

## CORPORATE INFORMATION

Name of the Company : UTV Software Communications Limited  
 Registration No. of the Company : 11- 56987  
 Date of Incorporation : 22<sup>nd</sup> June, 1990

### **BOARD OF DIRECTORS :**

Mr. Rohinton Screwvala	Chairman & Managing Director	Mr. Ketan Dalal	Non-Executive Director
Mrs. Zarina Mehta	Executive Director	Mr. Rahul Shah	Non-Executive Director
Mr. Deven Khote	Executive Director	Mr. Sanjaya Kulkarni	Non-Executive Director
Mr. Ronald D' Mello	Executive Director	Mr. Suketu Shah	Non-Executive Director
		Mr. Darius Shroff	Non-Executive Director
		Mr. Frederic Beauvais	Non-Executive Director

### **COMPANY SECRETARY :**

Mohd. Sajid Ali

### **AUDITORS :**

Price Waterhouse & Co.,  
Chartered Accountants

### **BANKERS :**

Standard Chartered Bank  
HDFC Bank Limited  
Citibank N.A.

IDBI Bank Limited  
UTI Bank Limited  
Oriental Bank of Commerce

### **REGISTERED OFFICE :**

Parijat House, 1076,  
Dr. E. Moses Road,  
Worli Naka,  
Mumbai 400 018.  
Tel No. 022- 2490 5353  
Fax No. 022- 2490 5370  
Email: investor@utvnet.com  
Website: www.utvnet.com

### **REGISTRAR AND SHARE TRANSFER AGENT :**

**Karvy Computer Share Private Limited**  
46, Avenue 4, Street No. 1,  
Banjara Hills,  
Hyderabad 500 034.  
Tel No. 040 2331 2454  
Fax no. 040 2331 1968/3049

### **SUBSIDIARIES INFORMATION :**

<b><u>Subsidiary</u></b>	<b><u>Date of Incorporation</u></b>	<b><u>Place of Incorporation</u></b>	<b><u>Auditors</u></b>
United Entertainment Solutions Private Limited	August 27, 1997	India	Price Waterhouse & Co., Chartered Accountants
UTV Communications (USA) LLC	April 26, 2004	United States of America	SKD Partners LLP Certified Public Accountants and Consultants
UTV Communications (UK) Limited	September 6, 2004	United Kingdom	Nagle James Associates Limited Chartered Accountants & Registered Auditors
UTV Communications (Mauritius) Limited	October 4, 2004	Mauritius	Morison Mauritius Public Accountants
UTV International Holdings Limited	August 28, 1996	British Virgin Islands	Mustapha, Khoo & Co., Chartered Accountants

**DIRECTORS REPORT**

Dear Members,

Your Directors take pleasure in presenting the 15<sup>th</sup> Annual Report on the operations of your company for the financial year ended March 31, 2005

**1. FINANCIAL RESULTS :-**

(Rs. in thousands)

**COMPANY STAND ALONE**
**Income**

Sales and Services  
Other Income

	2004-05		2003-04	
	1535122		977525	
	25030	1560152	9456	986981
<b>Expenditure</b>				
Direct Cost	1,137,110		760,270	
Staff Cost	101,084		52,701	
Other Expenses	82,718	1,320,912	50,120	863,091
<b>Profit before interest, Depreciation and Tax</b>		239,240		123,890
Less : Interest (net)		17,602		20,514
<b>Profit before Depreciation and Tax</b>		221,638		103,376
Less : Depreciation		17,748		13,959
<b>Profit Before Tax</b>		203,890		89,417
Less : Provision for Taxation				
- Current	16,029		7,174	
(Includes Wealth Tax Rs. 42 ('000), Previous Year Rs.300 ('000))				
- Prior Years	441		4,541	
- Deferred	31,539	48,009	4,562	16,277
<b>Profit after Tax</b>		155,881		73,140
Balance Profit brought forward		291,240		218,100
<b>Net Profit available for appropriation</b>		447,121		291,240
<b>Balance carried to Balance Sheet</b>		447,121		291,240

**CONSOLIDATED**
**Income**

Sales and Services  
Other Income

**Expenditure**

Direct Cost  
Staff Cost  
Other Expenses

**Profit Before Interest, Depreciation and Tax**

Less : Interest (net)

**Profit Before Depreciation and Tax**

Less : Depreciation (net)

**Profit Before Tax**

Less : Provision for Taxation

- Current

[Includes Wealth Tax Rs. 42 ('000), (Previous Year Rs 308('000))

- Prior Years

- Deferred

**Profit for the Year Before Minority Interest**
**Minority Interest**
**Profit After Minority Interest**

Balance Profit brought forward

**Net Profit Available for Appropriation**
**Balance Carried to Balance Sheet**

	1,767,919		1,124,647	
	36,278	1,804,197	15,190	1,139,837
<b>Expenditure</b>				
Direct Cost	1,264,766		793,831	
Staff Cost	128,252		115,664	
Other Expenses	126,694	1,519,712	96,820	1,006,315
<b>Profit Before Interest, Depreciation and Tax</b>		284,485		133,522
Less : Interest (net)		18,253		42,454
<b>Profit Before Depreciation and Tax</b>		266,232		91,068
Less : Depreciation (net)		52,778		43,517
<b>Profit Before Tax</b>		213,454		47,551
Less : Provision for Taxation				
- Current	16,795		7,182	
[Includes Wealth Tax Rs. 42 ('000), (Previous Year Rs 308('000))				
- Prior Years	441		4,541	
- Deferred	33,518	50,754	(10,899)	824
<b>Profit for the Year Before Minority Interest</b>		162,700		46,727
<b>Minority Interest</b>		260		174
<b>Profit After Minority Interest</b>		162,440		46,553
Balance Profit brought forward		214,206		167,653
<b>Net Profit Available for Appropriation</b>		376,646		214,206
<b>Balance Carried to Balance Sheet</b>		376,646		214,206

The fiscal 2004-05 was one of the most satisfying years in the 15 year history of your Company. Apart from recording 57% increase in its consolidated revenues, 113% increase in consolidated EBITDA and 248% increase in consolidated PAT, your Company achieved the following milestones during the year:-

- (a) Your Company successfully launched a worldwide Film Distribution Network with offices in United States of America, United Kingdom and Mauritius, apart from nationwide network of offices and business associates in India. With this your Company established itself as India's first "Movie Studio Model" with a slate of movies under production, full fledged distribution network for its own and acquired third party movies, having complete control over Production, Marketing and Distribution of movies.
- (b) Your Company through its joint venture United Home Entertainment Pvt. Ltd. launched India's first local content kids channel titled "Hungama TV" in September 2004. With more than one third of satellite households comprising children in the age group of 4-14 in the country, your company expect this segment to offer significant opportunities to broadcasters in this segment. Within just the first six months of its launch, the channel was able to sustain a dominant position in its channel ratings of this segment. With the launch of this channel, your Company has taken yet another step towards moving up the value chain after remaining in small screen content production for 15 years.
- (c) Your Company successfully completed its Initial Public Offering and was listed on The National Stock Exchange of India Limited (NSE) and The Stock Exchange, Mumbai (BSE) on March 17, 2005. The public issue, comprising around 7 million equity shares of the Company was issued at Rs.130/- per share, was oversubscribed about 27 times.

As the Company raised funds from its Initial Public Offering at the end of the financial year under review to expand its business activities your Director's consider it prudent to conserve its resources to invest in opportunities arising in the future and therefore, your Directors express their inability to recommend any dividend for the year under review.

## 2. MANAGEMENT DISCUSSION & ANALYSIS

### A. Industry

Media and entertainment industry is experiencing a phase of growth and innovation. Apart from the push from overall positive macro economic indicators in overall industrial, services and agricultural sector growth in the country, the growth in media and entertainment sector will be particularly propelled by:-

- (a) increasing disposable income of the Indian population thereby increasing the average spend on entertainment,
- (b) increasing trend of corporatisation and globalisation in films and media content and services resulting in availability of domestic and international corporate fund raising options,

- (c) addressability and monitoring through DTH and anticipated Conditional Access System, thereby flow of increased subscription and pay revenues to broadcasters resulting in viability of more channels and increase in programming spend by the channels,
- (d) innovation and technology up-gradation in delivery mechanisms of home/outdoor/theatrical entertainment,
- (e) International revenue opportunities for Indian movies, animation production, video special effects and others, making it a Global Outsourcing Model in entertainment,
- (f) and finally, the way content will get disseminated through various pipelines, Passive & Interactive, will further endorse that "Content is King".

### B. Opportunities and Threats

Your Company has a diversified business model in media and entertainment sector with its revenues coming from various segments across various levels of media and entertainment value chain. Full fledged operation of the Company in various geographical locations in the world and with businesses stretching across regions, the Company is well placed to encash opportunities in the growing media and entertainment space. The diversified business model of the Company provides scalability to overall business model apart from spreading the risk profile of the overall business into various businesses reflecting varied levels of risks and rewards. Your Company will continue focusing on its key areas of (a) Television content and services (b) Film Production and Distribution and (c) Broadcasting. The post production & SFX business of your Company will compliment the above focus areas of the Company with captive usage while inviting significant external businesses.

Your company strives to achieve a constant balance of "creative" and "commercial" effectiveness in all its activities and provides a "value adding" platform to multiple creative talent to work with the Company, many who work full time with the Company and others for the life of our creative product. This has, over the years, resulted in the Company operating its services in multiple creative genres of small screen and big screen content with no significant dependency on any single or set of creative personnel. Your Directors take pleasure in informing you that this ability of the Company in nurturing creative talent and providing a "creatively value added" platform while "commercially driving profitability", has resulted in the Company having multiple creative directors in its television content production spread across soaps, comedies, game shows, kids shows and business shows in multiple languages. In the Movies business, the Company has been able to attract and partner with top-notch film directors like Mr. Farhan Akhtar, Mr. Ashutosh Gowariker, Mr. Vishal Bharadwaj, Mr. Rakeysh Mehra, Mr. Priyadarshan, Mira Nair and others.

Media and Entertainment business being creative and technical people oriented, the Company focuses on high level of Human Resources management and constantly encourages “involvement and ownership” of all its staff in the Company and the specific tasks assigned to them. Ongoing skill development and enhancement programs provided to creative and non-creative staff provides an ongoing platform for improvement to its staff. Presence in multiple segments of media and entertainment business offers opportunities of cross movement to our aspiring staff. The Company has also allotted 400000 equity shares of Rs.10/- each to an Employee Welfare Trust and the said shares are managed by the Trust for the benefit of the employees.

### C. Business Strategy and Outlook

Primarily the strategy of your Company for the short and medium term are to:-

- (a) Excel in “Creative” in our TV CONTENT space with an increased presence in regional languages and a specific focus in Animation.
- (b) Evolve as the largest “Studio Model” in MOVIES spanning Production, Marketing, Distribution and investing in future platforms of Delivery including DVD, VCD and pay per view.
- (c) Strengthen our position in BROADCASTING and capture opportunities in new segments.
- (d) In all the aforesaid areas, to identify revenue & growth opportunities GLOBALLY, which should in the years to come form a significant portion of the revenue mix of the Company.

### D. Results of Operation (Consolidated)

#### Revenues

Revenues of the Company from sales and services increased to Rs. 17679 lacs from 11246 lacs in the previous year, recording a 57% increase. This growth was mainly driven by growth in revenues from our movie production and distribution business of the Company, which recorded a 188% growth over the previous year to Rs.7739 lacs revenues from this segment during the year under review. During the year under review, your Company released two of the biggest Bollywood movies namely “Lakshya” and “Swades”. Your Company also acquired and partly exploited 130 movie titles from international movie producer “Miramax” for a period of 10 years. These 130 movies are available to your Company for all exploitations in India, including television, theatrical release and home video. Your Company also recorded a moderate 17% growth in Television segment.

#### Other Income

Other income during the year under review primarily comprises of profit on sale of investment in joint venture Vijay Television Pvt. Ltd., your Company during the year under review sold its entire equity in Vijay Television Pvt. Ltd., a programming and marketing company for South Indian language content, to STAR India Pvt. Ltd. thereby recording a profit on sale.

#### Direct Costs

Direct costs, being cost of production, marketing, distribution and servicing of various services offered by the Company and its subsidiaries, were 71.5% of the revenues from sales and services. The Direct Costs as a percentage of revenues from sales and services during the year under review were marginally higher compared to previous year due to significant change of business mix with increased level of movie business and also due to full amortisation of set up costs of film distribution network worldwide by the Company.

#### Staff Costs

Staff costs during the year were at 7.2% of revenues from sales and services. The Company was able to achieve significant economies of scale from increased business operations and as a result the overall staff cost as a comparison to revenues from sales and services were lower by 3% compared to previous year.

#### Other Expenses

Other expenses comprise of all administrative overheads of the company and provisions for doubtful debts/doubtful advances. During the year under review, your Company adopted a policy of “general provision” for doubtful debts over and above identified provision, based on relative age of the receivables. This resulted in higher provisioning. Increased business operations also resulted in increased costs like traveling, communication, etc. However, despite this, the overall costs in comparison to revenues from sales and services were down by 1 (one)% over previous year due to economies of scale.

#### Interest Cost

During the year under the review, your the Company reduced its overall borrowings from external sources due to liquidity created by the sale of investment in Vijay Television Pvt. Ltd. in August 2004 and the funds obtained through Initial Public Offering of the Company in March 2005. Moreover, the average cost and borrowings was significantly lower than that of previous year.

#### Depreciation

Marginal increase in depreciation during the year under review is due to additions to fixed assets.

#### Provision for taxation

Provision for taxation, including deferred tax, was higher due to increase in profitability of the Company.

#### Exceptional items

There were no exceptional items of income or expenditure during the year other than profit on sale of investment of Rs.228.78 lacs, from sale of equity in Vijay Television Pvt. Ltd.

**Net profit after tax and minority interest**

Net profit after minority interest increased by 248% due to improved business operations and profit on sale of investments. Minority interest of Rs.2.60 lacs comprise of 30% equity held by external shareholders in second generation subsidiary of the Company, Antah UTV Multimedia Communications SDN BHD, due to local government regulations in Malaysia.

**E. Financial Position (Consolidated)****Sources of Funds****Share Capital, revenues and Surplus**

The increase in shareholder funds primarily consist of proceeds of fresh issue of shares in the initial public offering of shares by the Company net of issue expenses and the profit for the year carried forward to the Balance Sheet. Minority interest comprise of 30% equity from third party shareholder in the second generation subsidiary of the Company, Antah UTV Multimedia Communications SDN BHD, due to regulatory requirements in Malaysia.

**Loan Funds**

The decline in loan funds from Rs.3517.55 lacs as at March 31, 2004 to Rs.1884.12 lacs as at March 31, 2005 is due to utilization of IPO proceeds to reduce the borrowings till the said IPO proceeds are utilized for stated objectives.

**Utilisation of Funds:****Fixed Assets:**

During the year under review, your Company and its subsidiaries made fresh investment in fixed assets primarily consisting of editing and post-production equipments. The gross addition to fixed assets stood at Rs.523.69 lacs.

**Investments**

During the year under review, your Company sold its entire investment in Vijay Television Pvt. Ltd., valued at Rs.2917.26 lacs as at March 31, 2004, to STAR India Pvt. Ltd. The Company made fresh investment of Rs.49 lacs in the equity of its broadcasting joint venture, United Home Entertainment Pvt. Ltd. Further, as at March 31, 2005 an amount of Rs.1600.08 lacs was invested in various mutual funds as temporary investment out of proceeds of Initial Public Offering pending utilization for stated objectives.

**Current Assets, Loans and Advances.**

The current assets, loans and advances, other than cash and bank balances increased from Rs.8598 lacs to Rs.14390 lacs primarily comprising of:

- (a) increase in inventories due to increased movie inventory commensurate with increase in level of activity,
- (b) increase in receivable commensurate with increase in overall billing levels,

- (c) increase in other current assets, mainly comprising of Rs.1951 lacs advance against optionally convertible preference share to broadcasting subsidiary, United Home Entertainment Pvt. Ltd. and interest bearing loan to UTV Employees Welfare Trust amounting to Rs.175.84 lacs

**Current Liabilities and Provisions**

There was no significant increase or decrease in the level of current liabilities and provisions during the year under review.

**Miscellaneous Expenditure to the extend not written off**

The company took full write off of pending amount in Miscellaneous Expenditure not written off, during the year under review.

**Net Deferred Tax Asset/Liability**

The operations of the Company during the year resulted in increase in respective values of deferred tax assets and liabilities as a result of which the net deferred tax asset of Rs.256.25 lacs as at March 31, 2004 stood reduced to net deferred tax liability of Rs.78.92 lacs as at March 31, 2005

**F. Other Company Information:-****(a) Utilisation of IPO Funds**

As at March 31, 2005, the company deployed the proceeds from Initial Public Offering partly for investment in United Home Entertainment Pvt. Ltd., the joint venture, to the extent of Rs.852 lacs, meeting the expenses of IPO to the extent of Rs.210 lacs and investment in working capital of movie projects to the extent of Rs.295 lacs. Pending utilization of balance funds raised through Initial Public Offering, the funds have been used to reduce the working capital debt, providing unsecured loan to United Home Entertainment Pvt. Ltd and investment in liquid funds.

**(b) Risk factors:**

- (i) The Company operates in highly competitive environment that is subject to innovations, changes and varying levels of resources available to each player in each segment of business.
- (ii) Certain parts of companies business like production of television content, post production and dubbing are highly fragmented with competition ranging from other organized large players to individual producers.
- (iii) Most of the activity undertaken by the Company is creativity driven and Company's long term profitability is dependent on its ability to attract and retain creative talent.
- (iv) The activity of broadcasting requires long gestation period to break even requiring sustained continuous funding. Further, accelerated growth in broadcasting is dependent on subscription revenues from addressability and monitoring driven initially by regulatory interventions.

**(c) Internal controls and its adequacy**

The Company and its subsidiaries have in place an adequate and appropriate system of internal control commensurate with the size and nature of their respective business operations to ensure efficiency of operations and compliance with applicable legislation. The Company also has a comprehensive internal audit plan, which carries out regular internal audits of various business divisions and reports its findings to the Audit Committee.

**(d) Human Resources:**

As at March 31, 2005, the Company and its subsidiaries had 218 employees and long-term professional associates and the classification of the same is as under:-

Management	7
Creative	41
Technical and & Production	39
Sales	56
Others	75
<b>TOTAL</b>	<b>218</b>

**3. SUBSIDIARIES & JOINT VENTURE :**
**a. United Entertainment Solutions Private Limited (UESPL).**

The Company is in the business of rendering video special effects and post production services to producers of films, advertisement commercials and other videos and has full fledged state of the art equipments and facilities to render the services. UESPL posted Total income of Rs. 107,152 thousands and a net profit of Rs. 2,265 thousands for the year ended 31<sup>st</sup> March, 2005.

**b. UTV Communications (USA) LLC ( UTV US).**

UTV US was incorporated on April 26, 2004 with an intention to carry out Film Acquisition, Syndication and Distribution business in the United State of America(North America) and other surrounding territories. As at 31<sup>st</sup> March, 2005 it posted a sales of US\$ 2,735,279 and a net profit of US\$ 38,643. The US operations will also spearhead our growth in Animation and International Movie Co-production. The Company signed its first International Co-production with Fox Searchlight and Entertainment on Mira Nair's directed movie –"The Namesake".

**c. UTV Communication (UK) Limited ( UTV UK).**

UTV UK was incorporated on September 8, 2004 with an intention to carry out Film Acquisition, Syndication and Distribution in the United Kingdom. As at 31<sup>st</sup> March, 2005 it posted a sales of GBP 815,876 and a net profit of GBP 2,015.

**d. UTV Communications (Mauritius) Limited ( UTMV)**

UTVM was incorporated on October 4, 2004 with an intention to carry out Film Acquisition, Syndication and Distribution for rest

of the world excluding USA and UK. As at 31<sup>st</sup> March, 2005 it posted a sales of USD 171,800 and a net profit of USD 48,330.

**e. UTV International Holdings, BVI ( UTVIH)**

UTV IH is a company incorporated on August 28, 1996 and is primarily an investment company. It is the holding company for Antah UTV Multimedia & Communications Sdn Bhd, a company incorporated in Malaysia. UTV IH holds 70% equity in Antah UTV Multimedia & Communications Sdn Bhd and the balance 30% is held by local promoters. The growth prospects of UTV IH is directly related to the growth of Antah UTV Multimedia & Communications Sdn Bhd. As at 31<sup>st</sup> March, 2005 UTV IH posted a consolidated sales of USD 254,770 and net profit of USD 12,916.

**Joint Venture**
**United Home Entertainment Private Limited ( UHE)**

UHE was incorporated in the month of January, 2004 and within a short span from its inception, UHE launched a Kids Channel by the name and style of "HUNGAMA TV", being the first of its kind in India. This Channel is a general entertainment channel for the age group of 4 -14 years target audience. This is an original content channel on Indian skies with its motto "Of the Kids, for the Kids and by the Kids". UHE hopes to make this venture successful, sooner than other general entertainment channel ventures.

**4. REPORT OF SUBSIDIARY COMPANIES**

The Directors' Report and accounts of the subsidiary companies are annexed to this report along with the statement pursuant to section 212 of the Companies Act, 1956.

**5. CONSOLIDATED FINANCIAL STATEMENTS**

The listing agreement entered into by your company with the Stock Exchanges provides that the company needs to prepare the consolidated financial statements in accordance with the relevant accounting standards issued by the Institute of Chartered Accounts of India. The audited consolidated financial statements together with Auditors report thereon form part of this Annual report.

**6. INITIAL PUBLIC OFFERING AND LISTING:**

Your company came out with an Initial Public Offering (IPO) through a 100% book building process in terms of prospectus dated March 4, 2005 and offered 45,00,000 fresh equity shares of Rs. 10/- each at a premium of Rs. 120/- per share and 24,99,950 equity shares were offered for sale by the existing shareholder i.e. CDP Media Holdings (India) Limited. The response to the IPO was overwhelming resulting in over subscription of about 27 times. Your Directors take this opportunity to thank all our investors for their overwhelming response to your company's IPO and the confidence reposed by the investors in the business of the company. Pursuant to allotment of shares equity shares on 11<sup>th</sup> March, 2005 as per SEBI guidelines, the equity shares of

your company were listed on The National Stock Exchange of India Limited, (NSE) as well as The Stock Exchange, Mumbai (BSE) and were traded w.e.f 17<sup>th</sup> March, 2005. The entire process resulted in adding approximately 36,700 new shares holders to the then existing list of 178.

## 7. CORPORATE GOVERNANCE:

Your Company adheres to high standards of Corporate Governance. Your Company has complied with the Corporate Governance code as stipulated under the listing agreement with the stock exchanges. A separate section on Corporate Governance along with a certificate from Company Secretary in practice confirming the level of compliance is annexed and forms a part of the Director's Report.

## 8. DIRECTORS:

Mr. Darius Shroff and Mr. Sanjaya Kulkarni retire by rotation and being eligible offer themselves for re appointment.

Mr. Rahul Shah who was representative shareholder of IL & FS resigned from the Board pursuant to withdrawal by IL & FS of its representative. Mr. Rahul Shah was thereafter appointed as Additional Director of the Company in his individual capacity.

Mrs. Zarina Mehta the founder director of your Company resigned from the Board on 23<sup>rd</sup> November, 2004 however was re appointed as Additional and Whole Time Director on 27<sup>th</sup> April, 2005.

Mr. Rahul Shah and Mrs. Zarina Mehta continue till the date of this Annual General meeting. Notice under section 257 of the Companies Act, 1956 has been received in respect of their appointment as Director on the Board.

Your Directors recommend their re-appointment.

## 9. FIXED DEPOSIT:

Your company has not accepted any fixed deposit during the year under review.

## 10. AUDITORS

Messrs. Price Waterhouse & Co., the Auditors of your Company, who hold office until the conclusion of the forthcoming Annual General meeting, being eligible, offer themselves for re-appointment.

## 11. COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

The particulars relating to conservation of energy and technology absorption as required to be provided as per the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 are not applicable to your company and hence not provided. Earning's and expenditure in foreign exchange is given herein below

## Earnings in Foreign Exchange

Earnings in foreign exchange Rs. Nil ( Rs. 1,41,99,000 previous year)

## Expenditure in Foreign Exchange

Expenditure in foreign exchange was Rs. 34,43,000/- (Rs. 2,83,000 previous year)

## 12. PARTICULARS OF EMPLOYEES

Information as per section 217 (2A) of the Companies Act, 1956 read with rules framed there under is required to be a part of this report. However, pursuant the provisions of section 219 (b) (iv) of the Companies Act, 1956 the report and accounts are being sent to the shareholders of the Company excluding the statement of particulars under section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the said statement may write to the company secretary at the registered office of the company.

## 13. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of section 217 (2AA) of the Companies Act, 1956 the Board of Directors hereby state:

- That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- That the Directors have selected appropriate accounting policies and applied consistently and made judgements and estimates made 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, 2005 and of the profit of the Company for the year ended 31<sup>st</sup> March, 2005.
- 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, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- That the Directors have prepared the annual accounts on a going concern basis.

## 14. ACKNOWLEDGMENTS

Your Directors would take this opportunity to thank all the stakeholders for their support and co-operation rendered to the company during the year under review.

By order of the Board of Directors  
for UTV SOFTWARE COMMUNICATIONS LIMITED

Mumbai  
June 30, 2005

ROHINTON SCREWVALA  
Chairman & Managing Director

## REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

1. The Company's share were listed on 17<sup>th</sup> March, 2005 on The National Stock Exchange of India Limited (NSE) and The Stock Exchange, Mumbai(BSE). Accordingly, the report has been prepared as required by clause 49 of the listing agreement entered into by the Company with the Stock Exchange/s.

