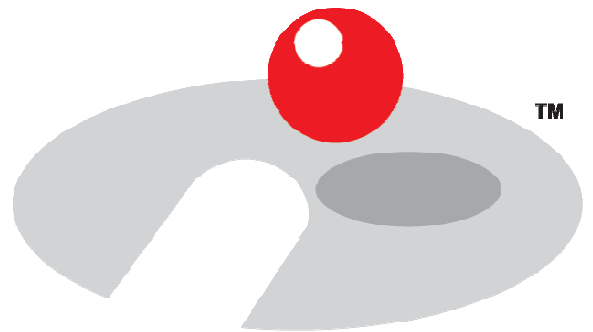


# Indiagames Limited

## 11<sup>TH</sup> ANNUAL REPORT

2009-10



**indiagames.com**

# Indiagames Limited

## 11<sup>th</sup> Annual Report 2009-10

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**Board of Directors :**

Mr. Rohinton Screwvala

Mr. Vishal Gondal – Managing Director & CEO

Mr. Amit Banka

Mr. Rajeev Wagle

**Statutory Auditors :**

Price Waterhouse & Co., Chartered Accountants

**Internal Auditors :**

Deloitte Haskins & Sells, Chartered Accountants

**Bankers :**

ICICI Bank

HSBC Bank

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**indiagames ltd.**

## **DIRECTORS REPORT**

To,  
The Shareholders of "Indiagames Ltd."

Dear Shareholders,

Your directors hereby present the Eleventh annual report and the audited accounts of the Company for the year ended 31<sup>st</sup> March, 2010. The financial highlights for the year are as follows :-

	<b>(Amount in Rs.)</b>	
	<b>2009-10</b>	<b>2008-09</b>
Income	399,170,625	477,740,430
Profit/(Loss) before Depreciation and Amortisation	(23,992,119)	20,362,172
Depreciation and Amortisation	(10,895,686)	(16,868,361)
<b>Profit/(Loss) before Tax</b>	<b>(34,887,805)</b>	<b>3,493,811</b>
Provision for Tax – Previous Years	-	(223,122)
Provision for Fringe Benefit Tax	27,849	(1,029,753)
<b>Profit/(Loss) after Tax</b>	<b>(34,859,956)</b>	<b>2,240,936</b>
Balance Brought from Previous Years	(82,045,759)	(84,286,695)
<b>Balance carried to Balance Sheet</b>	<b>(116,905,715)</b>	<b>(82,045,759)</b>

## **PERFORMANCE**

The financial year ending March 2010 has been a challenging one from a revenue as well as profitability perspective. The business observed a drop of 16% in sales over the previous year from INR 477.74 mn to INR 399.17 mn while booking a loss of INR 34.86 mn as against profit of INR 2.24 mn last year.

### **Developments in the Indian market:**

The last financial year saw a decline in revenues from key operators like Airtel and Vodafone as unique data user growth slowed on both operators due to delays in 3G spectrum allocation. Further, Vodafone underwent a change in the Master Service Provider for their Vodafone Live service which resulted in delaying growth as the change was implemented. However, the Company capitalized on relationships established in previous years with operators like Idea Cellular and Aircel and also broke new ground with operators like Uninor, MTS and Etisalat. In addition, your company has won its first contract as a Master Service Provider for the entire data channel for Etisalat while on Idea, Indiagames has been appointed as the "deck manager" for Idea's "Gamestation". During the year, operators like Tata and Reliance also launched their GSM services. Your company has observed aggressive growth in these services which in the case of Tata Docomo have already overtaken the existing CDMA business stream.

With regard to content licensing deals our continued association with Glu Mobile, Digital Chocolate, Disney Mobile, EA Sports and other partners has ensured steady supply of quality content. There has been a special focus on expanding our relationship with Disney Mobile which has resulted in a doubling of revenues from this account on a year on year basis.

Another strategic opportunity that has been under development for a while has been expanding Indiagames' services to Broadcasting companies outside of the UTV Group for whom your company is already creating mobile content across Movies and TV IP. In pursuit of this strategy, the Company

Page 1

## **Indiagames ltd.**

registered & corporate office :

11th floor, vishwaroop IT park, above raghuleela mall, sector 30A,  
opp. vashi railway station, vashi, navi mumbai 400 705, india.

Tel : +91-22-6771 0700/2781 3357/58/59 Fax : +91-22-6771 0777/2781 3360



## **indiagames ltd.**

has an in-principle approval for an exclusive arrangement with Star TV as a media partner wherein Indiagames will secure rights for all content of Star TV to be sold through data channels.

One of the most significant IP acquisitions in the history of Indiagames was also made in the last year. Cricket as a genre has been evergreen and your company has now secured the rights for the Indian Premier League for 2 years contract for distribution of IPL content which includes games, tones and images across Mobile and Online. IPL T20 Fever was launched under this license on web and mobile and has had a good start with IPL 2010 series.

### **Developments in the International Market**

Strategically, the Company has decided to focus more on Self-Publish platforms like the iPhone and iPad from Apple and Android market place. Further, Management has also taken a decision to build more cross platform games with social connect features similar to the online version of IPL T20 Fever. As a result the traditional focus on Java and BREW games has reduced significantly and the revenues from these regions consist of a diminishing portfolio of content on international operators. BioShock, is one significant license from the legacy portfolio that was launched in the fourth quarter of the year through our international distribution partner Disney Mobile – US.

### **Games on Demand Business**

The Games on Demand business saw a few significant developments. On the whole, the business ended the year with about 30,000 subscribers which is almost double from last year, resulting in gross revenues of INR 22.91 mn (INR 16.30 mn in FY09) and an operating loss of INR 22.25 mn vs INR 45.83 mn.

- **Electronic Arts:** The deal brought several top selling games to the Games on Demand offering including EA SPORTS™ FIFA 07, Need for Speed™ Underground, Need for Speed™ Most Wanted, Battlefield 2, NBA Live 07, Medal of Honor: Allied Assault™, EA SPORTS™ Cricket 07 and The Sims™ 2 amongst other key EA titles.
- **Focus on Airtel and BSNL:** Indiagames gained through experimenting with bundled pricing plans on Airtel and BSNL broadband services.
- **Franchisee Model:** Indiagames strategically moved from a Call centre model to a Franchisee model that paid rich dividends to the company bringing down the marketing cost from Rs 800 to Rs 300 per sign up.

### **Direct to Home (DTH) -Gaming**

A significant development in the year has been Indiagames foray into the Third Screen of games through the launch of Games on TV. The first, was a launch with Reliance BigTV, a ADAG firm which hosts an 8 game portal for a monthly subscription of INR 30. The service has been well received and your Company is aggressively tying up with other DTH operators to launch similar services. A contract with Airtel Digital has also been signed and the service is expected to go live in the first quarter of FY2011. With the launch of games on TV Indiagames now provides Triple play games services to some operators like Airtel where your company is the main provider of games on Mobile, the only provider of games on broadband and the sole provider of games on TV

### **CHANGE IN HOLDING COMPANY**

During the year, IG Interactive Entertainment based in UK transferred their holding in Indiagames to UTV Software communications Ltd based in India.



**indiagames ltd.**

#### **INCREASE IN PAID-UP CAPITAL**

During the year, the Company allotted 381 equity shares to an employee for which the Company had received the agreed consideration, as per the letter of grant. There was no capital infusion during the year except the above.

#### **SCHEME OF ARRANGEMENT**

Pursuant to the special resolution passed by the Shareholders at their meeting held on February 9, 2010, the Company has filed a petition under section 391 to 394 read with sections 78 and 100 to 103 of the Companies Act, 1956 in the Bombay High Court for seeking sanction of the Court for the proposed Scheme of Arrangement on the Appointed Date i.e. 1st April, 2009.

The Bombay High Court has approved the Scheme of Arrangement on 9<sup>th</sup> June 2010.

The Scheme envisaged a write off of unamortised capitalised game development cost of Rs.18,601,521 and unamortised prepaid licenses of Rs. 33,881,933 against the balance available in the Securities Premium Account. Accordingly, the Securities Premium stands reduced by Rs.52,483,454 due to the effect of the Scheme of Arrangement.

#### **LIQUIDITY**

All activities of the Company have been funded from reserves without raising any debt.

#### **OUTLOOK FOR 2010-11**

In financial year 2010-11 Indiagames the key focus areas for management are expected to be as follows:-

1. Consolidate leadership position in India in mobile gaming and also evaluate other growth opportunities in complimentary segments
2. Increase more Franchisee's thereby increasing the subscriber base of Games on Demand service at viable costs of consumer acquisition to ensure that your company attains the break even point this year.
3. Increase the Subscriber base of DTH through exploring more Service Providers and improving the penetration levels
4. Consolidate our position through development and distribution of games across all Cross-platform channels i.e Mobile to Online Games
5. Expand footprint to some emerging markets like Africa and partner with the growth of operators like Airtel in the African region

#### **DIVIDEND**

The Board has decided to preserve cash for working capital requirements and therefore does not recommend any dividend.

#### **DEPOSITS**

The company has not accepted any deposits from public within the meaning of section 58-A of the Companies Act, 1956.



## DIRECTORS

Pursuant to Section 256 of the Companies Act, 1956, Mr. Rohinton Screwvala retires at the Annual General Meeting and, being eligible, offers himself for re-appointment.

## DIRECTORS' RESPONSIBILITY STATEMENT:

As required under Section 217(2AA) of the Companies Act, 1956, we hereby state:

- i. That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- ii. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31<sup>st</sup> March, 2010 and its loss for the year ended on that date.
- iii. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. That the Directors have prepared the annual accounts on a going concern basis.

## PARTICULARS OF EMPLOYEES AND OTHER ADDITIONAL INFORMATION

Information as required under section 217(2A) of The Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, are given below: -

Name	Age	Designation	Remuneration	Qualification	Experience (Years)	Date of Joining	Previous Employment
Vishal Gondal	34	Chief Executive Officer	Rs. 3,389,712	B. Com	17	01.02.00	Founder & Promoter
Samir Bangara	36	Chief Operating Officer	Rs 52,11,636	MBA	12	15.09.05	Ernst & Young Pvt. Ltd.
Cyril Ferry	38	Vice President -Sales	Rs 51,03,840	MBA	14	21.05.01	India Bulls

## PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217(1)(e) of The Companies Act, 1956, read with The Companies (Disclosure of Particulars in the report of the Board of Directors), Rules, 1988.

### CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

As the company is engaged in providing services, energy is only utilised for office electrical equipments & lights. Various steps have been taken to reduce consumption of electrical energy by improved housekeeping, monitoring the use of electrical lights and equipments. The company has not absorbed any technology during the period of operation.

### FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign exchange earnings : INR 66.81 Million  
Foreign exchange outgo : INR 156.69 Million



**indiagames ltd.**

**AUDITORS**

M/s Price Waterhouse & Co, Chartered Accountants, Auditors of the Company holds office until the conclusion of the ensuing Annual General Meeting. Certificate from the Auditors has been received to the effect that their appointment, if made, would be made within the prescribed limits U/S 224 (1B) of The Companies Act, 1956.

**AUDITORS REPORT**

The notes to accounts are self-explanatory and therefore do not call for any further explanation under section 217(3) of The Companies Act, 1956.

**COMPLIANCE CERTIFICATE**

The Company has obtained the Compliance Certificate as per provision of Section 383A of the Companies Act, 1956 from a practising Company Secretary and is attached to this Directors' Report.

**ACKNOWLEDGEMENTS**

Your directors are thankful for the continued support extended by shareholders, customers, bankers, business associates, vendors and all other parties.

