 28 May 2013

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(Currency: Indian Rupees)

1. Background

Mukta Arts Limited ('Mukta' or 'the Company' or 'the Parent Company') is a company incorporated in India under the Companies Act, 1956 ('the Act'). The Company was incorporated on 7 September 1982 as Mukta Arts Private Limited and was converted from a private limited company to a public limited company on 30 September 2000 and renamed as Mukta Arts Limited. The Company is promoted by Mr. Subhash Ghai who holds approximately 54.99% of the outstanding equity share capital as at 31 March 2013. The Company is primarily engaged in the business of film production, distribution and film exhibition (wherein it provides film content to multiplexes and single screens across India) and also manages/ runs theatres. The Company also provides production facilities to other production houses and independent producers. The Company has four subsidiaries, Whistling Woods International Limited (which is an education institute which imparts training in various skills related to films, television and media industry), Coruscant Tec Private Limited (which is a wireless solutions company with a focus on wireless content), Connect1 Limited (which is involved in marketing of film content) and Mukta Tele Media Limited (which is involved in production of television serials).

2. Summary of significant accounting policies

2.1 Basis of preparation and consolidation

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

The audited financial statements of the subsidiaries used in consolidation are for the same reporting period as that of the Company, i.e. year ended 31 March 2013. These financial statements are audited by the auditors of the respective entities.

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

During the year ended 31 March 2012 (effective 1 April 2011), the revised Schedule VI notified under the Act had become applicable to the Company for preparation and presentation of its financial statements. Accordingly, all assets and liabilities have been classified as current or non-current as per the entity's normal operating cycle and other criteria set out in the revised Schedule VI to the Act. The entity has identified its operating cycle as 12 months. However, the adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements.

2.2 Principles of consolidation

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

Subsidiaries

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

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Continued)

2.2 Principles of consolidation (Continued)

Sr. No	Name of the Subsidiary	Country of Incorporation	% of shareholding in 2013	% of shareholding in 2012
1	Whistling Woods International Limited	India	84.99%	84.99%
2	Connect.1 Limited *	India	99.00%	99.00%
3	Mukta Tele Media Limited*	India	99.92%	99.92%
4	Coruscant Tec Private Limited* *audited by M/s Garg Devendra & Associates, Chartered Accountants (Firm's registration No. 130993W).	India	100.00%	100.00%

2.3 Use of estimates

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

2.4 Current–non-current classification

All assets and liabilities are classified into current and non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

- it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realised within 12 months after the reporting date; or
- it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is due to be settled within 12 months after the reporting date; or
- the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities.

All other liabilities are classified as non-current.

Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

2.5 Goodwill

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

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

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Continued)

2.6 Fixed assets

Tangible assets

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

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

Intangible assets

Film rights comprising negative rights and distribution rights.

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

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

Software

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

Intellectual property rights

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

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

2.7 Depreciation/ amortisation

Tangible assets

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

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

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

Intangible assets

Film rights comprising negative rights and distribution rights

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

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

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

Software

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Continued)

2.8 Impairment

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

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

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

2.9 Revenue recognition

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

Film/ content production and related income

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

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

Income from distribution and exhibition

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

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

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

Theatrical exhibition and related income

Sale of tickets

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

Sale of food and beverages

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

Advertisement/ sponsorship revenue

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

Revenue from equipment hire/ facility rental

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

Consultancy fees/ tuition fees income

Revenue from tuition fee is recognized over the period of the course. Revenue from acceptance and admission fees is recognized at the time of commencement of the batch for which students have been enrolled. Revenue from sale of prospectus and other materials/ goods is recognized on delivery to the student. Revenue from consultancy fees is recognised when services are rendered as per contractual arrangement.

Interest income

Interest income is recognised on a time proportion basis.

Dividend income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Continued)

2.10 Inventory

Inventories of food and beverages are valued at the lower of cost and net realisable value. Cost of inventories comprises all cost of purchases, cost of conversion and other cost incurred in bringing the inventories to their present location and condition. Cost is determined on the First-In, First-Out ('FIFO') basis.

2.11 Investments

Long-term investments and current maturities of long term investments are stated at cost less any provision for diminution, which is other than temporary, in value.

Current investments, except for current maturities of long term investments are carried at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

2.12 Employee benefits

(a) Short term employee benefits

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

(b) Post employment benefits

Defined contribution plan:

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

Defined benefit plan:

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

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

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

Actuarial gains and losses arising during the year are recognised immediately in the Statement of profit and loss.

(c) Other long-term employee benefits

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

2.13 Foreign currency transactions

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

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

2.14 Earnings per share ('EPS')

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Continued)

2.15 Taxation

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

Current tax

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

Minimum Alternative Tax Credit Entitlement

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

Deferred tax

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

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

2.16 Leases

Finance lease

Assets acquired on finance lease are recognised as a fixed asset with a corresponding liability at the inception of the lease, at an amount equal to the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Such leased assets are depreciated over the lease term or estimated useful life, whichever is shorter. Further, the payment of minimum lease payments are apportioned between finance charges (debited to the Statement of profit and loss) and reduction in lease obligations (recorded at the inception of the lease).

Operating lease

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

Assets given on operating lease

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

2.17 Borrowing costs

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

2.18 Provisions and contingencies

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

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

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2013

(Currency: Indian Rupees)

3.1 Share capital

	31 March 2013	31 March 2012
Authorised		
24,000,000 (2012: 24,000,000) equity shares of Rs 5 each	120,000,000	120,000,000
Issued, subscribed and paid-up		
22,581,200 (2012: 22,581,200) equity shares of Rs 5 each, fully paid-up	112,906,000	112,906,000
Add :- Forfeited shares (Amount originally paid-up)	11,500	11,500
(No. of shares forfeited: 4,000 (2012: 4,000))		
	112,917,500	112,917,500

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

	31 March 2013		31 March 2012	
	No. of Shares	Amount	No. of Shares	Amount
Equity shares				
Balance as at the beginning of the year	22,581,200	112,917,500	22,581,200	112,917,500
Issued during the year	-	-	-	-
Buyback/ forfeiture/ reduction during the year	-	-	-	-
Balance as at the end of the year	22,581,200	112,917,500	22,581,200	112,917,500

b) Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having par value of Rs 5 per share. Each equity shareholder is entitled to one vote per share. The voting rights of an equity shareholder are in proportion to its share of the paid-up equity capital of the Company.

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

The Board of Directors of the Parent Company, in their meeting held on 28 May 2013, declared final dividend of Re.0.50 per equity share. The total dividend appropriation for the year ended 31 March 2013 amounted to Rs 13,209,437 including corporate dividend tax Rs 1,918,837.