### 2. Company's philosophy on Code of Governance :

The Company continues to focus and is committed to good Corporate Governance as it helps enhancement of long term shareholder value and interest of other stakeholders. 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 and the Company follows procedures and practices in conformity with the Code of Corporate Governance as stipulated by SEBI.

### 3. Board of Directors :

Name of the Director	No of Board meeting attended	Attendance at the last AGM	Number of Directorship in other companies (excluding directorship in foreign and private companies)	Number of other Committee membership	Number of other Committee Chairmanship
Mr. Rohinton Screwala	6	Yes	3	Nil	Nil
Mrs. Zarina Mehta *	4	Yes	3	Nil	Nil
Mr. Deven Khote	4	Yes	1	Nil	Nil
Mr. Ronald D' Mello	5	Yes	1	Nil	Nil
Mr. Ketan Dalal	5	No	1	1	Nil
Mr. Rahul Shah	4	No	2	2	Nil
Mr. Sanjaya Kulkarni	5	No	3	3	Nil
Mr. Suketu Shah	3	No	10	Nil	Nil
Mr. Darius Shroff	3	No	8	6	4
Mr. Frederic Beauvais	2 attended 2 participated by conference call.	No	2	Nil	Nil

\*was a director upto 23.11.2004

### 4. Audit committee :

The Audit committee was constituted by the Board on 20<sup>th</sup> May, 2000. As at 31<sup>st</sup> March, 2005, the Audit committee comprises of the following eminent members:-

- a) Mr. Ketan Dalal
- b) Mr. Suketu Shah
- c) Mr. Frederic Beauvais
- d) Mr. Rahul Shah

All the members of the committee are Non – Executive and Independent Directors and possess knowledge of accounts, finance and audit. The Managing Director, the Director Operations and Finance, the Statutory Auditors and the General Manager,

### Composition and Category of the Board

The Board has a optimum combination of Executive and Non-Executive Directors. The Company has a Executive Chairman and half of the Board comprises of Independent Directors. There were four Executive Directors and six Independent and Non-Executive Directors. Mr. Rohinton Screwaval is the one of the Founder Director and is also the Chairman and Managing Director of the Company. Mrs. Zarina Mehta, Mr. Deven Khote are the other Founder Executive Directors, Mr. Ronald D'mello is the Executive Director of the Company. Mr. Ketan Dalal, Mr. Rahul Shah, Mr. Sanjaya Kulkarni, Mr. Suketu Shah, Mr. Darius Shroff, Mr. Frederic Beauvais are the other independent Non Executive Director.

### Attendance of the Directors and other Directorship/ Committee membership

During the financial year 2004-05, the Company held six Board meetings on 25<sup>th</sup> May, 2004, 3<sup>rd</sup> June, 2004, 21<sup>st</sup> July, 2004, 12<sup>th</sup> October, 2004, 23<sup>rd</sup> November, 2004 and 11<sup>th</sup> March, 2005.

Finance are the invitees to the meeting. The Company Secretary acts as the secretary to the committee.

During the year 2004- 05, the committee met 3 times on 23<sup>rd</sup> June, 2004, 6<sup>th</sup> October, 2004 and 23<sup>rd</sup> November, 2004 and their attendance is as under:-

Name of the Directors	No. of meetings held	No. of meeting attended
Mr. Ketan Dalal	3	3
Mr. Suketu Shah	3	1
Mr. Frederic Beauvais	3	1
Mr. Rahul shah	3	3



**Brief description of terms of reference****A. In relation to Financial Reporting:**

Oversight of the Company's financial reporting process and the disclosure of its financial statements is correct, sufficient and credible, specifically reviewing with management the half yearly/annual financial statements before submission to the Board, focusing primarily on:

- Any changes in accounting policies and practices;
- Major accounting entries based on exercise of judgement by management;
- Qualification in draft audit report;
- Significant adjustments arising out of audit;
- The going concern assumption;
- Compliance with Accounting Standards;
- Compliance with Stock Exchange and legal requirements concerning financial statements;
- 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 adequacy of internal control systems
- Reviewing financial and risk management policies

**(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 depositors, debenture holders, shareholders (in case of non payment of declared dividend) and 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.

The Audit Committee is empowered to;

- a. Investigate any activity within its scope of role.
- b. Seek information from any employee.
- c. Obtain outside legal or other professional advice.
- d. Secure attendance of outsiders with relevant expertise, if it considers necessary.

**5. Remuneration of Directors****1. Remuneration to Non Executive Directors**

The Non Executive Directors are paid a sitting fees of Rs. 5000/-

per meeting as remuneration for attending each Board meeting or a Committee thereof. No commission is payable to the Non Executive Directors out of the net profits of the Company.

**2. Remuneration to Chairman & Managing Director and other Executive Directors**

The appointment of Chairman & Managing Director and other Executive Directors 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 31<sup>st</sup> March, 2005.**

(Rs. in thousands)

	Name of the Director	Salary	Perquisites	Commission
1.	Rohinton Screwvala	6288	923	Nil
2.	Ronald D' mello	3889	440	Nil
3.	Deven Khote	1137	255	80
4.	Zarina Mehta*	1396	157	Nil
<b>Service Contract</b>				
1.	For a period of five years w.e.f 01.08.2001			
2.	For a period of three years w.e.f 21.08.2003			
3.	For a period of three years w.e.f 27.04.2004			
4.	For a period of three years w.e.f 27.04.2004*			

\* was a director up to 23<sup>rd</sup> November, 2004

**6. Investors/ Shareholders Grievance Committee :**

The Company constituted the Share Allotment/ Share Transfer/ Shareholders Grievance redressal committee on 20<sup>th</sup> May, 2000. The committee has the following powers i.e to receive, consider and effect

- a. Share Transfers
- b. Deletion of the name of the shareholders
- c. Transmission of shares
- d. Splitting of shares
- e. Consolidation of shares
- f. Issue of new shares in lieu of old certificates
- g. address grievances of shareholders and provide solutions, refer the matter to Board, in case necessary.

The members of the committee are Mr. Rahul Shah and Mr. Rohinton Screwvala. Mr. Mohd. Sajid Ali is the Company Secretary and Compliance officer of the Company as at 31<sup>st</sup> March, 2005. During the year the committee met 8 times on 12<sup>th</sup> May, 2004, 3<sup>rd</sup> June, 2004, 8<sup>th</sup> July, 2004, 14<sup>th</sup> August, 2004, 18<sup>th</sup> November, 2004, 6<sup>th</sup> December, 2004, 14<sup>th</sup> December, 2004 and 21<sup>st</sup> February, 2004.

There were no transfer pending as at 31<sup>st</sup> March, 2005.

**7. General Body meetings :**

- i. Location and time, where last three Annual General meetings held.

Meetings for the Financial year	2001-2002	2002-2003	2003-2004
Date	18 <sup>th</sup> Sept., 02	10 <sup>th</sup> Nove., 03	30 <sup>th</sup> Aug., 04
Time	3.00 p.m.	10:30 a.m.	12.30 p.m.
Venue for all the three financial years	Registered Office of the Company at : Parijat House 1076, Dr. E. Moses Road, Worli Naka, Mumbai 400 018.		

Three Extra Ordinary General meetings were held during the period beginning 18<sup>th</sup> September 2002 till 31<sup>st</sup> March, 2005 on 17<sup>th</sup> February, 2004, 21<sup>st</sup> April, 2004 and 8<sup>th</sup> July, 2004. All the resolution/s including the special resolution/s set out in the respective notices were passed by the shareholders.

No resolutions were required to be passed by way of Postal Ballot/s at the aforesaid meeting/s.

#### 8. Disclosures:

- a. There are no materially significant related party transactions of the Company with 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 on note 18 of Schedule 23 to the Accounts contained in this report.
- b. During the last three years, there were no penalties or strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority in any matter related to capital markets.

#### 9. Means of Communications :

The quarterly un-audited / audited financial results of the Company are published in some of the major newspapers including, The Economic Times, The Business Standard (English language newspapers) and in Tarun Bharat and The Maharashtra Times (vernacular language newspapers). The complete quarterly un-audited / audited financial statements, press releases etc, are posted on the Company's website, at [www.utvnet.com](http://www.utvnet.com). Company also hosts conference calls with analysts and fund managers after declaration of quarterly financial results, the text of which is also available on the website. These are not sent to the shareholders individually. After the listing of the equity shares of the Company on 17<sup>th</sup> March, 2005, the Company has made an application to register on the Electronic Data Information Filing and Retrieval System (EDIFAR) site of SEBI. The registration is pending. The Management Discussion and Analysis Report forms part of the Directors report.

#### 10. General Shareholders information :

##### a. Annual General meeting

Date : September 6, 2005  
 Time : 11.30 a.m.  
 Venue : The Hall of Culture, Discovery of India Building, Nehru Center, Dr. Annie Besant Road, Worli, Mumbai 400 018

- b. **Financial Calendar** : 2005-06 (Tentative)  
 Year ending : March 31

##### Financial Reporting

first Quarter ending : On or before the end of July, 2005  
 30<sup>th</sup> June, 05  
 second Quarter and half year ending : On or before the end of October, 2005  
 30<sup>th</sup> Sept, 05  
 third Quarter ending : On or before the before end of January, 2006  
 31<sup>st</sup> Dec, 04  
 Audited Results for the year ending : On or before end of June, 2006  
 March, 2006

- c. Date of Book closure : Thursday the 25<sup>th</sup> August, 2005 to Tuesday the 6<sup>th</sup> September, 2005 (both days inclusive).
- d. Dividend payment date: Not applicable
- e. Listing on Stock Exchanges : The National Stock Exchange of India Limited (NSE)  
 The Stock Exchange, Mumbai (BSE)
- f. Stock Code : The National Stock Exchange of India Limited : UTVSOF, EQ  
 The Stock Exchange, Mumbai : 532619
- e. Demat ISIN Number : INE 507B01022  
 for NSDL and CDSL
- g. **Market price data (Closing High, Low Market price) on The National Stock Exchange of India and The Stock Exchange, Mumbai beginning from the date of listing ie.17<sup>th</sup> March, 2005 to 31<sup>st</sup> March, 2005.**

The National Stock Exchange of India Limited			
Month	High (Rs.)	Low( Rs.)	Total no. of shares Traded
March, 2005	168.55	134.55	17567515
The Stock Exchange, Mumbai			
Month	High (Rs.)	Low( Rs.)	Total no. of shares Traded
March, 2005	168.50	134.10	8740109

##### h. Registrar and Transfer Agent :

Name and address : Karvy Computer Share Private Limited  
 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad 500 034  
 Tel No. : 040 2331 2454  
 Fax No. : 040 2331 1968/ 3049  
 Email : madhusudhan@karvy.com  
 Contact Person : Mr. S. Madhusudhan  
 Name and address : Karvy Computer Share Private Limited  
 16/22, Bake House, Maharashtra Chambers of Commerce Lane  
 Opp. MSC Bank, Kalaghoda, Fort, Mumbai 400 023  
 Tel No. : 022 56382666  
 Fax No. : 022 5633 1135  
 Email : Francisjf@karvy.com  
 Contact Person : Francis J Fernandes

##### i. Share Transfer System :

The shares of the company are traded in the compulsory demat mode by all the investors. The share transfer committee meets regularly to approve transfer of shares in physical form. The transfer are approved in 10 to 15 days time from the date of receipt, if the transfer documents are in order.

j **Distribution of Shareholding as on 31<sup>st</sup> March, 2005 :**

Range No. of Equity Shares	No. of Shareholders	% to Shareholders	No. of Shares	% to No. of Shares
Upto 500	28283	97.76	1751725	8.97
501 – 1000	263	0.91	194958	1.00
1001 – 2000	175	0.60	261853	1.35
2001 – 3000	49	0.17	121145	0.62
3001 – 4000	31	0.11	106686	0.55
4001 – 5000	24	0.08	111811	0.58
5001 – 10000	31	0.11	227934	1.17
10001 and above	74	0.26	16717496	85.76
<b>TOTAL</b>	<b>28930</b>	<b>100.00</b>	<b>19493608</b>	<b>100.00</b>

k **Shareholding pattern as at 31st March 2005 :**

Category	No of Shares	% of holding
Promoters	5835003	29.94
Persons acting in concert	2566363	13.16
Mutual Funds and UTI	556333	2.85
Banks, Financial Institutions, Insurance Companies, Govt. & Non Govt. Institutions	6000	0.03
Foreign Institutional Investors ( FIs)	3935090	20.19
Private Corporate Bodies	1278018	6.56
Indian Public	2911296	14.93
NRIs	443499	2.28
Other	1962006	10.06
<b>TOTAL</b>	<b>19493608</b>	<b>100.00</b>

**CERTIFICATE FROM PRACTICING COMPANY SECRETARY REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE AS STIPULATED IN CLAUSE 49 OF THE LISTING AGREEMENT.**

To  
The members of  
UTV Software Communications Limited

We have reviewed the Compliance of conditions of Corporate Governance by UTV Software Communications Limited for the year ended 31<sup>st</sup> March, 2005, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges, with the relevant records and documents maintained by the Company and furnished to us.

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

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

As at 31<sup>st</sup> March, 2005 no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Company.

On the basis of our review and according to the information and explanation given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing Agreement with the Stock Exchanges have been complied with in all material respect by the Company.

For **S. Y. Sankhe & Associates**  
Practicing Company Secretary

**S. Y. Sankhe**  
Proprietor  
COP No: 5158  
FCS No: 2577

l **Dematerialisation of Shares and liquidity :**

The Company's shares are compulsorily to be traded in dematerialised form. 1,12,11,754 equity shares of Rs. 10/- each representing 57.52% of the equity capital of the Company have been dematerialised as at 31<sup>st</sup> March, 2005.

The Company's shares are regularly traded on The National Stock Exchange of India Limited (NSE) and the Stock Exchange, Mumbai (BSE).

m. **The Company does not have any outstanding GDRs /ADRs/ Warrants or any convertible instruments convertible into equity shares as at 31<sup>st</sup> March, 2005.**n. **Plant Locations :**

The Company is into media and entertainment software industry and operates from its Registered office at Parijat House, 1076, Dr. E. Moses Road, Worli Naka, Mumbai 400 018.

o. **Address for Correspondence :**

UTV Software Communications Limited  
Parijat House, 1076, Dr. E. Moses Road,  
Worli Naka, Mumbai 400 018.  
Tel No. 022 –2490 5353  
Fax No. 022- 2490 5370  
Email: [investor@utvnet.com](mailto:investor@utvnet.com)  
Website : [www.utvnet.com](http://www.utvnet.com)

For and on behalf of the Board

Mumbai  
June 30, 2005

**Rohinton Screwvala**  
Chairman & Managing Director

Mumbai  
June 30, 2005

## AUDITORS' REPORT

To The Members of

UTV Software Communications Limited

1. We have audited the attached Balance Sheet of UTV Software Communications Limited, as at 31st March, 2005, and the related Profit and Loss Account for the year ended on that date annexed thereto, and the Cash Flow Statement for the year ended on that date, 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 the 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 said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) 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;
  - (e) On the basis of written representations received from the Directors of the Company, as on 31st March, 2005 and taken on record by the Board of Directors of the Company, none of the Directors of the Company is disqualified as on 31st March, 2005 from being appointed as a Director in terms of clause (g) of sub-section (1) Section 274 of the Act;
  - (f) 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, read in particular with Note 17 of Schedule 23 regarding disclosure of amount due to small scale

industrial undertaking required by the Companies Act, 1956 of India below give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005;
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

**Partha Ghosh**

Partner

Membership No. F-055913

For and on behalf of

Price Waterhouse & Co.

Chartered Accountants

Mumbai

June 30, 2005

### ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date the member of UTV Software Communications Limited on the Financial Statements for the year ended 31st March, 2005]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of two years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. (a) The inventory of video tapes and films has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory of video tapes and films followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (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 taken unsecured loans from two Companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balances of such loans aggregates to Rs. 510 lakhs and Rs. Nil respectively.

- (c) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company
- (d) In respect of the aforesaid loan, the Company is regular in repaying the principal amount as stipulated and is also regular in payment of interest, where applicable.
- (e) In respect of the aforesaid loans, there is no overdue amount more than Rupees One Lakh.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items sold 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 inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, having regard to the fact that the items sold/services rendered/received are of a special nature and suitable alternate sources do not exist for obtaining comparative quotations, 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 or the prices at which the transactions for similar goods have been made with other parties.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of business.
8. 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 products of the Company as the Company is not involved in any manufacturing activity.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax as at March 31, 2005 which have not been deposited on account of a dispute are as follows :

Name of the Statute (1)		Nature of dues (2)
Income Tax Act, 1961		Income Tax including interest and penalty, as applicable
Amount (Rs. In Lakhs) (3)	Period to which the amount relates (4)	Forum where dispute is pending (5)
270.68	A. Y. 1999-2000	CIT-Appeals
96.10	A.Y. 2002-2003	CIT-Appeals

10. The Company has no accumulated losses as at 31st March 2005 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. 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 financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion, and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.
16. The Company has not obtained any term loans.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has not issued any debentures.
20. The management has disclosed the end use of money raised by public issues (Refer Note 6 of Schedule 23) and the same has been verified by us.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

**Partha Ghosh**

Partner

Membership No. F-055913

For and on behalf of

Price Waterhouse & Co.

Chartered Accountants

Mumbai

June 30, 2005

**BALANCE SHEET AS AT MARCH 31, 2005**

	Schedule No.	As at March 31, 2005 (Rs. in Thousands)		As at March 31, 2004 (Rs. in Thousands)	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	194,936		145,936	
Reserves and surplus	2	1,071,215	1,266,151	434,013	579,949
<b>Loan Funds</b>					
Secured Loans	3		159,582		293,727
Unsecured Loans	4	10,000	169,582	20,000	313,727
Deferred Tax Liability	5	86,558		-	
Less: Deferred Tax Asset	8	65,184	21,374	-	-
<b>TOTAL</b>			<b>1,457,107</b>		<b>893,676</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	6	227,920		209,097	
Less : Accumulated Depreciation		144,345		127,487	
Net Block		83,575		81,610	
Investments	7		234,278		299,721
Deferred Tax Asset	8	-		45,580	
Less: Deferred Tax Liability	5	-	-	35,416	10,164
<b>Current Assets, Loans and Advances</b>					
Inventories	9	436,249		343,331	
Sundry Debtors	10	367,835		181,275	
Cash and Bank Balances	11	97,859		5,732	
Other Current Assets	12	86		-	
Loans and Advances	13	607,026		353,626	
		1,509,055		883,964	
<b>Less : Current Liabilities and Provisions</b>					
Current liabilities	14	365,591		377,456	
Provisions	15	4,210		6,014	
		369,801		383,470	
<b>Net Current Assets</b>			<b>1,139,254</b>		<b>500,494</b>
Miscellaneous Expenditure (To the extent not written off or adjusted)	16		-		1,687
<b>TOTAL</b>			<b>1,457,107</b>		<b>893,676</b>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	23				

Schedules referred to above and notes attached thereto form an integral part of the Balance Sheet.

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

For and on behalf of the Board

**Partha Ghosh**

Partner

Membership No : F-055913

For and on behalf of

**Price Waterhouse & Co.**

Chartered Accountants

Place : Mumbai

Date : June 30, 2005

**Ronald D'mello**

Director, Operations & Finance

**Mohd. Sajid Ali**

Company Secretary

Place : Mumbai

Date : June 30, 2005

**Rohinton Screwvala**

Chairman & Managing Director

**Ketan Dalal**

Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005**

	Schedule No.	Year Ended March 31, 2005 (Rs. in Thousands)	Year Ended March 31, 2004 (Rs. in Thousands)
<b>INCOME</b>			
Sales and Services	17	1,535,122	977,525
Other Income	18	25,030	9,456
		<b>1,560,152</b>	986,981
<b>EXPENDITURE</b>			
Direct Cost	19	1,137,110	760,270
Staff Cost	20	101,084	52,701
Other Expenses	21	82,718	50,120
		<b>1,320,912</b>	863,091
<b>PROFIT BEFORE INTEREST, DEPRECIATION AND TAX</b>		<b>239,240</b>	123,890
Less : Interest (net)	22	17,602	20,514
<b>PROFIT BEFORE DEPRECIATION AND TAX</b>		<b>221,638</b>	103,376
Less : Depreciation		17,748	13,959
<b>PROFIT BEFORE TAX</b>		<b>203,890</b>	89,417
Less : Provision for Taxation			
- Current		16,029	7,174
(Includes Wealth Tax Rs. 42 ('000), Previous Year Rs.300 ('000))			
- Prior Years		441	4,541
- Deferred		31,539	4,562
		<b>48,009</b>	16,277
<b>PROFIT AFTER TAX</b>		<b>155,881</b>	73,140
Balance Profit brought forward		291,240	218,100
<b>NET PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>447,121</b>	291,240
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>447,121</b>	291,240
<b>Earnings Per Share of Rs.10 each (Refer Note 19 of Schedule 23)</b>			
<b>Basic</b>		10.27	5.02
<b>Diluted</b>		10.27	5.02
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	23		
Schedules referred to above and notes attached thereto form an integral part of the Profit and Loss Account			

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

For and on behalf of the Board

**Partha Ghosh**

Partner  
Membership No : F-055913  
For and on behalf of

**Ronald D'mello**  
Director, Operations & Finance

**Rohinton Screwvala**  
Chairman & Managing Director

**Price Waterhouse & Co.**  
Chartered Accountants

**Place** : Mumbai  
**Date** : June 30, 2005

**Mohd. Sajid Ali**  
Company Secretary  
**Place** : Mumbai  
**Date** : June 30, 2005

**Ketan Dalal**  
Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005**

	March 31, 2005	(Rs. in thousand) March 31, 2004
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit before Tax but after Prior Period Items	203,890	89,417
<u>Adjustments for:</u>		
Depreciation	17,748	13,959
Interest Expense	20,446	26,659
Interest Income	(2,844)	(6,145)
Loss on sale of Fixed Assets (Net)	882	1,829
(Profit) on sale of Investments	(22,878)	(2,164)
Amortisation of Television and Animation Programmes	11,112	10,936
Irrecoverable Deposits, Employee Loans and Advances written off/ provided	19,151	7,387
Bad & Doubtful Debts written off	2,963	(4,562)
Provision no longer required written back	(276)	(2,000)
Provision for Gratuity & Leave Encashment	(1,824)	(823)
Amortisation of movie copyrights	24,178	6,682
Loss/ (Gain) on Foreign Exchange transactions	321	(545)
Other Provision	19	181
Any other item (Misc Expenditures)	1,687	-
<b>Operating profit before working capital changes</b>	<b>274,575</b>	<b>140,811</b>
<b>Adjustments for changes in working capital :</b>		
- (INCREASE)/DECREASE in Sundry Debtors	(189,524)	87,751
- (INCREASE)/DECREASE in Other Receivables	(268,313)	(240,029)
- (INCREASE)/DECREASE in Inventories	(124,853)	(81,037)
- INCREASE/(DECREASE) in Trade and Other Payables	(59,746)	187,196
<b>Cash generated from operations</b>	<b>(367,861)</b>	<b>94,692</b>
- Taxes (Paid) / Received (Net of Tax Deducted at source)	(20,708)	(18,270)
<b>Net cash from operating activities (A)</b>	<b>(388,569)</b>	<b>76,422</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets		
Additions during the period	(21,287)	(8,197)
Proceeds from Sale of Fixed Assets	692	2,844
Proceeds from Sale of Investments	314,644	10,000
Purchase of Investments	(226,281)	(1,020)
Interest Received (Revenue)	2,758	6,371
<b>Net cash used in investing activities (B)</b>	<b>70,526</b>	<b>9,998</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from fresh issue of Share Capital (including Share Premium )	601,000	-
Payment for IPO expenses	(21,000)	-
Proceeds from Long Term Borrowings		
PAYMENTS	(34,040)	156,233
RECEIPTS	513	(36)
Proceeds from short term borrowings		
RECEIPTS	-	28,250
PAYMENTS	(10,000)	(257,750)
Proceeds from Cash Credits (NET)	(101,320)	(7,401)
Interest Paid	(21,627)	(30,395)
Interest Paid - Capitalised	(3,356)	(21,298)
<b>Net cash used in financing activities ( C )</b>	<b>410,170</b>	<b>(132,397)</b>



	March 31, 2005	(Rs. in thousand) March 31, 2004
<b>Cash Flow (Contd....)</b>		
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A) + (B) + (C)</b>	<b>92,127</b>	(45,977)
<b>Cash and Cash Equivalents as at 31.03.2004</b>	<b>5,732</b>	63,793
Cash transferred to UESPL	-	12,084
<b>Cash and cash equivalents as at 31.03.2005</b>	<b>97,859</b>	5,732
<b>Cash and Cash Equivalents Comprise</b>		
Cash, Cheques & Drafts (in hand) and Remittances in transit	<b>10,687</b>	1,115
Balance with Scheduled Banks	<b>87,172</b>	4,617
	<b>97,859</b>	5,732
<b>Notes :</b>		
1 The above Cash flow statement has been prepared under the indirect method setout in AS-3 issued by the Institute of Chartered Accountants of India.		
2 Figures in brackets indicate cash outgo.		
3 Previous years figures have been regrouped wherever necessary.		

This is the Cash Flow Statement referred to in our report of even date.