**For and on behalf of the Board**

**Vishal Gondal**  
Managing Director

Mumbai: 23<sup>rd</sup> June, 2010

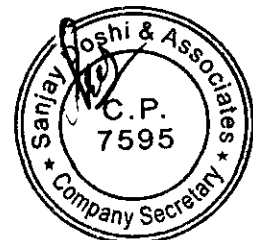
**COMPLIANCE CERTIFICATE**

Registration No. of the Company : U72900MH2000FLC123970  
Nominal Capital : Rs. 12,500,000 /-

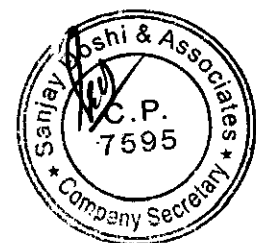
To,  
The Members  
Indiagames Limited,  
Office No. 1  
11th Floor Vishwaroop,  
IT Park, Next To Raghuleela Mall,  
Sector 30A, CIDCO Vashi,  
Navi Mumbai, 400705.

We have examined the registers, records, books and papers of Indiagames Limited as required to be maintained under the Companies Act, 1956 (the Act) and the rules thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the year ended on **31<sup>st</sup> March, 2010**. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company and its officers, we certify that in respect of the aforesaid financial year:

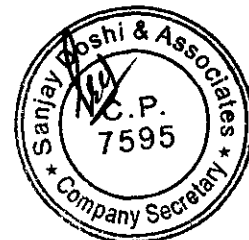
1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Maharashtra.
3. The Company, being a public limited Company, comments under section 3(1)(iii) of the Companies Act, 1956, applicable to private Company are not required.
4. The Board of Directors has met 5 times during the year under review on **12<sup>th</sup> May, 2009, 9<sup>th</sup> September, 2009, 15<sup>th</sup> December, 2009, 1<sup>st</sup> February, 2010, and 18<sup>th</sup> March, 2010** in respect of which meetings proceedings were properly recorded and signed including the circular resolutions in the Minutes Book maintained for the purpose.



5. The Company did not close its register during the financial year.
6. The Annual General Meeting for the financial year ended on **31<sup>st</sup> March, 2009** was held on **18<sup>th</sup> June, 2009** and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. One Extra-Ordinary General Meeting was held on 9<sup>th</sup> February, 2010 during the financial year and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
8. The Company has not advanced any loan to directors and / or persons or firms or Companies referred in section 295 of the Act.
9. The Company has duly complied with the provisions of Section 297 of the Act in respect of contracts specified in that section.
10. The Company has made necessary entries in the register maintained under section 301 of the Act.
11. The Company has obtained necessary approvals from the Board of Directors & Members pursuant to section 314 of the Act wherever applicable.
12. The Company has not issued any Duplicate Share Certificates during the year under review.
13. The Company has
  - a) delivered all the certificates on allotment of securities in accordance with the provisions of the Act;
  - b) has not deposited any amount of dividend in a separate Bank Account as no dividend was declared during the financial year.
  - c) was not required to post warrants to any member of the Company as no dividend was declared during the financial year.
  - d) There were no amount remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund.
  - e) duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and the appointment of directors, additional directors and alternate directors to fill casual vacancies have been duly made, as applicable.
15. The appointment of Managing Director has been made in compliance with the provisions of the act and necessary application is made to Central Government for his remuneration.
16. The Company has not appointed any sole-selling agent during the year under review.



17. The Company was not required to obtain any approvals from the Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act during the year under review except;
  - (i). Approval of the Central Government for the remuneration to Managing Director under section 198 and 309 of the Companies Act, 1956 is awaited.
  - (ii). The Scheme of Arrangement U/s. 391 to 394 read with section 78 and 100 to 103 of the Companies Act, 1956 was filed by the Company with the Mumbai High Court during the year. The approval on scheme of Arrangement was received on June 11, 2010
18. The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder;
19. The Company has issued 381 equity shares during the financial year and complied with the provisions of the Act.
20. The Company has not bought back any shares during the financial year under review.
21. As no debentures or preference shares have been issued by the Company, the question of its redemption does not arise.
22. The Company was not required to keep in abeyance rights to dividend, right shares and bonus shares pending registration of transfer of shares.
23. The Company has not accepted any deposit u/s 58A or u/s 58AA of the Act during the year under review.
24. The amount borrowed by the Company during the financial year ending 31<sup>st</sup> March, 2010 is within the borrowing limits of the Company.
25. The Company has not made loans and investments or given guarantees or provided securities to other bodies corporate hence compliance with the provisions of the Act are not applicable.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to the name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to the share capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year under scrutiny.

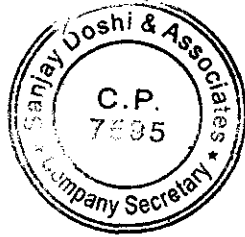


31. There is no prosecution initiated against the Company and no show-cause notice has been received by the Company under the Act for the year under review.
32. The Company has not received any money as security from its employees during the year under review.
33. As informed to us, the Company is generally regular in depositing Provident Fund with prescribed authorities pursuant to section 418 of the Act.

**For Sanjay Doshi & Associates  
(Company Secretaries)**

*S.R. Doshi*

**Sanjay R. Doshi  
Proprietor  
C.P. No.: 7595**

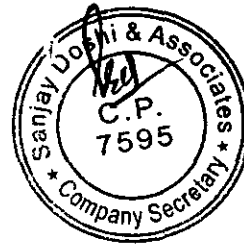


**Place: Mumbai  
Date: 23<sup>rd</sup> June, 2010**

Annexure A

**List of Registers as maintained by the Company:**

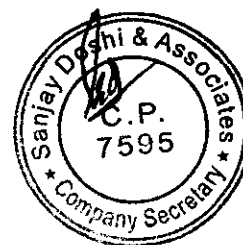
Particulars	Under Section
1. Register of Members	U/s. 150
2. Register of Application and allotment of Shares	---
3. Register of Directors, Managing Directors, Manager & Secretary	U/s. 303
4. Minutes Book of Meetings	U/s. 193
5. Register of Transfers	----
6. Books of Accounts	U/s. 209
7. Register of Charges	U/s. 143
8. Register of Directors Shareholdings	U/s. 307
9. Register of Contracts in which Directors are interested.	U/s. 301
10. Register of Disclosure of Interest by Directors	U/s 299
11. Register of Fixed Assets	---



**Annexure B**

Forms and returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending on 31st March, 2010.

Sr. No.	Form No./ Return	Filed under Section	For	Date of Filing	Whether filed within prescribed time Yes/No	If Delay in filing whether requisite additional fee paid Yes/No
1.	32	303	Change in Director	24.04.09	No	Yes
2.	32	303	Change in Director	02.06.09	No	Yes
3.	32	303	Change in Director	27.07.09	No	Yes
4.	23	192	Registration Of Resolution	11.08.09	No	Yes
5.	23	192	Registration Of Resolution	15.02.10	Yes	N.A.
6.	23 AC & ACA	210 & 220	Balance Sheet as at 31.03.09	13.08.09	No	Yes
7.	66	383(A)	Compliance Certificate for 2008-09.	16.07.09	Yes	N.A.
8.	20B	159	Annual Return 2008-09	13.08.09	Yes	N.A.
9.	8	125	Creation of Charge	31.03.10	Yes	N.A.
10.	25A	269 198 & 309	Appointment & Remuneration to Managing Director	16.04.09	No	Yes
11.	2	75	Return of Allotment	02.03.10	No	Yes
12.	61	391 – 394	Application for amalgamation	09.03.10	Yes	N.A.





**indiagames Ltd.**

**REPORT ON CORPORATE GOVERNANCE**  
(FORMS PART OF THE DIRECTOR'S REPORT)

**1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

The Company is committed to its objective of accountability, transparency, independence and professionalism in all spheres of activities. Corporate Governance is an integral part of the management focus.

**2. BOARD OF DIRECTORS**

The Company's Board comprises of 1 Executive director (including the Managing Director cum Chief Executive Officer) and 3 other Non-Executive directors as at 31<sup>st</sup> of March 2010.

**Composition and Category of the Board**

The names and categories of the Directors on the Board, their attendance at Board meetings held during the year and the number of Directorship held by them in other companies is given below.

Sr. No.	Name of the Director	Category	No. of Directorship in other Companies as at 31 <sup>st</sup> March 2010
1.	Mr. Rohinton Screwvala	Non-Executive Director	9
2.	Mr. Vishal Gondal	Executive Director	Nil
3.	Mr. Amit Banka	Non-Executive Director	5
4.	Mr. Rajeev Wagle	Non-Executive Director	3

**Attendance of the Directors and other Directorship (if any)**

During the financial year 2009-10, 5 board meetings were held. The dates on which the Board Meetings were held are as follows:

12<sup>th</sup> May, 2009, 9<sup>th</sup> September, 2009, 15<sup>th</sup> December, 2009, 1<sup>st</sup> February, 2010 and 18<sup>th</sup> March, 2010.

The Annual General Meeting for the financial year 2008-09 was held on 18<sup>th</sup> June, 2009.

Sr. No.	Name of the Director	No. of Board meetings held	No. of Board meetings attended	Attendance at the last AGM
1.	Mr. Rohinton Screwvala	5	4	No
2.	Mr. Vishal Gondal	5	5	Yes
3.	Mr. Amit Banka	5	5	No
4.	Mr. Rajeev Wagle	5	5	Yes

**Note :**

1. None of the Non Executive Directors have any material pecuniary relationship or transactions with the Company.
2. None of the present directors are related to each other.

**Indiagames Ltd.**

registered & corporate office :

11th floor, vishwaroop IT park, above raghuleela mall, sector 30A,  
opp. vashi railway station, vashi, navi mumbai 400 705, india.

Tel : +91-22-6771 0700/2781 3357/58/59 Fax : +91-22-6771 0777/2781 3360



## **indiagames ltd.**

3. There is no Independent Director on the Board of the Company. 'Independent Director' means a Non Executive Director of the Company who:
  - a. apart from receiving director's remuneration - if any, does not have any material pecuniary relationships or transactions with the Company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associate which may affect independence of the directors.
  - b. is not related to promoters or persons occupying management positions at the board level or at one level below the board.
  - c. has not been an executive of the Company in the immediate preceding three financial years
  - d. is not a partner or an executive or was not a partner or an executive during the preceding three years, of any of the following:
    - I. the statutory audit firm or the internal audit firm that is associated with the Company, and
    - II. the legal firms(s) and consulting firms(s) that have a material association with the Company.
  - e. is not a material supplier, service provider or customer or a lessor or lessee of the Company, which may affect independence of the director; and
  - f. is not a substantial shareholder of the Company i.e. owing two percent or more of the block of voting shares.
  - g. is not less than 21years of age.

### **Code of Conduct**

The Board has laid down a code of conduct for all Senior Management of the Company. Senior Management includes team comprising of members of the category of including all functional heads.

### **3. AUDIT COMMITTEE**

The Company does not have an Audit Committee in place but as a subsidiary of UTV Software Communications Limited, the Internal Audit Reports are tabled at the meetings of the Audit Committee of the Parent Company. In the absence of the Audit Committee, the Management takes the onus of the following :

#### **A. In relation to Financial Reporting:**

Overview of the Company's financial reporting process and the disclosure of its financial statements are correct, sufficient and credible, specifically reviewing with management the monthly, quarterly, half yearly and annual financial statements before submission to the board, focusing primarily on:

- Any changes in accounting policies and practices and reasons for the same
- Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause 2(AA) of section 217 of the Companies Act, 1956.
- Major accounting entries based on exercise of judgment by management
- Qualification in Draft Audit Report
- Significant adjustments arising out of audit
- The going concern assumption
- Compliance with Accounting Standards
- Any related party transactions i.e. transactions of the Company of material nature, with promoters of the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.