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

	31 March 2013		31 March 2012	
	No. of shares	% holding	No. of shares	% holding
1. Mr. Subhash Ghai	12,417,990	54.99%	12,417,990	54.99%
2. Ms. Meghna Ghai Puri	1,650,000	7.31%	1,650,000	7.31%
3. Ms. Mukta Ghai	1,650,000	7.31%	1,650,000	7.31%

3.2 Reserves and surplus

	31 March 2013	31 March 2012
Securities premium account	973,360,000	973,360,000
General reserve		
At the commencement of the year	82,419,067	63,239,914
Add : Transfer from balance in Statement of profit and loss on account of equity dividend	725,723	19,179,153
	83,144,790	82,419,067
(Deficit) in the Statement of profit and loss		
At the commencement of the year	(540,556,192)	(659,681,908)
Add : (Loss)/ Profit for the year	(13,692,334)	164,549,304
Less : Appropriations		
Equity dividend (Rs 0.50 per share (2012: Re 1))	(11,290,600)	(22,581,200)
Tax on equity dividend	(1,918,837)	(3,663,235)
Transfer to general reserve on account of equity dividend	(725,723)	(19,179,153)
	(13,935,160)	(45,423,588)
	(568,183,686)	(540,556,192)
	488,321,104	515,222,875



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.3 Long term borrowings

	31 March 2013	31 March 2012
a) Term loans		
Secured loans		
Kotak Mahindra Bank Limited *	220,956,337	197,247,822
(Repayable within a year Rs 56,658,757 (2012: Rs 46,440,205)		
- Motor vehicle finance loans**	10,017,181	8,323,266
(Repayable within a year Rs 5,600,938 (2012: Rs 4,460,242)		
- From financial institution ***	7,817,000	6,607,000
(Repayable within a year Rs 7,817,000 (2012: Rs Nil)		
b) Deferred payment liabilities # #	-	59,916,217
(Repayable within a year Rs Nil (2012: Rs 14,060,782)		
c) Finance lease obligations (secured)###	2,780,859	-
(Repayable within a year Rs 231,914 (2012: Rs Nil)		
Amount disclosed under other current liabilities (note 3.9)	(70,308,609)	(64,961,229)
	171,262,768	207,133,076

- (i) * Term loan is secured against all current assets, commercial property at Oshiwara and residential flats (3 nos.) at Bandra. Loan is also secured by the personal guarantee of Mr Subhash Ghai, the Managing Director of the Parent Company and Mrs. Mukta Ghai, a relative of the Managing Director and a shareholder. The term loan has been taken in various tranches, having separate maturity periods ranging from 2 to 5 years and at interest rate varying from 10% to 14% per annum. The details of repayment and other terms are as follows:

Loan tranches	Repayment schedule
Term loan of Rs.50,000,000 taken on 13 December 2011	Outstanding amount of loan will be repayable within 4 years from the reporting date with monthly EMI of Rs 1,163,413
Term loan of Rs 30,000,000 taken on 29 September 2011	Outstanding amount of loan will be repayable within 4 years from the reporting date with monthly EMI of Rs 686,830
Term loan of Rs 100,000,000 taken on 17 January 2011	Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 2,318,645
Term loan of Rs 50,000,000 taken on 28 January 2009	Outstanding amount of loan will be repayable within 2 years from the reporting date with monthly EMI of Rs 1,112,222
Term loan of Rs 25,000,000 taken on 4 January 2013	Outstanding amount of loan will be repayable within 5 years from the reporting date with monthly EMI of Rs 588,534
Term loan of Rs 50,000,000 taken on 4 January 2013	Outstanding amount of loan will be repayable within 5 years from the reporting date with monthly EMI of Rs 1,157,280

- (ii) **The Parent Company has taken car loans from Reliance Capital Ltd on 2 July 2012 and closed all the outstanding motor vehicle loans taken from various banks. The loans are secured against the related vehicles. Repayment schedule is as detailed below:

Lendor	Repayment schedule
Reliance Capital Ltd	Outstanding amount of loan will be repayable within 2 years from the reporting date with monthly EMI of Rs 25,240
Reliance Capital Ltd	Outstanding amount of loan will be repayable within 2 years from the reporting date with monthly EMI of Rs 36,120
Reliance Capital Ltd	Outstanding amount of loan will be repayable within 2 years from the reporting date with monthly EMI of Rs 36,250

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.3 Long term borrowings (Continued)

Reliance Capital Ltd	Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 41,500
Reliance Capital Ltd	Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 12,250
Reliance Capital Ltd	Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 77,500
Reliance Capital Ltd	Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 19,500
Reliance Capital Ltd	Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 46,000
Reliance Capital Ltd	Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 282,500
Reliance Capital Ltd	Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 37,500
Kotak Mahindra Prime Ltd	Outstanding amount of loan will be repayable within 2 years from the reporting date with monthly EMI of Rs 27,030
Kotak Mahindra Prime Ltd	Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 42,000

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

- (iv) ## The Company had entered into an agreement in October 2011 with Sarpanch of Gram Panchayat Badsa-Haryana for purchase of 20 acres land for setting up a film and TV institute and multimedia complex for Rs 80,316,000. As per the agreement, the land cost was to be paid in seven equal installments. The first payment was to be made on the date of signing the agreement and the balance amount payable in 6 installments, subject to condition that last installment should be paid on or before October 2016. The Company had paid the first two installments till 31 March 2012 of Rs 29,818,286 and the balance amount was disclosed as deferred payment liabilities.

A Public interest litigation ('PIL') had been filed with regards to the above sale agreement and the Hon'ble High Court of Punjab and Haryana vide Order dated 11 September 2012 has quashed the land purchase agreement between the Company and Gram Panchayat of Village Badsa (Panchayat) and directed that payments made by the Company of Rs 29,818,286 be refunded together with specified interest. The money was received on 15 November 2012.

- (v) ### The Company has obtained equipment on finance lease basis in December 2012. The legal title to these items vests with the lessors. The lease term for such equipment is 5 years with equated monthly payments beginning from the month subsequent to the commencement of the lease. The total future minimum lease payments at the Balance sheet date, element of interest included in such payments, and present value of these minimum lease payments are as follows:

	Non Current portion		Current portion	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
a. Total future minimum lease payments	2,805,000	-	360,000	-
b. Future interest included in (a) above	256,055	-	128,086	-
c. Present value of future minimum lease payments	2,548,945	-	231,914	-
The rate of interest implicit in the above is at 10%				



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.4 (a) Deferred tax liabilities, net

Deferred tax liabilities

Arising on account of timing differences in:

Depreciation/ amortisation

31 March 2013	31 March 2012
15,313,716	14,615,242
15,313,716	14,615,242

Deferred tax assets

Arising on account of timing differences in:

Provision for leave encashment and gratuity

Provision for doubtful debts and advances

Long term capital loss of Income tax Act, 1961

2,542,580	2,169,542
1,988,956	5,406,343
-	760,089
4,531,536	8,335,974

Net deferred tax liability

10,782,180	6,279,268
-------------------	------------------

3.4 (b) Deferred tax assets, net

Deferred tax liabilities

Arising on account of timing differences in:

Depreciation/ amortisation

31 March 2013	31 March 2012
14,606,746	14,796,825
14,606,746	14,796,825

Deferred tax assets

Arising on account of timing differences in:

Unabsorbed depreciation allowance and carried forward business loss

Disallowances u/s 43B

Provision for leave encashment and gratuity

Provision for doubtful debts and advances

199,739,633	606,117,795
1,642,273	474,626
604,395	457,760
249,684	112,756
202,235,985	607,162,937

Deferred tax asset restricted to the extent of deferred tax liability due to absence of virtual certainty

14,606,746	14,796,825
-------------------	-------------------

Net deferred tax asset

-	-
---	---

3.5 Other long-term liabilities

Security deposits received

Rent straight lining liability

Income received in advance

31 March 2013	31 March 2012
47,177,668	48,802,818
5,352,903	3,992,828
228,733,023	33,001,000
281,263,594	85,796,646

3.6 Long-term provisions

Provisions for employee benefits

Provision for gratuity (note 3.28)

Provision for leave salary (note 3.28)

Provision for tax including FBT (Net of advance tax Rs 1,125,622 (2012: Rs Nil))

31 March 2013	31 March 2012
4,898,470	3,515,019
3,520,426	3,437,600
670,100	-
9,088,996	6,952,619

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.7 Short-term borrowings

Secured :

Cash credit from Kotak Mahindra Bank Limited*

Overdraft facility from Punjab National Bank Limited ***

Unsecured :

Inter corporate deposits**

	31 March 2013	31 March 2012
	153,372,278	111,527,575
	30,505,427	49,634,171
	34,900,000	37,500,000
	218,777,705	198,661,746

*The Company has obtained a cash credit facility from Kotak Mahindra Bank Limited on 8 January 2010 at interest rate varying from 13% to 14% per annum. Along with the term loan mentioned above in Note 3.3, this facility is secured against all current assets, commercial property at Oshiwara, and residential flats (3 nos) at Bandra. The facility is also secured by the personal guarantee of Mr Subhash Ghai, the Managing Director of the Company and Mrs. Mukta Ghai, a relative of the Managing Director and a shareholder.