For and on behalf of the Board

**Partha Ghosh**

Partner

Membership No : F-055913

For and on behalf of

**Ronald D'mello**

Director, Operations & Finance

**Rohinton Screwvala**

Chairman & Managing Director

**Price Waterhouse & Co.**

Chartered Accountants

**Place** : Mumbai

**Date** : June 30, 2005

**Mohd. Sajid Ali**

Company Secretary

**Place** : Mumbai

**Date** : June 30, 2005

**Ketan Dalal**

Director

### SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2005

#### 1 SHARE CAPITAL

##### AUTHORISED

21,000,000 Equity Shares of Rs.10/- each

1

210,000

210,000

(Previous Year 42,000,000 Equity Shares of Rs.5/- each)

##### ISSUED AND SUBSCRIBED (Refer Note 3 of Schedule 23)

19,493,608 Equity Shares of Rs. 10/- each

2 & 3

194,936

145,936

(Previous Year 29,187,208 Equity Shares of Rs.5/- each)

##### TOTAL

194,936

145,936

#### 1a SHARES TO BE ISSUED

As per Last Balance Sheet

-

915

Less : Issued during the year

-

(915)

##### TOTAL

-

-

#### Notes:

- The company consolidated the par value of its shares to Rs. 10/- per share pursuant to shareholders approval in the Extraordinary General Meeting held on July 8, 2004
- During the year 8,00,000 Equity Shares of Rs.5/- each were issued to the UTV Employees Welfare Trust at a premium of Rs.15/- per share, which were subsequently consolidated into 4,00,000 Equity Shares of Rs.10/- each.
- The company carried out Initial Public offering of its equity during the year and issued 45,00,000 fresh equity shares of Rs. 10/- each at a premium of Rs. 120/- each.
- Out of the issued and subscribed Share Capital, 67,05,882 Equity Shares of Rs.10/- each were issued without consideration in cash as Bonus Shares by capitalization of Share Premium in the F.Y. 1995-96 to the then existing Shareholders of the Company, 46,64,824 Equity Shares of Rs.5/- each (23,32,412 Equity Shares of Rs.10/- each) were issued without consideration in cash to various shareholders under a share swap arrangement in the F.Y. 2000-01 as part of consolidation exercise carried out in the said year and 182,932 Equity Shares of Rs.5/- each (91,466 Equity Shares of Rs.10/- each) were issued to shareholders of Western Outdoor Media Technologies Limited as per the Scheme of Arrangement for demerger of its studio division to the company in F.Y. 2003-04.

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

		March 31, 2005	(Rs. in thousand) March 31, 2004
<b>2 RESERVES AND SURPLUS</b>			
<b>SHARE PREMIUM ACCOUNT</b>			
As per last Balance Sheet		135,130	439,604
Add : Premium on shares issued (Refer Note 2 & 3 of Schedule 1)		552,000	-
		<u>687,130</u>	<u>439,604</u>
Less: Share Issue Expenses		70,679	-
		<u>616,451</u>	<u>439,604</u>
Less : Write down pursuant to Scheme of Arrangement		-	(304,474)
		<u>616,451</u>	<u>135,130</u>
<b>GENERAL RESERVE</b>			
As per last Balance Sheet		7,643	7,643
<b>PROFIT &amp; LOSS ACCOUNT</b>			
As per annexed Profit and Loss Account		447,121	291,240
<b>TOTAL</b>		<u>1,071,215</u>	<u>434,013</u>
<b>3 SECURED LOANS</b>			
Cash Credit From Banks	1	38,657	139,977
[Includes Bill Discounting Account]			
Term Loan From Banks	1	118,233	151,571
Others	2	2,692	2,179
<b>TOTAL</b>		<u>159,582</u>	<u>293,727</u>
<b>Notes :</b>			
1. Cash credit from banks, repayable on demand, & Term Loan from IDBI are secured by hypothecation of moveable fixed assets, inventories, book debts, programming properties and the personal guarantee of a director of the company.			
2. Secured against the hypothecation of vehicles.			
<b>4 UNSECURED LOANS</b>			
Inter Corporate Deposits		10,000	20,000
<b>TOTAL</b>		<u>10,000</u>	<u>20,000</u>
<b>5 DEFERRED TAX LIABILITY ( Refer Note 7 of Schedule 23 )</b>			
Deferred Tax Liability			
Arising on account of timing difference in :			
- Depreciation		7,233	7,225
- Inventories		79,325	28,191
<b>TOTAL</b>		<u>86,558</u>	<u>35,416</u>

**SCHEDULE 6 - FIXED ASSETS**

(Rs.in thousands)

Particulars	COST					DEPRECIATION / AMORTISATION					NET BLOCK	
	Opening As at 01.04.2004	Adjustments	Additions	Deductions	As at 31.03.2005 (A)	Opening As at 01.04.2004	Adjustments	For the Period #	Deductions	As at 31.03.2005 (B)	As at 31.03.2005 (A-B)	As at 31.03.2004
<b>Tangible Asset</b>												
Leasehold Improvements	27,792	-	625	-	<b>28,417</b>	18,115	-	3,210	-	<b>21,325</b>	<b>7,092</b>	9,677
Plant & Machinery	93,800	-	6,594	-	<b>100,394</b>	66,243	-	4,852	-	<b>71,095</b>	<b>29,299</b>	27,557
Furniture & Fixtures	44,523	-	3,426	-	<b>47,949</b>	19,804	-	6,052	-	<b>25,856</b>	<b>22,093</b>	24,719
Computers	17,320	-	5,175	-	<b>22,495</b>	14,327	-	1,509	-	<b>15,836</b>	<b>6,659</b>	2,993
Office Equipments	11,140	-	2,161	-	<b>13,301</b>	3,417	-	545	-	<b>3,962</b>	<b>9,339</b>	7,723
Motor Vehicles (a)	9,890	-	2,892	2,406	<b>10,376</b>	2,995	-	916	890	<b>3,021</b>	<b>7,355</b>	6,895
<b>Intangible Asset</b>												
Computer Software	4,632	-	356	-	<b>4,988</b>	2,586	-	664	-	<b>3,250</b>	<b>1,738</b>	2,046
<b>Grand Total</b>	<b>209,097</b>	-	<b>21,229</b>	<b>2,406</b>	<b>227,920</b>	<b>127,487</b>	-	<b>17,748</b>	<b>890</b>	<b>144,345</b>	<b>83,575</b>	81,610
<b>Previous Year</b>	<b>781,372</b>	<b>573,578</b>	<b>8,196</b>	<b>6,893</b>	<b>209,097</b>	<b>280,508</b>	<b>164,760</b>	<b>13,959</b>	<b>2,220</b>	<b>127,487</b>	<b>81,610</b>	

# Refer Note 1 b (ii) of Schedule 23

Notes:

a). The Net Book value of Motor Vehicles includes value of vehicles acquired under loan amounting to Rs 5399 ('000) [2004 - Rs. 2847 ('000)].

SCHEDULES FORMING PART OF THE BALANCE SHEET

ANNUAL REPORT 2005

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	Nos. as at March 31, 2005	Nos. as at March 31, 2004	Face Value Rupees	As at March 31, 2005 (Rs. in Thousands)	As at March 31, 2004 (Rs. in Thousands)
<b>SCHEDULE 7</b>					
<b>INVESTMENTS</b>					
<b>Long Term, Trade and Others</b>					
<b>Equity Shares of Companies</b>					
a) Subsidiary Companies (Unquoted)					
(i) UTV International Holdings Limited - BVI	250,000	250,000	1 USD	1	1
(ii) United Entertainment Solutions Private Limited (Refer Note 4 of Schedule 23)	1,009,800	9,800	10	58,098	98
(iii) UTV Communications (USA) LLC	5,000	-	10 USD	2,271	-
(iv) UTV Communications (UK) LLC	10,000	-	1 STP	849	-
(v) UTV Communications Mauritius	10,000	-	1 USD	455	-
b) Others (Quoted)					
Radaan Mediaworks India Limited	62,500	12,500	2 (Last Year Rs.10)	500	500
c) Others (Unquoted)					
(i) United Teleshopping and Marketing Company Limited	600,000	600,000	10	-	-
(ii) Unitas Creative Television Pvt. Limited	-	150,000	10	-	-
(iii) Vijay Television Pvt. Ltd.	-	18,642,617	10	-	291,726
(iv) Homland Network Corporation	352,000	352,000	0.001 USD	2	2
(v) Media Capital Company (India) Private Limited	-	20,000	10	-	200
(vi) United Home Entertainment Private Limited (Refer Note 4 of Schedule 23)	490,000	-	10	4,900	-
<b>Preference Shares of Companies</b>					
a) Subsidiary Companies (Unquoted)					
(i) UTV International Holdings Limited - BVI	3,894,000	3,894,000	1 USD	7,189	7,189
b) Others (Unquoted)					
Homland Network Corporation	125,000	125,000	0.001 USD	5	5
<b>Short Term Investments</b>					
<b>Investment In Mutual Funds (Quoted)</b>					
Reliance Fixed Term Scheme -					
Monthly Plan - 18 - Growth Option	1,000,000	-	10	10,000	-
Kotak Floater Short Term - Growth	2,300,232	-	10	25,000	-
UTI Liquid Cash Plan Institutional - Growth Option	18,405	-	1000	20,000	-
JM Floater Fund - Short Term Plan - Growth Option	1,375,125	-	10	15,000	-
HSBC Floating Rate Fund - Short Term -					
Institutional Option - Growth	982,336	-	10	10,008	-
Tata Liquid Super High Inv. Fund - Appreciation	16,445	-	1000	20,000	-
Birla Cash Plus Institutional Plan - Growth	836,335	-	10	15,000	-
Prudential ICICI Floating Rate Plan - Growth	1,361,446	-	10	15,000	-
Kotak Liquid (Institutional) - Growth	1,126,964	-	10	15,000	-
Tata Floating Rate Short Term Inst. Plan - Growth	1,456,537	-	10	15,000	-
<b>TOTAL</b>				<b>234,278</b>	<b>299,721</b>

	Cost As at March 31, 2005 (Rs. In Thousands)	Market value As at March 31, 2005 (Rs. In Thousands)	Cost As at March 31, 2004 (Rs. In Thousands)	Market value As at March 31, 2004 (Rs. In Thousands)
Aggregate Value of Quoted Investments	160,508	160,624	500	596
Aggregate Value of Unquoted Investments	73,770		299,221	
<b>Total</b>	<b>234,278</b>		<b>299,721</b>	

**Note:** Units of Mutual Funds purchased and sold during the year

	No. of units (in thousands)	Cost of acquisition Rs. in Thousands	Sale proceeds Rs. in Thousands
Magnum Institutional Income Fund - Savings - Growth	939	10,000	10,002
HSBC Floating Rate Fund - Short Term - Institutional Option - Growth	490	4,992	5,000
ABN AMRO Cash Fund - Institutional Growth	974	10,000	10,008

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	March 31, 2005	(Rs. in thousand) March 31, 2004
<b>8 DEFERRED TAX ASSETS (Refer Note 7 of Schedule 23)</b>		
Deferred Tax Assets		
Arising on account of timing difference in :		
- Provision for Doubtful Debts	1,123	18,831
- Provision for Loans and Advances	7,008	2,432
- Unabsorbed losses & Depreciation	55,532	17,407
- Provision for Gratuity	540	1,248
- Provision for Leave encashment	981	897
- Mat credit	-	4,651
- Other	-	114
<b>TOTAL</b>	<b>65,184</b>	<b>45,580</b>
<b>9 INVENTORIES</b>		
(As certified by the Management)		
Raw Stocks- Tapes and Films	225	401
<b>Unamortised cost of Completed</b>		
- Television Programmes	-	8,039
- Movie Copyrights	218,483	74,448
Unutilised Free Commercial Time	11,863	10,516
Projects in Progress	20,462	18,950
Films Under Productions (Refer Note 22 of Schedule 23)	185,216	230,977
<b>TOTAL</b>	<b>436,249</b>	<b>343,331</b>
<b>10 SUNDRY DEBTORS</b>		
(Refer Note 8 of Schedule 23)		
i. Over Six months		
Billed		
- considered good	9,958	10,485
- considered doubtful	3,069	52,492
	<b>13,027</b>	<b>62,977</b>
Less : Provision for doubtful debts	3,069	9,958
		52,492
ii. Other Debts - considered good		
Billed	337,947	156,361
Unbilled	19,930	14,429
	<b>357,877</b>	<b>170,790</b>
<b>TOTAL</b>	<b>367,835</b>	<b>181,275</b>
<b>11 CASH AND BANK BALANCES</b>		
i. Cash and cheques on hand	10,687	1,115
(Includes cheques on hand Rs. 9689('000) ('2004- Rs. Nil)		
ii. Balance with Scheduled Banks		
- Current Account	4,377	564
- Fixed Deposit Account	82,703	3,961
- Others	92	92
<b>TOTAL</b>	<b>97,859</b>	<b>5,732</b>
<b>12 OTHER CURRENT ASSETS</b>		
Interest Receivable	86	-
<b>TOTAL</b>	<b>86</b>	<b>-</b>

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	March 31, 2005	(Rs. in thousand) March 31, 2004
<b>13 LOANS AND ADVANCES</b>		
Unsecured & considered good unless otherwise stated		
Advances recoverable in cash or in kind or for value to be received (Refer Note 9 c of Schedule 23)	64,790	32,126
UTV Employees Welfare Trust	17,584	-
Advance to Suppliers	36,471	32,584
Less : Provision for irrecoverable advance	19,151	6,779
	<u>195,100</u>	<u>65,767</u>
Advance towards Share Capital (Refer Note 4 of Schedule 23)		
Advances to Associate/Subsidiary Companies (Refer Note 9 a of Schedule 23)		
- To Subsidiary Companies	226,793	171,525
- To Associate Companies	28,949	16,844
	<u>255,742</u>	<u>188,369</u>
Advance Tax Less Provision	25,771	21,533
Other Deposits	30,719	20,026
<b>TOTAL</b>	<u><u>607,026</u></u>	<u><u>353,626</u></u>
<b>14 CURRENT LIABILITIES</b>		
Sundry Creditors for Capital Good , Materials & Expenses		
- Small Scale Industrial Undertakings (Refer Note 17 of Schedule 23)	-	-
- Advance from Associate Company (Refer Note 9b of Schedule 23)	137	28,137
- Others	209,245	129,085
Advances from customers	115,880	214,743
Advance Billings	9,465	3,205
Unpaid Dividend *	142	142
Interest accrued but not due	13	1,194
Other Liabilities	30,709	950
<b>TOTAL</b>	<u><u>365,591</u></u>	<u><u>377,456</u></u>
* (There are no amounts due and outstanding to be credited to Investor Education and Protection Fund)		
<b>15 PROVISIONS</b>		
Provision for Wealth Tax less payment	54	34
Provision for Employees retirement benefits	4,156	5,980
<b>TOTAL</b>	<u><u>4,210</u></u>	<u><u>6,014</u></u>
<b>16 MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted)		
Opening balance	1,687	-
Less: Written off to P & L account.	(1,687)	-
Add : Share Issue Expenses (Refer Note 1 i of Schedule 23)	70,679	1,687
Less: Transferred to Share Premium Account	(70,679)	-
<b>TOTAL</b>	<u><u>-</u></u>	<u><u>1,687</u></u>

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT**

	March 31, 2005	(Rs. in thousand) March 31, 2004
<b>17 SALES AND SERVICES</b>		
Sales and Service Revenues	1,535,122	977,525
<b>TOTAL</b>	<u>1,535,122</u>	<u>977,525</u>
<b>18 OTHER INCOME</b>		
Provision no longer required Written Back	276	2,000
Provision for doubtful debt no longer required Written Back	-	4,562
Miscellaneous Income	1,858	730
Profit on Sale of investments	22,878	2,164
Capital Gains	18	-
<b>TOTAL</b>	<u>25,030</u>	<u>9,456</u>
<b>19 DIRECT COST</b>		
Telecast Fees	130,138	151,378
Cast and technicians' fees and commission	249,642	122,636
Equipment hire, sets, costumes and venue hire	112,768	53,249
Footage expenses	610,436	416,225
Consumption of Rawstock of video tapes and films	31,360	18,032
Post production charges	16,249	11,348
Travelling expenses	4,238	3,407
Advertisement & publicity	17,541	6,868
Amortisation of television programmes	11,112	10,936
Amortisation of movie copyrights	24,178	6,682
Director's Commission	80	135
Miscellaneous expenses	46,602	25,340
	<u>1,254,344</u>	<u>826,236</u>
<b>Less: Amounts inventorised</b>		
Towards Free Commercial Time and Unexploited Movie rights	117,234	65,966
<b>TOTAL</b>	<u>1,137,110</u>	<u>760,270</u>
<b>20 STAFF COST</b>		
Salaries, wages, bonus and gratuity	96,223	50,384
Contribution to Provident and other funds	2,482	1,629
Staff Welfare	2,379	688
<b>TOTAL</b>	<u>101,084</u>	<u>52,701</u>
<b>21 OTHER EXPENSES</b>		
Rent - Premises	9,307	6,232
Repairs and Maintenance		
Plant and Machinery	390	231
Others	3,403	2,348
	<u>171</u>	<u>156</u>
Rates & Taxes	171	156
Insurance	1,985	1,638
Electricity Charges	4,025	2,582
Travelling & Conveyance Expenses	8,565	3,842
Communication & Postage Expenses	5,067	2,229
Bad Debts	52,386	-
Less: Adjusted against debtors provision	52,386	-
	<u>2,963</u>	<u>-</u>
Provision for doubtful debts	2,963	-
Advertisement and Business Promotion Expenses	5,094	1,228
Loss on sale on fixed assets (Net)	882	1,829
Loss on Foreign Exchange Fluctuation (Net)	56	340
Irrecoverable deposits, employees loans and advances written off / provided	14,459	7,387
Directors' Sitting Fees	35	105
Miscellaneous expenses (Refer Note 14 of Schedule 23)	26,316	19,973
<b>TOTAL</b>	<u>82,718</u>	<u>50,120</u>

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT**

	<b>March 31, 2005</b>		<b>(Rs. in thousand) March 31, 2004</b>	
<b>22 INTEREST (Net)</b>				
Interest on Loan				
On Fixed Loans	<b>2,967</b>		1,519	
Others	<b>17,479</b>	<b>20,446</b>	25,140	26,659
Less : Interest Received :		<b>2,844</b>		6,145
On Receivables and Others				
[Tax Deducted at Source Rs 10 ('000)]				
[2004- Rs 212('000)]				
<b>TOTAL</b>		<b>17,602</b>		20,514

**SCHEDULE 23 - NOTES TO THE FINANCIAL STATEMENTS**
**1 Significant Accounting Policies :**
**a Basis of Accounting :**

The financial statements are prepared under the historical cost convention on an accrual basis and comply with the accounting standards issued by the Institute of Chartered Accountants of India referred to in Section 211 (3C) of the Companies Act, 1956.

**b Fixed Assets and Depreciation :**

- (i) Fixed assets are stated at cost of acquisition less accumulated depreciation. The Company capitalises all costs relating to the acquisition and installation of fixed assets, including financing costs.
- (ii) Depreciation is provided based on management estimate of useful lives of the fixed assets, on the straight line method prorata to the period of use or at the rates prescribed in Schedule XIV of the Companies Act, 1956, whichever is higher.
- (iii) Leasehold Improvements are amortised over the period of lease.

**c Investments :**

Investments (all long term) are stated at cost, except where there is a diminution in value other than temporary, in which case requisite provision is made to write down the carrying value to recognise such decline.

Investment acquired under share swap arrangements are recognised at fair value of securities, issued by the company under the swap arrangement.

**d Inventories :**

- (i) Unamortised Cost of programming
  - For television programmes the entire cost of the programme is charged to income when the programmes are first exploited.
  - The Company amortises 75% of the cost of movie rights acquired or produced by it, on first theatrical release of the movie. The said amortisation is made proportionately on Domestic Theatrical Rights, International Theatrical Rights, Television Rights, Music Rights and Video Rights based on Management estimate of revenues from each of these rights. In case of aforesaid rights not exploited alongwith or prior to the first theatrical release, proportionate appropriated cost of the said right is carried forward to be written off as and when such right is commercially exploited or at the end of one year from the date of first theatrical release, whichever occurs earlier. Balance 25% is amortised over the balance license period or based on management estimate of future revenue potential, as the case may be. The inventory, thus, comprises of unamortised cost of such movie rights.
- (ii) Unutilised free commercial airtime (FCT) granted by the producer and/ or broadcaster under Airtime Sales Agreements is stated at lower of cost or net realisable value.
- (iii) Projects in progress are stated at cost. Cost comprises the cost of materials, labour and other expenses.
- (iv) Pilot episodes are stated at cost. Pilots are written off at the end of 3 years from the year of production of respective pilot, in case the same is not developed into a serial.
- (v) Raw Stock and equipment spares are stated at lower of cost and net realisable value.



**Schedule 23 Contd.....**

(vi) Borrowing costs are accounted on accrual basis.

(vii) The cost of funds borrowed specifically for the funding of a specific film is inventorised as part of cost of the film. The cost of funds borrowed generally is determined by applying a weighted average capitalization rate to the amount funded for the said film.

The Company evaluates the realisable value and/or revenue potential of year end inventory on an annual basis and appropriate write down is made in cases where accelerated write down is warranted.

**e Taxation :**

Provision for income tax has been made at the current tax rates based on assessable income or on the basis of Section 115JB of the Income Tax Act, 1961 (Minimum Alternate Tax) whichever is higher.

**f Deferred Taxation :**

Deferred Tax considering the prudence and virtual certainty resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallise as deferred tax charges/benefits in the Profit and Loss Account and as deferred tax asset/liability in the Balance Sheet.

**g Foreign Currency Transactions :**

The transactions in foreign exchange are accounted at the exchange rate prevailing on the date of transaction. Any exchange gains or losses arising out of the subsequent fluctuations of foreign currency assets and liabilities as at the period end reinstatement are accounted for in the Profit and Loss Account, except those relating to acquisition of fixed assets which are adjusted to the cost of assets.

**h Revenue Recognition :**

- Revenues on commissioned television programmes, commercials, in-flight programmes, dubbing and corporate documentary jobs are recognised on delivery. The amount recognised is the predetermined price, the collection of which is reasonably assured.

- Revenues from sale of airtime are recognised in the period during which the spots are aired.

- Revenues from licensing of owned television programmes and movies are recognised in accordance with the licensing agreement or on physical delivery of the programmes/movies, whichever is later.

**i Miscellaneous Expenditure :**

- Share Issue Expenses incurred of Rs. 70,679 ('000) in connection with initial public offering have been adjusted against the share premium arising out of this said initial public offering.

**j Retirement Benefits :**

- The Company has various schemes of retirement benefits such as Gratuity and Provident fund and the company's contributions are charged to the Profit and Loss Account. The gratuity scheme is administered through the Life Insurance Corporation of India (LIC). Annual contributions to the gratuity fund as determined by LIC are charged to the statement of Profit and Loss account. The additional liability arising out of difference between the actuarial valuation and the fund balance with the LIC is accrued at the year end.

- The Company accrues the leave encashment liability on the basis of actuarial valuation on unavailed accumulated leave balances at the year end.

**k 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. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs 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 & Loss Account. If at the Balance Sheet date, there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

**l Provisions and Contingent Liabilities :**

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

**Schedule 23 Contd.....**

	<b>March 31, 2005</b>	<b>(Rs. in thousand) March 31, 2004</b>
<b>2</b> Contingent liabilities not provided for :		
(a) Claims against the Company not acknowledged as debts	<b>34,400</b>	34,400
(b) Sales Tax and Lease Tax	<b>4,550</b>	13,827
(c) Appeals filed in respect of disputed demands : Income Tax	<b>36,668</b>	29,635
(d) Bank guarantees/corporate guarantees/outstanding letter of credit for which the Company has given counter guarantees	<b>198,352</b>	39,038
(e) Bank Guarantee against EPCG Commitment	<b>9,914</b>	8,863
(f) Legal cases and claims filed against the Company	<b>36,752</b>	282

**3** The Company has discontinued its erstwhile ESOP Scheme. As on 31st March 2004, the Company had 109270, options outstanding under the scheme, each option carrying the right to acquire two equity shares of the Company. Subsequent to the termination of the ESOP scheme, the Company has allotted 800000 Equity Shares of Rs.5/- each to an Employee Welfare Trust formed for the benefit of the employees of the Company.

**4** During the year, Rs.58000 ('000) and Rs.4900 ('000) have been adjusted from advance against share capital to shares allotted in United Entertainment Solutions Private Limited and United Home Entertainment Private Limited respectively. The company has invested additional Rs. 195100 ('000s) towards Optionally Convertible Preference shares of United Home Entertainment Private Limited pursuant to Shareholders Agreement dated December 2, 2004 between the company, Mr. R. S. Screwvala and United Home Entertainment Private Limited.

**5** The Company has divested the entire stake in Vijay Television Private Limited to Star India Private Limited for an amount of Rs 315000 ('000s), thereby making a profit on sale of investment for Rs 22878 ('000s).