**B. In relation to Audit**

**I. Relevant to Internal and Statutory Audit**

- Reviewing the performance of statutory and internal auditors, adequacy of internal control systems.
- Reviewing financial and risk management policies.
- Reviewing the quarterly financial statements before submission to the Board for approval.

**II. Relevant to Statutory Audit**

- Recommending appointment and removal of external auditors, fixing of audit fees and approval for payment of fees for any other services.
- Discussion with external auditors before the audit commences, the nature, scope and approach of audit as well as post audit discussion to ascertain areas of concern.

**III. Relevant to Internal Audit**

- Reasons for substantial defaults in payments to creditors.
- Reviewing the scope and adequacy of the internal audit function.
- Review of reports of internal auditors primarily the significant findings and follow up thereon including findings relating to investigations regarding frauds, irregularities and material failures of internal control system.

**4. REMUNERATION COMMITTEE**

The Company does not have a Remuneration Committee in place.

**Remuneration to Managing Director & Chief Executive Officer**

The appointment of CMD & Chief Executive officer and other Executive Director is governed by resolutions passed by the Board of Directors and Shareholders of the Company, in terms of the Companies Act, 1956.

**Details of remuneration to the Executive Directors for the year ended on March 31, 2010 is stated as under:**

Name of the Director	Remuneration (Rs. In millions)
Mr. Vishal Gondal	3.39

**Remuneration to Non Executive Directors:**

At present, the Non Executive Directors of the Company do not draw any remuneration including sitting fees from the Company.

**Employees Stock Option Scheme - 2008 ("ESOP Scheme")**

In terms of resolution passed by the members on 29th September, 2008 the Company has implemented ESOP scheme for its present and future permanent employees of the Company. The details of ESOP are provided in Director's Report and Notes to Accounts.



## 5. SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE

The Company does not have a Shareholders Grievance Redressal Committee.

## 6. GENERAL BODY MEETINGS HELD DURING THE FINANCIAL YEAR 2009-10

Nature	Annual General Meeting	Extra-ordinary General Meeting
Date	18 <sup>th</sup> June, 2009	9th February, 2010
Time	12.00 p.m	2.00 p.m.
Venue	Registered Office	Registered Office

Summary of Special Resolutions passed by the Members :

- a) At the Annual General Meeting :
  - i) Resolution for ratification for increase in remuneration of Mr. Samir Bangara, Executive Director and Chief Operating Officer for the period 1<sup>st</sup> April 2008 to 22<sup>nd</sup> May 2008.
- b) At the Extra-ordinary General Meeting :
  - i) Resolution to approve Scheme of Arrangement.

## 7. DISCLOSURES:

### Related Party Transactions

There are no materially significant related party transactions of the Company with any key managerial personnel, which have potential conflict with the interest of the Company at large. However, the related party disclosures, as required to be mentioned in accordance with Accounting Standards (AS) 18, have been provided in Note 14 of Schedule M to the Notes to Accounts forming part of the these financials.

### Disclosure of accounting treatment in preparation of financial statements.

The Company has followed the guidelines of accounting standards laid by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

## 8. GENERAL SHAREHOLDER INFORMATION

- A Annual General Meeting
  - Date : 27<sup>th</sup> July, 2010
  - Time : 11.00 a.m.
  - Venue : Registered Office
- B Financial Calendar : 2010-11
  - Year ending : March' 31
- C Date of Book closure : Not Applicable
- D Dividend Payment date : Not Applicable
- E Listing on Stock Exchanges : Unlisted
- F Stock Code : Not Applicable



**indiagames ltd.**

G Demat ISIN Number : INE764G01010  
for NSDL

H Registrar & Transfer  
Agent Name : Link Intime India Pvt Limited  
Address : C/13 , Pannalal Silk Mills Compound  
L.B.S .Marg, Bhandup,  
Mumbai- 400 078

I. Dematerialisation of Shares and liquidity :

The Company has taken an initiative to promote holding of shares in dematerialized form. Out of 1,091,812 equity shares, 8,40,590 equity shares are held in demat mode.

J. Share Transfer System :

The Shares of the Company are traded in demat and physical mode. The transfer of shares in physical form is approved by the Board of Directors.

K. Shareholding as at March 31, 2010 :

Sr. No.	Category	No. of shares	% of holding
<b>A</b>	<b>Promoter's Holding</b>		
1	Promoters :		
	Indian Promoters	213,872	19.59
	Overseas Promoters	-	-
	<b>Sub-total</b>	<b>213,872</b>	<b>19.59</b>
<b>B</b>	<b>Non Promoters Holding</b>		
2	<b>Institutional Investors</b>		
	a. Mutual Funds	-	-
	b. Banks , Financial Institutions, Insurance Companies (Central Govt / State Govt / Non Govt Inst)	-	-
	<b>Sub-total</b>	-	-
3	<b>Others</b>		
	a. Private Corporate Bodies	659,415	60.40
	b. Indian Public	-	-
	c. NRIs	-	-
	d. Any Others (pl. specify)		
	i. Trust	-	-
	ii. Clearing Members	-	-
	iii. Foreign companies	159,793	14.64
	iv. Foreign Corporate Bodies	-	-
	v. Employees	58,732	5.38
	<b>Sub-total</b>	<b>877,940</b>	<b>80.41</b>
	<b>Grand Total</b>	<b>1,091,812</b>	<b>100.00</b>



**indiagames ltd.**

**9. CORPORATE AND REGISTERED OFFICE :**

The Company is into development and distribution of gaming software and operates from its Registered and Corporate office at :

**Indiagames Limited**

Office No.11, Vishwaroop Infotech Park,  
Besides Raghuleela Mall, Opp. Vashi Station  
Vashi – 400 705.

Tel No. 022 – 27813357/58/59

Fax No. 022- 27813360

Website : [www.indiagames.com](http://www.indiagames.com)

**For and on behalf of the Board**

  
**Vishal Gondal**  
Managing Director

Mumbai : 23rd June, 2010



**indiagames Ltd.**

## **Management Discussion and Analysis**

### **A. Introduction**

Indiagames is India's only triple play games company with an integrated developer-publisher model for mobile games, a unique offering for PC games and finally an Interactive TV Games service managed for Satellite TV operators (DTH).

The mobile games business is the mainstay business currently contributing to 94% of the revenues of the Company and this is clearly demarcated in two distinct business models – Publishing and Value Added Distribution.

The Publishing business involves commissioning of projects based on licensed properties like Bruce Lee or BioShock and distributing them through a vast network of telecom and online channels across 70 countries in the world. Most of the development work is undertaken at the Indiagames studios in Mumbai which houses a team of about 130 people across all functions and business lines.

In India the Company operates as the largest distributor of mobile games across all channels with an estimated market share of over 50%.

The PC games business is a unique model wherein consumers can download and play unlimited – upto 300 PC games which are digitally delivered for a monthly subscription fee of INR 200. The Games on Demand service or GoD also provides added benefits of zero data download charges for the games coupled with the utility of being billed through the regular monthly broadband bill of the consumer instead of having to use a credit card or net banking as a means of billing and payment. The service is integrated with all leading broadband service providers in the country with access penetration of over 85% of India's residential broadband market.

In February, 2010, Indiagames launched its third screen initiative i.e. Interactive TV Games. In order to bring the best technology and varied mix of content, Indiagames has partnered with global leaders Oberon Media for this venture. The service is currently live with Reliance Big TV and being integrated with another large DTH operator.

### **B. Industry Overview**

#### ***Mobile Games***

The Indian mobile gaming industry at an estimated size of INR 1.8 billion constitutes little over 5 percent of the total mobile value added services revenues, as per KPMG-FICCI FRAMES report 2010. With a subscriber base of over 500 million, the Indian telecom industry continued its growth momentum in 2009. The rising number of wireless subscribers coupled with increasing penetration and affordability of data enabled handsets provides a large addressable market for the gaming industry.

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## **Indiagames Ltd.**

registered & corporate office :

11th floor, vishwaroop IT park, above raghuleela mall, sector 30A,  
opp. vashi railway station, vashi, navi mumbai 400 705, india.

Tel : +91-22-6771 0700/2781 3357/58/59 Fax : +91-22-6771 0777/2781 3360



## **indiagames ltd.**

Contrary to expectations the mobile gaming industry in India has experienced average growth. The stunted growth of the gaming industry can be attributed to the following factors:

- **Limited awareness about gaming products:** Though mobile gaming companies, telecom operators and handsets manufacturers have started bundling their services, greater brand awareness through increased advertising is required to increase the addressable population for the mobile gaming industry.
- **Poor gaming experience due to lack of infrastructure:** In India, many telecom operators are facing spectrum shortage since they have crossed the maximum number of subscribers per MHz limit subscribed the Department of Telecommunications ("DoT). This leads to congestion in existing infrastructure that ultimately prevents mobile gamers from enjoying an enriching gaming experience replete with visual graphics in favour of voice services. Uncertainty around 3G auctions in India severely impacted the growth rates for the mobile gaming industry.
- **Dropping ARPU and Wallet Size:** The price wars between operators and specifically the 1p per minute plans have made it possible for users to maintain very low balances on the mobile accounts. This has negatively impacted the gaming business specifically as games are sold at amongst the highest prices in the VAS value chain.

Post the 3G auctions there is likely to be significantly more bandwidth available to support even the existing non-3g data subscribers. This will provide a large impetus to growth in the unique user base of data users further enhanced by dropping prices of data capable handsets.

### ***Games on Demand***

PC penetration in India is growing at a healthy 20% p.a on a base of about 85 million PC literate users. As people and more so parents, see the PC as a multifunctional device covering net access, education applications and Games, it is the preferred option to purchasing a games console despite the lower prices of some of the older generation consoles like the PS2.

The Games on Demand model leverages off the interest and growth in PC based games in India which along with online games is expected to reach INR 31.9 billion in 2014 (KPMG -FICCI FRAMES'2010). Driven by factors such as a young population, rising disposable incomes, increasing PC and wireless users, PC game publishers are provided with a market opportunity to co-exist and collectively grow the audience for IG's businesses.

The key challenge restricting the growth of this market has been rampant piracy. The GoD offering by Indiagames specifically addresses this issue though consumer awareness of the model remains the limiting factor.

### ***Interactive TV Games***

This is a new category of games wherein users download content to their set top boxes and play games using their remote controls. The market is nascent and Indiagames has made a foray into this business in alliance with Oberon Media who have been veterans in the space in international markets. No formal estimates of market size currently exist but Management is of the view that this would be an interesting segment to develop in the future and it is strategically relevant for the Company to be present across all three screens of games.



**C. Business Overview**

***Mobile Games***

The mobile games business is the key revenue contributor for Indiagames. Over the last year the focus of the Company has moved away from Java and Brew development for international markets and more around self-publish platforms like Apple and going forward Android. As a result, Indiagames has also reduced its development bandwidth focused on international markets and proposed to shut down its international business segment. As part of this changed focus, the Company also wrote down a significant portion of its pre-paid licenses through a court approved Capital Restructuring Scheme.

India has been the main contributor to the mobile business over the last three years and the previous financial year this was no different with India contributing to about 90% of total mobile revenues. However, on a year on year basis the India business underwent a decline of 22% coupled with a planned reduction of focus on the international business which reduced by 50% on average. This decline put significant margin pressure on the Company resulting in a loss of INR 34.8 mn for the year.