**At interest rate of 15% p.a. repayable on demand provided 30 days advance notice is given to the borrower.

*** Secured against second charge on residual value of plant and machinery of Whistling Woods International Limited 'WWI' which was modified on 31 May 2012 by creating first charge on residential flats at Bandra and Andheri. WWI has undertaken to the bank not to redeem the preference shares during the currency of the loan.

3.8 Trade payables

For services and goods recieved (note 3.35)

	31 March 2013	31 March 2012
	391,052,460	255,239,062
	391,052,460	255,239,062

3.9 Other current liabilities

Current maturities of term loans (note 3.3)
 Current maturities of finance lease obligations (note 3.3)
 Current maturities of deferred payment liabilities (note 3.3)
 Interest accrued but not due on borrowings
 Income received in advance
 Advances received for film and other services
 Advance received from sale of fixed assest
 Employee benefit expenses payable
 Creditors for fixed assets
 Temporary book overdraft
 Unclaimed dividends
 Dividend payable
 Statutory dues payable*
 Security deposits received
 Others

	31 March 2013	31 March 2012
	70,076,695	50,900,447
	231,914	-
	-	14,060,782
	1,570,416	1,613,859
	50,582,947	74,090,872
	18,746,605	12,517,771
	10,000,000	-
	1,932,663	3,079,565
	16,827,070	19,950,598
	1,601,437	25,259
	681,976	682,276
	11,290,600	-
	36,225,437	18,466,355
	22,846,484	10,744,318
	888,211	-
	243,502,455	206,132,102

*Statutory dues payable includes:

- Provident fund
- ESIC
- CST/ VAT payable
- Service tax payable
- TDS payable
- Profession tax
- Dividend tax Payable
- ET/ INR/ Show tax payable

	299,827	252,732
	35,378	30,269
	22,706,537	12,010,262
	2,654,267	97,513
	6,968,853	6,052,789
	19,410	22,790
	1,918,837	-
	1,622,328	-

3.10 Short-term provisions

Provisions for employee benefits

Provision for gratuity (note 3.28)

Provision for leave salary (note 3.28)

Provision for taxation

(Net of advance tax and tax deducted at source Rs 68,320,945
 (2012: Rs 34,270,504))

	31 March 2013	31 March 2012
	-	439,223
	1,547,193	1,151,079
	7,242,467	44,986,111
	8,789,660	46,576,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.11 Fixed assets

	Intangible assets							Tangible assets									
	Distribution rights	Negative rights	Exhibition rights	Intellectual property rights (Course curriculum)	Library books	Computer software	Total	Land rights **	Ownership premises	Temporary shed	Institute building	Leasehold premises	Plant and machinery	Motor vehicles	Furniture fixtures and office equipment*	Computers	Total
Gross block																	
As at 1 April 2011	205,500,320	335,705,688	2,500,000	6,074,859	7,580,624	16,046,467	573,407,958	30,000,000	244,772,742	666,964	278,718,006	120,762,320	377,621,094	49,981,826	66,815,304	119,659,990	1,288,998,246
Additions	27,000,000	73,780,041	-	110,000	745,379	1,147,474	102,782,894	-	-	-	-	22,016,674	12,646,157	2,199,352	4,143,606	13,491,932	54,497,721
Disposals	-	181,415	-	-	-	-	181,415	-	4,328,100	-	-	-	-	775,000	-	-	5,101,100
Other adjustment	-	-	-	-	-	-	-	-	-	-	-	(5,826)	-	(4,826)	1,639,325	(1,639,325)	(10,652)
As at 31 March 2012	232,500,320	409,304,314	2,500,000	6,184,859	8,326,003	17,193,941	676,009,437	30,000,000	240,446,642	666,964	278,718,006	142,784,820	390,267,251	51,411,004	69,319,585	134,791,247	1,338,405,519
Additions	7,500,000	-	-	-	484,580	2,740,636	10,725,216	-	-	-	-	41,954,254	18,942,652	1,795,479	7,935,166	5,344,442	75,971,993
Disposals	-	-	-	-	-	-	-	-	-	-	-	2,375,380	1,273,968	-	-	9,917	3,669,265
Other adjustment	-	-	-	-	-	-	-	-	4,064,607	-	-	(1,971,431)	1,971,431	-	-	-	4,064,607
As at 31 March 2013	240,000,320	409,304,314	2,500,000	6,184,859	8,810,583	19,934,577	686,734,653	30,000,000	236,382,035	666,964	278,718,006	182,767,643	408,805,954	51,932,515	77,254,751	140,125,772	1,406,653,640
Depreciation/ Amortisation																	
As at 1 April 2011	205,500,320	306,300,191	2,080,856	3,810,397	7,580,624	11,583,703	536,856,091	-	37,395,848	666,964	58,949,854	5,247,791	254,747,278	33,013,370	45,560,208	102,857,996	538,439,309
Charge for the year	27,000,000	95,380,041	83,829	2,284,111	390,514	2,682,241	127,820,736	-	7,049,390	-	10,996,139	8,507,526	23,733,059	4,632,130	4,516,649	11,258,664	70,693,557
On disposals	-	-	-	-	-	-	-	-	1,650,884	-	-	-	-	591,822	-	-	2,242,706
Other adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 March 2012	232,500,320	401,680,232	2,164,685	6,094,508	7,971,138	14,265,944	664,676,827	-	42,794,354	666,964	69,945,993	13,755,317	278,480,337	37,053,678	50,076,857	114,116,660	606,890,160
Charge for the year	6,973,067	-	67,063	18,071	603,240	2,948,779	10,610,220	-	6,562,803	-	10,410,002	11,089,398	21,455,935	3,642,245	4,456,301	8,745,454	66,362,138
On disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	1,798,203	1,025,910	-	2,824,113
Other adjustment	-	-	-	-	-	-	-	-	1,591,239	-	-	-	-	-	-	-	1,591,239
As at 31 March 2013	239,473,387	401,680,232	2,231,748	6,112,579	8,574,378	17,214,723	675,287,047	-	47,765,918	666,964	80,355,995	24,844,715	298,138,069	39,670,013	54,533,158	122,862,114	668,836,946
Net block																	
As at 31 March 2012	-	7,624,082	335,315	90,351	354,865	2,927,997	11,332,610	30,000,000	197,652,288	-	208,772,013	129,029,503	111,786,914	14,357,326	19,242,728	20,674,587	731,515,359
As at 31 March 2013	526,933	7,624,082	268,252	72,280	235,205	2,719,854	11,447,606	30,000,000	188,616,117	-	198,362,011	157,922,928	110,667,885	12,262,502	22,721,593	17,263,658	737,816,694

Tangible/ Intangible given as security

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

	31 March 2013	31 March 2012
Tangible assets – Capital work-in-progress (also refer note 3.30)	66,633,518	167,721,237
Intangible assets under development Also refer note 3.30	87,462,113	46,244,079
**Also refer note 3.38		
* Additions to Tangible assets – Capital work-in-progress includes interest capitalized Rs Nil (2012: Rs 9,454,502)		



MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.12 Non-current investments

Trade investments (valued at cost unless stated otherwise)

Name of the corporate bodies

Investment in equity instruments-others (un-quoted)

- (a) Indiasound Limited 7,500,000 (2012: 7,500,000) equity shares of 0.1 Pence each, fully paid-up (net of write off/ provision for diminution Rs 3,778,158 (2012: Rs 3,778,158))
- (b) Maya Digital Studios Private Limited 1,000,000 (2012: 1,000,000) equity shares of Rs 10 each, fully paid-up
As per the terms of the Shareholders agreement, additional shares, not exceeding 1,000,000 may be allotted to the Parent Company.
- (c) Bashiron Co. Op. Housing Society Limited 10 Shares (2012: 10) of Rs 50 each *
- (d) Bait-Ush-Sharaf Co. Op. Housing Society Limited 25 Shares (2012: 25) of Rs 50 each *
- * pledged as security against borrowings (refer note 3.3)

Aggregate value of unquoted investments

Aggregate provision for diminution in value of investments

Aggregate amount written off

31 March 2013	31 March 2012
-	-
10,000,000	10,000,000
500	500
1,250	1,250
10,001,750	10,001,750
13,779,908	13,779,908
-	3,778,158
3,778,158	-

3.13 Long-term loans and advances

Unsecured, considered good

Capital advances

- Tangible

- Intangible

Security deposits

Advance tax (including tax deducted at source) (net of provision Rs 115,296,156 (2012: Rs 109,988,736))

Security deposits include deposit to Proprietary concern of the Managing Director of the Parent Company

-Mukta Arts

31 March 2013	31 March 2012
26,356,783	17,403,066
32,231,770	50,649,270
16,855,604	11,455,212
91,376,621	80,950,084
166,820,778	160,457,632
300,000	300,000

3.14 Other non-current assets

Unsecured, considered good unless stated otherwise

Other bank balance (note 3.18)

Rent straightlining asset

31 March 2013	31 March 2012
9,440,661	6,943,374
270,380	4,261,431
9,711,041	11,204,805

3.15 Current investments

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

Investment in quoted mutual funds

Nil (2012: 1,317,429.457) units of LIC NOMURA floating rate fund-
Short term plan [Net asset value: Rs Nil (2012: Rs 13,382,449)]

31 March 2013	31 March 2012
-	13,382,449
-	13,382,449



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.16 Inventories

(valued at lower of cost and net realisable value)

Foods and beverages

31 March 2013	31 March 2012
1,172,712	447,612
1,172,712	447,612

3.17 Trade receivables

(a) *Unsecured, considered good*

Outstanding for a period exceeding six months from the date they are due for payment

Other debts

31 March 2013	31 March 2012
23,740,144	20,604,433
479,377,169	222,503,845
503,117,313	243,108,278

(b) *Unsecured, considered doubtful*

Outstanding for a period exceeding six months from the date they are due for payment

Other debts

31 March 2013	31 March 2012
2,599,125	10,069,472
-	-
2,599,125	10,069,472
2,599,125	10,069,472
-	-
503,117,313	243,108,278

Less: Provision for doubtful trade receivables

3.18 Cash and bank balances

Cash and cash equivalents

Balance with banks

- in current accounts

- in deposits with original maturity of less than three months

Cheques, drafts on hand

Cash in hand

31 March 2013	31 March 2012
8,228,590	9,621,289
32,164	-
717,744	197,100
2,207,403	1,211,694
11,185,901	11,030,083

Other bank balances

Balance in dividend account

Deposits under lien

- Deposits with original maturity of less than three months

- Deposit with original maturity of more than 3 months but less than 12 months

- Deposit with original maturity of more than 12 months

31 March 2013	31 March 2012
681,976	682,276
4,027,942	11,385,654
17,246,612	5,262,727
9,440,661	6,943,374
31,397,191	24,274,031
(9,440,661)	(6,943,374)
33,142,431	28,360,740

Less : Deposit with original maturity of more than 12 months disclosed under non-current assets (note 3.14)

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.19 Short-term loans and advances

	31 March 2013	31 March 2012
Other loans and advances - unsecured, considered good unless otherwise stated		
Sundry advances to distributor, producer, employee etc.		
considered good	253,085,219	171,734,763
considered doubtful	4,246,734	6,958,535
	257,331,953	178,693,298
Less: Provision for doubtful advances	4,246,734	6,958,535
	253,085,219	171,734,763
 Prepaid expenses	2,281,073	1,964,080
Inter-corporate deposit	39,251,937	39,326,118
Service tax credit receivable/ Advance tax	4,174,411	3,699,874
Other loans and advances	9,646,167	415,800
	308,438,807	217,140,635



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.20 Revenue from operations

	31 March 2013		31 March 2012	
(a) Sale of products/ film rights				
Own Film/ Content production	70,800,032		120,425,005	
Food and beverages	10,501,272	81,301,304	4,917,559	125,342,564
(b) Sale of services				
Distribution and exhibition	2,389,014,317		1,789,554,619	
Equipment hire income	3,672,846		6,381,865	
Fees from students	175,358,954		170,400,311	
Box office collection				
Sale of tickets	46,733,039		17,580,597	
Less: Entertainment tax	(8,194,556)	2,606,584,600	(198,000)	1,983,719,392
(c) Other operating revenue				
Rent and amenities charges	57,402,254		62,572,407	
Other income from theatrical operations	3,406,428		1,825,228	
Income from downloads	5,952,399		18,733,935	
Consultancy fees	7,845,402		-	
Re-examination fees	70,500		59,000	
Channel packaging income and production income	5,552,997	80,229,980	4,596,727	87,787,297
	2,768,115,884		2,196,849,253	

3.21 Other income

	31 March 2013	31 March 2012
Interest income on bank deposits (Tax deducted at source Rs 250,875 (2012: Rs 179,877))	1,957,793	1,802,877
Interest income on others (Tax deducted at source Rs Nil (2012: Rs 92,465))	6,993,494	3,159,098
Dividend income on current investment	34,339	1,181,832
Other non-operating income		
Keyman insurance claim received	-	327,600,000
Interest on income tax refund	1,214,045	5,744,980
Profit on sale of asset (net)	-	2,221,606
Excess provision written back (net)	2,856,009	1,426,604
Hire charges	7,341,228	11,906,130
Miscellaneous income (net)	1,816,363	1,630,345
Discount received	246,218	110,682
	22,459,489	356,784,154

3.22 Cost of operations

	31 March 2013	31 March 2012
Own production - print, publicity, dubbing etc.	652,884	35,686,948
Distributor and producers share	2,340,271,368	1,703,266,726
Other production expenses	5,110,841	3,256,415
Operator's share in theatrical operations	(2,865,473)	(1,250,809)
	2,343,169,620	1,740,959,280

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.23 Changes in inventories of food and beverages

	31 March 2013	31 March 2012
Inventories at the end of the year		
Foods and beverages	1,172,712	447,612
	1,172,712	447,612
Inventories at the beginning of the year		
Foods and beverages	447,612	-
	447,612	-
(Increase)/decrease in inventories	(725,100)	(447,612)

3.24 Employee benefits expense

	31 March 2013	31 March 2012
Salaries and other benefits (notes 3.30 and 3.37)	74,856,513	68,002,669
Staff welfare	1,953,808	4,021,534
Gratuity and leave encashment (note 3.28)	2,092,179	847,613
Contribution to provident and other funds (note 3.28)	3,081,875	2,682,238
	81,984,375	75,554,054