**6** During the year, the company concluded its Initial Public offering through which 45,00,000 equity shares of Rs. 10/- each were issued by the company at a premium of Rs. 120/- per share. The uses of IPO proceeds as at March 31, 2005 are as under:

<u>Purpose</u>	<b>Uses of Funds as projected in the prospectus (Rs. in Thousands)</b>	<b>Actual funds used as at March 31, 2005 (Rs. in Thousands)</b>
1 Capital expenditure for enhancement of production facility/Office infrastructure to replace the existing leased facilities premises, interior and setup	100,000	
2 Editing and other equipment for captive use of UTV content production	20,000	
3 Providing interest free loan to subsidiary United Entertainment Solutions Pvt. Ltd for investment in post production expansion	60,000	
4 Investment in United Home Entertainment Pvt. Ltd in form of Equity and Preference capital for funding 'Hungama TV'	85,200	85,200
5 Working capital for Movie production / distribution initiatives	300,000	29,500
6 IPO Expenses	59,800	21,000
	<u>625,000</u>	<u>135,700</u>

Pending utilisation, the balance funds are used as at March 31, 2005 to reduce secured loans, and investment in liquid money market mutual funds and fixed deposits.

**7 Deferred Tax**

During the current year, the Company has accounted for deferred tax liability of Rs 21,374 ('000) for the year in the Profit & Loss Account in accordance with Accounting Standard 22- "Accounting for Taxes on Income " issued by The Council of Institute of Chartered Accountants of India. The management is of the opinion that there will be sufficient future income against which the cumulative deferred tax asset will be fully realised.

**Deferred Tax Liability**

Depreciation	<b>7,233</b>	7,225
Inventories	<b>79,325</b>	28,191
	<b>86,558</b>	35,416

**Deferred Tax Asset**

Provision for Doubtful debts	<b>1,123</b>	18,831
Provision for Loans and advances	<b>7,008</b>	2,432

## Schedule 23 Contd.....

		(Rs. in thousand)	
		March 31, 2005	March 31, 2004
Unabsorbed Losses & Depreciation		55,532	17,407
Provision for Gratuity		540	1,248
Provision for Leave Encashment		981	897
MAT credit		-	4,651
Other		-	114
		65,184	45,580
<b>Net Deferred Tax Asset / (Liability)</b>		<b>(21,374)</b>	<b>10,164</b>
<b>8</b>	Debtors include amounts due from bodies corporate under the same management: (All amounts in thousands of Indian Rupees)		
		Maximum amount O/s during the year	As at March 31, 2005
			As at March 31, 2004
	<b>Due from Subsidiaries :</b>		
	Antah-UTV Multi-Media & Communications Sdn. Bhd	432	432
	UTV Communications (USA) LLC	3,632	-
	<b>Due from Associate Companies :</b>		
	United Home Entertainment Private Limited	77,005	76,945
	Vijay Television Pvt. Ltd. (ceased w.e.f August 4, 2004)	6,900	897
	<b>Total</b>	<b>78,274</b>	<b>6,783</b>
<b>9</b>	a) The company has not granted any loans to subsidiaries and associates during the year.		
	Advances/ Other Receivables from subsidiary / associate companies are as follows : (All amounts in thousands of Indian Rupees)		
		Maximum amount O/s during the year	As at March 31, 2005
			As at March 31, 2004
	<b>Associate/Subsidiary Companies</b>		
	United Entertainment Solutions Private Limited	204,613	198,704
	Television News & Entertainment (India) Limited.	11,543	6,543
	Unilazer Export & Management Consultants Private Limited.	3,160	-
	United Bristlers & Brushes Private Limited.	2,329	6
	United Home Entertainment Private Limited	22,399	22,399
	UTV Communications (USA) LLC	24,359	23,009
	UTV Communications (UK) LTD	5,081	5,081
	<b>Total</b>	<b>255,742</b>	<b>188,369</b>
	b) Advances from/ Other Payables to subsidiary / associate companies are as follows : (All amounts in thousands of Indian Rupees)		
		Maximum amount O/s during the year	As at March 31, 2005
			As at March 31, 2004
	<b>Associate/Subsidiary Companies</b>		
	Unilazer Export & Management Consultants Private Limited.	28,000	-
	Vijay Television Private Limited	75	75
	United Tele-Shopping & Marketing Ltd	62	62
	<b>Total</b>	<b>137</b>	<b>28,137</b>

**Schedule 23 Contd.....**

- c) Advances recoverable in cash or kind include interest - free advances of Rs. 27,851 (Rs. '000) due from M/s Western Outdoor Media Technologies Limited (WOMTL) whose Studio Division was acquired by the Company during the year 2002-2003 through a process of demerger sanctioned by the Order of the Hon'ble Bombay High Court dated June 27, 2003. The said outstanding is considered good and recoverable by the management, from the continuing business operations of WOMTL.

(Rs. in thousand)  
March 31, 2004

	March 31, 2005	March 31, 2004
<b>10 Remuneration to Directors :</b>		
(i) Managerial Remuneration :		
(a) Salaries	12,710	5,069
(b) Perquisites	1,775	1,144
(c) Commission	80	135
<b>Total</b>	<b>14,565</b>	<b>6,348</b>
(ii) Calculation of net profit under Section 198/349 of the Companies Act, 1956:		
Profit before tax	203,890	89,417
<b>Add :</b>		
Managerial remuneration	14,565	6,348
In accordance with Section III of Schedule XIII of the Companies Act, 1956, remuneration drawn by a director from another company is also to be added for the purpose of ascertaining the overall limits.		
Managerial remuneration drawn by Mr. Rohinton S Screwvala and Mr. Ronald D'mello from United Entertainment Solutions Private Limited [Salaries Rs.Nil (Previous Year Rs.3,264 ('000)) & Perquisites Rs.Nil (Previous Year Rs.475 ('000))]	-	3,739
Provision for doubtful debts	2,963	-
Provision for Irrecoverable Deposit, employee loans & advances	14,459	-
Loss on sale of fixed assets (net)	882	1,829
<b>Less:</b>		
Profit on sale of investments	22,878	-
Capital Gain	18	0
Debts written off against provision	52,386	0
<b>Net Profit under Section 198/349 of the Companies Act, 1956</b>	<b>161,477</b>	<b>101,333</b>
<b>Remuneration Payable to Managing Director / Whole-time Directors :</b>		
At 10% of Net Profit Restricted to Rs. 16147 ('000)	14,565	10,087
<b>11</b> Value of imports calculated on CIF basis :		
Capital equipment	-	501
<b>12</b> Expenditure in foreign currency on account of		
(a) Travelling	1,957	1,166
(b) Footage Costs	3,832	1,331
(c) Professional Fees	57	1,802
(d) Others	1,016	850
<b>13</b> Earning in foreign exchange on account of		
(a) Exports Calculated on FOB basis	99,470	16,644
(b) Royalty	957	2,033
<b>14</b> Miscellaneous Expenses include :		
Auditors' remuneration in respect of :		
(a) Audit Fees	1,200	1,400
(b) Reimbursement of Out of Pocket Expenses	27	19
(c) Other services	171	-

Further, auditors have been paid Rs.3510 (Rs. in '000) as remuneration for Public Issue and the same has been debited to share premium account.

- 15 Related Party Disclosures as required by Accounting Standard AS 18" Related Parties Disclosures" issued by the Institute of Chartered Accountants of India are given below :

**Parties where control exists**

United Entertainment Solutions Private Limited	Subsidiary Company
Unilazer Exports & Management Consultants Limited	Shareholders in the Company
Unilazer Hongkong Limited	Shareholders in the Company
United Tele-Shopping & Marketing Limited	Shareholders in the Company
United Bristlers and Brushes Private Limited (ceased w.e.f December 22,2004)	Common Control
Lazer Brushes Private Limited (ceased w.e.f December 22,2004)	Common Control
Unitas Creative Television Limited	Common Control
Television News and Entertainment (I) Limited	Common Control
Trish Credit Private Limited (ceased w.e.f December 22, 2004)	Common Control
Trish Brushes Private Limited (ceased w.e.f December 22, 2004)	Common Control
Samsher Traders Private Limited (ceased w.e.f December 22, 2004)	Common Control
Vijay Broadcasting Private Limited	Common Control
United Home Entertainment Private Limited	Common Control

**Other Related Parties :**

Subsidiaries :

UTV International Holdings Limited - (BVI)	Wholly owned Subsidiary
UTV Communications (USA) LLC	Wholly owned Subsidiary
UTV Communications (UK) LTD	Wholly owned Subsidiary
UTV Communications (Mauritius) LTD	Wholly owned Subsidiary

Fellow Subsidiary :

Antah-UTV Multi-Media & Communications Sdn. Bhd	Associate
Vijay Television Pvt. Limited (upto August 4, 2004)	

**Key Management Personnel :**

**Whole-time Directors**

Rohinton Screwvala	CEO
Deven Khote	Creative Director
Zarina Mehta (upto November 23, 2004)	Creative Director
Ronald D'mello	Director Operations & Finance

**Non-Executive Directors**

Suketu Shah
Darius Shroff
Ketan Dalal
Sanjaya Kulkarni
Rahul Shah
Frederic Beauvais

**Schedule 23 Contd.....**
**(Rs. in Thousands)**

Transactions with Related Parties :	Subsidiaries		Associates		Management Personnel	
	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2004
<b>Sale of goods</b>						
- Vijay Television Pvt. Ltd.	-	-	7,481	27,175	-	-
- UTV Communications (USA) LLC	6,960	-	-	-	-	-
- United Home Entertainment Private Limited	-	-	141,975	-	-	-
<b>Purchase of Fixed Assets / Inventory</b>						
- United Entertainment Solutions Private Limited	-	41	-	-	-	-
- United Home Entertainment Private Limited	-	-	-	897	-	-
<b>Sale of Fixed Assets /Inventory</b>						
- United Entertainment Solutions Private Limited	9,425	7,224	-	-	-	-
- United Home Entertainment Private Limited	-	-	3,725	-	-	-
<b>Rendering of services</b>						
- United Home Entertainment Private Limited	-	-	-	6,177	-	-
- Others	-	-	-	603	-	-
<b>Receiving of services</b>						
- United Entertainment Solutions Private Limited	15,491	12,945	-	-	-	-
<b>Other Receipt</b>						
- United Entertainment Solutions Private Limited	-	-	95	-	-	-
<b>Finance (including loans &amp; Equity contributions in cash or in kind)</b>						
- Financed to United Home Entertainment Private Limited	-	-	4,900	-	-	-
- Advance to United Home Entertainment Private Limited	-	-	195,100	-	-	-
- UTV Communications (UK) Ltd	849	-	-	-	-	-
- UTV Communications (USA) LLC	2,271	-	-	-	-	-
- UTV Communications (Mauritius) Ltd	455	-	-	-	-	-
<b>Remuneration</b>						
- Rohinton Screwvala	-	-	-	-	7,211	1,600
- Zarina Mehta	-	-	-	-	1,553	1,308
- Ronald D'mello	-	-	-	-	4,329	1,912
- Deven Khote	-	-	-	-	1,392	1,528
<b>Guarantees and Collaterals</b>						
- Antah- UTV Multi- Media & Communications Sdn. Bhd.	17,391	27,802	-	-	-	-
- United Entertainment Solutions Private Limited	9,614	-	-	-	-	-
- United Home Entertainment Private Limited	-	-	100,000	-	-	-
<b>Expenses Charged to</b>						
- United Entertainment Solutions Private Limited	18,785	48,032	-	-	-	-
- United Bristlers & Brushes Private Limited	-	-	521	212	-	-
- United Home Entertainment Private Limited	-	-	12,926	180	-	-
- UTV Communications (USA) LLC	24,130	-	-	-	-	-
- UTV Communications (UK) Ltd	5,081	-	-	-	-	-
- Others	-	-	-	-	-	-
<b>Expenses Charged by</b>						
- United Entertainment Solutions Private Limited	5,290	10,156	-	-	-	-
- UTV Communications (USA) LLC	362	-	-	-	-	-
- United Home Entertainment Private Limited	-	-	1,368	-	-	-
- Others	-	-	383	-	-	-

## Schedule 23 Contd.....

(Rs. in Thousands)

Transactions with Related Parties : (Contd.)	Subsidiaries		Associates		Management Personnel	
	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2004
<b>Loans/Advances Taken</b>						
- United Entertainment Solutions Private Limited	58,011	9,247	-	-	-	-
- Unilazer Exports & Management Consultants Limited	-	-	40,500	32,400	-	-
- UTV Communications (USA) LLC	928	-	-	-	-	-
- Television News & Entertainment India Limited	-	-	17,500	30,000	-	-
- United Home Entertainment Private Limited	-	-	15,000	-	-	-
- Others	-	-	2,273	1,486	-	-
<b>Advances Given</b>						
- United Entertainment Solutions Private Limited	45,619	123,018	-	-	-	-
- Television News & Entertainment India Limited	-	-	12,500	30,000	-	-
- UTV Communications (USA) LLC	169	-	-	-	-	-
- Unilazer Exports & Management Consultants Limited	-	-	67,500	1,000	-	-
- United Home Entertainment Private Limited	-	-	189,237	2,000	-	-
<b>Collections by</b>						
- United Entertainment Solutions Private Limited	3,708	2,308	-	-	-	-
- Unilazer Exports & Management Consultants Limited	2,160	-	-	-	-	-
- United Home Entertainment Private Limited	-	-	9,907	-	-	-
<b>Payments to creditors</b>						
- United Entertainment Solutions Private Limited	-	10,631	-	-	-	-
<b>Payments for services</b>						
- United Entertainment Solutions Private Limited	26,217	-	-	-	-	-
<b>Collections against services rendered/sale of goods</b>						
- Vijay Television Pvt. Ltd.	-	-	13,210	-	-	-
- UTV Communications (USA) LLC	6,960	-	-	-	-	-
- United Home Entertainment Private Limited	-	-	49,730	-	-	-
<b>Other Assets</b>						
- United Entertainment Solutions Private Limited	-	74,922	-	-	-	-
<b>Other Liabilities</b>						
- United Entertainment Solutions Private Limited	-	49,634	-	-	-	-
- Unilazer Exports & Management Consultants Limited	-	-	-	495	-	-
<b>Outstanding Balance</b>						
<b>- Payable</b>						
- Unilazer Exports & Management Consultants Limited	-	-	-	24,840	-	-
- Others	-	-	137	137	-	-
<b>- Receivable</b>						
- United Entertainment Solutions Private Limited	198,704	171,525	-	-	-	-
- Television News & Entertainment India Limited	-	-	6,543	11,543	-	-
- Vijay Television Pvt. Ltd.	-	-	897	6,625	-	-
- United Home Entertainment Private Limited	-	-	99,344	7,767	-	-
- UTV Communications (USA) LLC	23,009	-	-	-	-	-
- UTV Communications (UK) Ltd	5,081	-	-	-	-	-
- Others	432	590	6	2,142	-	-

**Schedule 23 Contd.....**

**16** The Company is engaged in the production/making of media software, which requires various types, qualities and quantities of raw materials and inputs in different denominations. Due to the multiplicity and complexity of items, it is not practicable to maintain the quantitative record/continuous stock register, as the process of making program software is not amenable to it. Hence quantitative details are not maintained by the company as is the practice generally followed by companies in the Industry. Physical stock is taken at the end of the year.

	<b>As at March 31, 2005</b>	As at March 31, 2004
<b>a</b> Licensed Capacity	N.A.	N.A.
<b>b</b> Installed Capacity	N.A.	N.A.
<b>c</b> Actual Production	N.A.	N.A.

**17** The names of the small scale industrial undertakings to whom the Company owes a sum which is outstanding for more than 30 days are not known since the requisite information is not available with the Company.

**18** The Company's significant leasing arrangements are mainly in respect of residential / office premises. The aggregate lease rentals payable on these leasing arrangements are charged as rent under "Other Expenses" in Schedule 21.

These leasing arrangements are for a period not exceeding 5 years and are in most cases renewable by mutual consent, on mutually agreeable terms. The Company has placed a refundable deposit of Rs. 18049 ('000) [Previous Year Rs.18461 ('000)] in respect of these leasing arrangements.

**19** The earning considered in ascertaining the Company's earnings per share comprise the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earning per share, and also the weighted average number of shares, if any, which would have been issued on the conversion of all dilutive potential equity shares. The number of shares and potentially dilutive equity shares are adjusted for consolidation of shares.

	<b>Year ended March 31, 2005</b>	Year ended March 31, 2004
Profit after tax (Rs. In '000)	<b>155,881</b>	73,140
Weighted average number of shares for basic earnings per share (nos.)		
- Equity Shares of Rs. 10/- each fully paid up	<b>15,184,566</b>	14,557,868
Dilutive potential of		
- Deemed exercise of options lapsed (nos.)	-	43,732
Weighted average number of shares for diluted earnings per share (nos.)		
- Equity Shares of Rs. 10/- each fully paid up	<b>15,184,566</b>	14,579,734
<b>Earning Per share (Rs)</b>		
Basic	<b>10.27</b>	5.02
Diluted	<b>10.27</b>	5.02

**20** Assets and liabilities as on March 31, 2005 & 2004 and Income and Expenses for the year ended March 31, 2005 & 2004 related to the interest of the company in its Jointly Controlled Entity, United Home Entertainment Private Limited are:

**Particulars**
**Assets**

Net Fixed Assets	<b>5,920</b>	410
Deferred Tax Assets	<b>35,581</b>	-
Inventories	<b>54,496</b>	-
Sundry Debtors	<b>3,929</b>	-
Cash & Bank Balances	<b>247</b>	49
Loans and Advances	<b>19,450</b>	361
Miscellaneous Expenditure (to the extent not written off or adjusted)	-	3,465

**Liabilities**

Secured Loans	<b>83,825</b>	-
Unsecured Loans	-	-
Deferred Tax Liability	<b>35,581</b>	-
Current Liabilities	<b>54,214</b>	394
Provisions	<b>358</b>	35

**Income**

Net Sales	<b>10,399</b>	-
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**Expenses**

Direct Cost	<b>33,858</b>	-
Staff Cost	<b>14,060</b>	-
Other expenses	<b>88,247</b>	-
Interest (Net)	<b>2,576</b>	-
Depreciation	<b>7,399</b>	-



**Schedule 23 Contd.....**

The Joint Venture is in the business of broadcasting 24 hour kids channel Hungama TV. The Management does not believe that there is any permanent diminution in the value of Company's Investment in the Joint Venture as the Kids broadcasting segment is expected to grow in the years to come. Accordingly the company has not made any provision for diminution of investments in these financial statements.

- 21 The business segment has been considered as the primary segment. The Company is organised into three main business segments namely 'TV Content', 'Movies', & 'Allied Services'.

The above business segments have been identified considering the different nature of activities carried on by these business divisions. Segment revenue, results, assets and liabilities have been accounted for on the basis of their relationship to the related business activities of the segment and amounts allocated on a reasonable basis to the business segment. The company has consolidated Television content, airtime sales, dubbing and advertisement film production into "Television" segment.

(Rs. in Thousands)

Particulars	TELEVISION		MOVIES		ALLIED CONTENT SERVICES		Total	
	March 31, 2005	March 31, 2004	March 31, 2005	March 31, 2004	March 31, 2005	March 31, 2004	March 31, 2005	March 31, 2004
<b>REVENUE</b>								
External Revenue	899,063	707,623	635,073	269,157	986	745	1,535,122	977,525
<b>RESULT</b>								
Segment Result	128,110	112,653	143,809	47,166	(1,140)	128	270,779	159,947
<b>Less :</b>								
Interest							(17,602)	(20,514)
Unallocable Other Expenditure							(74,317)	(59,472)
<b>Add :</b>								
Unallocable Other Income							25,030	9,456
<b>Profit Before Taxation</b>							203,890	89,417
<b>OTHER INFORMATION</b>								
Segment Assets	332,398	234,730	524,941	318,732	-	409	857,339	553,871
Unallocable Assets							1,034,753	758,691
<b>Total Assets 332,398</b>	234,730	524,941	318,732	-	409	1,892,092	1,312,562	
Segment Liabilities	80,828	96,426	145,201	224,745	753	5,272	226,783	326,443
Unallocable Liabilities							399,158	406,170
<b>Total Liabilities</b>	80,828	96,426	145,201	224,745	753	5,272	625,941	732,613
<b>Depreciation</b>								
Segment Depreciation	-	-	-	-	-	-	-	-
Unallocable Depreciation	-	-	-	-	-	-	17,748	13,959
<b>Total Depreciation</b>	-	-	-	-	-	-	17,748	13,959
<b>Non Cash Expenses other than Depreciation</b>								
Segment Non Cash Expenditure	11,112	10,936	24,178	6,682	-	-	35,290	17,618
Unallocable Non Cash Expenditure	-	-	-	-	-	-	-	-
<b>Total Non Cash Expenses other than Depreciation</b>	11,112	10,936	24,178	6,682	-	-	35,290	17,618
<b>GEOGRAPHICAL SEGMENT</b>								
<b>Revenue</b>								
India	849,938	689,298	584,727	207,962	29	31	1,434,695	897,291
Outside India	49,125	18,325	50,346	61,195	957	714	100,428	80,234
	899,063	707,623	635,073	269,157	986	745	1,535,122	977,525
<b>Assets</b>								
<b>India</b>								
Segment Assets	332,398	234,730	524,941	318,732	-	409	857,339	553,871
Unallocable Assets							1,034,753	758,691
	332,398	234,730	524,941	318,732	-	409	1,892,092	1,312,562
<b>Outside India</b>								
	-	-	-	-	-	-	-	-

- 22 In accordance with the Company's accounting policy, 'Films under production' include Rs.3355 (Rs. in '000) as interest capitalised on movie projects under production.

- 23 The previous year's figures have been re-grouped, wherever necessary.

**Signature to Schedules 1 to 23****Partha Ghosh**

Partner  
Membership No : F-055913  
For and on behalf of

**Price Waterhouse & Co.**

Chartered Accountants

Place : Mumbai

Date : June 30, 2005

For and on behalf of the Board

**Ronald D'mello**

Director, Operations & Finance

**Rohinton Screwvala**

Chairman & Managing Director

**Mohd. Sajid Ali**

Company Secretary

Place : Mumbai

Date : June 30, 2005

**Ketan Dalal**

Director

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

<b>(a) Registration detail</b>	
Registration no.	56987
State Code	11
Balance sheet date	March 31, 2005
<b>(b) Capital Raised during the year (Amount in '000)</b>	
Public issue	585,000
Right issue	Nil
Bonus issue	Nil
Private Placement	Nil
Shares issued to UTV Employess Welfare Trust	16,000
<b>(c) Position of mobilisation and deployment of finds (Amount in '000)</b>	
Total Liabilities	625,941
Total Assets	1,892,092
<b>SOURCES OF FUNDS</b>	
Share Capital	194,936
Reserve & Surplus	1,071,215
Secured Loans	159,582
Unsecured Loans	10,000
Deferred Tax Liability (Net)	21,374
<b>TOTAL</b>	<b>1,457,107</b>
<b>APPLICATION OF FUNDS</b>	
Net Fixed Assets and Capital WIP	83,575
Investments	234,278
Net Current Assets	1,139,254
Accumulated Losses	Nil
<b>TOTAL</b>	<b>1,457,107</b>
<b>(d) Performance of the company (Amount in '000)</b>	
Sales and Services	1,535,122
Other Income	25,030
Total Expenditure	1,356,262
Profit before tax	203,890
Profit after tax	155,881
Earning Per Share in (Rs.)	10.27
Dividend Payout %	Nil
<b>(e) Generic names of three principle products/services of the company</b>	
Item code no.	NA
Product	NA
Description	NA

For and on behalf of the Board

**Partha Ghosh**  
Partner  
Membership No : F-055913  
For and on behalf of

**Ronald D'mello**  
Director, Operations & Finance

**Rohinton Screwvala**  
Chairman & Managing Director

**Price Waterhouse & Co.**  
Chartered Accountants

**Mohd. Sajid Ali**  
Company Secretary

**Ketan Dalal**  
Director

**Place** : Mumbai  
**Date** : June 30, 2005

**Place** : Mumbai  
**Date** : June 30, 2005

**AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF UTV SOFTWARE COMMUNICATIONS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF UTV SOFTWARE COMMUNICATIONS LIMITED AND ITS SUBSIDIARIES.**

1. We have audited (refer para 4(a) and 4(b)) the attached consolidated Balance Sheet of UTV Software Communications Limited and its subsidiaries (the Group) as at March 31, 2005, and also the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the UTV Software Communications Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The financial statements of the Group for the year ended March 31, 2004 were audited by other independent accountants. Balance as on April 1, 2004 have been considered as opening balances for the purpose of these accounts.
4. (a) We did not audit the financial statements of subsidiaries, UTV International Holdings Ltd, UTV Communications (UK) Ltd, UTV Communications (Mauritius) Ltd and UTV Communications (USA) LLC whose financial statements reflect the Group's share of total assets of Rs.2745.91 lakhs as at March 31, 2005 and the Group's share of total revenues of Rs.1561.57 lakhs and net cash inflows amounting to Rs 333.90 lakhs for the year ended on that date as considered in the consolidated financial statements. These financial statements and other information of the subsidiaries have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of other auditors.
  - (b) For reasons stated in Note B 1 of Schedule 23 - the consolidated financial statements do not include the proportionate interest of UTV Software Communications Limited in Joint Venture, United Home Entertainment Private Limited as per AS 27 - Financial Reporting of Interests in Joint Venture" as the joint venture operates under severe long term restrictions that significantly impair the joint venture ability to transfer funds to the joint venture partners.
5. We report that the consolidated financial statements have been prepared by the UTV Software Communications Limited's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements and Accounting Standard 27, Financial Reporting of Joint Ventures (Refer Para 4(b) above) issued by the Institute of Chartered Accountants of India.
6. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of the consolidated Balance Sheet, of the state of affairs of UTV Software Communications Limited Group as at March 31,2005;
  - b) in the case of the consolidated Profit and Loss Account, of the profit of UTV Software Communications Limited Group for the year ended on that date; and
  - c) in the case of the consolidated Cash Flow Statement, of the cash flows of UTV Software Communications Limited Group for the year ended on that date.