Some of the key reasons for the decline in India revenues following a year of 150% growth were

- **Macro Eco-system Impact :**
  - Reduced growth of unique data and poor experience of existing users as a result of congested telecom networks. This had a significant impact on revenues as a significant part of growth comes from new users.
  - Smaller wallet size of customers as a result of increased tariff wars between operators. The lower balance in consumer accounts first impacts the higher priced games services. Further there is a general ARPU decline across the customer base as evidenced in major operators financial reporting as the customer base expands aggressively in the smaller towns and cities of India.
- **Indiagames related impact :**
  - Sub optimal performance of the off-deck channels which drove a significant part of revenues in the previous year was also a key reason for the revenue decline. One of the key channels, Nokia dot mobi had a major decline in performance due to a repositioning of ad-banners on its site which dropped conversions to sales. This was the largest off-deck channel contributor in the previous year and its poor performance especially in the first 5 months of the financial year depressed revenue growth.

With the allocation of 3G spectrum, Management believes that the downward trend is likely to reverse in the following year albeit post the formal launch of 3G services. As a continued focus on building strong IP titles for India, the Company acquired a multi-year license to IPL T20 cricket and launched games on mobile and online under the brand name IPL T20 Fever. In addition several other movie based titles were launched including Rann, Chance Pe Dance, Kaminey, Teen Patti and others.

A major focus during the year has also been on winning Master Service Provider contracts with operators or at least Editorial Control Contracts. The nature of engagement with our telecom partner's changes under such contracts and Indiagames has met with reasonable success by



## **indiagames ltd.**

winning the entire Etisalat WAP Deck management contract, Idea "Game Station" and a few new operator deals. Apart from a small incremental fee, these deals reduce revenue share erosion, create a stronger position for the Company as an Aggregator and normally deepen the engagement model with telco partners.

As highlighted earlier, with regard to the international business focus Indiagames has decided to focus more on Self-Publish platforms like the iPhone and iPad from Apple and Android market place. Further, Management has also taken a decision to build more cross platform games with social connect similar to the online version of IPL T20 Fever. As a result the traditional focus on Java and BREW games has reduced significantly and the revenues from these regions consist of a diminishing portfolio of content on international operators. BioShock, is one significant license from the legacy portfolio that was launched in the fourth quarter of the year through our international distribution partner Disney Mobile.

### ***Games on Demand***

Increasing broadband penetration: The number of broadband subscribers in India has increased from 0.7 million in 2004 to 8.2 million in September 2009 and continues to grow rapidly thus driving the growth for gaming in India.

The Games on Demand business saw a few significant developments. On the whole, the business ended the year with about 30,000 subscribers almost doubled from last year, resulting in gross revenues of INR 22.91 mn and an operating loss of INR 22.25 mn.

- Electronic Arts: The deal brought several top selling games to the Games on Demand offering including EA SPORTS™ FIFA 07, Need for Speed™ Underground, Need for Speed™ Most Wanted, Battlefield 2, NBA Live 07, Medal of Honor: Allied Assault™, EA SPORTS™ Cricket 07 and The Sims™ 2 amongst other key EA titles.
- Focus on Airtel and BSNL: Indiagames gained through experimenting with bundled pricing plans on Airtel and BSNL broadband services.
- Franchisee Model: Indiagames strategically moved from a Call centre model to a Franchisee model that paid rich dividends to the company bringing down the marketing cost significantly from INR 800 to INR 300 per subscriber.

### ***Interactive TV Games***

A significant development in the year has been Indiagames foray into the Third Screen of games through the launch of Games on TV. The first was a launch with Reliance BigTV, an ADAG firm which hosts an 8 game portal for a monthly subscription of INR 30. The service has been well received and your Company is aggressively tying up with other DTH operators to launch similar services. A contract with Airtel Digital has also been signed and the service is expected to go live in the first quarter of FY2011. With the launch of games on TV Indiagames now provides Triple play games services to some operators like Airtel where your company is the main provider of games on Mobile, the only provider of games on broadband and the sole provider of games on TV.



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### ***New Business Unit***

In the last quarter of the financial year, Indiagames also launched a new business unit viz., iDen which is focused on advertising solution crafted for each of Indiagames' platforms i.e. Mobile, PC and TV. Chirag Shah, the former Head of Sales of Zapak Digital, was hired as CEO of iDen and has been given the onus to develop this new business unit for the company which Management believes is fundamental to its future business prospects.

### ***D. Strategy***

#### ***Mobile***

- Focus more on MSP and Deck Management deals
- Roll out subscription services across operators
- Create new Ad-funded models
- Build a micro-transaction business model in India to address the falling ARPUs and widening gamer base
- Create high quality games – mainly original IP on self-publish platforms like Apple and Android

#### ***Games on Demand***

- Expand the franchisee program across the country
- Aim to achieve a cost effective customer acquisition model through the above and other initiatives with broadband service providers thus reducing cash burn in the business to a bare minimum

#### ***Interactive TV Games***

- Launch 4 services
- Grow in-house developer strength and launch local content with international titles

### ***E. Opportunities and Threats***

The mobile value added services business of which games is a part, is still a maturing business. There are many opportunities to create new products and services and expand the scope of existing revenue streams across the rapidly growing mobile subscriber base.

More specifically with the domain of games, Indiagames is presented with the opportunity of monetizing the promising iPhone games segment, iPad platform and the Google Android platform – all of which are work in progress.

Further, the development of off-deck channels as discussed earlier offer additional avenues for growth especially if coupled with an alternate mechanism of billing the customer apart from their mobile service provider bills.

The key opportunities in the Games on Demand business are centered around exploiting joint go-to market strategies with broadband service providers which can have a step change impact on the subscriber numbers of GoD and growing the franchisee model.



## indiagames ltd.

With regard to risks in the business there are several since both business segments are relatively new but the key business risks are as follows

- Regulatory changes for mobile VAS regarding pricing or marketing of services
- Significant dependence on operators for data, revenue receipts and future commercials
- Slower than expected uptake of broadband in the country
- Two or three key client losses in mobile and GoD weakening the content offering
- Hiring and retaining good talent
- Skewed revenue sharing agreements with telecom operators: Telecom operators, owning the billing relationship with the end user, enjoy 60-70 percent of the VAS revenues while content creators receive only 15 to 20 percent
- Lack of interest and/or understanding of brands to integrate with games
- Delays in launching ITV services or competitive pressure in a small and maturing market which may negatively impact the business case early on

### **F. Human Resources**

As on March 31, 2010, Company had 236 full time employees and the business wise classification of which is given in the table below :

Mobile	219
GoD	17
Total	236

### **G. Financial Overview**

#### **1. Result of Operations**

##### **• Revenues**

The Company reported decline in operating revenues from Rs. 464.20 million in the previous year to Rs. 377.07 million this year which was mainly due to the following :

Region	Revenue decreased by
US	60%
EMEA	36%
APJ	40%
India	23%

With regard to the Games on Demand business and Advertising business, revenues grew by 41% & 156% respectively.

##### **• Other Income**

Other Income for the year was Rs. 22.10 million as against Rs. 13.54 million last year. This was primarily due to increase in Rent Income by Rs. 1.58 million (as last year rent pertained to 10 months), Gain on Foreign Exchange of Rs. 2.48 million and Write Back of Provision for Doubtful Debts of Rs. 3.61 million.



- ***Direct Cost***

Direct cost incurred during the year was Rs. 213.20 million as against the Rs 240.16 million in the previous financial year. There was a decrease of 11% in the direct cost vis a vis previous year.

- ***Staff Cost***

The Staff cost of the company had a negligible increase from Rs. 51.49 million to Rs. 51.53 million.

- ***Other Expenses***

Other expenses mainly comprises of Administration expenses, Advertisement and Business promotion expenses, Legal & Professional fees and others. During the year other expenses were at Rs.157.66 million as compared to Rs. 164.97 million previous year. The major contributor to the increased costs were Advertisement and Business promotion expenses which rose from Rs 89.17 million in previous year to Rs 103.17 million this year primarily on account of India Sales. Consequently, Advertising and Business promotion expenses as a percentage of Operating revenues increased from 19% to 27%.

- ***Depreciation/ Amortisation***

Depreciation/ Amortisation charge for the current year was Rs. 10.90 million as against Rs. 16.87 million in the previous year. Depreciation was Rs 6.26 million as against Rs 6.52 million in the previous year and amortisation of Game Development cost was Rs 4.64 million as against Rs 10.35 million in the previous year.

- ***Loss / Profit before Tax***

The Company reported a Loss before Tax of Rs. 34.88 million in the current year as compared to a Profit of Rs. 3.49 million in the previous year.

- ***Provision for Taxation***

During the year, there has been a reversal of tax provision of Rs. 0.02 million as against a provision for tax (including FBT) of Rs. 1.25 million in the previous year.

- ***Loss / Profit after Tax***

The Company reported a Loss after Tax of Rs. 34.86 million in the current year as compared to a Profit of Rs. 2.24 million in the previous year.



**indiagames ltd.**

## **2. Financial Position**

### **• Sources of Funds**

Share Capital, Reserves and surplus

There has been a marginal increase in the Equity Share Capital of the Company due to allotment of 381 equity shares on exercise of ESOPs at an exercise price of Rs. 684 per share and consequential increase in the securities premium. Further, there has been a reduction of Rs. 52.48 million on account of the Scheme of Arrangement, which has been duly approved by the Bombay High Court on 9<sup>th</sup> June 2010.

### **• Loan Funds**

The Secured loan of the company as at March 31, 2010 was Rs. 0.69 million as against Rs. 1.17 million in the previous year.

### **• Fixed Assets**

Gross Block of Fixed Assets as at March 31, 2010 was Rs. 41.98 million as against Rs. 61.73 million as at March 31, 2009. The decrease in the Gross Block is due to write off of Rs. 18.60 million comprising of Game Development Costs against Securities Premium.

### **• Current Assets, Loans & Advances**

Total current assets, loans and advances decreased from Rs. 342.71 million to Rs. 274.41 million. Debtors as at March 31, 2010 were at Rs.154.46 million representing 150 days of Sales as against Rs. 131.99 million as at March 31, 2009 representing 104 days of Sales. Cash and Bank balance have decreased to Rs. 39.61 million from Rs. 87.93 million. Loans and Advances have decreased from Rs. 121.80 million to 79.10 million primarily due to write off of Rs. 33.88 million.

### **• Current Liabilities and Provisions**

Current liabilities and Provisions have decreased by Rs. 0.71 million from Rs 186.49 million to Rs 185.78 million. Overall, Net current assets have decreased by Rs. 67.59 million over the previous year.

**For Indiagames Limited**

**Vishal Sondal**  
Managing Director

Mumbai : 23<sup>rd</sup> June, 2010

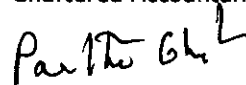
## **AUDITORS' REPORT TO THE MEMBERS OF INDIAGAMES LIMITED**

1. We have audited the attached Balance Sheet of Indiagames Limited (the 'company'), as at 31<sup>st</sup> March, 2010 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together 'the Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) Without qualifying our report, we draw attention to Note 2 of Schedule M of the financial statements stating that pursuant to the Scheme of Arrangement sanctioned by the Hon'ble High Court of Judicature at Bombay, the Company has written off game development cost of Rs. 18,601,521 and prepaid licenses of Rs. 33,881,933 against balance available in the Securities Premium Account. Had the Scheme of Arrangement not prescribed the treatment mentioned above, an amount of Rs. 52,483,454 would have been debited to Profit and Loss Account for the year and loss for the year would have increased by an equivalent amount;
  - (b) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (c) 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;
  - (d) The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
  - (e) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (f) On the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;



- (g) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2010;
  - (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
  - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Price Waterhouse & Co.  
Firm Registration Number: 007567S  
Chartered Accountants



Partha Ghosh  
Partner  
Membership No. F-55913  
Mumbai

**23 JUN. 2010**

## **ANNEXURE TO AUDITORS' REPORT**

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Indiagames Limited on the financial statements for the year ended 31<sup>st</sup> March 2010]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation, of fixed assets.  
  