3.25 Finance costs

	31 March 2013	31 March 2012
a) Interest cost on		
-Term loan	25,387,352	28,305,457
-Cash credit facilities	20,169,245	23,193,483
-Car loan	2,048,420	547,759
- Unsecured loan	6,649,934	3,644,703
- Others (also refer note 3.38)	687,248	1,733,982
b) Processing cost and other charges	2,006,408	1,729,027
	56,948,607	59,154,411

3.26 Other expenses

	31 March 2013	31 March 2012
Legal and professional fees	73,682,613	74,467,504
Electricity charges	22,517,171	26,424,582
Repairs and maintenance		
Buildings	18,290,097	10,715,442
Plant and machinery	662,335	497,735
Others	474,156	2,077,594
Rent (also refer note 3.38)	16,926,448	22,366,588
Business promotion	16,568,640	19,725,881
Bad debts /advances written-off	14,403,312	10,871,254
Sets/student practicals	14,398,051	11,957,425
Travelling expenses	7,354,883	12,654,726
Rates and taxes	4,485,873	12,607,436
Motor vehicle expenses	4,213,698	4,207,021
Printing and stationery	3,788,865	3,398,208
Communication	3,738,624	4,490,563
Scholarships awards	2,935,624	3,463,250
Provision for doubtful debts and advances	2,606,903	5,454,498
Brokerage and commission	2,536,297	1,745,342
Insurance	2,497,890	2,147,009
Payment to auditor (Refer details below)	1,694,696	1,633,479
Loss on sale of investments (net)	3,813	-
Provision for diminution in value of investments (net)	-	19,785
Miscellaneous expenses	17,446,304	18,522,861
	231,226,293	249,448,183



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.26 Other expenses (Continued)

Payment to auditor *

As auditor:

Audit fee	1,625,846	1,532,362
Reimbursement of expenses	68,850	101,117
	1,694,696	1,633,479

* includes fees to respective auditors of subsidiary companies

3.27 Earnings per equity share:

	31 March 2013	31 March 2012
a) Net profit/ (loss) after tax	(13,692,334)	164,549,304
b) Weighted average number of equity shares outstanding during the year for basic EPS	22,581,200	22,581,200
c) Weighted average number of equity shares outstanding during the year for dilutive EPS	22,581,200	22,581,200
d) Basic EPS	(0.61)	7.29
e) Dilutive EPS	(0.61)	7.29
f) Nominal value per share	5	5

3.28 Gratuity and other post employment benefit plans

(i) Defined contribution plans

Contribution to provident fund - amount of Rs 2,755,631 (2012 : Rs 2,371,429) and ESIC - amount of Rs 326,244 (2012: Rs 310,809) is recognized as an expense and included in "Employee benefit expenses" in the Statement of profit and loss.

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

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

The leave wages are payable to all eligible employees at the rate of daily salary for each day of accumulated leave on death or on resignation or upon retirement on attaining superannuation age. During the year, Rs 669,327 (2012: 243,529) is recognized as an expense in the Statement of profit and loss

Actuarial assumptions	31 March 2013	31 March 2012
Discount Rate (p.a)	7.95% to 8.05%	8.65%
Salary Escalation rate (p.a)	6% to 8%	6% to 8%

(b) Gratuity (Defined benefit plan)

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

	31 March 2013	31 March 2012
A) Change in defined benefit obligation		
Opening defined benefit obligation	9,026,270	9,220,652
Current service cost	826,823	822,980
Interest cost	732,957	652,801
Actuarial (gain)/ loss	257,556	(506,798)
Benefits paid	(240,938)	(1,178,942)
Adjustments	-	15,577
Closing defined benefit	10,602,668	9,026,270
B) Change in fair value of plan assets		
Opening fair value of plan assets	5,072,028	5,334,840
Expected return on plan assets	333,182	235,125
Actuarial gain/ (loss) on plan assets	115,270	129,774
Contributions by employer	424,656	535,654
Adjustments	-	15,577
Benefits paid	(240,938)	(1,178,942)
Closing fair value of plan assets	5,704,198	5,072,028

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.28 Gratuity and other post employment benefit plans (Continued)

(b) Gratuity (Defined benefit plan) (Continued)

	31 March 2013	31 March 2012
C) Expenses recognised in the Statement of profit and loss		
Current service cost	826,823	822,980
Interest on defined benefit obligation	732,957	652,801
Expected return on plan assets	(333,182)	(235,125)
Net actuarial (gain)/ loss recognized	142,286	(636,572)
Total expense recognized	1,368,884	604,084
D) Amount recognised in Balance sheet		
Present value of funded obligations	(10,602,668)	(9,026,270)
Fair value of plan assets	5,704,198	5,072,028
Net Liability	(4,898,470)	(3,954,242)
E) Actuarial assumptions		
Discount Rate (p.a)	7.95% to 8.05%	8.65%
Expected rate of return on assets (p.a)	7.50%	7.50%
Salary escalation rate (p.a)	6% to 8%	6% to 8%
F) Details of plan assets		
LIC managed funds	5,704,198	5,072,028

G) Experience adjustment

	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Present value of defined benefit obligation	10,602,668	9,026,270	9,220,652	1,080,605	891,067
Fair value of the plan assets	5,704,198	5,072,028	5,334,840	951,407	898,357
Surplus/ (Deficit) of the plan	(4,898,470)	(3,954,242)	(3,885,812)	(129,198)	7,290
Experience adjustment on defined benefit obligation	(206,230)	(87,443)	(377,413)	(96,707)	(375,862)
Experience adjustment on fair value of the plan assets	115,270	129,774	114,892	5,119	-

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

3.29 Lease disclosure under AS 19 – 'Leases'

Operating lease : Company as lessee

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

Lease rent expenses of Rs 16,926,448 (2012: Rs 22,366,588) have been included under 'Rent' in the Statement of profit and loss.

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

	31 March 2013	31 March 2012
Amounts due within one year	4,407,510	5,596,322
Amounts due after one year but not later than five years	24,724,230	22,385,287
Amounts due later than five years	56,985,045	58,528,199
	86,116,785	86,509,808

Operating lease : Company as lessor

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

Lease rent income of Rs 19,056,395 (2012: Rs 17,819,015) has been included under 'Rent and amenities charges' in the Statement of profit and loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.29 Lease disclosure under AS 19 – 'Leases' (Continued)

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

	31 March 2013	31 March 2012
Amounts due within one year	10,002,423	16,219,225
Amounts due after one year but not later than five years	10,014,375	65,959,301
Amounts due later than five years	-	11,646,283
	20,016,798	93,824,809

The carrying amount of such assets is as follows :

	31 March 2013	31 March 2012
Gross block	171,362,055	193,508,380
Accumulated depreciation	16,010,742	10,804,872
Net block	155,351,313	182,703,508
Depreciation for the year	5,220,680	6,388,405

Operating lease : Company as sub-lessor

The Parent Company has subleased part of the office premises taken on lease. The future minimum sublease payment expected to be received under non-cancellable sub-lease as at 31 March 2013 is Rs 54,773,355 (2012: Rs 58,618,140). Sublease rent income of Rs 23,568,537 (2012: Rs 21,413,250) has been included under 'Rent and amenities charges' in the Statement of profit and loss.