Mumbai,  
June 30, 2005

**Partha Ghosh**  
Partner  
Membership No. F-55913  
For and on behalf of  
Price Waterhouse & Co.  
Chartered Accountants

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2005**

	Schedule No.	As at March 31, 2005 (Rs. in Thousands)		As at March 31, 2004 (Rs. in Thousands)	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	194,936		145,936	
Shares to be issued	1a	-		-	
Reserves and surplus	2	1,173,666	1,368,602	531,037	676,973
<b>Minority Interest</b>			27,370		27,319
<b>Loan Funds</b>					
Secured Loans	3	174,412		311,510	
Unsecured Loans	4	10,000	184,412	40,245	351,755
<b>Deferred Tax Liability</b>	5	104,164		-	
<b>Less: Deferred Tax Asset</b>	8	96,272	7,892	-	-
<b>TOTAL</b>			<b>1,588,276</b>		<b>1,056,047</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	6	518,897		471,447	
Less : Accumulated Depreciation		223,055		171,773	
Net Block		295,842		299,674	
Capital Work In Progress		-	295,842	-	299,674
<b>Investments</b>	7		165,415		292,433
<b>Deferred Tax Asset</b>	8	-		71,779	
<b>Less: Deferred Tax Liability</b>	5	-	-	46,154	25,625
<b>Current Assets, Loans and Advances</b>					
Inventories	9	472,524		348,172	
Sundry Debtors	10	571,916		367,328	
Cash and Bank Balances	11	132,623		6,511	
Other Current Assets	12	1,693		-	
Loans and Advances	13	392,933		144,345	
		1,571,689		866,356	
<b>Less : Current Liabilities and Provisions</b>					
Current liabilities	14	439,907		422,770	
Provisions	15	4,763		6,958	
		444,670		429,728	
<b>Net Current Assets</b>			1,127,019		436,628
<b>Miscellaneous Expenditure</b>	16				1,687
(To the extent not written off or adjusted)					
<b>TOTAL</b>			<b>1,588,276</b>		<b>1,056,047</b>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	23				

Schedules referred to above and notes attached thereto form an integral part of the Balance Sheet.

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

For and on behalf of the Board

**Partha Ghosh**

Partner

Membership No : F-055913

For and on behalf of

**Price Waterhouse & Co.**

Chartered Accountants

Place : Mumbai

Date : June 30, 2005

**Ronald D'mello**

Director, Operations & Finance

**Mohd. Sajid Ali**

Company Secretary

Place : Mumbai

Date : June 30, 2005

**Rohinton Screwvala**

Chairman & Managing Director

**Ketan Dalal**

Director

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31 2005**

	Schedule No.	Year Ended March 31 2005 (Rs. in Thousands)		Year Ended March 31, 2004 (Rs. in Thousands)	
<b>INCOME</b>					
Sales and Services	17	1,767,919		1,124,647	
Other Income	18	36,278	1,804,197	15,190	1,139,837
<b>EXPENDITURE</b>					
Direct Cost	19	1,264,766		793,831	
Staff Cost	20	128,252		115,664	
Other Expenses	21	126,694	1,519,712	96,820	1,006,315
<b>PROFIT BEFORE INTEREST, DEPRECIATION AND TAX</b>			284,485		133,522
Less : Interest (net)	22		18,253		42,454
<b>PROFIT BEFORE DEPRECIATION AND TAX</b>			266,232		91,068
Less : Depreciation (net)			52,778		43,517
<b>PROFIT BEFORE TAX</b>			213,454		47,551
Less : Provision for Taxation					
- Current		16,795		7,182	
[Includes Wealth Tax Rs. 42 ('000), (Previous Year Rs 308('000)]				-	
- Prior Years		441		4,541	
- Deferred		33,518	50,754	(10,899)	824
<b>PROFIT FOR THE YEAR BEFORE MINORITY INTEREST</b>			162,700		46,727
Minority Interest			260		174
<b>PROFIT AFTER MINORITY INTEREST</b>			162,440		46,553
Balance Profit brought forward			214,206		167,653
<b>NET PROFIT AVAILABLE FOR APPROPRIATION</b>			376,646		214,206
<b>BALANCE CARRIED TO BALANCE SHEET</b>			376,646		214,206
<b>Earnings Per Share of Rs.10 each (Refer Note C 10 (a) of Schedule 23)</b>					
Basic			10.70		3.20
Diluted			10.70		3.19
<b>NOTES TO THE FINANCIAL STATEMENTS</b>		23			
Schedules referred to above and notes attached thereto form an integral part of the Profit and Loss Account					

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

For and on behalf of the Board

**Partha Ghosh**

Partner

Membership No : F-055913

For and on behalf of

**Ronald D'mello**

Director, Operations & Finance

**Rohinton Screwvala**

Chairman & Managing Director

**Price Waterhouse & Co.**

Chartered Accountants

Place : Mumbai

Date : June 30, 2005

**Mohd. Sajid Ali**

Company Secretary

Place : Mumbai

Date : June 30, 2005

**Ketan Dalal**

Director

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005**

	March 31, 2005	(Rs. in thousand) March 31, 2004
<b>A. Cash flow from operating activities:</b>		
Net Profit before Tax	213,454	47,551
<u>Adjustments for:</u>		
Depreciation	52,778	43,517
Interest Expense	21,156	48,599
Interest Income	(2,903)	(6,145)
Loss on sale of Fixed Assets (Net)	1,991	2,226
Loss / (Profit) on sale of Investments	(22,878)	-
Amortisation of Television and Animation Programmes	11,112	10,936
Irrecoverable Deposits, Employee Loans and Advances written off/ provided	14,964	7,504
Bad & Doubtful Debts written off	10,617	2,872
Provision no longer required written back	(7,089)	(6,562)
Provision for Gratuity & Leave Encashment	(2,214)	(269)
Amortisation of movie copyrights	24,178	6,682
Other Provision	19	191
Any other item (Misc Expenditures)	1,687	-
<b>Operating profit before working capital changes</b>	<b>316,872</b>	<b>157,102</b>
<b>Adjustments for changes in working capital :</b>		
- (INCREASE)/DECREASE in Sundry Debtors	(215,205)	49,989
- (INCREASE)/DECREASE in Other Receivables	(259,764)	(28,771)
- (INCREASE)/DECREASE in Inventories	(156,287)	(45,900)
- INCREASE/(DECREASE) in Trade and Other Payables	(24,272)	221,359
<b>Cash generated from operations</b>	<b>(338,656)</b>	<b>353,779</b>
- Taxes (Paid) / Received (Net of Tax Deducted at source)	(22,716)	(20,371)
<b>Net cash from operating activities (A)</b>	<b>(361,372)</b>	<b>333,408</b>
<b>B. Cash flow from Investing activities:</b>		
Purchase of Fixed Assets		
Additions during the year	(52,283)	(241,596)
Proceeds from Sale of Fixed Assets	1,346	4,955
Proceeds from Sale of Investments	314,804	-
Purchase / (Sale) of Investments	(164,908)	7,389
Interest Received (Revenue)	2,903	6,371
<b>Net cash used in investing activities (B)</b>	<b>101,862</b>	<b>(222,881)</b>
<b>C. Cash flow from financing activities:</b>		
Proceeds form fresh issue of Share Capital (including Share Premium )	601,000	-
Payment for IPO expenses	(21,000)	-
Proceeds from Long Term Borrowings		
RECEIPTS	(33,337)	156,998
PAYMENTS	513	(36)
Proceeds from short term borrowings		
RECEIPTS	-	28,250
PAYMENTS	(30,752)	(237,837)
Proceeds from Cash Credits (NET)	(103,768)	(16,659)
Interest Paid	(22,337)	(52,335)
Interest Paid - Capitalised	(3,355)	(21,298)
<b>Net cash used in financing activities ( C )</b>	<b>386,964</b>	<b>(142,917)</b>

### CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005

	March 31, 2005	(Rs. in thousand) March 31, 2004
<i>Cash Flow (Contd....)</i>		
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A) + (B) + (C)</b>	<b>127,454</b>	(32,390)
<b>Cash and Cash Equivalents as at 31.03.2004</b>	<b>6,511</b>	63,812
Consolidation Adjustment	(1,342)	(12,827)
Cash transferred to UESPL	-	(12,084)
<b>Cash and cash equivalents as at 31.03.2005</b>	<b>132,623</b>	6,511
<b>Cash and Cash Equivalents Comprise</b>		
Cash, Cheques & Drafts (in hand) and Remittances in transit	10,759	1,170
Balance with Scheduled Banks	121,864	5,341
	<b>132,623</b>	6,511
<b>Notes :</b>		
1 The above Cash flow statement has been prepared under the indirect method set out in AS-3 issued by the Institute of Chartered Accountants of India.		
2 Figures in brackets indicate cash outgo.		
3 Previous years figures have been regrouped wherever necessary.		

This is the Cash Flow Statement referred to in our report of even date.

For and on behalf of the Board

**Partha Ghosh**

Partner

Membership No : F-055913

For and on behalf of

**Ronald D'mello**

Director, Operations & Finance

**Rohinton Screwvala**

Chairman & Managing Director

**Price Waterhouse & Co.**

Chartered Accountants

**Mohd. Sajid Ali**

Company Secretary

**Ketan Dalal**

Director

**Place** : Mumbai

**Place** : Mumbai

**Date** : June 30, 2005

**Date** : June 30, 2005

### SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

	Notes			
<b>1 SHARE CAPITAL</b>				
<b>AUTHORISED</b>				
21,000,000 Equity Shares of Rs.10/- each	1	<b>210,000</b>		210,000
(Previous Year 42,000,000 Equity Shares of Rs.5/- each)				
<b>ISSUED AND SUBSCRIBED</b>				
19,493,608 Equity Shares of Rs. 10/- each	2 & 3	<b>194,936</b>		145,936
(Previous Year 29,187,208 Equity Shares of Rs.5/- each)				
<b>TOTAL</b>		<b>194,936</b>		145,936
<b>1a SHARES TO BE ISSUED</b>				
As per last Balance Sheet		-		915
Less : Issued during the year		-		(915)
<b>TOTAL</b>		-		-

**Notes:**

- The company consolidated par value of its shares to Rs. 10/- per share pursuant to shareholders approval in the Extraordinary General Meeting held on July 8, 2004
- During the year 8,00,000 Equity Shares of Rs.5/- each were issued to the UTV Employees Welfare Trust at a premium of Rs.15/- per share, which were subsequently consolidated into 4,00,000 Equity Shares of Rs.10/- each.
- The company carried out Initial Public offering of its equity during the year and issued 45,00,000 fresh equity shares of Rs. 10/- each at a premium of Rs. 120/- each.
- Out of the issued and subscribed Share Capital, 67,05,882 Equity Shares of Rs.10/- each were issued without consideration in cash as Bonus Shares by capitalization of Share Premium in the F.Y. 1995-96 to the then existing Shareholders of the Company, 46,64,824 Equity Shares of Rs.5/- each (23,32,412 Equity Shares of Rs.10/- each) were issued without consideration in cash to various shareholders under a share swap arrangement in the F.Y. 2000-01 as part of consolidation exercise carried out in the said year and 182,932 Equity Shares of Rs.5/- each (91,466 Equity Shares of Rs.10/- each) were issued to shareholders of Western Outdoor Media Technologies Limited as per the Scheme of Arrangement for demerger of its studio division to the company in F.Y. 2003-04.

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

		March 31, 2005	(Rs. in thousand) March 31, 2004
<b>2 RESERVES AND SURPLUS</b>			
<b>CAPITAL RESERVE</b>		175,664	175,664
<b>SHARE PREMIUM ACCOUNT</b>			
As per last Balance Sheet		135,130	439,604
Add : Premium on shares issued		552,000	-
		<u>687,130</u>	<u>439,604</u>
Less: Share Issue Expenses		70,679	-
Less : Write down pursuant to Scheme of Arrangement			(304,474)
		<u>616,451</u>	<u>135,130</u>
<b>GENERAL RESERVE</b>			
(Refer Note C 12 of Schedule 23)			
As per last Balance Sheet		7,640	7,643
Add / Less : Minorities share of Profits / (Losses) of UESPL borne by Majority		1	(3)
		<u>7,641</u>	<u>7,640</u>
Foreign Currency Translation Reserve		(2,736)	(1,603)
<b>PROFIT &amp; LOSS ACCOUNT</b>			
As per annexed Profit and Loss Account		376,646	214,206
<b>TOTAL</b>		<u><u>1,173,666</u></u>	<u><u>531,037</u></u>
<b>3 SECURED LOANS</b>	<b>Notes</b>		
Cash Credit From Banks	1	53,487	157,253
[Includes Bill Discounting Account]			
Term Loan From Banks	1	118,233	151,571
Hire purchase creditor		-	507
Others	2	2,692	2,179
<b>TOTAL</b>		<u><u>174,412</u></u>	<u><u>311,510</u></u>
<b>Notes :</b>			
1. Cash credit from banks, repayable on demand & Term Loan from IDBI are secured by hypothecation of moveable fixed assets, inventories, book debts, programing properties and the personal guarantee of a director of the company.			
2. Secured against the hypothecation of vehicles.			
<b>4 UNSECURED LOANS</b>			
Inter Corporate Deposits		10,000	20,000
Loan from Banks		-	344
Loan From Others		-	19,901
<b>TOTAL</b>		<u><u>10,000</u></u>	<u><u>40,245</u></u>
<b>5 DEFERRED TAX LIABILITY</b>			
Deferred Tax Liability			
Arising on account of timing difference in :			
- Depreciation		24,839	17,963
- Inventories		79,325	28,191
<b>TOTAL</b>		<u><u>104,164</u></u>	<u><u>46,154</u></u>



**SCHEDULE 6 - FIXED ASSETS**

(Rs.in thousands)

Particulars	COST						DEPRECIATION / AMORTISATION						NET BLOCK	
	Opening As at 01.04.2004	Consolidation Adjustment	Adjustment	Additions	Deductions	As at 31.03.2005 (A)	Opening As at 01.04.2004	Consolidation Adjustment	Adjustment	For the Year #	Deductions	As at 31.03.2005 (B)	As at 31.03.2005 (A-B)	As at 31.03.2004
<b>Tangible Assets</b>														
Leasehold Improvements	44,282	(78)	-	688	-	<b>44,892</b>	19,167	-	-	4,410	-	<b>23,577</b>	<b>21,315</b>	25,115
Plant & Machinery	323,675	(491)	-	35,887	1,493	<b>357,578</b>	100,285	(429)	-	35,986	-	<b>135,842</b>	<b>221,736</b>	223,390
Furniture & Fixtures	52,574	(14)	-	4,091	77	<b>56,574</b>	27,657	(70)	-	7,608	-	<b>35,195</b>	<b>21,379</b>	24,917
Computers	20,347	(109)	-	6,217	226	<b>26,229</b>	15,301	(107)	-	2,090	-	<b>17,284</b>	<b>8,945</b>	5,046
Office Equipments	12,961	-	-	2,238	25	<b>15,174</b>	3,473	-	-	604	-	<b>4,077</b>	<b>11,097</b>	9,488
Motor Vehicles	10,364	-	-	2,892	2,406	<b>10,850</b>	3,061	-	-	981	890	<b>3,152</b>	<b>7,698</b>	7,303
<b>Intangible Assets</b>														
Computers Software	7,244	-	-	356	-	<b>7,600</b>	2,829	-	-	1,099	-	<b>3,928</b>	<b>3,672</b>	4,415
<b>Grand Total</b>	<b>471,447</b>	<b>(692)</b>		<b>52,369</b>	<b>4,227</b>	<b>518,897</b>	<b>171,773</b>	<b>(606)</b>		<b>52,778</b>	<b>890</b>	<b>223,055</b>	<b>295,842</b>	<b>299,674</b>
Previous Year	1,028,700	(2,419)	573,578	28,195	9,451	471,447	296,616	(1,331)	164,760	43,517	2,270	171,773	299,674	

# Refer Note B 2 (ii) of Schedule 23

Notes:

a).The Net Book value of Motor Vehicles includes value of vehicles acquired under loan amounting to Rs 5399 ('000) [2004 - Rs. 2847 ('000)].

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

	Nos. as at March 31, 2005	Nos. as at March 31, 2004	Face Value Rupees	As at March 31, 2005 Rs.in Thousands	As at March 31, 2004 Rs.in Thousands
<b>SCHEDULE 7</b>					
<b>INVESTMENTS</b>					
<b>Long Term, Trade and Others</b>					
<b>Equity Shares of Companies</b>					
a) Quoted					
Radaan Mediaworks India Limited	62,500	12,500	2 (Last Year Rs.10)	500	500
b) Others (Unquoted)					
(i) United Teleshopping and Marketing Company Limited	600,000	600,000	10	-	-
(ii) Unitas Creative Television Pvt. Limited	150,000	150,000	10	-	-
(iii) Vijay Television Pvt. Ltd. (Refer Note C 6 of Schedule 23)		18,642,617	10	-	291,726
(iv) Homeland Network Corporation	352,000	352,000	0.001 USD	2	2
(v) United Home Entertainment Pvt Ltd (Refer Note B 1 of Schedule 23)	490,000	-	10	4,900	-
(vi) Media Capital Company (India) Private Limited	-	20,000	10	-	200
<b>Preference Shares of Companies</b>					
Unquoted					
Homland Network Corporation	125,000	125,000	0.001 USD	5	5
<b>Short Term Investments</b>					
<b>Investment in Mutual fund</b>					
Reliance Fixed Term Scheme - Monthly Plan - 18 - Growth Option	1,000,000	0	10	10,000	-
Kotak Floater Short Term - Growth	2,300,232	0	10	25,000	-
UTI Liquid Cash Plan Institutional - Growth Option	18,405	0	1000	20,000	-
JM Floater Fund - Short Term Plan - Growth Option	1,375,125	0	10	15,000	-
HSBC Floating Rate Fund - Short Term - Institutional Option - Growth	982,336	0	10	10,008	-
Tata Liquid Super High Inv. Fund - Appreciation	16,445	0	1000	20,000	-
Birla Cash Plus Institutional Plan - Growth	836,335	0	10	15,000	-
Prudential ICICI Floating Rate Plan - Growth	1,361,446	0	10	15,000	-
Kotak Liquid (Institutional) - Growth	1,126,964	0	10	15,000	-
Tata Floating Rate Short Term Inst. Plan - Growth	1,456,537	0	10	15,000	-
<b>TOTAL</b>				<b>165,415</b>	<b>292,433</b>

	Cost As at March 31, 2005 (Rs. In Thousands)	Market value As at March 31, 2005 (Rs. In Thousands)	Cost As at March 31, 2004 (Rs. In Thousands)	Market value As at March 31, 2004 (Rs. In Thousands)
Aggregate Value of Quoted Investments	160,508	160,624	500	596
Aggregate Value of Unquoted Investments	4,907		291,933	
<b>Total</b>	<b>165,415</b>		<b>292,433</b>	

**Note:** Units of Mutual Funds purchased and sold during the year

	No. of units (in thousands)	Cost of acquisition Rs. in Thousands	Sale proceeds Rs. in Thousands
Magnum Institutional Income Fund - Savings - Growth	939	10,000	10,002
HSBC Floating Rate Fund - Short Term - Institutional Option - Growth	490	4,992	5,000
ABN AMRO Cash Fund - Institutional Growth	974	10,000	10,008

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

	March 31, 2005	(Rs. in thousand) March 31, 2004
<b>8 DEFERRED TAX ASSETS</b>		
Deferred Tax Assets		
Arising on account of timing difference in :		
- Provision for Doubtful Debts	1,123	18,831
- Provision for Loans and Advances	7,008	2,432
- Unabsorbed losses & Depreciation	82,568	42,377
- Provision for Gratuity	540	1,248
- Provision for Leave Encashment	981	897
- MAT credit	-	4,651
- Other	4,052	1,343
<b>TOTAL</b>	<b>96,272</b>	<b>71,779</b>
<b>9 INVENTORIES</b>		
(As certified by the Management)		
Raw Stocks- Tapes and Films	266	464
Unamortised cost of Completed		
- Television Programmes	3,103	11,165
- Movie Copyrights	237,873	74,448
Unutilised Free Commercial Time	11,863	10,516
Projects in Progress	34,133	20,483
Films Under Production	185,216	230,977
Film Accessories	70	119
<b>TOTAL</b>	<b>472,524</b>	<b>348,172</b>
<b>10 SUNDRY DEBTORS</b>		
(Refer Note C 7d of Schedule 23)		
i. Over Six months		
Billed		
- considered good	180,929	24,648
- considered doubtful	13,693	55,364
	<b>194,622</b>	80,012
Less : Provision for doubtful debts	13,693	55,364
	<b>180,929</b>	24,648
ii. Other Debts - considered good		
Billed	364,561	326,721
Unbilled	26,426	15,959
	<b>390,987</b>	342,680
<b>TOTAL</b>	<b>571,916</b>	<b>367,328</b>
<b>11 CASH AND BANK BALANCES</b>		
i. Cash and Cheques on hand	10,759	1,181
ii. Balance with Scheduled Banks		
- Current Account	39,064	823
- Fixed Deposit Account	82,708	3,965
- Others	92	542
<b>TOTAL</b>	<b>132,623</b>	<b>6,511</b>
<b>12 OTHER CURRENT ASSETS</b>		
Interest Receivable	86	-
Others	1,607	-
<b>TOTAL</b>	<b>1,693</b>	-

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

	March 31, 2005	(Rs. in thousand) March 31, 2004
<b>13 LOANS AND ADVANCES</b>		
Unsecured & Considered Good unless otherwise stated		
Advances recoverable in cash or in kind or for value to be received	65,833	48,741
Loan to UTV Employee's Welfare Trust	17,584	-
Advance to Suppliers	44,376	34,099
Less : Provision for irrecoverable advance	19,151	6,779
	<u>195,100</u>	<u>7,767</u>
Advance towards Share Capital (Refer Note C 5 of Schedule 23)		7,767
Advances (Refer Note C 7 b of Schedule 23)		
- To Associate Companies	28,971	16,844
Advance Tax Less Provision	29,107	23,627
Other Deposits	31,113	20,046
<b>TOTAL</b>	<b>392,933</b>	<b>144,345</b>
<b>14 CURRENT LIABILITIES</b>		
Sundry Creditors for Capital Goods, Materials & Expenses		
- Small Scale Industrial Undertakings		
- Advances from Associate Company (Refer Note C 7 (c) of Schedule 23)	1,120	28,000
- Others	271,187	160,207
Advances from customers	120,148	217,376
Advance Billings	9,465	3,205
Unpaid Dividend *	142	142
Interest accrued but not due	13	1,194
Other Liabilities	37,832	12,646
<b>TOTAL</b>	<b>439,907</b>	<b>422,770</b>
* (There are no amounts due and outstanding to be credited to Investor Education and Protection Fund).		
<b>15 PROVISIONS</b>		
Provision for Wealth Tax less payment	62	42
Provision for Employees retirement benefits	4,701	6,916
<b>TOTAL</b>	<b>4,763</b>	<b>6,958</b>
<b>16 MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)</b>		
Opening balance	1,687	-
Less: Written off to P & L account	1,687	-
Add : Share Issue Expenses (Refer Note B 9 of Schedule 23)	70,679	1,687
Less: Transferred to Share Premium Account	70,679	-
<b>TOTAL</b>	<b>-</b>	<b>1,687</b>

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

	March 31, 2005	(Rs. in thousand) March 31, 2004
<b>17 SALES AND SERVICES</b>		
Sales and Service Revenues	1,767,919	1,124,647
<b>TOTAL</b>	<b>1,767,919</b>	<b>1,124,647</b>
<b>18 OTHER INCOME</b>		
Provision no longer required Written Back	7,089	2,000
Provision for doubtful debt no longer required Written Back	-	4,562
Gains on Foreign Exchange Fluctuation (net)	70	1,100
Capital Gains	18	-
Miscellaneous Income	6,223	5,364
Profit on Sale of Investments	22,878	2,164
<b>TOTAL</b>	<b>36,278</b>	<b>15,190</b>
<b>19 DIRECT COST</b>		
Telecast Fees	130,138	151,378
Cast and Technicians' Fees and Commission	252,747	123,793
Equipment hire, Sets, Costumes and Venue hire	109,591	50,918
Footage expenses	727,042	416,376
Consumption of Rawstock of video tapes and films	41,651	26,881
Post production charges	10,134	3,056
Travelling expenses	4,582	3,814
Advertisement & Publicity	17,541	6,868
Amortisation of television and animation programmes	11,112	10,936
Amortisation of movie copyrights	24,178	6,682
Director's Commission	80	135
Production cost	6,484	32,556
Miscellaneous expenses	46,720	26,404
	<b>1,382,000</b>	<b>859,797</b>
<b>Less: Amounts inventorised</b>		
Movie Rights and Unutilised Free Commercial Time	117,234	65,966
<b>TOTAL</b>	<b>1,264,766</b>	<b>793,831</b>
<b>20 STAFF COST</b>		
Salaries, Wages, Bonus and Gratuity	122,596	111,975
Contribution to Provident and Other Funds	2,897	2,395
Staff Welfare	2,759	1,294
<b>TOTAL</b>	<b>128,252</b>	<b>115,664</b>
<b>21 OTHER EXPENSES</b>		
Rent - Premises	16,947	15,730
Repairs and Maintenance		
Plant and Machinery	4,472	4,031
Others	4,875	5,452
	<b>171</b>	<b>156</b>
Rates & Taxes	171	156
Insurance	3,989	4,714
Electricity Charges	8,148	8,418
Travelling & Conveyance Expenses	9,449	6,472
Communication & Postage Expenses	5,732	3,970
Provision for doubtful debts	10,617	2,872
Advertisement and Business Promotion Expenses	5,218	1,725
Loss on sale of Fixed Assets (Net)	1,991	2,226
Loss on Foreign Exchange Fluctuation (Net)	2,358	461
Irrecoverable deposits, employees loans and advances written off / provided	14,964	7,504
Director's Sitting Fees	408	105
Legal & Professional fees	1,011	2,722
Administrative expenses	8,110	6,404
Miscellaneous expenses	28,234	23,858
<b>TOTAL</b>	<b>126,694</b>	<b>96,820</b>

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

	<b>March 31, 2005</b>		<b>(Rs. in thousand) March 31, 2004</b>	
<b>22 INTEREST (Net)</b>				
Interest on Loan:				
On Fixed Loans	<b>3,562</b>		19,152	
Others	<b>17,594</b>	<b>21,156</b>	29,447	48,599
Less : Interest Received :		<b>2,903</b>		6,145
On Receivables and Others				
[Tax Deducted at Source Rs 10 ('000) (2004- Rs 212('000))]				
<b>TOTAL</b>		<b>18,253</b>		<b>42,454</b>

**SCHEDULE 23 :SIGNIFICANT ACCOUNTING POLICES AND NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**A Background**

UTV Software Communications Limited was incorporated under the laws of India on June 22, 1990 and has five subsidiaries as at March 31, 2005- United Entertainment Solutions Private Limited, UTV International Holdings Limited, UTV Communications (USA) LLC, UTV Communications (UK) Limited, and UTV Communications (Mauritius) Limited.