(b) The fixed assets of the company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.  
  
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year. However, refer paragraph 4(a) of our main audit report.
2. (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii)(b) to (iii)(d) of paragraph 4 of the Order are not applicable to the company for the current year.  
  
(b) The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable to the company for the current year.
3. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of fixed assets and for the sale of services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
4. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.  
  
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
5. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
6. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
7. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the activities of the company.
8. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is regular in depositing the undisputed statutory dues including provident fund, income-tax, sales-tax, wealth tax, service tax, customs duty, cess and other material statutory dues as applicable with the appropriate authorities. As informed to us, investor education and protection fund, employees' state insurance and excise duty are not applicable to the Company for the current year.



- (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of sales-tax, wealth tax, customs duty and cess which have not been deposited on account of any dispute. As informed to us, excise duty is not applicable to any of the activities of the Company. The particulars of income tax and service tax as at 31<sup>st</sup> March, 2010 which have not been deposited on account of dispute are as follow:

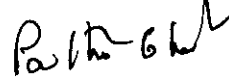
Name of the Statute	Nature of dues	Amount Rs. '000	Period to which the amount relates	Forum where the Dispute is pending
The Income -tax Act, 1961	Disallowance of TDS and Interest on delayed payment of Tax	582	AY 2004-2005	Addl. Commissioner of Income – Tax
The Finance Act, 1994	Service Tax on Minimum Guarantees paid outside India	6,277	From 10-9-2004 to 30-9-2007	The Superintendent of Service tax

9. The Company has accumulated losses as at 31<sup>st</sup> March, 2010 and it has incurred cash losses in the financial year ended on that date. The company had not incurred cash losses in the immediately preceding financial year.
10. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any bank as at the balance sheet date. The Company has not borrowed any money from financial institutions or by issue of debentures.
11. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
12. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the company.
13. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
14. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
15. The Company has not obtained any term loans.
16. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
17. The company has made preferential allotment of shares to parties covered in the register maintained under Section 301 of the Act during the year. In our opinion and according to the information and explanations given to us, the price at which such shares have been issued is not prejudicial to the interest of the company.
18. The company has not issued any debentures which have remained outstanding at the year-end.
19. The company has not raised any money by public issues during the year.
20. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.



21. The matter specified in clause (ii) of paragraph 4 of the Order is not applicable to the Company for the current year.

For Price Waterhouse & Co.  
Firm Registration Number: 007567S  
Chartered Accountants



Partha Ghosh  
Partner  
Membership No. F-55913  
Mumbai.

**23 JUN 2010**


**Indiagames Limited**  
**BALANCE SHEET AS AT 31st March, 2010**

	Schedule	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Capital	<b>A</b>	10,918,120	10,914,310
Reserves and Surplus	<b>B</b>	<u>210,407,738</u>	<u>262,634,398</u>
		<u>221,325,858</u>	<u>273,548,708</u>
<b>LOAN FUNDS</b>			
Secured Loan	<b>C</b>	694,718	1,174,273
<b>TOTAL</b>		<u>222,020,576</u>	<u>274,722,981</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	<b>D</b>	41,977,078	61,732,209
Less : Depreciation / Amortisation		<u>25,501,178</u>	<u>25,280,792</u>
Net Block		<u>16,475,900</u>	<u>36,451,417</u>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Sundry Debtors	<b>E</b>	154,462,093	131,994,885
Cash and Bank Balances		39,608,059	87,927,964
Other Current Assets		1,249,017	992,855
Loans and Advances		<u>79,097,100</u>	<u>121,798,542</u>
		<u>274,416,269</u>	<u>342,714,246</u>
<b>LESS : CURRENT LIABILITIES AND PROVISIONS</b>			
Liabilities	<b>F</b>	174,923,747	180,969,977
Provisions		<u>10,853,561</u>	<u>5,518,464</u>
		<u>185,777,308</u>	<u>186,488,441</u>
<b>NET CURRENT ASSETS</b>		<u>88,638,961</u>	<u>156,225,805</u>
<b>PROFIT AND LOSS ACCOUNT</b>			
		116,905,715	82,045,759
<b>TOTAL</b>		<u>222,020,576</u>	<u>274,722,981</u>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
<b>M</b>			


Schedules referred to above and Notes attached thereto form an integral part of the Balance sheet


In terms of our report of even date

For Price Waterhouse & Co.  
 Firm Registration No.007567S  
 Chartered Accountants

  
**Partha Ghosh**  
 Partner  
 Membership No. F-55913  
 Place : Mumbai  
 Date: **23 JUN 2010**

For and on behalf of the Board

  
**Vishai Gondal**  
 Managing Director

  
**Rajeev Wagle**  
 Director

Place: Mumbai  
 Date: **23 JUN 2010**

**Indiagames Limited**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st March, 2010**

	Schedule	For the Year Ended 31st March, 2010 Rupees	For the Year Ended 31st March, 2009 Rupees
<b>INCOME</b>			
Sales and Services	G	377,066,405	464,203,437
Other Income	H	22,104,220	13,536,993
<b>TOTAL</b>		<b>399,170,625</b>	<b>477,740,430</b>
<b>EXPENSES</b>			
Direct Cost	I	213,195,162	240,156,374
Staff Cost	J	51,532,006	51,492,151
Other Expenses	K	157,663,809	164,967,472
Financial Charges	L	771,767	762,261
Depreciation/Amortisation		10,895,686	16,868,361
<b>TOTAL</b>		<b>434,058,430</b>	<b>474,246,619</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>(34,887,805)</b>	<b>3,493,811</b>
Less: Provision for Taxation - Current Tax		-	-
- Taxation of earlier years (net)		-	223,122
- Fringe Benefits Tax/(FBT of earlier year)		(27,849)	1,029,753
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>(34,859,956)</b>	<b>2,240,936</b>
Balance brought forward from the Previous Year		(82,045,759)	(84,286,695)
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>(116,905,715)</b>	<b>(82,045,759)</b>
Earnings per share Basic and Diluted (Rs. Per Equity share of Rs. 10 each (Refer Note 10 of Schedule M))		(31.94)	2.12

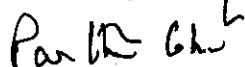
**NOTES TO THE FINANCIAL STATEMENTS**

**M**

Schedules referred to above and Notes attached thereto form an integral part of the Profit and Loss Account.

In terms of our report of even date

**For Price Waterhouse & Co.**  
 Firm Registration No.007567S  
 Chartered Accountants



**Partha Ghosh**  
 Partner

Membership No. F-55913  
 Place : Mumbai

Date: **23 JUN 2010**

**For and on behalf of the Board**



**Vishal Gondal**  
 Managing Director

Place: Mumbai

Date: **23 JUN 2010**



**Rajeev Wagle**  
 Director

**Indiagames Limited**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March, 2010**

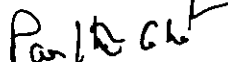
	Year Ended 31st March, 2010 Rupees	Year Ended 31st March, 2009 Rupees
<b>A. Cash flow from operating activities:</b>		
Net Profit / (Loss) before taxation	(34,887,805)	3,493,811
Adjustments for:		
Depreciation	10,895,686	16,868,361
Interest Expense	126,169	117,231
Interest Income	(1,927,585)	(1,685,168)
Loss / (Profit) on Sale of fixed assets (net)	(59,320)	48,149
Fixed Assets Written Off	110,941	205,160
Provision for Doubtful Debts/(written back)	(3,612,989)	5,622,783
Sundry Balances Written Off	18,000	76,883
Liability no longer required written back	(1,167,179)	(1,128,720)
Bad Debts	1,167,807	931,662
Unrealised foreign exchange (gain)/ Loss (net)	(2,659,282)	3,064,648
<b>Operating Profit / (loss) before working capital changes</b>	<b>(31,995,557)</b>	<b>27,614,800</b>
<b>Adjustments for changes in working capital :</b>		
(increase)/decrease in sundry debtors	(23,695,950)	(22,181,744)
(increase)/decrease in other receivables	(7,719,687)	(22,193,398)
increase/(decrease) in trade and other payables	6,719,261	87,414,638
<b>Cash generated / (used in) operations</b>	<b>(56,691,933)</b>	<b>70,654,296</b>
Tax Refunds / (Taxes Paid) (including Tax Deducted at Source)	16,195,680	(42,271,126)
<b>Net cash generated / (used) in operating activities</b>	<b>(40,496,253)</b>	<b>28,383,170</b>
<b>B. Cash flow from Investing activities:</b>		
Purchase of fixed assets (including advances for capital expenditure)	(9,547,765)	(26,956,440)
Proceeds from Sale of fixed assets	100,305	29,344
Interest Received	1,968,928	1,879,813
<b>Net cash generated / (used) in investing activities</b>	<b>(7,478,532)</b>	<b>(25,047,283)</b>
<b>C. Cash flow from financing activities:</b>		
Proceeds from fresh Issue of Equity Share Capital	260,604	62,718,902
Repayment of Loan for Purchase of Vehicle	(479,555)	(314,727)
Interest Paid	(126,169)	(117,231)
<b>Net cash from financing activities</b>	<b>(345,120)</b>	<b>62,286,944</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(48,319,905)</b>	<b>65,622,831</b>
<b>Cash and Cash Equivalents - Opening Balance</b>	<b>87,927,964</b>	<b>22,305,133</b>
<b>Cash and Cash Equivalents - Closing Balance</b>	<b>39,608,059</b>	<b>87,927,964</b>
<b>Cash and cash equivalents comprise</b>		
Cash on hand	53,280	23,287
Balances with Scheduled Banks		
In Current accounts	9,269,452	1,838,476
In Deposit accounts	28,017,839	61,497,532
In Exchange Earners Foreign Currency Accounts	2,267,488	24,568,669
	<b>39,608,059</b>	<b>87,927,964</b>

**Note :**

The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements, issued by the Institute of Chartered Accountants of India.