The carrying amount of such assets is as follows :

	31 March 2013	31 March 2012
Gross block	77,352,652	70,715,929
Accumulated depreciation	12,140,041	6,812,489
Net block	65,212,612	63,903,440
Depreciation for the year	4,495,669	4,213,456

Finance lease : Company as lessee

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2013 are as follows:

	Minimum lease payments		Present Value	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Amounts due within one year	360,000	-	231,914	-
Amounts due after one year but not later than five years	2,805,000	-	2,548,945	-
Amounts due later than five years	-	-	-	-
Total	3,165,000	-	2,780,859	-

Finance lease obligations are secured against the respective assets taken on lease

The Company has obtained plant and equipment on finance lease basis as at 31 March 2013. The legal title to these items vests with their lessors. The lease term for such equipment is 5 years. The carrying amount of assets is as follows.

	31 March 2013	31 March 2012
Gross block	2,864,683	-
Accumulated depreciation	229,960	-
Net block	2,634,724	-
Depreciation for the year	229,960	-

3.30 Capitalisation of expenditure

During the year, the Parent Company has capitalised the salaries, wages and bonus amounting to Rs. 3,751,895 (2012: Rs 2,876,920) to the cost of Fixed asset/ Capital work in progress (CWIP). Consequently, expenses disclosed under the Note 3.24 is net of amount capitalised by the Company.

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.31 Segment information

Particulars	31 March 2013	31 March 2012
Segment revenue		
Software division	2,471,319,745	1,943,821,653
Equipment division	3,672,846	6,381,865
Education	183,274,856	170,459,311
Theatrical exhibition	52,446,183	24,125,384
Others	57,402,254	67,409,134
Total	2,768,115,884	2,212,197,347
Less : Inter segment revenue	-	15,348,094
Net Sales/ Income from operations	2,768,115,884	2,196,849,253
Segment results		
Profit/ (loss) before tax, interest and exceptional items from each segment		
Software division	77,479,295	13,502,983
Equipment division	(4,568,366)	(3,206,623)
Education	(6,221,294)	(64,546,076)
Theatrical exhibition	(663,563)	(741,522)
Others	49,415,400	56,653,670
Total	115,441,471	1,662,432
Less: Finance costs	56,948,607	59,154,411
Unallocated expenses, net of unallocable income	61,358,183	(285,940,175)
Total profit/ (loss) before tax	(2,865,319)	228,448,196
Segment assets		
Software division	954,907,360	598,393,162
Equipment division	38,332,964	35,681,064
Education	349,781,810	462,727,083
Theatrical exhibition	187,568,535	113,748,121
Others	145,438,693	166,261,800
Unallocable (includes advance tax net of provision for tax)	259,735,401	280,301,718
Segment liabilities		
Software division	610,864,098	(316,434,142)
Equipment division	331,367	(256,830)
Education	146,666,184	(159,131,430)
Theatrical exhibition	54,333,428	(3,892,034)
Others	24,412,188	(39,726,826)
Unallocable (includes provision for tax net of advance tax and minority interest)	497,912,620	(509,531,311)
Capital expenditure		
Software division	58,604,876	129,399,172
Equipment division	8,497,689	-
Education	6,324,432	14,037,915
Theatrical exhibition	107,138,371	87,836,406
Others	223,092	712,950
Unallocable	883,283	4,604,403
Depreciation and amortization		
Software division	14,594,961	130,189,128
Equipment division	7,101,898	7,856,521
Education	33,746,363	41,817,382
Theatrical exhibition	8,834,815	4,318,026
Others	7,031,081	8,018,634
Unallocable	5,663,241	6,314,602
Capital employed		
(Segment assets - Segment Liabilities)		
Software Division	344,043,262	286,916,555
Equipment Division	38,001,597	65,424,234
Education	203,115,626	(87,999,625)
Theatrical exhibition division	133,235,173	109,856,087
Others	121,026,505	116,046,990
Unallocable (includes minority interest)	(238,177,218)	137,896,134



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.31 Segment information (Continued)

The Group has disclosed Business Segments as the primary segment.

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

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

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

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

3.32 Related party disclosures

Details of related parties including summary of transactions entered into by the Group during the year ended 31 March 2013 are summarized below:

A. Parties where control exists

(i) Shareholders holding more than 20%

- Subhash Ghai

(ii) Key management personnel and relatives of such personnel

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

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

- Mukta Arts – Proprietary concern of Chairman and Managing Director
- Mukta Tele Arts Private Limited – Enterprise in which Subhash Ghai exercises significant influence
- Sharyans Resources Limited - Enterprise in which Vijay Choraria is the common director

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.32 Related party disclosures (Continued)

B. Transactions with related parties for the year ended 31 March 2013 are as follows:-

Transactions	Key Management Personnel and relatives of such personnel		Enterprises over which key management personnel have control / substantial interest / significant influence	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Receiving of services				
Ashok Ghai - Professional fees	3,230,444	2,196,000	-	-
Mukta Arts - Rent	-	-	60,000	60,000
Employee benefits expense				
Siraj Farooqui	2,444,320	2,173,400	-	-
Sameer Farooqui	504,060	435,000	-	-
Sajid Farooqui	539,040	480,240	-	-
Managerial remuneration				
Subhash Ghai	4,579,490	12,997,900	-	-
Subhash Ghai - Film Director fees	5,400,000	-	-	-
Parvez A. Farooqui	2,439,320	2,329,680	-	-
Rahul Puri	2,446,320	2,336,680	-	-
Meghna Ghai Puri	2,236,425	2,452,926	-	-
Reimbursement of expenses paid by the Company				
Sharyans Resources Limited	-	-	1,275,614	1,632,902
Payables				
Mukta Arts	-	-	60,000	60,000
Sharyans Resources Limited	-	-	420,609	2,574,983
Ashok Ghai - Professional fees	193,000	-	-	-
Deposit receivable				
Mukta Arts	-	-	300,000	300,000
Personal guarantee given jointly by Mr. Subhash Ghai and Mrs. Mukta Ghai for secured loans taken from Kotak Mahindra Bank				

3.33 Commitments

Estimated amounts of contracts remaining to be executed on capital account and not provided for aggregate to Rs 9,598,304 (2012: Rs 27,428,576).

3.34 Contingent liabilities

	31 March 2013	31 March 2012
a) Claims not acknowledge as debt		
Service tax matters*	2,915,000	2,915,000
Local taxes	22,252,096	18,772,376
b) Guarantees given by bank on behalf of the parent company	21,651,390	21,544,383
c) The Company Law Board had passed an order directing Central Government to undertake the investigation under Section 237 of the Act. The Company aggrieved by the Order had moved the Bombay High Court and obtained stay on the Order. The hearing in this matter was completed on 7 January 2009 and Hon'ble Bombay High Court had quashed the investigation. The Central Government has on 25 February 2012 moved the Hon'ble Supreme Court challenging the Order passed by the Hon'ble Bombay High Court on 7 January 2009.		
d) Matters in respect of Whistling Woods International Limited (WWI)-Income Tax		

A Assessment year 2003-04

There were certain additions/ disallowances made in the assessment and the department had raised a demand of Rs 2,913,501 (including interest Rs 651,159). Aggrieved by the assessment order, WWI had filed an appeal with the C.I.T (Appeals) who confirmed the additions/ disallowances. WWI subsequently filed an appeal with the Income Tax Appellate Tribunal which was also dismissed and the company deposited the outstanding amount. During the previous year, the said demand has been provided for in the books of account. However, the Assessing officer had also levied penalty of Rs 2,500,000, which was contested by the company with the C.I.T (Appeals) who confirmed the penalty. WWI subsequently filed an appeal with the Income Tax Appellate Tribunal which set aside the order and referred it back to the C.I.T Appeals. The C.I.T Appeals vide order dated 30 July 2012 has allowed the appeal and penalty is deleted, refund of the amount paid for penalty levied with Interest is being followed up with authorities.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.34 Contingent liabilities (Continued)