Following are the date of the incorporation of the company's subsidiaries :

<b>Subsidiary</b>	<b>Date of Incorporation</b>	<b>Place of Incorporation</b>
United Entertainment Solutions Private Limited.	August 27, 1997	India
UTV International Holdings Limited	August 28, 1996	British Virgin Islands
UTV Communications (USA) LLC	April 26, 2004	United States of America
UTV Communications (UK) Limited	September 6, 2004	United Kingdom
UTV Communications (Mauritius) Limited	October 4, 2004	Mauritius

**B Significant Accounting Policies**
**1 Basis of preparation of Consolidated Financial Statements**

The Consolidated Financial Statements are prepared with references to Accounting Standard 21- "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India. The Consolidated Financial Statements of UTV Software Communications Limited include the accounts of UTV Software Communications Limited and its subsidiaries United Entertainment Solutions Private Limited, UTV International Holdings Limited, UTV Communications (USA) LLC, UTV Communications (UK) Limited and UTV Communications (Mauritius) Limited and are prepared under historical cost convention in accordance with generally accepted accounting principles applicable in India. Considering the severe long-term restrictions imposed on United Home Entertainment Private Limited (Joint Venture) as per the shareholders agreement between UTV Software Communications Limited, Mr. Rohinton Screwvala and United Home Entertainment Private Limited and as confirmed by the Management relating to the transfer of funds including by way of dividend, distributions, bonus or otherwise to the shareholders for a period of five years and further based on legal opinion the financial results of the Joint Venture are not consolidated as per Accounting Standard 27 - "Financial Reporting of Interests in Joint Venture".

All inter-company accounts and transactions between group companies are eliminated. Reserves shown in the consolidated balance sheet represent the Group's share in the respective reserves of the Group companies.

The Notes and Significant Accounting Policies to the Consolidated Financial Statements are intended to serve as a guide for better understanding of the Group's position. In this respect, the Group has disclosed such notes and policies, which represent the require disclosure.

In accordance with Accounting Standard 21, Clause 26, the losses applicable to the Minority, to the extent, if it exceeds, the Minority's Interest in the Equity of the subsidiary, has been adjusted against the Majority Interest.

**2 Fixed Assets and Depreciation :**

- (i) Fixed assets are stated at cost of acquisition less accumulated depreciation. The Company capitalises all costs relating to the acquisition and installation of fixed assets, including financing costs.
- (ii) Depreciation is provided based on management estimate of useful lives of the fixed assets, on the straight line method prorata to the period of use or at the rates prescribed in Schedule XIV of the Companies Act, 1956, whichever is higher. The principal annual rates are :

## Schedule 23 Contd.....

Asset Head	Depreciation Rates
Vehicles	9.50%
Furniture	4.75%-10%
Office Equipment	4.75%
Computers	16.21% - 20%
Plant & Machinery	12.50%

(iii) Leasehold Improvements are amortised over the period of lease.

**3 Investments :**

Investments (all long term) are stated at cost, except where there is a diminution in value other than temporary, in which case requisite provision is made to write down the carrying value to recognise such decline.

Investment acquired under share swap arrangements are recognised at fair value of securities, issued by the company under the swap arrangement.

**4 Inventories :**

(i) Unamortised Cost of programming

- For television programmes, the entire cost of the programme is charged to income when the programmes are first exploited.

- The Company amortises 75% of the cost of movie rights acquired or produced by it, on first theatrical release of the movie. The said amortisation is made proportionately on Domestic Theatrical Rights, International Theatrical Rights, Television Rights, Music Rights and Video Rights based on Management estimate of revenues from each of these rights. In case of aforesaid rights not exploited along with or prior to the first theatrical release, proportionate appropriated cost of the said right is carried forward to be written off as and when such right is commercially exploited or at the end of one year from the date of first theatrical release, whichever occurs earlier. Balance 25% is amortised over the balance license period or based on management estimate of future revenue potential, as the case may be. The inventory, thus, comprises of unamortised cost of such movie rights.

- UTV Communications (USA) LLC amortizes the acquisition and distribution costs and accrue (expense) related costs using the individual-film-forecast-computation method, which amortizes or accrues (expenses) such costs in the same ratio that current period actual revenue bears to estimated remaining unrecognized ultimate revenue as of the beginning of the current fiscal year.

- Production costs of television programmes of UTV International Holdings Limited. comprise direct costs of production and other production overheads. Production costs are stated at the lower of cost net of accumulated amortisation and net realisable value. Production costs are amortised on an individual television programme basis in the ratio that the estimated revenues from specific income source exploited during the period, bear to management's estimate of aggregate revenues that the Company expects to earn from the programme from all sources

(ii) Unutilised free commercial airtime (FCT) granted by the producer and/ or broadcaster under Airtime Sales Agreements is stated at lower of cost or net realisable value.

(iii) Projects in progress are stated at cost. Cost comprises the cost of materials, labour and overhead expenses.

(iv) Pilot episodes are stated at cost. Pilots are written off at the end of 3 years from the year of production of respective pilot, in case the same is not developed into a serial.

(v) Raw Stock and equipment spares are stated at lower of cost and net realisable value.

(vi) Borrowing cost are accounted on accrual basis.

(vii) The cost of funds borrowed specifically for the funding of a specific film is inventorised as part of cost of the film. The cost of funds borrowed generally is determined by applying a weighted average capitalization rate to the amount funded for the said film.

(viii) Inventories of film accessories are stated at the lower of cost or net realisable value.

The Company evaluates the realisable value and/or revenue potential of year end inventory on an annual basis and appropriate write down is made in cases where accelerated write down is warranted.

**5 Taxation :**

Provision for income tax has been made on the taxable profit for the period and is measured using the tax rate that have been enacted at the balance sheet date.

**6 Deferred Taxation :**

Deferred Tax considering the prudence and virtual certainty resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallise as deferred tax charges/benefits in the Profit and Loss Account and as deferred tax asset/liability in the Balance Sheet.

**7 Foreign Currency Transactions :**

The translation of financial statements relating to foreign operations has been done using the following procedures :

- assets and liabilities have been translated at closing rates;

- income and expense items have been translated at an average rate;

- all resulting exchange differences have been transferred to foreign currency translation reserve.

**Schedule 23 Contd.....**
**8 Revenue Recognition :**

- Revenues on commissioned television programmes, commercials, in-flight programmes, dubbing and corporate documentary jobs are recognised on delivery. The amount recognised is the predetermined price, the collection of which is reasonably assured.
- Revenues from sale of airtime are recognised in the period during which the spots are aired.
- Revenues from licensing of owned television programmes and movies are recognised in accordance with the licensing agreement or on physical delivery of the programmes/movies, whichever is later.
- Revenue of UTV International Holdings Limited on commissioned television programmes are recognised on substantial completion of production of the programmes. The amount recognised is the predetermined price, the collection of which is reasonably assured.
- Revenue of UTV Communications (UK) Limited and UTV Communications (Mauritius) Limited represent the total invoice value of sales made during the year. Revenue from licensing of movies are recognised in accordance with the licensing agreement or on physical delivery whichever is later.
- Revenues for utilization of post production, studio facilities and technical services are recognised when the services are rendered.

**9 Miscellaneous Expenditure :**

Share Issue Expenses incurred of Rs.70679 ('000) in connection with the initial public offering have been adjusted against the share premium arising out of the said initial public offering.

**10 Retirement Benefits :**

- The Company has various schemes of retirement benefits such as Gratuity and Provident fund and the company's contributions are charged to the Profit and Loss Account. The gratuity scheme is administered through the Life Insurance Corporation of India (LIC). Annual contributions to the gratuity fund as determined by LIC are charged to the statement of Profit and Loss account. The additional liability arising out of difference between the actuarial valuation and the fund balance with the LIC is accrued at the year end.
- The Company accrues the leave encashment liability on the basis of actuarial valuation on unavailed accumulated leave balances at the year end.

**11 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 exist, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs 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 & Loss Account. If at the Balance Sheet date, there is an indication that if a previously assessed impairment loss no longer exist, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

**12 Provisions and Contingent Liabilities :**

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

**C NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**1 The List of subsidiaries included in the consolidated financial statements is as under :**

Subsidiary	Proportion of ownership as at March 31,2005	Auditors
United Entertainment Solutions Private Limited	99.98%	Price Waterhouse & Co., Mumbai - India
UTV International Holdings Limited	100%	Mustapha, Khoo & Co. - Kuala Lumpur, Malaysia
UTV Communications (USA) LLC	100%	SKD Partners LLP, New York
UTV Communications (UK) Limited	100%	Nagle James Associates Limited
UTV Communications (Mauritius) Limited	100%	Morison Mauritius Public Accountants

Financial statements of UTV International Holdings Limited. (UTVIH) include results of Antah UTV MultiMedia & Communication Sdn .Bhd., a 69.99 % subsidiary of UTVIH, incorporated in Malaysia.

**2 Capital Reserve /Goodwill**

The Capital Reserve in the Consolidated Financial Statement represents the excess of UTV Software Communications Ltd shareholding in UTV International Holdings Ltd over the book value of Investments.



## Schedule 23 Contd.....

(Rs. in Thousands)

Particulars	March 31,2005	March 31,2004
Investments in UTV International Holdings Limited	7,190	7,190
UTV Software Communications Limited shareholding in UTV International Holdings Limited	182,854	182,854
<b>Capital Reserve</b>	<b>175,664</b>	<b>175,664</b>
<b>3</b> Contingent liabilities not provided for :		
(a) Claims against the Company not acknowledged as debts	34,400	34,400
(b) Sales Tax and Lease Tax	4,550	13,827
(c) Appeals filed in respect of disputed demands : Income Tax	36,668	29,635
(d) Bank guarantees/corporate guarantees/outstanding letter of credit for which the Company has given counter guarantees	198,352	39,038
(e) Bank Guarantee against EPCG Commitment	9,914	8,863
(f) Legal cases and claims filed against the Company	39,602	3,132
<b>4</b> The Company has discontinued its erstwhile ESOP Scheme. As on 31st March 2004, the Company had 109270, options outstanding under the scheme, each option carrying the right to acquire two equity shares of the Company. Subsequent to the termination of the ESOP scheme, the Company has allotted 800000 Equity Shares of Rs.5/- each to an Employee Welfare Trust formed for the benefit of the employees of the Company.		
<b>5</b> During the year, Rs.58000 ('000) and Rs.4900 ('000) have been adjusted from advance against share capital to shares allotted in United Entertainment Solutions Private Limited and United Home Entertainment Private Limited respectively. The company has invested additional Rs. 195100 ('000s) towards Optionally Convertible Preference shares of United Home Entertainment Private Limited pursuant to Shareholders Agreement dated December 2, 2004 between the company, Mr. R. S. Screwvala and United Home Entertainment Private Limited.		
<b>6</b> The Company has divested it's entire stake in Vijay Television Private Limited to Star India Private Limited for an amount of Rs 315000 ('000s), thereby making a profit on sale of investment for Rs 22878 ('000s).		
<b>7</b> a) Advances recoverable in cash or kind include interest - free advances of Rs. 27,851 (Rs. '000) due from M/s Western Outdoor Media Technologies Limited (WOMTL) whose Studio Division was acquired by the Company during the year 2002-2003 through a process of demerger sanctioned by the Order of the Hon'ble Bombay High Court dated June 27, 2003. The said outstanding is considered good and recoverable by the management, from the continuing business operations of WOMTL.		
b) Advances to associate companies are as follows : (All amounts in thousands of Indian Rupees)		
<b>Associate Companies / Joint Venture</b>	<b>Maximum amount O/s during the year</b>	<b>As at March 31, 2005 As at March 31, 2004</b>
Television News & Entertainment (India) Limited.	11,543	6,543 11,543
Unilazer Export & Management Consultants Private Limited.	3,160	- 3,160
United Bristlers & Brushes Private Limited.	2,329	6 2,141
United Home Entertainment Private Limited	22,399	22,399 -
Others	23	23 -
<b>Total</b>		<b>28,971 16,844</b>
c) Advances from/ Other Payables to associate companies are as follows : (All amounts in thousands of Indian Rupees)		
<b>Associate Companies / Joint Venture</b>	<b>Maximum amount O/s during the year</b>	<b>As at March 31, 2005 As at March 31, 2004</b>
Unilazer Export & Management Consultants Private Limited.	28,000	- 28,000
Vijay Television Private Limited	75	75 -
United Home Entertainment Private Limited	983	983 -
United Tele-Shopping & Marketing Ltd	62	62 -
<b>Total</b>		<b>1,120 28,000</b>

**Schedule 23 Contd.....**

d) Debtors include amounts due from bodies corporate under the same management: (All amounts in thousands of Indian Rupees)

<b>Due from Associate Companies / Joint Venture</b>	<b>Maximum amount O/s during the year</b>	<b>As at March 31, 2005</b>	<b>As at March 31, 2004</b>
United Home Entertainment Private Limited	78,762	78,702	-
Vijay Television Pvt. Ltd. (ceased w.e.f August 4, 2004)	6,900	897	6,625
		79,599	6,625

8 During the year, UTV Software Communications Limited concluded its Initial Public offering through which 45,00,000 equity shares of Rs. 10/- each were issued at a premium of Rs. 120/- per share. The uses of IPO proceeds as at March 31, 2005 are as under:

<b>Purpose</b>	<b>Uses of Funds as projected in the prospectus Rs. in Thousands</b>	<b>Actual funds used as at March 31, 2005 Rs. in Thousands</b>
1 Capital expenditure for enhancement of production facility/Office infrastructure to replace the existing leased facilities premises, interior and setup	100000	-
2 Editing and other equipment for captive use of UTV content production	20000	-
3 Providing interest free loan to subsidiary United Entertainment Solutions Pvt. Ltd for investment post production expansion	60000	-
4 Investment in United Home Entertainment Pvt. Ltd in form of Equity and Preference capital for funding 'Hungama TV'	85200	85200
5 Working capital for Movie production / distribution initiatives	300000	29500
6 IPO Expenses	59800	21000
	625000	135700

Pending utilisation, the balance funds are used as at March 31, 2005 to reduce secured loans, and investment in liquid money market mutual funds and fixed deposits.

**9 Deferred Tax**

Components of Deferred Tax assets and liabilities are shown in the following table :

	<b>As at March 31, 2005 Rs. in Thousands</b>	<b>As at March 31, 2004 Rs. in Thousands</b>
<b>Deferred Tax Liability</b>		
Depreciation	24,839	17,963
Inventories	79,325	28,191
	<b>104,164</b>	<b>46,154</b>
<b>Deferred Tax Asset</b>		
Provision for Doubtful debts	1,123	18,831
Provision for Loans and advances	7,008	2,432
Unabsorbed Losses & Depreciation	82,568	42,377
Provision for Gratuity	540	1,248
Provision for Leave Encashment	981	897
MAT credit	-	4,651
Other	4,052	1,343
	<b>96,272</b>	<b>71,779</b>
<b>Net Deferred Tax Asset</b>	<b>(7,892)</b>	<b>25,625</b>

**10 Calculation of Earnings Per Share**

a) The earning considered in ascertaining the Company's earnings per share comprise the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earning per share, and also the weighted average number of shares, if any, which would have been issued on the conversion of all dilutive potential equity shares. The number of shares and potentially dilutive equity shares are adjusted for consolidation of shares.

## Schedule 23 Contd.....

Description	(Rs. in Thousands)	
	As at March 31, 2005	As at March 31, 2004
Profit After Tax (in '000)	162,439	46,553
Weighted average number of shares for basic earnings per share (nos.)		
- Equity Shares of Rs. 10/- each fully paid up	15,184,566	14,557,868
Dilutive potential of		
'- Deemed exercise of options lapsed (nos.)	-	43,732
Weighted average number of shares for diluted earnings per share (nos.)		
- Equity Shares of Rs. 10/- each fully paid up	15,184,566	14,579,734
<b>Earning Per share (Rs)</b>		
Basic	10.70	3.20
Diluted	10.70	3.19

- b) Pursuant to the approval of the Shareholders of the Company at the Extra Ordinary General Meeting held on July 08, 2004; 29,187,208 Equity Shares of Rs. 5/- each have been consolidated into 14,593,608 Equity Shares of Rs. 10/- each fully paid up, after allotting 8 fresh shares of Rs. 5/- each to 8 Equity Shareholders who originally held odd number of shares to facilitate the consolidation, without receiving any payment in cash.

- 11 Related Party Disclosures as required by Accounting Standard AS 18" Related Parties Disclosures" issued by the Institute of Chartered Accountants of India are given below :

**Parties where control exists**

United Tele-Shopping & Marketing Limited	Shareholders in the Company
Unilazer Exports & Management Consultants Limited	Shareholders in the Company
Unilazer Hongkong Limited	Shareholders in the Company
United Bristlers and Brushes Private Limited (ceased w.e.f December 22,2004)	Common Control
Lazer Brushes Private Limited (ceased w.e.f December 22,2004)	Common Control
Unitas Creative Television Limited	Common Control
Television News and Entertainment (I) Limited	Common Control
Trish Credit Private Limited (ceased w.e.f December 22, 2004)	Common Control
Trish Brushes Private Limited (ceased w.e.f December 22, 2004)	Common Control
Samsher Traders Private Limited (ceased w.e.f December 22, 2004)	Common Control
Vijay Broadcasting Private Limited	Common Control
United Home Entertainment Private Limited	Common Control

**Other Related Parties :**

Associate  
Vijay Television Pvt. Limited (upto August 4, 2004)

**Key Management Personnel :****Whole-time Directors**

Rohinton Screwvala	CEO
Deven Khote	Creative Director
Zarina Mehta (upto November 23, 2004)	Creative Director
Ronald D'mello	Director Operations & Finance

**Non-Executive Directors**

Suketu Shah  
Darius Shroff  
Ketan Dalal  
Sanjaya Kulkarni  
Rahul Shah  
Frederic Beauvais

**UTV Communications (USA) LLC**

Rohinton Screwvala	Non-Executive Director
Sridhar Sreekakula	Executive Director

**UTV Communications (UK) Limited**

Hitesh Chandrana	Non-Executive Director
Sridhar Sreekakula	Non-Executive Director

**UTV Communications (Mauritius) Limited**

Ashraf Ramtoola	Non-Executive Director
Kamalam Pillay Rungapadiachy	Non-Executive Director

**UTV International Holdings Limited**

Foo Joon Sang	Director
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**Schedule 23 Contd.....**

(Rs. in Thousands)

Transactions with related parties, other than subsidiaries who have been considered for consolidation, are provided below:

	Associates		Management Personnel	
	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2004
<b>Sale of goods</b>				
- Vijay Television Pvt. Limited *	7,481	27,175	-	-
- United Home Entertainment Private Limited	141,975	-	-	-
<b>Purchase of Fixed Assets / Inventory</b>				
- United Home Entertainment Private Limited	-	897	-	-
<b>Rendering of services</b>				
- United Home Entertainment Private Limited	3,598	6,177	-	-
- Others	-	603	-	-
<b>Sale of Fixed Assets /Inventory</b>				
Sale of fixed assets				
- United Home Entertainment Private Limited	3,725	-	-	-
<b>Finance (including loans &amp; Equity contributions in cash or in kind)</b>				
- Financed to United Home Entertainment Private Limited	4,900	-	-	-
- Advance to United Home Entertainment Private Limited	195,100	-	-	-
<b>Remuneration</b>				
- Rohinton Screwvala	-	-	7,211	5,200
- Zarina Mehta	-	-	1,553	1,308
- Ronald D'mello	-	-	4,329	2,051
- Deven Khote	-	-	1,392	1,528
- Gururaja Rao	-	-	-	170
<b>Guarantees and Collaterals</b>				
- United Home Entertainment Private Limited	100,000	-	-	-
<b>Expenses Charged to</b>				
- United Bristlers & Brushes Private Limited	521	212	-	-
- United Home Entertainment Private Limited	12,926	6,357	-	-
- Others	-	180	-	-
<b>Expenses Charged by</b>				
- United Home Entertainment Private Limited	1,368	-	-	-
- Others	383	-	-	-
<b>Advances Taken</b>				
- Unilazer Exports & Management Consultants Limited	40,500	32,400	-	-
- Television News & Entertainment India Limited	12,500	30,000	-	-
- United Home Entertainment Private Limited	15,983	-	-	-
- Others	2,273	1,486	-	-
<b>Advances Given</b>				
- Television News & Entertainment India Limited	17,500	30,000	-	-
- Unilazer Exports & Management Consultants Limited	67,500	1,000	-	-
- United Home Entertainment Private Limited	189,237	2,000	-	-
<b>Collections against services rendered/sale of goods</b>				
- Vijay Television Private Limited *	13,210	-	-	-
- United Home Entertainment Private Limited	49,730	-	-	-
<b>Collections by</b>				
- United Home Entertainment Private Limited	9,907	-	-	-
<b>Receipt for services</b>				
- United Home Entertainment Private Limited	1,841	-	-	-
<b>Other Liabilities</b>				
- Unilazer Exports & Management Consultants Limited	-	495	-	-
<b>Outstanding Balance</b>				
- <b>Payable</b>				
- Unilazer Exports & Management Consultants Limited	-	24,840	-	-
- United Home Entertainment Private Limited	983	-	-	-
- Others	137	137	-	-
- <b>Receivable</b>				
- Television News & Entertainment India Limited	6,543	11,543	-	-
- Vijay Television Private Limited *	897	6,625	-	-
- United Home Entertainment Private Limited	101,101	7,767	-	-
- Others	6	2,142	-	-

\* Vijay Television Pvt. Limited has been ceased to be an associate w.e.f August 4, 2004.

## Schedule 23 Contd.....

12 As in the previous year the share of losses of Minority shareholders of UESPL over their equity amounting to Rs. 3 ('000) was reduced from General Reserve, the current years minority profit of Rs. 1 ('000) is credited to General Reserve.

13 The business segment has been considered as the primary segment. The Company is organised into three main business segments namely 'TV Content', 'Movies', & 'Allied Services'.

The above business segments have been identified considering the different nature of activities carried on by these business divisions. Segment revenue, results, assets and liabilities have been accounted for on the basis of their relationship to the related business activities of the segment and amounts allocated on a reasonable basis to the business segment.