In terms of our report of even date

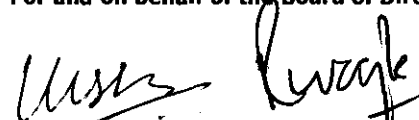
For Price Waterhouse & Co.  
Firm Registration No.0075675  
Chartered Accountants



**Partha Ghosh**  
Partner  
Membership No. F-55913  
Place : Mumbai

Date: **23 JUN 2010**

For and on behalf of the Board of Directors



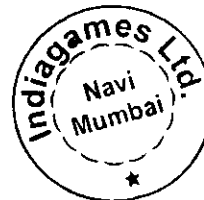
**Vishal Gondal**  
Managing Director

**Rajeev Wagle**  
Director

Place: Mumbai  
Date: **23 JUN 2010**

**Indiagames Limited**  
**Schedules forming part of the Balance Sheet as at 31st March, 2010**

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
<b>SCHEDULE A : CAPITAL</b>		
<b>Authorised</b>		
1,250,000 equity shares of Rs.10 each	<u>12,500,000</u>	<u>12,500,000</u>
<b>Issued, Subscribed and Paid up</b>		
1,091,812 (Previous Year: 1,091,431) equity shares of Rs.10 each	10,918,120	10,914,310
Of the above, 294,820 shares were allotted as fully paid bonus shares by way of capitalisation of Securities Premium Account and 125,000 shares were allotted for consideration other than cash.		
On 29 <sup>th</sup> March , 2010 , IG Interactive Entertainment Limited, UK sold their entire stake of 639,986 equity shares of the Company to UTV Software Communication Limited, India .		
659,415 equity shares are now held by UTV Software Communications Limited, the Holding Company.		
	<u>10,918,120</u>	<u>10,914,310</u>
<b>SCHEDULE B : RESERVES AND SURPLUS</b>		
<b>Securities Premium Account</b>		
Balance at the beginning of the year	262,634,398	200,829,756
Less : Reduction pursuant to the Scheme of Arrangement (Refer Note 2 of Schedule M)	52,483,454	-
Add : Premium on Issue of shares	<u>256,794</u>	<u>61,804,642</u>
Balance at the end of the year	<u>210,407,738</u>	<u>262,634,398</u>
<b>SCHEDULE C : SECURED LOAN</b>		
Car Loan	694,718	1,174,273
(Secured against hypothecation of Car)	<u>694,718</u>	<u>1,174,273</u>



Indiagames Limited  
Schedule forming part of the Balance Sheet as at 31st March, 2010

SCHEDULE D : FIXED ASSETS  
(Refer Note 1(c), (d), (e) and (j) of Schedule M)

PARTICULARS	GROSS BLOCK (AT COST)					DEPRECIATION / AMORTISATION				NET BLOCK	
	As at	Additions	Adjustment *	Deductions	As at	As at	Charge for the	Deductions	As at	As at	As at
	1st April, 2009				31st March, 2010	1st April, 2009	Year		31st March, 2010	31st March, 2010	31st March, 2009
Air Conditioners	1,459,952	-	-	-	1,459,952	645,380	291,914	-	937,294	522,658	814,572
Computer Equipments	12,252,818	1,587,434	-	584,132	13,256,120	9,267,576	2,007,901	536,198	10,739,279	2,516,841	2,985,242
Furniture and Fixtures	5,304,615	336,139	-	273,753	5,367,001	3,673,037	1,108,870	273,644	4,508,263	858,738	1,631,578
Office Equipments	7,607,241	519,624	-	283,750	7,843,115	3,282,530	1,411,212	179,867	4,513,875	3,329,240	4,324,711
Leasehold Improvements	5,216,756	-	-	-	5,216,756	1,187,946	1,028,332	-	2,216,278	3,000,478	4,028,810
Vehicles	2,027,847	-	-	-	2,027,847	295,565	405,309	-	700,874	1,326,973	1,732,282
Game Development Costs #	27,862,980	7,230,419	18,601,521	9,685,591	6,806,287	6,928,758	4,642,148	9,685,591	1,885,315	4,920,972	20,934,222
<b>TOTAL</b>	<b>61,732,209</b>	<b>9,673,616</b>	<b>18,601,521</b>	<b>10,827,226</b>	<b>41,977,078</b>	<b>25,280,792</b>	<b>10,895,686</b>	<b>10,675,300</b>	<b>25,501,178</b>	<b>16,475,900</b>	<b>36,451,417</b>
Previous Year	42,229,114	28,372,627		8,869,532	61,732,209	16,999,310	16,868,361	8,586,879	25,280,792	36,451,417	-

# Game Development Costs Includes games costing Rs.3,610,851 (Previous Year Rs. 16,322,157) which are under development phase.  
\* Reduction pursuant to the Scheme of Arrangement (Refer Note 2 of Schedule M)



**Indiagames Limited**  
Schedules forming part of the Balance Sheet as at 31st March, 2010

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
<b>SCHEDULE E : CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Sundry Debtors (Unsecured)</b>		
Considered Good		
Debts outstanding for a period exceeding six months	7,054,943	9,926,790
Other debts	<u>147,407,150</u>	<u>122,068,095</u>
	<u>154,462,093</u>	<u>131,994,885</u>
Considered doubtful - Debts outstanding for a period exceeding six months	3,375,818	6,988,807
	<u>3,375,818</u>	<u>6,988,807</u>
	<u>157,837,911</u>	<u>138,983,692</u>
Less: Provision for doubtful debts	<u>3,375,818</u>	<u>6,988,807</u>
	<u>154,462,093</u>	<u>131,994,885</u>
<b>Cash and Bank Balances</b>		
Cash on hand	53,280	23,287
<u>Balances with Scheduled Banks</u>		
In Current Accounts	9,269,452	1,838,476
In Deposit Accounts	28,017,839	61,497,532
In Exchange Earners Foreign Currency Accounts	<u>2,267,488</u>	<u>24,568,669</u>
	<u>39,608,059</u>	<u>87,927,964</u>
<b>Other Current Assets</b>		
Interest Receivable on Term Deposits	-	41,343
Others	<u>1,249,017</u>	<u>951,512</u>
	<u>1,249,017</u>	<u>992,855</u>
<b>Loans and Advances (unsecured, considered good unless otherwise stated)</b>		
Advances recoverable in cash or in kind or for value to be received (Net of Rs. 33,881,933) (Refer Note 2 of Schedule M)	13,918,624	39,604,431
Advances to Suppliers	306,912	613,700
Advances recoverable from employees	365,273	319,773
Deposits	14,735,450	15,310,950
Advance Tax [Net of provisions Rs. Nil (Previous year Rs. Nil)]	49,580,202	65,949,688
Advance Fringe Benefits Tax [Net of provisions Rs. 933,361 (Previous year Rs.2,258,774)]	190,639	-
	<u>79,097,100</u>	<u>121,798,542</u>
<b>SCHEDULE F : CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Liabilities</b>		
Sundry Creditors		
- Micro and Small Enterprises (Refer Note 7 of Schedule M)	-	-
- Others	85,704,029	53,160,462
Advance from Customers	395,710	100,608
Other Liabilities and accruals	<u>88,824,008</u>	<u>127,708,907</u>
	<u>174,923,747</u>	<u>180,969,977</u>
<b>Provisions</b>		
Gratuity	7,606,634	4,083,987
Leave Compensation	3,246,927	1,423,461
Provision for Fringe Benefits Tax [Net of Advance Tax Rs. 1,124,000 (Previous year Rs.2,247,758)]	-	11,016
	<u>10,853,561</u>	<u>5,518,464</u>



**Indiagames Limited**  
Schedules forming part of the Profit and Loss Account for the year ended 31st March, 2010

	For the Year Ended 31st March, 2010 Rupees	For the Year Ended 31st March, 2009 Rupees
<b>SCHEDULE G : SALES and SERVICES</b>		
Product Revenue	316,164,940	423,855,540
Service Revenue	26,343,572	23,588,275
Sponsorship / Advertisement	34,557,893	16,759,622
	<u>377,066,405</u>	<u>464,203,437</u>
<b>SCHEDULE H : OTHER INCOME</b>		
Interest on deposits [Tax deducted at source Rs. 192,763 (Previous Year Rs. 247,350)]	1,927,585	1,685,168
Profit on sale of Fixed assets (Net)	59,320	-
Gain on foreign exchange (Net)	2,479,544	-
Rent Income	10,742,736	9,162,280
Provision for Doubtful Debts written back	3,612,989	-
Provision no longer required written back	1,167,179	1,128,720
Interest on Income Tax Refund	1,925,392	885,592
Other income	189,475	675,233
	<u>22,104,220</u>	<u>13,536,993</u>
<b>SCHEDULE I : DIRECT COST</b>		
Royalty / Licence Fees	156,145,440	180,205,072
Testing and Other related Expenses	7,781,055	6,708,264
Withholding taxes deducted (Overseas) (Refer Note 16 of Schedule M)	3,129,461	4,919,814
World Cyber Games Event Expenses	250,255	1,890,762
Consultancy Fees	-	962,724
Production Staff Cost	45,502,185	56,887,389
Contribution to Provident Fund and Other funds	3,322,750	4,162,895
Gratuity	1,614,513	1,212,173
Leave Compensation	1,027,047	236,238
Other related Production Staff Cost	113,272	195,707
	<u>218,885,978</u>	<u>257,381,038</u>
Less: Capitalised - Game Development Cost	<u>(5,690,816)</u>	<u>(17,224,664)</u>
	<u>213,195,162</u>	<u>240,156,374</u>
<b>SCHEDULE J : STAFF COST</b>		
Salaries and Bonus	45,007,769	46,026,396
Contribution to Provident Fund and Other funds	3,329,955	3,040,865
Gratuity	1,908,134	1,385,060
Leave Compensation	796,419	112,417
Staff welfare Expenses	464,266	662,262
Recruitment Expenses	25,463	265,151
	<u>51,532,006</u>	<u>51,492,151</u>
<b>SCHEDULE K : OTHER EXPENSES</b>		
Electricity Expenses	2,816,170	2,932,984
Rent	22,187,516	23,060,916
Repairs and maintenance - Computers	1,212,152	1,085,022
- Others	550,293	674,961
Insurance charges	704,037	606,921
Rates and taxes	416,310	3,635,308
Travelling Expenses	5,897,525	6,567,615
Advertising, publicity and business promotion	103,173,177	89,169,996
Auditors' Remuneration (Refer Note 12 of Schedule M)	604,780	1,005,927
Legal and professional fees	10,510,731	20,154,357
Seminar / conference Expenses	408,871	617,732
Communication Expenses	4,087,435	4,938,098
Hire charges	39,982	58,690
Loss on foreign exchange (Net)	-	2,485,533
Web hosting charges	3,667,795	2,928,935
Sundry Balances Written Off	18,000	76,883
Fixed assets written off	110,941	205,160
Loss of Sale of Fixed Assets (Net)	-	48,149
Bad debts written off	1,167,807	931,662
Provision for Doubtful debts	-	5,622,783
Miscellaneous Expenses	1,629,890	2,314,474
	<u>159,203,412</u>	<u>169,122,106</u>
Less: Capitalised - Game Development Cost	<u>(1,539,603)</u>	<u>(4,154,634)</u>
	<u>157,663,809</u>	<u>164,967,472</u>
<b>SCHEDULE L : FINANCIAL CHARGES</b>		
Interest on Car loan	126,169	117,231
Bank charges	645,598	645,030
	<u>771,767</u>	<u>762,261</u>



**Indiagames Limited**  
**Schedule forming part of the FINANCIAL STATEMENTS.**

**Schedule M**  
**NOTES TO THE FINANCIAL STATEMENTS.**

**1 SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are prepared to comply in all material aspects with all the applicable accounting principles in India, the accounting standards notified under section 211(3C) of the Companies Act, 1956 (the "Act") and the relevant provisions of the Act. The significant accounting policies are as follows :

**(a) BASIS OF ACCOUNTING**

The financial statements are prepared in accordance with the historical cost convention.

**(b) REVENUE RECOGNITION**

Product Revenue comprises of distribution of mobile content. Service Revenue comprises of subscription to gaming library / bunch of games. Advertisement Revenue represents sale of space on WAP portals / web whereas Sponsorship Revenue include revenues from event sponsors.

Product Revenue and Service Revenue are recognized based on revenue sharing in accordance with the agreement entered by the Company either on basis of receipt of download / subscription reports or on a fair estimate by the Company. Advertisement Revenues are recognized when advertisements are served whereas Sponsorship Revenues are recognized on completion of the event. Revenue are stated at net of service tax, wherever applicable.