B Assessment year 2004-05

"There are certain additions/ disallowances made in the assessment and the Department had raised a demand of Rs. 2,898,895 (including interest Rs 711,905). Aggrieved by the assessment order, the company had filed an appeal with the C.I.T (Appeals) who confirmed the additions/ disallowances. WWI subsequently filed an appeal with the Income Tax Appellate Tribunal which was also dismissed and the company deposited the outstanding amount. The Assessing officer had passed an order u/s 143(3)/250 of the Income tax Act, 1961 giving appeal effect against which the company preferred an appeal before C.I.T (Appeals) who by order dated 4 February 2013 upheld the order of Assessing officer. WWI has filed an appeal against the said order before Hon. Tribunal on 23 April 2013 which has not yet come up for hearing. The company has not accrued for the liability as it is contesting these matters and management believes that its position will be upheld. The Assessing officer has also levied penalty of Rs 3,000,000, which was contested by the WWI with the C.I.T (Appeals) who confirmed the penalty. The company subsequently filed an appeal with the Income Tax Appellate Tribunal which set aside the order and referred it back to the C.I.T Appeals and the C.I.T (Appeals) vide order dated 30 July 2012 has allowed the appeal and penalty is deleted."

C Assessment year 2005-06

There are certain additions/ disallowances made in the assessment and the Department had raised a demand of Rs 524,063 (including interest Rs 106,950) and the WWI deposited the outstanding amount. Aggrieved by the assessment order, the company had filed an appeal with the C.I.T (Appeals) who confirmed the additions/ disallowances. The Company subsequently filed an appeal with the Income Tax Appellate Tribunal which set aside the order and referred it back to the C.I.T Appeals. C.I.T (Appeals) who by order dated 4 February 2013 upheld the order of Assessing officer. The company has filed an appeal against the said order before Hon. Tribunal on 23 April 2013 of which hearing is not yet intimated. The company has not accrued for the liability as it is contesting these matters and management believes that its position will be upheld.

D Assessment year 2006-07

"There are certain additions/ disallowances made in the assessment and the department had raised a demand of Rs 207,903 (including interest Rs 54,127) and the company deposited the outstanding amount. WWI preferred an appeal against the same before C.I.T. (Appeals). The C.I.T. (Appeals) allowed the contention of the company that, in case Income from rent is treated as Income, the deduction against the same may be allowed. For other addition/ disallowance C.I.T (Appeals) following earlier years decisions confirmed the same. WWI has preferred an appeal before Tribunal for the grounds upheld by C.I.T.(Appeals) and the matter is currently pending. The company has not accrued for the liability as it is contesting these matters and management believes that its position will be upheld. The Assessing officer has levied the penalty of Rs.142,000 against which Appeal was filed on 13 April 2012. The C.I.T (Appeals) vide order dated 14 March 2013 has allowed the appeal and penalty is deleted."

* Notes

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

3.35 Dues to Micro and Small Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into force from 2 October 2006, certain disclosures are required to be made relating to Micro and Small Enterprises (MSE). On the basis of the information and records available with the Management, none of the Group's suppliers are covered.

	31 March 2013	31 March 2012
The amounts remaining unpaid to micro and small suppliers as at the end of the year / period.		
-Principal	-	-
-Interest	-	-
The amount of interest paid by the buyer as per the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006)	-	-
The amounts of the payments made to micro and small suppliers beyond the appointed day during each accounting year/ period.	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year/ period) but without adding the interest specified under MSMED Act, 2006	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year/ period.	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act, 2006.	-	-

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.36 Foreign currency exposures not covered by forward contracts

The Group has no foreign currency exposures as at 31 March 2013 (2012: Rs Nil).

3.37 Managerial remuneration

The remuneration paid to the managing director of the Company for the year ended 31 March 2013 amounting to Rs 9,979,490 (Including fees as film director) and for earlier financial years from 2005-06 to 2011-2012 aggregating to Rs 100,626,669, is in excess of the limits prescribed under Schedule XIII to the Companies Act, 1956. The Company has made applications to the Central Government seeking post-facto approval for earlier years, which is awaited; application for the current year is proposed to be made. During the previous year, the Company had received approval for part of the excess remuneration paid (approval received for remuneration aggregating to Rs 25,200,000 for the financial years 2005-06, 2006-07 and 2007-08). The Company had made an application to authorities requesting reconsideration/ approval for the balance excess remuneration. Pending final communication from the authorities in this regard and application for the current year, no adjustment has been made in these consolidated financial statements.

3.38 Public Interest Litigations ('PIL') had been filed alleging that the Maharashtra Film, Stage and Cultural Development Corporation Limited ('MFSCDCL') had not followed proper procedure while entering into a Joint Venture Agreement ('JVA') with the Company and subsequent allotment of 20 acre land to the said joint venture, Whistling Woods International Limited ('WWI'), a subsidiary of the Company. During the previous year, pursuant to the Order of the High Court of Judicature at Bombay ('High Court') dated 9 February 2012, inter-alia, the JVA with MFSCDCL has been quashed/ rendered cancelled, WWI has been ordered to return the land to MFSCDCL and pay rent (including interest on arrears) retrospectively on the entire land since the date of the JVA. Of the total land admeasuring 20 acres, 14.5 acres vacant unused land has been handed over to MFSCDCL on 18 April 2012 and the balance is to be handed over on or before 31 July 2014. Pending discussion and/ or agreement with MFSCDCL and/ or clarifications to be sought from the concerned parties, no adjustments have been made to the Share Capital structure of WWI and the carrying value of the Land rights in its books of account. Further, MFSCDCL had demanded Rs 832,062,611 towards arrears of rent and interest thereon vide letter dated 3 December 2012. However, in terms of the Order of the High Court, the said amount together with future rent till the date of vacation of the premises is adjustable against the market price of the Institute building of WWI on the said land. The valuation is to be carried out by an expert valuer to be appointed by the Government. During the year, the Public Works Department Engineer has given his valuation report based on the Balance Sheet of WWI as at 31 March 2011. Further, Mukta Arts Ltd has made an application to the Government of Maharashtra in February 2013 to appoint expert valuers to determine the market price. WWI's petition for special leave to appeal filed with the Supreme Court of India has been dismissed. However, the Company and WWI have filed review petitions with the High Court, which have not yet come up for hearing. Pending final disposal of the review petition and valuation of the building, no adjustment has been made in these consolidated financial statements as management is hopeful of reliefs based on the issues involved and on merits of the case, as also of a high valuation of the building.

3.39 Discontinuing operations

During the year, vide term sheet dated 11 September 2012, the Company entered into an agreement with VN Films Pvt. Ltd., (formerly known as Allied Services Private Limited,) to form a Joint Venture Company under the name "MUKTA V N FILMS LIMITED" to conduct the business of exhibition and programming presently being conducted by MAL and forming part of MAL's revenue under 'Software' segment. MAL will hold 55% in the Joint Venture Company. The Board of Directors of MAL had passed a resolution at their meeting held on 5 March 2013, authorising the Company to enter into a shareholders' agreement. Further, on 19 April 2013, the proposal has been approved by the shareholders through postal ballot.