(Rs. In Thousands)

Particulars	TV CONTENT		MOVIES		ALLIED SERVICES		Inter Segment Adjst		Total	
	March 31, 2005	March 31, 2004	March 31, 2005	March 31, 2004	March 31, 2005	March 31, 2004	March 31, 2005	March 31, 2004	March 31, 2005	March 31, 2004
<b>REVENUE</b>										
External Revenue	909,349	767,239	773,984	269,157	84,586	101,196	-	(12,945)	1,767,919	1,124,647
Intersegment Revenue	-	7,734	-	-	13,801	-	(13,801)	(7,734)	-	-
<b>Total Revenue</b>	<b>909,349</b>	<b>774,973</b>	<b>773,984</b>	<b>269,157</b>	<b>98,387</b>	<b>101,196</b>	<b>(13,801)</b>	<b>(20,679)</b>	<b>1,767,919</b>	<b>1,124,647</b>
<b>RESULT</b>										
Segment Result	129,854	118,744	148,151	47,166	25,115	9,499			303,120	175,409
<b>Less :</b>										
Interest									(18,253)	(42,454)
Unallocable Other Expenditure									(107,691)	(100,594)
<b>Add :</b>										
Unallocable Other Income									36,278	15,190
<b>Profit Before Taxation</b>									<b>213,454</b>	<b>47,551</b>
<b>OTHER INFORMATION</b>										
Segment Assets	509,773	423,705	615,154	318,732	265,173	47,638	-	-	1,390,100	790,075
Unallocable Assets									739,118	741,854
Intersegment Assets							(331,330)			
<b>Total Assets</b>	<b>509,773</b>	<b>423,705</b>	<b>615,154</b>	<b>318,732</b>	<b>265,173</b>	<b>47,638</b>	<b>-</b>	<b>-</b>	<b>2,129,218</b>	<b>1,531,929</b>
Segment Liabilities	100,433	125,375	199,925	224,745	33,729	30,562	-	-	334,087	380,682
Unallocable Liabilities									426,529	474,274
Intersegment Liabilities							(262,467)			
<b>Total Liabilities</b>	<b>100,433</b>	<b>125,375</b>	<b>199,925</b>	<b>224,745</b>	<b>33,729</b>	<b>30,562</b>	<b>-</b>	<b>-</b>	<b>760,616</b>	<b>854,956</b>
<b>Depreciation</b>										
Segment Depreciation	-	-	-	-	-	-	-	-	-	-
Unallocable Depreciation	-	-	-	-	-	-	-	-	52,778	43,517
<b>Total Depreciation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,778</b>	<b>43,517</b>
<b>Non Cash Expenses other than Depreciation</b>										
Segment Non Cash Expenditure	11,112	10,936	24,178	6,682	-	-	-	-	35,290	17,618
Unallocable Non Cash Expenditure	-	-	-	-	-	-	-	-	-	-
<b>Total Non Cash Expenses other than Depreciation</b>	<b>11,112</b>	<b>10,936</b>	<b>24,178</b>	<b>6,682</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,290</b>	<b>17,618</b>
<b>GEOGRAPHICAL SEGMENT</b>										
<b>Revenue</b>										
India	849,938	689,298	584,727	207,962	97,430	100,482	(13,801)	(20,679)	1,518,294	977,063
Outside India	59,411	85,675	189,257	61,195	957	714	-	-	249,625	147,584
	<b>909,349</b>	<b>774,973</b>	<b>773,984</b>	<b>269,157</b>	<b>98,387</b>	<b>101,196</b>	<b>(13,801)</b>	<b>(20,679)</b>	<b>1,767,919</b>	<b>1,124,647</b>
<b>Assets</b>										
<b>India</b>										
Segment Assets	332,398	237,370	489,245	318,732	265,172	47,638	-	-	1,086,815	603,740
Unallocable Assets									739,119	741,854
	<b>332,398</b>	<b>237,370</b>	<b>489,245</b>	<b>318,732</b>	<b>265,172</b>	<b>47,638</b>	<b>-</b>	<b>-</b>	<b>1,825,934</b>	<b>1,345,594</b>
Outside India	177,375	186,335	125,909	-	-	-	-	-	303,284	186,335

**Schedule 23 Contd.....**

- 14 Assets and liabilities as on March 31, 2005 & 2004 and Income and Expenses for the year ended March 31, 2005 & 2004 related to the interest of the company in its Jointly Controlled Entity, United Home Entertainment Private Limited are:

Particulars	(Rs in Thousands)	
	March 31, 2005	March 31, 2004
<b>Assets</b>		
Net Fixed Assets	5,920	410
Deferred Tax Assets	35,581	-
Inventories	54,496	-
Sundry Debtors	3,929	-
Cash & Bank Balances	247	49
Loans and Advances	19,450	361
Miscellaneous Expenditure (to the extent not written off or adjusted)	-	3,465
<b>Liabilities</b>		
Secured Loans	83,825	-
Unsecured Loans	-	-
Deferred Tax Liability	35,581	-
Current Liabilities	54,214	394
Provisions	358	35
<b>Income</b>	-	
Net Sales	10,399	
	-	
<b>Expenses</b>	-	
Direct Cost	33,858	
Staff Cost	14,060	
Other expenses	88,247	
Interest (Net)	2,576	
Depreciation	7,399	

The Joint Venture is in the business of broadcasting 24 hour kids channel Hungama Tv. The Management does not believe that there is any permanent diminution in the value of Company's Investment in the Joint Venture as the Kids broadcasting segment is expected to grow in the years to come. Accordingly the company has not made any provision for diminution of investments in these financial statements.

- 15 Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the Parent Company's financial statements

Signatures to the Financial Statements and Notes attached thereto

**Partha Ghosh**

Partner  
Membership No : F-055913  
For and on behalf of

**Price Waterhouse & Co.**  
Chartered Accountants

**Place** : Mumbai

**Date** : June 30, 2005

For and on behalf of the Board

**Ronald D'mello**

Director, Operations & Finance

**Mohd. Sajid Ali**

Company Secretary

**Place** : Mumbai

**Date** : June 30, 2005

**Rohinton Screwvala**

Chairman & Managing Director

**Ketan Dalal**

Director

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

( All amounts in thousands of Indian Rupees)

Name of the Subsidiary Company	United Entertainment Solutions Pvt. Ltd.	UTV Communications (USA) LLC	UTV Communications (UK) Limited	UTV Communications (Mauritius) Limited	UTV International Holdings Limited
Financial year of the Subsidiary ended on	31st March,2005	31st March,2005	31st March,2005	31st March,2005	31st March,2005
Shares of the Subsidiary held by the UTV Software Communications Limited on the above date:					
a) Number	1009800	5000	10000	10000	250000
Face value	Rs.10	10 US \$	£1	1 US \$	1 US \$
b) Extent of Holding	99.98%	100%	100%	100%	100%
The Net aggregate amount of profits/(losses) of the subsidiary Company for the above financial year so far as it concerns the members of UTV Software Communications Ltd.					
a) dealt with in the accounts of the Company for the year ended 31st March,2005	Nil	Nil	Nil	Nil	Nil
b) not dealt with in the accounts of the Company for the year ended 31st March,2005	2265	1699	164	2124	308
Net aggregate amount of profits/(losses) for previous financial years of the subsidiary, since it became a subsidiary so far as they concern members of UTV Software Communications Ltd.					
a) dealt with in the accounts of the Company for the year ended 31st March,2005	Nil	Nil	Nil	Nil	Nil
b) not dealt with in the accounts of the Company for the year ended 31st March,2005	(26868)	Nil	Nil	Nil	(49791)

For and on behalf of the Board

**Ronald D'mello**  
Director, Operations &  
Finance

**Rohinton Screwvala**  
Chairman & Managing Director

Place : Mumbai  
Date : June 30, 2005

**Mohd. Sajid Ali**  
Company Secretary

**Ketan Dalal**  
Director

**DIRECTORS REPORT**

To  
The Members of  
United Entertainment Solutions Private Limited  
Mumbai

The Directors present the Annual Report on the business and operations of your company and Audited Accounts for the financial year ended March 31, 2005.

**FINANCIAL PERFORMANCE:**

Particulars	(Rs. In thousands)	
	31 <sup>st</sup> March 2005	31 <sup>st</sup> March 2004
<b>Total Income</b>	<b>107,152</b>	116,053
EBITD	36,006	4,004
Interest Expense	98	20,335
Depreciation	31,303	25,944
Profit/(Loss) before tax and previous year items	4,605	(42,275)
Provision for Income Tax	361	8
Deferred Tax adjustment	1,979	(15,461)
<b>Net Profit/ Loss for the year</b>	<b>2,265</b>	(26,822)

**SALES AND OPERATIONS:**

During the year under review the Company has posted a total income of Rs. 107,152 thousands. The Operating profits during the year improved significantly to Rs. 36,006 thousands as against Rs. 4,004 thousands in the previous year registering a increase of 899%. The net profit was at 2,265 thousand against a loss of 26,822 thousands of the previous year which is a significant turnaround.

The strategy to focus on effective cost management, improved service levels have contributed heavily for this superior performance.

**BUSINESS OVERVIEW:**

The business of post production continues to be fragmented and competitive. The increased expenditure by Indian film producers on film special effects and digital intermediary processes is going to drive the future growth for the company. During the ensuing financial year, the company will invest in expansion of its facility infrastructure to cater to the film special effects and digital intermediary businesses.

**DIRECTORS**

During the year Mr. Gururaja Rao resigned as a Director of the company on 31<sup>st</sup> August, 2004. Mrs. Lourdes Soosai, Director of your company demised on 20<sup>th</sup> April, 2005. The company places on record its appreciation for the valuable services rendered by Mr. Gururaja Rao and Mrs. Lourdes Soosai during their tenure as Directors of the Company.

Mr. Ronald D' Mello retires by rotation and being eligible offers himself for re appointment.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirements of section 217 (2AA) of the Companies Act, 1956 the Board of Directors hereby state that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- Appropriate accounting policies have been selected and applied consistently and judgements and estimates made 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, 2005 and of the profit of the Company for the year ended 31<sup>st</sup> March, 2005.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the annual accounts have been prepared on a going concern basis.

**SECRETARIAL COMPLIANCE CERTIFICATE**

The Secretarial Compliance Certificate in terms of amended section 383A is attached with this report.

**AUDITORS REPORT**

The Observations of the Auditors referred in the Auditors report are appropriately dealt with in the respective notes to accounts and hence does not call for further explanations.

**AUDITORS**

Messrs. Price Waterhouse & Co., the Auditors of your Company, who hold office until the conclusion of the forthcoming Annual General meeting, being eligible, offer themselves for re-appointment.

**COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988**

The particulars relating to conservation of energy and technology adsorption as required to be provided as per the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 are not applicable to your company and hence not provided. Earnings and expenditure in foreign exchange is given herein below

**Earnings in Foreign Exchange**

Earnings in foreign exchange Rs. Nil (Rs. 141,99,000 previous year)

**Expenditure in Foreign Exchange**

Expenditure in foreign exchange was Rs. 3,443,000 (Rs. 283,000 previous year)

**PARTICULARS OF EMPLOYEES**

There are no employees, whose particulars needs to be furnished under section 217 (2A) of the Companies Act, 1956 read along with the rules made there under.

**ACKNOWLEDGMENTS**

Your Directors place on record their gratitude for the co-operation and support extended to the company by the Bankers members and Business Associates of the company. Your Directors also take this opportunity to record their appreciation of the contribution made by the employees at all levels.

By order of the Board of Directors  
for **UNITED ENTERTAINMENT SOLUTIONS PRIVATE LIMITED**

Mumbai  
June 24, 2005

**ROHINTON SCREWVALA**  
Director

**COMPLIANCE CERTIFICATE**

Registration No. of the Company : 110298  
Nominal Capital : Rs 200.00 lakhs

To,  
The Members  
United Entertainment Solutions Private Limited  
Parijat House, 1097, Dr. E. Moses Road,  
Worli Naka, Mumbai 400 018

We have examined the registers, records, books and papers of United Entertainment Solutions Private Limited (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum of Articles and Association of the Company for the financial year ended on 31<sup>st</sup> March 2005. 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, its officers and agents, we certify that in respect of the aforesaid financial year:

- The company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
- The company has duly filed the forms and returns as stated in Annexure 'B' to this certificate with additional fees wherever necessary as prescribed under the Act and the rules made there under with the Registrar of Companies..
- The company being private limited company has the minimum prescribed paid-up capital and its maximum number of members during the said financial year was three excluding its present and past employees and the company during the year under scrutiny:
  - has not invited public to subscribe for its shares or debentures; and
  - has not invited or accepted any deposits from persons other than its members, directors or their relatives.
- The Board of Directors duly met 11 times on 12<sup>th</sup> April, 2004, 9<sup>th</sup> June 2004, 25<sup>th</sup> June, 2004, 16<sup>th</sup> July, 2004, 10<sup>th</sup> August, 2004, 31<sup>st</sup> August, 2004, 15<sup>th</sup> September, 2004, 15<sup>th</sup> October, 2004, 20<sup>th</sup> October, 2004, 23<sup>rd</sup> November, 2004 and 30<sup>th</sup> March, 2005 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
- The company was not required to close its register of members during the year.
- The Annual General Meeting for the financial year ended on 31<sup>st</sup> March, 2004 was held on 30<sup>th</sup> August, 2004 after giving due notice to the members of the company and the resolutions passed there at were duly recorded in Minutes Book maintained for the purpose.
- No Extra Ordinary Meeting(s) was/were held during the financial year.
- The company has not advanced any loans to its Directors or Persons or firms or Companies referred to Under Section 295 of the Act.
- The company has complied with the provisions of section 297 of the Act.
- The company has made necessary entries in the register maintained under section 301 of the Act.
- There were no instances falling within the purview of section 314 of the Act during the year.
- There were no duplicate share certificates issued during the year.
- The company has:
  - delivered all the certificates on allotment of securities and there were no transfer of securities;
  - No dividend was declared and paid;
  - Not transferred any amounts to the Investor education and protection fund as no amount is/ was lying in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years.
  - Duly complied with the requirements of section 217 of the Act.
- The Board of Directors of the Company is duly constituted and the appointment of directors, additional directors, alternate directors and directors to fill casual vacancies have been duly made.
- The company is not required and hence not appointed Managing Director/Whole-time Director/ Manager within the provisions of section 269 read with Schedule XIII to the Act.
- The company has not appointed any sole-selling agents during the year.
- The company was not required to obtain approvals of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act.
- 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 there under.
- The company has issued 10,00,000 new equity shares of Rs. 10/- during the financial year and has complied with the provisions of the Act.
- The company has not bought back any shares during the year.
- There were no redemption of preference shares / debentures during the year.
- There were no transactions necessitating the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
- The company has not invited/ accepted deposits including any unsecured loans falling within the purview of section 58A during the year.
- The company has complied with the provisions of section 293 (1) (d) of the Act.
- The company has complied with the provisions of section 372A of the Act wherever applicable.
- The company has not shifted its registered office from one state to another during the year.
- The company has made no alteration in its object clause of its memorandum of association during the year.
- The company has made no alteration in its name clause of its memorandum of association during the year.
- The company has made no alteration in the capital clause of its memorandum of association during the year.
- The company has made no alteration in its Articles of Association during the year.
- There were no prosecution initiated against or show cause notices received by the company and no fines or penalties or any other punishment was imposed on the company for offences under the Act during the year.
- The company has received no money as security from its employees during the year.
- The company has not constituted any provident funds within the meaning of section 418 of the act and hence section 418 is not attracted to the company.

For **S. Y. Sankhe & Associates**  
Practicing Company Secretary

**S. Y. Sankhe**  
Proprietor  
COP No: 5158  
FCS No: 2577

Mumbai  
June 24, 2005



**ANNEXURE A****REGISTERS AS MAINTAINED BY THE COMPANY**

1. Register of members under Section 150 (1)
2. Return prepared under section 159 and 160.
3. Minutes Books of Proceedings of General Meeting and Board Meeting u/s 193 and 196.
4. Books of Accounts under Section 209
5. Register of Contracts , Companies and Firm in which Directors are interested u/s 301
6. Register of Directors, Manager and Secretary u/s 303 (1)
7. Register of Directors and Managers shareholding u/s 307

**ANNEXURE B****DOCUMENTS FILED BY THE COMPANY**

1. Annual Return made upto 30/8/04 filed u/s 159 on 28/10/2004 within time limit.
2. Balance sheet for the year 03-04 filed u/s 220 on 28/9/04 within time limit.
3. Form No. 18 filed u/s. 146 on 06.05.2005 within time limit
4. Form No. 2 and 3 u/s. 75 and on 25.11.2004 with additional fees.
5. Form no. 32 u/s.303 on 01.09.2004 within time limit

**AUDITORS' REPORT**

To

The Members of

United Entertainment Solutions Private Limited

1. We have audited the attached Balance Sheet of United Entertainment Solutions Private Limited, as at 31<sup>st</sup> March, 2005, 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 the 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 said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) 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;
  - (e) On the basis of written representations received from the Directors of the Company, as on 31<sup>st</sup> March, 2005 and taken on record by the Board of Directors of the Company, none of the Directors of the Company is disqualified as on 31<sup>st</sup> March, 2005 from being appointed as a Director in terms of clause (g) of sub-section (1) Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanation given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner, read in particular with Note 12 of Schedule 20 regarding disclosure of amount due to small scale industrial undertakings required by the Companies Act, 1956 of India below give a true of fair view in conformity with 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, 2005;
    - (ii) in the case of the Profit and Loss Account, of the profit 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.

**Partha Ghosh**

Partner

Membership No. F-055913

For and on behalf of

Price Waterhouse &amp; Co.

Chartered Accountants

Mumbai.  
June 24, 2005**ANNEXURE TO AUDITORS' REPORT**

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of United Entertainment Solutions Private Limited on the financial statements for the year ended 31<sup>st</sup> March, 2005]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of two years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.

2. (a) The inventory of video tapes and films has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory of video tapes and films followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (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.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items sold 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 inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, having regard to the fact that the items sold/services rendered/received are of a special nature and suitable alternate sources do not exist for obtaining comparative quotations, 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 or the prices at which the transactions for similar goods have been made with other parties.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. *In our opinion, the company has an internal audit system commensurate with its size and nature of business. However the same needs to be strengthened.*
8. 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 products of the Company as the Company is not involved in any manufacturing activity.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, customs duty, excise duty, cess and other material statutory dues as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
10. In our opinion the accumulated losses of the Company as at 31<sup>st</sup> March 2005 are not more than fifty percent of the net worth. *The Company has not incurred any cash losses in the financial year ended on that date but has incurred cash losses in the immediately preceding financial year.*
11. 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 financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. The Company has not obtained any term loans.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The company has made preferential allotment of shares to parties and companies 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.
19. The Company has not issued any debentures.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such by the management.

**Partha Ghosh**

Partner

Membership No. F-055913

For and on behalf of

Price Waterhouse &amp; Co.

Chartered Accountants

Mumbai.  
June 24, 2005



BALANCE SHEET AS AT MARCH 31, 2005

	Schedule No.	As at March 31, 2005 (Rs. in Thousands)	As at March 31, 2004 (Rs. in Thousands)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	10,100	100
Advance against Share Capital	2	-	58,000
Reserves and surplus	3	48,000	-
		<b>58,100</b>	<b>58,100</b>
<b>Loan Funds</b>			
Unsecured Loans	4	-	20,245
<b>TOTAL</b>		<b>58,100</b>	<b>78,345</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	6	261,694	231,013
Less : Accumulated Depreciation		57,197	25,894
Net Block		<b>204,497</b>	205,119
<b>Deferred Tax Asset</b>	7	<b>31,088</b>	26,199
<b>Less: Deferred Tax Liability</b>	5	<b>17,606</b>	10,738
<b>Current Assets, Loans and Advances</b>			
Inventories	8	41	1,597
Sundry Debtors	9	20,496	32,333
Cash and Bank Balances	10	2,447	510
Loans and Advances	11	6,604	5,333
		<b>29,588</b>	39,773
<b>Less : Current Liabilities and Provisions</b>			
Current liabilities	12	213,521	208,319
Provisions	13	554	562
		<b>214,075</b>	208,881
<b>Net Current Assets</b>		<b>(184,487)</b>	(169,108)
<b>Profit &amp; Loss A/c - Debit balance</b>		<b>24,608</b>	26,873
<b>TOTAL</b>		<b>58,100</b>	<b>78,345</b>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	20		

Schedules referred to above and notes attached thereto form an integral part of the Balance Sheet.

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

Partha Ghosh  
Partner  
Membership No. F- 055913  
For and on behalf of

For and on behalf of the Board

Price Waterhouse & Co.  
Chartered Accountants  
Place : Mumbai  
Date : June 24,2005

Ronald D'mello  
Director

Date : June 24,2005

Rohinton Screwvala  
Director  
Place :

Mumbai

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

	Schedule No.	Year Ended March 31, 2005 (Rs. in Thousands)	Year Ended March 31, 2004 (Rs. in Thousands)
<b>INCOME</b>			
Sales and Services	14	97,401	114,650
Other Income	15	9,751	1,403
		<b>107,152</b>	116,053
<b>EXPENDITURE</b>			
Direct Cost	16	20,313	13,950
Staff Cost	17	21,443	58,313
Other Expenses	18	29,390	39,786
		<b>71,146</b>	112,049
<b>PROFIT BEFORE INTEREST, DEPRECIATION AND TAX</b>		<b>36,006</b>	4,004
Less : Interest (net)	19	98	20,335
<b>PROFIT / (LOSS) BEFORE DEPRECIATION AND TAX</b>		<b>35,908</b>	(16,331)
Less : Depreciation	6	31,303	25,944
<b>PROFIT / (LOSS) BEFORE TAX</b>		<b>4,605</b>	(42,275)
Less : Provision for Taxation			
- Current [Includes Wealth Tax Provision		361	8
Rs. Nil , Previous Year 8('000)]			
- Deferred		1,979	
		<b>2,340</b>	(15,461)
<b>PROFIT / (LOSS) AFTER TAX</b>		<b>2,265</b>	(26,822)
Balance Loss brought forward		(26,873)	(51)
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>(24,608)</b>	(26,873)
<b>Earnings Per Share of Rs.10 each (Refer Note 15 of Schedule 20)</b>			
Basic		2.24	(26.56)
Diluted		2.24	(26.56)
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	20		

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

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

Partha Ghosh  
Partner  
Membership No. F- 055913  
For and on behalf of

For and on behalf of the Board

Price Waterhouse & Co.  
Chartered Accountants  
Place : Mumbai  
Date : June 24,2005

Ronald D'mello  
Director

Place : Mumbai  
Date : June 24,2005

Rohinton Screwvala  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005

	March 31, 2005 (Rs. in Thousands)	March 31, 2004 (Rs. in Thousands)
<b>A. Cash flow from operating activities:</b>		
Net Profit before Tax but after Prior Period Items	4,605	(42,275)
<b>Adjustments for:</b>		
Depreciation	31,303	25,944
Interest Expense	112	20,335
Interest Income	(14)	-
Loss on sale of Fixed Assets (Net)	-	396
(Profit) on sale of Investments	-	-
Amortisation of Television and Animation Programmes	-	-
Irrecoverable Deposits, Employee Loans and Advances written off/ provided	-	-
Bad & Doubtful Debts written off	7,654	2,872
Provision for doubtful debt no longer required written back	-	-
Provision no longer required written back	-	-
Provision for Gratuity & Leave Encashment	(8)	562
Amortisation of movie copyrights	-	-
Loss/ (Gain) on Foreign Exchange transactions	-	-
Prior Period Excess Depreciation written back	-	-
Other Provision	-	-
Any other item (Misc Expenditures)	-	19
<b>Operating profit before working capital changes</b>	<b>43,652</b>	<b>7,853</b>
<b>Adjustments for changes in working capital :</b>		
- (INCREASE)/DECREASE in Sundry Debtors	4,183	20,967
- (INCREASE)/DECREASE in Other Receivables	(2,916)	27,182
- (INCREASE)/DECREASE in Inventories	1,556	(277)
- INCREASE/(DECREASE) in Trade and Other Payables	5,202	79,541
<b>Cash generated from operations</b>	<b>51,677</b>	<b>135,266</b>
- Taxes (Paid) / Received (Net of Tax Deducted at source)	1,285	2,086
<b>Net cash from operating activities (A)</b>	<b>52,962</b>	<b>137,352</b>
<b>B. Cash flow from Investing activities:</b>		
Purchase of Fixed Assets		
Additions during the period	(30,681)	(18,943)
Capital Work in Progress	-	3,223
Proceeds from Sale of Fixed Assets	-	2,112
Proceeds from Sale of Investments	-	-
Purchase of Investments	-	-
Interest Received (Revenue)	14	-
<b>Net cash used in investing activities (B)</b>	<b>(30,667)</b>	<b>(13,608)</b>
<b>C. Cash flow from financing activities:</b>		
Proceeds from fresh issue of Share Capital (including Share Premium )	-	-
Proceeds from Long Term Borrowings	-	-
PAYMENTS	-	(107,078)
Proceeds from short term borrowings	-	-
PAYMENTS	(19,902)	(28,250)
Proceeds from Cash Credits (NET)	(344)	19,901
Interest Paid	(112)	344
Interest Paid - Capitalised	-	(20,335)
<b>Net cash used in financing activities ( C )</b>	<b>(20,358)</b>	<b>(135,418)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A) + (B) + ( C )</b>	<b>1,937</b>	<b>(11,674)</b>
<b>Cash and Cash Equivalents as at 31.03.2004</b>	<b>510</b>	<b>100</b>
Cash transferred from UTV	-	12,084
<b>Cash and cash equivalents as at 31.03.2005</b>	<b>2,447</b>	<b>510</b>
<b>Cash and Cash Equivalents Comprise</b>		
Cash, Cheques & Drafts (in hand) and Remittances in transit	73	55
Balance with Scheduled Banks	2,374	455
	<b>2,447</b>	<b>510</b>

## Notes :

- The above Cash flow statement has been prepared under the indirect method set out in AS-3 issued by the Institute of Chartered Accountants of India.
- Figures in brackets indicate cash outgo.
- Previous years figures have been regrouped wherever necessary.

This is the Cash Flow Statement referred to in our report of even date.