**(c) FIXED ASSETS**

Fixed assets are stated at cost of acquisition, including any attributable cost for bringing the assets to its working condition for its intended use, less accumulated depreciation.

**(d) GAME DEVELOPMENT COST**

Costs, including incidental expenses, involved in the production of games, which require a production period of more than a month are capitalised. Other game development costs are expensed as period cost.

**(e) DEPRECIATION / AMORTISATION**

Depreciation on fixed assets acquired after 1st April, 2004 is provided on Straight Line Method, pro-rata to the period of use, at the rates specified in Schedule XIV of the Act or the rates based on useful lives of the assets as estimated by the management, whichever are higher. The rates based on useful lives of the assets in the following categories are estimated to be higher than those specified in Schedule XIV of the Act :

Asset Description	Rates of Depreciation
i) Computer Equipments	33.33%
ii) Furniture & Fixtures	20.00%
iii) Office Equipments	20.00%
iv) Air Conditioners	20.00%
v) Vehicles	20.00%

Leasehold Improvements are amortised over the period of lease.

Depreciation on assets acquired prior to 1st April 2004 is charged based on the residual life of such assets as on the aforesaid date.

Game development cost is amortised, once the game is completed, depending on the anticipated term of the game accruing revenue.

Games completed subsequent to 1st April, 2007 are amortised over the period of nine to twelve months. Games completed prior to 1st April, 2007 were amortised over a period of six to nine months.



(f) **EMPLOYEE BENEFITS**

(i) **Short Term Employee Benefits**

The employees of the Company are entitled to leave compensation as per the leave policy of the Company. The liability in respect of Leave Compensation of short term nature is provided on an estimated basis.

(ii) **Long-Term Employee Benefits**

(a) **Defined Contribution Plan**

The Company has Defined Contribution Plan for post employment benefit in the form of Provident Fund which is administrated by regional Provident Fund Commissioner. Provident Fund is classified as a Defined Contribution Plan as the Company has no further obligation beyond making the contributions. The Company's contribution to Defined Contribution Plan are charged to the Profit and Loss Account as Incurred.

(b) **Defined Benefit Plan**

The Company has a Defined Benefit Plan for post employment benefits in the form of Gratuity for all employees which is administrated through Life Insurance Corporation of India (LIC). Liability for Defined Benefit Plan is provided on the basis of valuations, as at the Balance Sheet date, carried out by an independent actuary. The actuarial valuation method used by the independent actuary for measuring the liability is the Projected Unit Credit method.

(iii) Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

(g) **FOREIGN EXCHANGE TRANSACTIONS**

Foreign exchange transactions are accounted at the exchange rates prevailing on the date of the transaction.

All foreign currency liabilities / assets unsettled at the year end are restated at the rates ruling at the year end. Gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account.

(h) **TAXATION**

Provision for current tax is made on the basis of taxable income for the period in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax assets, on timing differences being the difference between taxable income and accounting income that originates in one period and capable of reversal in one or more subsequent periods.

Deferred tax assets are not recognised on unabsorbed depreciation and carried forward of losses unless there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

(i) **PROVISIONS**

A provision is recognised when there is a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the accounting year end date. These are reviewed at each accounting year end date and adjusted to reflect the current best estimates.

(j) **IMPAIRMENT OF ASSETS**

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs. If this is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. Previously recognised loss is further provided or reversed depending on changes in circumstances.



(k) **EMPLOYEES STOCK OPTION SCHEMES (ESOP)**

The Company accounts for compensation expense under the Employees Stock Option Schemes using the intrinsic value method as permitted by the Guidance Note on "Accounting for Employee Share-based Payments" issued by the Institute of Chartered Accountants of India. The difference between the valuation price and the exercise price as at the date of the grant is treated as compensation expense and charged over the vesting period.

2 **Scheme of Arrangement**

- a) The Board of Directors of the Company had approved a scheme of arrangement under Sections 391 to 394 read with section 78 and 100 to 103 of the Companies Act 1956 ("the Scheme") between the Company and its equity shareholders on 9th February, 2010, which was filed with the Hon'ble High Court of Judicature at Bombay on 17th February, 2010 and was awarded the approval vide order dated 9th June, 2010 and 11th June, 2010. Pursuant to the scheme, the Company has written off the following amounts against balance available in the Securities Premium Account.

Particulars	Year ended
	31st March, 2010
Rupees	
Game Development Cost	18,601,521
Prepaid Licenses	33,881,933

Note: The above write off have been debited to Securities Premium Account gross of any tax impact.

- b) Had the Scheme not prescribed aforesaid treatment, the impact would have been as under:

i. In the Profit and Loss Account

Particulars	Year ended
	31st March, 2010
Rupees	
Increase / (Decrease)	
Direct Costs	33,881,933
Depreciation/Amortisation	18,601,521
Loss Before Tax	52,483,454
Loss After Tax	52,483,454

ii. In the Balance Sheet

Particulars	As at
	31st March, 2010
Rupees	
Increase / (Decrease)	
Reserves and Surplus - Securities Premium Account	52,483,454
Profit and Loss Account - Debit Balance	52,483,454

3 **Contingent Liabilities**

- a) In respect of Income-tax matters : Rs. 581,548 (Previous Year : Rs. 581,548)  
b) In respect of Service-tax matter : Rs. 6,277,471 (Previous Year : Rs. Nil)  
c) In respect of Bank Guarantees : Rs. 1,300,000 (Previous Year : Rs. Nil)

4 **Capital Commitments**

In respect of games outsourced and in development stage : Rs. Nil (Previous Year : Rs. Nil)

5 **Working Capital Limits**

The Company has been sanctioned working capital limits of Rs. 40,000,000 from a bank against a first pari passu charge on the Current Assets and Receivables of the Company which is secured by a Corporate Guarantee issued by the Holding Company. Current Assets include stock of raw materials, goods in process, semi finished and finished goods, consumable stores and spares and such other movables, including book debts, bills, both present and future. Receivables include all amounts owing to, and received and / or receivable by the Company or any person on behalf of the Company, all book debts, cash flows and receivables and proceeds arising from / in connection with all rights, title, interest, benefits, claims and demands whatsoever of the Company in respect to all the aforesaid assets. The Company is yet to utilize the said working capital limits.



## 6 Employees Stock Option Scheme - 2008

Pursuant to the resolution passed by the members of the Company at the Extraordinary General Meeting held on 29th September 2008, the Company had introduced Employee Stock Option Scheme - 2008 ("the scheme") for permanent employees and directors of the Company and of its subsidiaries, as may be decided by the Board of Directors.

The scheme provides that the total number of options granted will be 51,429. Each option, on exercise, is convertible into one equity share of the Company having face value of Rs. 10. In continuation to the last years grant of 6,594 options, the Board of Directors at its meeting held on 20th November, 2009 granted additional 11,350 options at an exercise price of Rs. 398. The exercise price is equal to the valuation price as on the date of the grant. Accordingly the Company has not recognised any expense on account of stock options.

	Year ended 31st March, 2010	Year ended 31st March, 2009
	Rupees	Rupees
Options outstanding as at the beginning of the year	6,594	-
Options granted during the year	11,350	6,594
Options exercised during the year	381	-
Options lapsed during the year	-	-
Options outstanding as at the end of the year	17,563	6,594

Since taking Employees Stock Option plan into calculation for Diluted Earnings per Share (EPS) will reduce the loss per share, the impact would be anti dilutive, hence the basic and dilutive EPS is the same.

- 7 The Company has not received any information from the suppliers regarding their status under Micro Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to the amounts as at the year end together with interest paid / payable as required under the said Act have not been given.

## 8 Employee Benefits

The Company has classified the various employee benefits provided to employees as under :-

### (i) Defined contribution plan

During the year, the Company has recognised the following amounts in Profit and Loss Account :

	Year ended 31st March, 2010	Year ended 31st March, 2009
	Rupees	Rupees
Employer's Contribution to Provident Fund	6,641,077	7,195,624

### (ii) Defined benefit plan

Valuations in respect of Gratuity has been carried out by an independent actuary, as at the Balance Sheet date, based on the following assumptions :

	As at 31st March, 2010	As at 31st March, 2009
i) Discount rate (per annum)	7.50%	6.95%
ii) Rate of increase in compensation levels	9.00%	9.00%
iii) Rate of Return on plan assets	8.00%	7.50%
iv) Expected average remaining working lives of employees (years)	31	32
v) Vesting period (years)	3	3

### A) Changes in present value of obligation

	6,614,589	4,211,820
Present value of obligation at the beginning of the year		
Interest Cost	545,677	391,449
Past Service Cost	954,340	-
Current Service Cost	1,489,286	1,425,155
Curtailement Cost / (Credit)		-
Settlement Cost / (Credit)		-
Benefits Paid	(504,825)	(451,598)
Actuarial (gain) / loss on obligations	750,321	1,037,763
Present value of Obligation as at the year end	9,849,388	6,614,589



	As at 31st March, 2010	As at 31st March, 2009
<b>B) Changes in the fair value of Plan Assets</b>		
Fair Value of Plan Assets at the beginning of the year	2,530,602	725,066
Expected Return of Plan Assets	170,864	52,880
Actuarial Gain / (Loss) on Plan Assets	46,113	204,254
Contributions		2,000,000
Benefits Paid	(504,825)	(451,598)
Fair Value of Plan Assets at the year end	2,242,754	2,530,602
<b>C) Reconciliation of present value of Defined Benefit Obligation and the Fair Value of Assets [ Included In Provisions (Refer Schedule F)]</b>		
Present Value of Funded Obligation as at the year end	9,849,388	6,614,589
Fair Value of Plan Assets as at the year end	(2,242,754)	(2,530,602)
Funded Status	-	-
Present value of unfunded obligation as at the year end	-	-
Unrecognised Actuarial (gains) / losses	-	-
Unfunded Net Asset / (Liability) recognised in Balance Sheet	(7,606,634)	(4,083,987)
<b>D) Amount recognised in the Balance Sheet [Included In Provisions (Refer Schedule F)]</b>		
Present Value of Funded Obligation as at the year end	9,849,388	6,614,589
Fair Value of Plan Assets as at the year end	(2,242,754)	(2,530,602)
Liability recognised in the Balance Sheet	7,606,634	4,083,987
<b>E) Expenses recognised in the Profit and Loss Account in Schedule I and J</b>		
	Year ended 31st March, 2010	Year ended 31st March, 2009
Particulars		
Current Service Cost	1,489,286	1,425,155
Past Service Cost	954,340	-
Interest Cost	545,677	391,449
Expected Return on Plan Assets	(170,864)	(52,880)
Curtailement Cost / (Credit)	-	-
Settlement Cost / (Credit)	-	-
Net Actuarial (gain) / loss recognised in the year	704,208	833,509
Total expenses recognised in the Profit and Loss Account	3,522,647	2,597,233
<b>F) Actual Return on Plan Assets</b>		
Expected Return on Plan Assets	170,864	52,880
Actuarial Gain / (Loss) on Plan Assets	46,113	204,254
Actual Return on Plan Assets	216,977	257,134
<b>G) Percentage of each category of Plan Assets</b>		
Insurer Managed Funds	100%	100%
<b>H) Experience Adjustments</b>		
On Plan Liabilities (Gain) / Loss	21,160	720,167
On Plan Assets (Loss) / Gain	46,113	204,254

9 a) Earnings in foreign Exchange (on accrual basis) :

	Year ended 31st March, 2010	Year ended 31st March, 2009
	Rupees	Rupees
Sales and Services	60,215,754	96,177,244
Other Income	6,595,851	1,039,545
	<u>66,811,605</u>	<u>97,216,789</u>



	Year ended 31st March, 2010	Year ended 31st March, 2009
	Rupees	Rupees
b) Expenditure in foreign currency (on accrual basis) :		
Royalty	127,946,174	159,507,935
Travelling Expenses	754,660	1,054,314
Testing and Other related Expenses	6,745,693	6,818,579
Capital goods	295,958	1,185,209
Professional Fees	7,238,018	13,584,667
Business Promotion / Advertising	8,782,249	11,178,873
Withholding Taxes	3,129,461	4,919,814
Other Expenses	1,799,261	1,536,993
Provision for Doubtful debts	-	4,578,619
Total	<u>156,691,474</u>	<u>204,365,003</u>

**10 Earnings / (Loss) per Share:**

	Year ended 31st March, 2010	Year ended 31st March, 2009
	Rupees	Rupees
Net Profit / (Loss) after Taxation	(34,859,956)	2,240,936
Weighted average number of Equity Shares outstanding	1,091,524	1,055,612
Earning / (Loss) per Share - Basic and Diluted (Equity Shares of Rs. 10 each)	(31.94)	2.12

Since taking Employees Stock Option plan into calculation for Diluted Earnings per Share (EPS) will reduce the loss per share, the impact would be anti dilutive, hence the basic and dilutive EPS is the same.