(a) The carrying amounts of the total assets and the total liabilities attributable to the discontinuing operation:

	31 March 2013	31 March 2012
Liabilities		
Non-current liabilities		
Long-term provisions	431,905	399,610
Current liabilities		
Short-term borrowings	100,000,000	100,000,000
Trade payables	252,154,409	187,385,959
Other current liabilities	42,829	81,389
Short-term provisions	91,721	68,468
Total liabilities	352,720,864	287,935,426
Assets		
Deferred tax asset	2,166,937	151,868
Current assets		
Trade receivables	243,474,432	210,462,288
Short term-loans and advances	155,484,633	99,329,257
Total assets	401,126,001	309,943,413



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)

(Currency: Indian Rupees)

3.39 Discontinuing operations (Continued)

(b) The amounts of revenue and expenses from ordinary activities attributable to the discontinuing operation

	31 March 2013	31 March 2012
Income		
Revenue from operation	2,150,270,498	1,660,849,703
Expenses		
Cost of operations	2,104,699,056	1,618,011,677
Employee benefits expense	7,524,436	6,771,992
Finance cost	14,000,000	14,000,000
Other expenses	7,458,504	7,458,504
Total expenses	2,133,681,996	1,646,242,173
Profit before tax	16,588,502	14,607,530
Provision for taxation	5,382,969	4,740,143
Profit after tax	11,205,533	9,867,386

(c) The amounts of net cash flow attributable to the operating, investing and financing activities of the discontinuing operation:

	31 March 2013	31 March 2012
Cash flows from operating activities		
Profit for the year before tax	16,588,502	14,607,530
Adjustments for:		
Decrease/ (increase) in trade receivables	(32,739,363)	7,130,469
Decrease/ (increase) in loans and advances and other non-current assets	(61,518,974)	(104,510,121)
Increase in trade payables, provisions, other long-term and other current liabilities	64,785,438	65,200,885
Cash generated from operations	(12,884,397)	(17,571,238)
Income taxes paid	(5,382,969)	4,740,143
Net cash generated from operating activities (A)	(18,267,366)	(12,831,094)
Cash flows from investing activities (B)	-	-
Cash flows from financing activities (C)	-	-
Decrease in balance with Corporate and other business units	18,267,366	12,831,094
Cash flows from financing activities (C)	18,267,366	12,831,094

3.40 Other information

Information with regard to other matters specified in revised Schedule VI to the Act is either nil or not applicable to the Group for the year.

3.41 Prior period comparatives

During the previous year, Rs 59,000 was classified under 'Fees from students' (Sale of services) which has now been shown 'Re-examination fees' (Other operating revenue).

As per our report of even date attached.

For and on behalf of the Board of Directors

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

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Bhavesh Dhupelia
Partner
Membership No: 042070

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

Place : Mumbai
Date : 28 May 2013

MUKTA ARTS LIMITED

MUKTA ARTS LTD.

(Consolidated financial statements) Financial year ended 31 March 2013

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

(Currency: Indian Rupees)

Sr. No.	Particulars	Whistling Woods International Limited	Connect.1 Limited	Mukta Tele Media Limited	Coruscant Tec Private Limited
a)	Capital	400,000,000	600,000	500,000	7,500,000
b)	Reserves	(621,918,581)	384,895	(6,762,148)	(5,158,441)
c)	Total Assets	350,786,481	3,120,235	7,345,798	3,489,339
d)	Total Liabilities	350,786,481	3,120,235	7,345,798	3,489,339
e)	Details of investment	-	250	250	-
f)	Turnover	192,944,368	240,000	5,553,459	5,960,872
g)	Profit before taxation	(38,517,361)	67,848	(3,147,629)	(1,101,993)
h)	Provision for taxation	-	20,953	-	-
i)	Profit after taxation	(38,517,361)	46,895	(3,147,629)	(1,101,993)
j)	Proposed dividend	-	-	-	-



MUKTA ARTS LIMITED

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

ATTENDANCE SLIP

I hereby record my presence at the 31st Annual General Meeting of the Company at Whistling Woods Institute Auditorium, Dada Saheb Phalke Chitranagari, Goregaon (East), Mumbai- 400065 on Saturday, the 21st of September, 2013 at 4.00 p.m.

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

Folio No. / Beneficiary Account No.: _____

Signature of the Member/ Beneficial Owner: _____

Proxy / Authorised Representative _____

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



MUKTA ARTS LIMITED

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

PROXY FORM

I/We _____

of _____

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

of _____

or failing whom _____

of _____

as my /our Proxy to attend and vote for me/us and on my/our behalf at the **31st Annual General Meeting** of Mukta Arts Limited to be held on Saturday, the 21st September, 2013 at 4.00 p.m. at Whistling Woods Institute Auditorium, Dada Saheb Phalke Chitranagari, Goregaon (East), Mumbai- 400065 and at any adjournment(s) thereof.

Signed this day 2013

Folio No. / Beneficiary Account No. : _____

Signature of the Member / Beneficial Owner: _____

Affix
Revenue
Stamp

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

Mukta A2 Cinemas-Gulbarga



Mukta A2 Cinemas - Jai Hind, Lalbaug





MUKTA ARTS LIMITED

Registered Office

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

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

www.muktaarts.com

**FORM B****Format of covering letter of the annual audit report to be filed with the stock exchanges**

1	Name of the Company	Mukta Arts Limited – Standalone
2	Annual financial statements for the year ended	31 st March, 2013
3	Type of Audit qualification	Except for qualifications given below
4	Frequency of qualification	<p>Repetitive in respect of qualification A), C) D) and E) as stated in item 5 below from the financial ended 31st March 2011</p> <p>Repetitive in respect of qualification B) as stated in item 5 below from the financial ended 31st March 2012</p> <p>In respect of qualification F) as stated in item 5 below for the financial ended 31st March 2013</p>
5	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	<p>A) Regarding excess Remuneration has been paid to Mr. Subhash Ghai, Managing Director of the Company during financial years 2005-06 to 2012-13.</p> <p>Refer Note No. 3.39 on page 59 of Annual Report.</p> <p>B) Regarding investments made in & loans given to Whistling Woods International Limited, a subsidiary of the Company are doubtful of recovery as net worth of the said subsidiary stands fully eroded as at 31st March 2013.</p> <p>Refer Note No. 3.40 on page 60 of the Annual Report.</p> <p>C) Regarding CARO qualification in respect of performing a detailed exercise of tagging its fixed asset</p> <p>D) Regarding CARO qualification in respect of controls relating to purchase of fixed assets, customer contracting and tracking of amounts billable.</p>

MUKTA ARTS LIMITED

an entertainment company

Regd. Office : Mukta House, Behind Whistling Woods Institute, Filmcity Complex,
Goregaon (East), Mumbai 400 065. TEL.: 91-22-3364 9400



		<p>E) Regarding CARO qualification in respect of undisputed VAT dues are outstanding as at 31st March for a period of more than six months from the date they became payable.</p> <p>F) Regarding CARO qualification in respect of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the loan taken and repaid during the year from a director shareholder of the Company.</p> <p>The management's responses for the abovesaid qualifications are given in Directors' Report at page 15 under the head "Auditors" in the Annual Report. The full justification to the above mentioned qualifications of the auditors have been enumerated in detail under Note No 3.39 and 3.40 respectively which are self-explanatory and justified.</p>
6	Additional comments from the board/audit committee chair:	Additional comments from the board/audit committee are not required as above mentioned notes to the accounts are fully explanatory.

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

B. H. Dhupelia

Bhavesh Dhupelia
Partner
Membership No: 042070

Place: Mumbai
Date: 08.11.2013

For and on behalf of
MUKTA ARTS LIMITED

Subhash Ghai

Subhash Ghai
Managing Director

Parvez A. Farooqui
Parvez A. Farooqui
CEO/CFO

Vijay Choraria
Vijay Choraria
Audit Committee Chairman