**11 Managerial Remuneration :**

	Year ended 31st March, 2010	Year ended 31st March, 2009
	Rupees	Rupees
Salary	3,186,072	3,797,220
Company's Contribution to Provident Fund #	203,640	244,670
Perquisites	-	76,932
Total	<u>3,389,712</u>	<u>4,118,822</u>

The Company has paid remuneration to the Managing Director in excess of the limits specified under Schedule XIII of the Companies Act, 1956 amounting to Rs 186,072. The Company has made an application to the Central government for the approval of the remuneration which is expected.

# Excluding Gratuity and other employee benefits which are based on actuarial valuation on an overall Company basis.

**12 Auditors' Remuneration :**

	Year ended 31st March, 2010	Year ended 31st March, 2009
	Rupees	Rupees
Audit Fees	600,000	600,000
Other Fees	-	400,000
Reimbursement of out of pocket expenses	4,780	5,927
Total	<u>604,780</u>	<u>1,005,927</u>

**13 The Company has entered into lease arrangement for office premises. This lease agreement is for a period of five years. Details of non-cancellable future operating lease rental commitments are as follows:**

	Year ended 31st March, 2010	Year ended 31st March, 2009
	Rupees	Rupees
Due within 1 year	22,797,027	22,520,916
Due later than 1 year but not later than 5 years	49,515,652	65,686,005
Total minimum lease payments	72,312,679	88,206,921

Lease payments recognised in respect of the above non-cancellable lease in the Profit and Loss Account for the year amounts to Rs. 22,160,916 (Previous year Rs.22,310,916).



14 Related Party Disclosures :

(A) Enterprises where control exists

(a) Holding Company

UTV Software Communications Limited - Holding Company with effect from 29th March, 2010  
IG Interactive Entertainment Limited (UK) - Holding Company till 28th March, 2010

(B) Other Related Parties with whom the company had transactions during the year

(a) Fellow Subsidiaries

Genx Entertainment Ltd.  
UTV Motion Pictures (Mauritius) Ltd.  
UTV New Media Ltd.  
Ignition Entertainment Ltd.

(b) Key Management Personnel

Mr. Vishal Gondal - Managing Director and Chief Executive Officer

(c) Relatives of Key Management Personnel

Ms. Harpreet Gondal - Wife of Mr. Vishal Gondal

(C) Disclosure of transactions between the Company and related parties and outstanding balances as at the year end :

	Year ended 31st March, 2010 Rupees	Year ended 31st March, 2009 Rupees
<b>(a) Holding company</b>		
Product Revenue earned	-	-
Service Revenue earned	-	436,925
Advertising, publicity and business promotion	-	90,000
Royalties	2,033,504	-
Advances - Recoverable at year end	831,612	-
Outstanding balances - Payable at year end	585,383	-
<b>(b) Fellow Subsidiaries</b>		
Advertising, publicity and business promotion		
- Genx Entertainment Ltd.	-	1,932,800
Royalties		
- UTV New Media Ltd.	1,324,260	653,053
- UTV Motion Pictures (Mauritius) Ltd.		563,811
Prepaid Royalties		
- UTV Motion Pictures (Mauritius) Ltd.	-	705,681
- Ignition Entertainment Ltd.	-	2,618,000
Outstanding balance - Payable at year end		
- UTV New Media Ltd.	1,277,313	653,053
- UTV Motion Pictures (Mauritius) Ltd.		288,187

Notes

- During the year, holding of IG Interactive Entertainment Ltd. was transferred to UTV Software Communications Ltd. Accordingly, the Company ceased to be a subsidiary of IG Interactive Entertainment Ltd and is now a subsidiary as at 31st March 2010 of UTV Software Communications Ltd. Hence all transactions with UTV Software Communications are shown under Holding Company for the current year and previous year.
- During the year, all rights and liabilities of UTV Motion Pictures (Mauritius) Ltd. was acquired by UTV Software Communications Ltd., accordingly, the transactions for the current year are shown in UTV Software Communications Ltd.
- Prepaid Licenses as on 1st April, 2009 were written off against Securities Premium Account pursuant to a Scheme of Arrangement of the following Related Parties :
 

- Ignition Entertainment Ltd.	2,618,000
- UTV Software Communications Ltd.	547,551



	Year ended 31st March, 2010 Rupees	Year ended 31st March, 2009 Rupees
<b>(c) Key Management Personnel</b>		
Remuneration	3,389,712	4,118,822
Advances – Recoverable at year end	-	7,935
Outstanding balance - Payable at year end	24,414	-
<b>(d) Relatives of Key Management Personnel</b>		
Remuneration	-	49,322
Subscription of Share Capital	260,604	-

Central Government approval in respect of remuneration to Relative of Key Management personnel u/s 314 of the Act amounting to Rs. 804,554 pertaining to the year 2007-08 is awaited.

#### 15 Segment Reporting

- (i) The Company's operations predominantly relate to development and supply of Mobile Games to customers globally. This is considered to constitute a single primary segment in the context of Accounting Standard 17 on Segment Reporting, as notified under Section 211(3C) of the Act. Thus, the revenue, results, total carrying amount of assets, total carrying amount of liabilities and total amount of charge for depreciation during the year relates to the primary segment.
- (ii) The organisational and reporting structure of the Company is based on location of the customer. Accordingly, the secondary segment consists of - Overseas and India region. The operations of these segments are managed by individual operational heads and separate financial information in respect of revenues and expenses is available and operating profit & loss amounts are evaluated regularly by the top management. Income and direct expenses in relation to these segments are categorised based on items that are individually identifiable to that segment. The Company believes that it is not practical to provide segment disclosures relating to corporate expenses and accordingly these expenses are separately disclosed as 'unallocated' and directly charged against total income.

Fixed Assets used in the Company's business or liabilities contracted have not been identified to any of the reportable segments as these assets and services are used commonly between segments. Accordingly, no disclosure relating to total segment assets and liabilities are made.

Information about Secondary Geographical Segments:

	Year ended 31st March, 2010 Rupees	Year ended 31st March, 2009 Rupees
<b>Segment Revenues</b>	<b>377,066,405</b>	<b>464,203,437</b>
- India	343,872,419	403,638,758
- Overseas	33,193,986	60,564,679
<b>Segment Other Income(Allocations)</b>	<b>14,131,210</b>	<b>9,685,143</b>
- India	6,403,542	4,159,576
- Overseas	7,727,668	5,525,567
<b>Segment Results</b>	<b>(12,481,674)</b>	<b>37,329,681</b>
- India	23,094,104	88,501,252
- Overseas	(35,575,778)	(51,171,571)
Un-allocable expenses	(30,379,141)	(37,687,720)
Other income	7,973,010	3,851,850
Profit / (Loss) before taxation	(34,887,805)	3,493,811
Taxes	27,849	(1,252,875)
Profit / (Loss) after taxation	(34,859,956)	2,240,936

- (iii) The Segment revenue in the geographical segments considered for disclosure are as follows:

- Revenue within India includes revenue generated through customers located within India and earnings in India.
- Revenue outside India includes revenue generated through customers located outside India and earnings outside India.



16 Withholding taxes deducted (Overseas) disclosed under 'Direct Cost' schedule refer to the tax deducted by the clients outside India. The same is charged as expense since it is not allowable as a claim under the Income Tax Act, 1961.

17 The previous year's figures have been regrouped/rearranged, wherever considered necessary to confirm to current year's classifications.

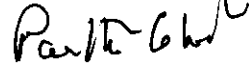
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Signatures to Schedules A to M forming an integral part of the Financial Statements.

**For Price Waterhouse & Co.**

Firm Registration No.007567S

Chartered Accountants



**Partha Ghosh**

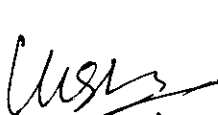
Partner

Membership No. F-55913

Place : Mumbai

Date: **23 JUN 2010**

**For and on behalf of the Board**



**Vishal Gondal**  
Managing Director



**Rajeev Wagle**  
Director

Place : Mumbai

Date: **23 JUN 2010**

**Indiagames Limited**

ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

Balance Sheet Abstract and Company's General Business Profile

**I Registration Details**Registration No.  State Code Balance Sheet Date 

Date	Month	Year
31	03	2010

**II Capital raised during the year (Amount in Rs. Thousands)**

Public Issue	<input type="text" value="Nil"/>	Rights Issue	<input type="text" value="Nil"/>
Bonus Issue	<input type="text" value="-"/>	Private Placement	<input type="text" value="4"/>

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

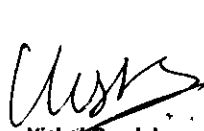
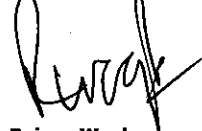
Total Liabilities	<input type="text" value="222,021"/>	Total Assets	<input type="text" value="222,021"/>
Sources of Funds			
Paid up Capital	<input type="text" value="10,918"/>	Reserves & Surplus	<input type="text" value="210,408"/>
Secured Loans	<input type="text" value="695"/>	Unsecured Loans	<input type="text" value="-"/>
Application of Funds			
Net Fixed Assets	<input type="text" value="16,476"/>	Investments	<input type="text" value="-"/>
Net Current Assets	<input type="text" value="88,639"/>	Misc. Expenditure	<input type="text" value="-"/>
Accumulated Losses	<input type="text" value="116,906"/>	Deferred Tax Asset	<input type="text" value="-"/>

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

Turnover	<input type="text" value="399,171"/>		
Total Expenditure	<input type="text" value="434,058"/>		
Profit/Loss before Tax	<input type="text" value="(34,887)"/>	Earning per share in Rs.	<input type="text" value="(31.94)"/>
Profit Loss after Tax ( + for Profit, - for Loss)	<input type="text" value="(34,860)"/>	Dividend Rate %	<input type="text" value="Nil"/>

**V Generic Names of Three Principal Products/ Services of Company  
(as per monetary terms)**

For and on behalf of the Board of Directors

	
Vishal Gondal Managing Director	Rajeev Wagle Director

Place : Mumbai

Date: **23 JUN 2010**