Partha Ghosh  
Partner  
Membership No. F- 055913  
For and on behalf of

For and on behalf of the Board

Price Waterhouse & Co.  
Chartered Accountants  
Place : Mumbai  
Date : June 24, 2005

Ronald D'mello  
Director  
Place : Mumbai  
Date : June 24, 2005

Rohinton Screwvala  
Director

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

		As at March 31, 2005 (Rs. in Thousands)	As at March 31, 2004 (Rs. in Thousands)
<b>1</b>	<b>SHARE CAPITAL</b>		
	<b>AUTHORISED</b>		
	20,00,000 (20,00,000) Equity shares of Rs. 10/-each	20,000	20,000
	<b>ISSUED AND SUBSCRIBED</b>		
	10,10,000 (10,000) Equity shares of Rs. 10/- each *	10,100	100
	<b>TOTAL</b>	<b>10,100</b>	<b>100</b>
	Notes:		
	* Out of the above 10,09,800 (9800) Equity shares of Rs. 10 Each have been held by UTV Software Communications Ltd.		
<b>2</b>	<b>ADVANCE AGAINST SHARE CAPITAL *</b>		
	As per Last Balance Sheet	58,000	-
	Less : Transferred to Reserves and Surplus (Share Premium Account)	48,000	
	Less: Transferred to Share Capital	10,000	
	Add: Received from UTV Software Communications Ltd		58,000
	<b>TOTAL</b>	<b>-</b>	<b>58,000</b>
	* In respect of 10,00,000 equity shares of Rs. 10/- each issued during the period to UTV Software Communications Ltd at a premium of Rs. 48/- per share as per Scheme of Arrangement under sec. 391 to 394 of the Companies Act, which was sanctioned by the order of the High Court.		
<b>3</b>	<b>RESERVES AND SURPLUS</b>		
	<b>SHARE PREMIUM ACCOUNT</b>		
	As per Last Balance Sheet	-	-
	Add: Premium on Shares issued to UTV Software Communications Ltd	48,000	-
	<b>TOTAL</b>	<b>48,000</b>	<b>-</b>
<b>4</b>	<b>UNSECURED LOANS</b>		
	Loans From Banks	-	344
	Loans From Others	-	19,901
	<b>TOTAL</b>	<b>-</b>	<b>20,245</b>
<b>5</b>	<b>DEFERRED TAX LIABILITY</b> (Refer Note 3 of Sch. 20).		
	Arising on account of timing difference in :		
	- Depreciation	17,606	10,738
	<b>TOTAL</b>	<b>17,606</b>	<b>10,738</b>
<b>6</b>	<b>FIXED ASSETS</b>		

(Rs.in thousands)

Particulars	COST				DEPRECIATION / AMORTISATION				NET BLOCK	
	Opening As at 01.04.2004	Additions	Deductions	As at 31.03.2005 (A)	Opening As at 01.04.2004	For the Year #	Deductions	As at 31.03.2005 (B)	As at 31.03.2005 (A-B)	As at 31.03.2004
<b>Tangible Assets</b>										
Leasehold Improvements	6,305	63	-	6,368	1,052	1,200	-	2,252	4,116	5,253
Plant & Machinery	210,562	29,260	-	239,822	24,059	28,610	-	52,669	187,153	186,503
Furniture & Fixtures	7,227	644	-	7,871	154	494	-	648	7,223	7,073
Computers	2,012	662	-	2,674	264	440	-	704	1,970	1,748
Office Equipments	1,821	52	-	1,873	56	59	-	115	1,758	1,765
Motor Vehicles	474	-	-	474	66	65	-	131	343	408
<b>Intangible Assets</b>										
Computer Software	2,612	-	-	2,612	243	435	-	678	1,934	2,369
<b>Grand Total</b>	231,013	30,681	-	261,694	25,894	31,303	-	57,197	204,497	205,119
<b>Previous Year</b>	-	233,571	2,558	231,013	-	25,944	50	25,894	205,119	-

Additions to Plant & Machinery includes Rs. Nil (2004 - 702 ('000) on account of Foreign Exchange fluctuation.  
# Refer Note 1 b (ii) of Schedule 20

<b>7</b>	<b>DEFERRED TAX ASSET</b>		
	(Refer Note 3 Schedule 20)		
	Arising on account of timing difference in :		
	- Unabsorbed losses & Depreciation	27,036	24,970
	- Provision for Bad debts	3,852	1,030
	- Provision for Leave encashment	200	199
	<b>TOTAL</b>	<b>31,088</b>	<b>26,199</b>

## SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at March 31, 2005 (Rs. in Thousands)	As at March 31, 2004 (Rs. in Thousands)
<b>8 INVENTORIES</b> (As certified by the Management)		
Raw Stocks - Tapes and Films	41	64
Projects in Progress	-	1,533
<b>TOTAL</b>	<b>41</b>	<b>1,597</b>
<b>9 SUNDRY DEBTORS</b>		
i. Over Six months Billed		
- considered good	4,404	14,163
- considered doubtful	10,526	2,872
Less Provision for bad & doubtful debts	14,930	17,035
	10,526	2,872
ii. Other Debts - considered good		
Billed	15,841	16,640
Unbilled	251	1,530
<b>TOTAL</b>	<b>20,496</b>	<b>32,333</b>
<b>10 CASH AND BANK BALANCES</b>		
i. Cash in hand	73	55
ii. Balance with Scheduled Banks		
- Current Account	2,369	450
- Fixed Deposit Account	5	5
<b>TOTAL</b>	<b>2,447</b>	<b>510</b>
<b>11 LOANS AND ADVANCES</b>		
Unsecured and considered good unless otherwise stated		
Advances recoverable in cash or in kind or for value to be received	1,043	1,704
Advance to Suppliers	1,555	1,515
Advance Tax Less Provision	3,741	2,094
Other Deposits	265	20
<b>TOTAL</b>	<b>6,604</b>	<b>5,333</b>
<b>12 CURRENT LIABILITIES</b>		
Sundry Creditors for Capital Goods, Materials & Expenses #		
- Small Scale Industrial Undertakings (Refer Note 12 of Sch. 20)	-	-
- Others	11,296	26,853
Advances from customers	693	2,633
Advances from Companies under the same management (Refer Note 4 (a) of Sch. 20)		
- from Holding Company	198,704	171,525
- from Associate Company	983	-
Other Liabilities	1,845	7,308
<b>TOTAL</b>	<b>213,521</b>	<b>208,319</b>
# There are no amounts due and outstanding to be credited to Investor and Education Protection Fund		
<b>13 PROVISIONS</b>		
Provision for Wealth Tax less payment	8	8
Provision for employees retirement benefits	546	554
<b>TOTAL</b>	<b>554</b>	<b>562</b>

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

<b>14 SALES AND SERVICES</b>		
Sales and Service Revenues	97,401	114,650
<b>TOTAL</b>	<b>97,401</b>	<b>114,650</b>
<b>15 OTHER INCOME</b>		
Provision no longer required Written Back	6,813	-
Gain on Foreign Exchange Fluctuation (Net)	-	157
Miscellaneous Income	2,938	1,246
<b>TOTAL</b>	<b>9,751</b>	<b>1,403</b>
<b>16 DIRECT COST</b>		
Cast and technicians' fees and commission	3,105	1,157
Equipment hire, sets, costumes and venue hire	1,134	1,097
Footage expenses	1,946	151
Consumption of rawstock of video tapes and films	10,291	8,849
Post production charges	3,375	1,225
Travelling expenses	344	407
Miscellaneous expenses	118	1,064
<b>TOTAL</b>	<b>20,313</b>	<b>13,950</b>

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

	As at March 31, 2005 (Rs. in Thousands)		As at March 31, 2004 (Rs. in Thousands)
<b>17 STAFF COST</b>			
Salaries, wages, bonus and gratuity	20,648		56,941
Contribution to provident and other funds	415		766
Staff Welfare	380	606	
<b>TOTAL</b>	<b>21,443</b>		<b>58,313</b>
<b>18 OTHER EXPENSES</b>			
Rent - Premises	6,381		9,497
Repairs and Maintenance			
Plant and Machinery	4,082	3,800	
Others	1,472	3,104	6,904
Insurance	2,004		3,076
Electricity Charges	4,123		5,836
Travelling & Conveyance Expenses	558		2,630
Communication & Postage Expenses	665		1,741
Advertisement and Business Promotion Expenses	124		497
Loss on sale on fixed assets (Net)	-		396
Loss on Foreign Exchange Fluctuation (Net)	159		-
Irrecoverable deposits, employees loans and advances Written Off	505		116
Miscellaneous expenses (Refer Note 9 Sch. 20)	1,376		3,480
Provision for Doubtful Debts	7,654		2,872
Legal & Professional Fees	287		2,722
Preliminary Expenses Written off	-		19
<b>TOTAL</b>	<b>29,390</b>		<b>39,786</b>
<b>19 INTEREST</b>			
Interest on Loans			
On Fixed Loans	-		16,124
Others	112	4,211	
Less : Interest Received (TDS Rs. Nil (Previous year Rs. Nil))	14		-
<b>TOTAL</b>	<b>98</b>		<b>20,335</b>

**Schedule 20 - Notes to the financial statements**
**1 Significant Accounting Policies :**
**a Basis of Accounting :**

The financial statements are prepared under the historical cost convention on an accrual basis and comply with the accounting standards issued by the Institute of Chartered Accountants of India referred to in Section 211 (3C) of the Companies Act, 1956.

**b Fixed Assets and Depreciation :**

- (i) Fixed assets are stated at cost of acquisition less accumulated depreciation. The Company capitalises all costs relating to the acquisition and installation of fixed assets, including financing costs.
- (ii) Depreciation is provided based on management estimate of useful lives of the fixed assets, on the straight line method prorata to the period of use or at the rates prescribed in Schedule XIV of the Companies Act, 1956, whichever is higher.
- (iii) Leasehold improvements are amortised over the period of lease.

**c Inventories :**

- (i) Projects in progress are stated at cost. Cost comprises the cost of materials, labour and overhead expenses.
- (ii) Raw Stock and equipment spares are stated at lower of cost and net realisable value.

**d Taxation :**

Provision for income tax has been made at the current tax rates based on assessable income or on the basis of Section 115JB of the Income Tax Act, 1961 (Minimum Alternate Tax) whichever is higher.

**e Deferred Taxation :**

Deferred Tax considering the prudence and virtual certainty resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallise as deferred tax charges/benefits in the Profit and Loss Account and as deferred tax asset/liability in the Balance Sheet.

**f Foreign Currency Transactions :**

The transactions in foreign exchange are accounted at the exchange rate prevailing on the date of transaction. Any exchange gains or losses arising out of the subsequent fluctuations of foreign currency assets and liabilities as at the year end on reinstatement are accounted for in the Profit and Loss Account.

**g Revenue Recognition :**

- Revenues for utilization of post production, studio facilities and technical services are recognised when the services are rendered.

**h Retirement Benefits :**

- The Company has various schemes of retirement benefits such as Gratuity and Provident Fund and the company's contributions are charged to the Profit and Loss Account. The gratuity scheme is administered through the Life Insurance Corporation of India (LIC). Annual contributions to the gratuity fund as determined by LIC are charged to the statement of profit and loss account. The additional liability arising out of difference between the actuarial valuation and the fund balance with the LIC is accrued at the year end.

- The Company accrues the leave encashment liability on the basis of actuarial valuation on unavailed accumulated leave balances at the year end.

**i 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 exist, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs 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 & Loss Account. If at the Balance Sheet date, there is an indication that if a previously assessed impairment loss no longer exist, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

**j Provisions and Contingent Liabilities :**

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

	As at March 31, 2005 Rs. in Thousands	As at March 31, 2004 Rs. in Thousands
<b>2 Contingent liabilities not provided for :</b>		
a Legal claims against the Company not acknowledged as debts	2,850	2,850
	<b>2,850</b>	<b>2,850</b>

**3 Deferred Tax Asset**

The Company has accounted for deferred tax in accordance with Accounting Standard 22- "Accounting for Taxes on Income" issued by The Council of Institute of Chartered Accountants of India. Accordingly, the company has recognised a deferred tax asset of Rs. 13,482 ('000) [Rs. 15,461 ('000)] for the year ended March 31, 2005 in its Profit & Loss Account. The management is of the opinion there will be sufficient future income against which the deferred tax asset will be fully realised.

Contd.....	As at March 31, 2005 (Rs. in Thousands)	As at March 31, 2004 (Rs. in Thousands)	5	Remuneration to Directors :	Year ended March 31, 2005 (Rs. In thousand)	Year ended March 31, 2004 (Rs. In thousands)
<b>Deferred Tax Liability</b>						
Depreciation	17,606	10,738		Managerial Remuneration :		
	17,606	10,738		(a) Salaries	Nil	3,395
<b>Deferred Tax Asset</b>				(b) Perquisites	Nil	506
Unabsorbed Losses and Depreciation	27,036	24,970		(c) Contribution to Provident Fund and other Funds	Nil	8
Provision for Bad debts	3,852	1,030		<b>Total</b>	-	3,909
Provision for Leave encashment	200	199				
	31,088	26,199				
<b>Net Deferred Tax Asset</b>	13,482	15,461				
4 (a) Advances from/ Other Payables to subsidiary / associate companies are as follows : (All amounts in thousands of Indian Rupees)			6	Value of Imports calculated on CIF basis Capital Equipment	24,329	-
	Maximum amount O/s during the year	As at March 31, 2005	As at March 31, 2004	7	Expenditure in foreign currency on account of	
<b>Due to Holding Company</b>				(a) Travelling	344	97
UTV Software Communications Limited	204,613	198,704	171,525	(b) Professional Fees	406	186
<b>Due to Associate Company</b>				(c) Annual Maintenance Contract	2,693	-
United Home Entertainment Private Limited	983	983	-	<b>Total</b>	3,443	283
(b) Debtors include amounts due from bodies corporate under the same management: (All amounts in thousands of Indian Rupees)				8	Earning in foreign exchange on account of Exports Calculated on FOB basis	-
	Maximum amount O/s during the year	As at March 31, 2005	As at March 31, 2004	9	Miscellaneous Expenses Include :	
<b>Associate/Subsidiary Companies</b>				Auditors' remuneration in respect of		
United Home Entertainment Private Limited	1,757	1,757	Nil	(a) Audit Fees	200	200
				(b) Reimbursement of out of Pocket Expenses	2	-
				<b>Total</b>	202	200

10 a Related Party Disclosures as required by Accounting Standard AS 18 "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are given below :

**Parties where control exists**

UTV Software Communications Limited  
 United Home Entertainment Private Limited  
 UTV Communication (USA) LLC  
 UTV Communication (Mauritius) LTD  
 UTV Communication (UK) LTD  
 UTV International Holdings LTD  
 Antah-UTV Multi-Media & Communications Sdn. Bhd  
 United Tele-Shopping & Marketing Limited  
 Unilazer Exports & Management Consultants Limited  
 Unilazer Hongkong Limited  
 United Bristlers and Brushes Private Ltd  
 (ceased w.e.f December 22, 2004)  
 Lazer Brushes Private Limited  
 (ceased w.e.f December 22, 2004)  
 Unitas Creative Television Limited  
 Television News and Entertainment (I) Limited  
 Trish Credit Private Limited  
 (ceased w.e.f December 22, 2004)  
 Trish Brushes Private Limited  
 (ceased w.e.f December 22, 2004)  
 Samsheer Traders Private Limited  
 (ceased w.e.f December 22, 2004)  
 Vijay Broadcasting Private Limited

Holding Company  
 Common Control  
 Fellow Subsidiary  
 Fellow Subsidiary  
 Fellow Subsidiary  
 Fellow Subsidiary  
 Fellow Subsidiary  
 Common Control  
 Common Control  
 Common Control

Common Control

Common Control

Common Control

Common Control

Common Control

Common Control

Common Control

Common Control

Common Control

**Key Management Personnel :**

**Directors**

Rohinton Screwvala  
 Zarina Mehta  
 Gururaja Rao (upto 31.08.04)  
 Lourdes Soosai (w.e.f 31.08.04)  
 Ronald D'mello

b Transactions with Related Parties :

	(Rs. In Thousands)					
	Holding Company		Associate Company		Management Personnel	
	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2004
<b>Purchase of fixed assets / Inventory</b>						
- UTV Software Communications Limited	9,425	7,224	-	-	-	-
<b>Sale of fixed assets</b>						
- UTV Software Communications Limited	-	41	-	-	-	-
<b>Rendering of services</b>						
- UTV Software Communications Limited	15,491	12,945				
- United Home Entertainment Pvt Limited			3,598	-	-	-
<b>Expenses Charged by</b>						
- UTV Software Communications Limited	18,785	48,032	-	-	-	-
<b>Expenses Charged to</b>						
- UTV Software Communications Limited	5,290	10,156	-	-	-	-

Contd.....

<b>Advances Taken</b>						
- UTV Software Communications Limited	45,619	123,018	-	-	-	-
- United Home Entertainment Pvt Limited			983	-	-	-
<b>Advances Given</b>						
- UTV Software Communications Limited	58,011	9,247	-	-	-	-
<b>Remuneration</b>						
- Rohinton Screwvala	-	-	-	-	-	3,600
- Ronald D'mello	-	-	-	-	-	139
- Gururaja Rao	-	-	-	-	-	170
<b>Guarantees and Collaterals received</b>						
- UTV Software Communications Limited	9,614		-	-	-	
<b>Collections from Debtors</b>						
- UTV Software Communications Limited	3,708	2,308	-	-	-	-
<b>Receipt for services</b>						
- UTV Software Communications Limited	26,217			-		
- United Home Entertainment Pvt Limited			1,841			
<b>Payments to creditors</b>						
- UTV Software Communications Limited	-	10,631	-	-	-	-
<b>Other Assets</b>						
- UTV Software Communications Limited		49,634	-	-	-	-
<b>Other Liabilities</b>						
- UTV Software Communications Limited		74,922	-	-	-	-
<b>Outstanding Balance</b>						
<b>-Receivable</b>						
- United Home Entertainment Pvt Limited			1,757	-		
<b>Outstanding Balance</b>						
<b>-Payable</b>						
- UTV Software Communications Limited	198,704	171,525	-	-	-	-
- United Home Entertainment Pvt Limited			983	-	-	-

- 11 The Company is principally engaged in providing post production, special effects & graphics facilities to film producers, advertisers and television software production houses. Due to the multiplicity and complexity of items, it is not practicable to maintain the quantitative record/continuous stock register, as the process of making program software is not amenable to it. Hence quantitative details are not maintained by the company as is the practice generally followed by companies in the Industry. Physical stock is taken at the end of the year.

As at March 31, 2005

As at March 31, 2004

- a Licensed Capacity  
b Installed Capacity  
c Actual Production

N.A.  
N.A.  
N.A.

N.A.  
N.A.  
N.A.

- 12 The names of the small scale industrial undertakings to whom the Company owes a sum which is outstanding for more than 30 days are not known since the requisite information is not available with the Company.
- 13 The Company's significant leasing arrangements are mainly in respect of residential / office premises. The aggregate lease rentals payable on these leasing arrangements are charged as rent under "Other Expenses" in Schedule 18.  
These leasing arrangements are for a period not exceeding 5 years and are in most cases renewable by mutual consent, on mutually agreeable terms. The Company has placed a refundable deposit of Rs. 265 ('000) [Previous Year Rs.20 ('000)] in respect of these leasing arrangements.
- 14 The business segment has been considered as the primary segment. In the financial year 2003-04 the Company was organised into two main business segments namely Post Production and Animation facilities. The above business segments have been identified considering the different nature of activities carried on by these business divisions Segment revenue, results, assets and liabilities have been accounted for on the basis of their relationship to the related business activities of the segment and amounts allocated on a reasonable basis to the business segment.  
However in the current year the company has only one segment of Post Production, there is no separate reportable segment as required by AS-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India.

(Rs. in Thousands)

Particulars	Post Production		Animation		Total	
	March 31, 2005	March 31, 2004	March 31, 2005	March 31, 2004	March 31, 2005	March 31, 2004
<b>REVENUE</b>						
External Revenue	97,401	100,451	-	14,199	97,401	114,650
Intersegment Revenue	-	-	-	-	-	-
<b>Total Revenue</b>	<b>97,401</b>	<b>100,451</b>	<b>-</b>	<b>14,199</b>	<b>97,401</b>	<b>114,650</b>
<b>RESULT</b>						
Segment Result	26,255	9,371	-	(6,770)	26,255	2,601
<b>Less :</b>						
Interest	98	-	-	-	98	20,335
Depreciation	31,303	-	-	-	31,303	-
Unallocable Other Expenditure	-	-	-	-	-	25,944
<b>Add :</b>						
Unallocable Other Income	9,751	-	-	-	9,751	1,403
<b>Profit / (Loss) Before Taxation</b>	<b>4,605</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,605</b>	<b>(42,275)</b>
<b>OTHER INFORMATION</b>						
Segment Assets	265,173	47,229	-	2,640	265,173	49,869
Unallocable Assets	-	-	-	-	-	221,222
<b>Total Assets</b>	<b>265,173</b>	<b>47,229</b>	<b>-</b>	<b>2,640</b>	<b>265,173</b>	<b>271,091</b>
Segment Liabilities	231,681	25,290	-	1,021	231,681	26,311
Unallocable Liabilities	-	-	-	-	-	213,553
<b>Total Liabilities</b>	<b>231,681</b>	<b>25,290</b>	<b>-</b>	<b>1,021</b>	<b>231,681</b>	<b>239,864</b>
<b>Capital Expenditure</b>						
(Excluding Capital Work in Progress)						
Segment capital Expenditure	30,681	-	-	-	30,681	-
Unallocable capital Expenditure	-	-	-	-	-	17,089
<b>Total Capital Expenditure</b>	<b>30,681</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,681</b>	<b>17,089</b>
<b>Depreciation</b>						
Segment Depreciation	31,303	-	-	-	31,303	-
Unallocable Depreciation	-	-	-	-	-	25,944
<b>Total Depreciation</b>	<b>31,303</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,303</b>	<b>25,944</b>



Contd....

<b>Non Cash Expenses other than Depreciation</b>						
Segment Non Cash Expenditure	-	-	-	-	-	-
Unallocable Non Cash Expenditure	-	-	-	-	-	-
<b>Total Non Cash Expenses other than Depreciation</b>	-	-	-	-	-	-
<b>GEOGRAPHICAL SEGMENT</b>						
<b>Revenue</b>						
India	97,401	100,451	-	-	97,401	100,451
Outside India -	-	-	14,199	-	14,199	-
<b>Total</b>	<b>97,401</b>	<b>100,451</b>	<b>-</b>	<b>14,199</b>	<b>97,401</b>	<b>114,650</b>
<b>Assets</b>						
India	265,173	-	-	-	265,173	271,091
Outside India -	-	-	-	-	-	-
<b>Total</b>	<b>265,173</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>265,173</b>	<b>271,091</b>

- 15 The earning considered in ascertaining the Company's earnings per share comprise the net profit / (loss) after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year.

	Year ended March 31, 2005	Year ended March 31, 2004
Profit/(Loss) after tax (Rs. In Thousands)	2,265	(26,822)
Weighted average number of shares (nos.)	1,010,000	1,010,000
Earning Per share (Rs)		
Basic & Diluted	2.24	(26.56)
Face Value per Share (Rs.)	10	10

- 16 The previous year's figures have been re-grouped, wherever necessary.  
Signature to schedule 1 to 20

Partha Ghosh  
Partner  
Membership No. F- 055913  
For and on behalf of

For and on behalf of the Board

**Price Waterhouse & Co.**  
Chartered Accountants  
Place : Mumbai  
Date : June 24, 2005

**Ronald D'mello**  
Director  
Place : Mumbai  
Date : June 24, 2005

**Rohinton Screwvala**  
Director

#### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(a) <b>Registration detail</b>		
Registration no.		110298
State Code		11
Balance sheet date		March 31, 2005
(b) <b>Capital Raised during the year (Amount in '000)</b>		
Public issue		Nil
Right issue		Nil
Bonus issue		Nil
Private Placement		Nil
(c) <b>Position of mobilisation and deployment of funds (Amount in '000)</b>		
Total Liabilities		231,681
Total Assets		265,173
<b>SOURCES OF FUNDS</b>		
Share Capital		10,100
Reserve & Surplus		48,000
Secured Loans		-
Unsecured Loans		-
<b>TOTAL</b>		<b>58,100</b>
<b>APPLICATION OF FUNDS</b>		
Net Fixed Assets and Capital WIP		204,498
Investments		-
Net Current Assets		(184,488)
Deferred Tax Asset(Net)		13,482
Accumulated Losses		24,608
<b>TOTAL</b>		<b>58,100</b>
(d) <b>Performance of the company (Amount in '000)</b>		
Sales and Services		97,401
Other Income		9,751
Total Expenditure		102,547
Profit before tax		4,605
Profit after tax		2,265
Earning Per Share in Rs.		2.24
Dividend Payout %		Nil
(e) <b>Generic names of three principle products/services of the company</b>		
Item code no.		NA
Product		NA
Description		NA

Partha Ghosh  
Partner  
Membership No. F- 055913  
For and on behalf of

For and on behalf of the Board

**Price Waterhouse & Co.**  
Chartered Accountants  
Place : Mumbai  
Date : June 24, 2005

**Ronald D'mello**  
Director  
Place : Mumbai  
Date : June 24, 2005

**Rohinton Screwvala**  
Director



**INDEPENDENT AUDITORS' REPORT**

The Member  
UTV Communications (USA) LLC

We have audited the accompanying balance sheet of UTV Communications (USA) LLC as of March 31, 2005, and the related statements of income and member's equity, and cash flows for the period from April 26, 2004 (date of formation) to March 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UTV Communications (USA) LLC as of March 31, 2005 and the results of operations and its cash flows for the period from April 26, 2004 (date of formation) to March 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

April 21, 2005

**S K D Partners LLP**  
Certified Public Accountants & Consultants

**BALANCE SHEET**

	March 31, 2005
	\$
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	429,409
Accounts receivable	79,762
Unbilled receivables	142,607
Advances to supplier	145,000
Inventories	51,966
Acquisition costs	316,305
Other current assets	36,693
Total current assets	1,201,742
Property and equipment, net of depreciation	6,379
<b>Other Assets</b>	
Film in progress	312,186
Security deposits	2,950
Total other assets	315,136
Total assets	1,523,257
<b>LIABILITIES AND MEMBER'S EQUITY</b>	
<b>Current Liabilities</b>	
Accounts payable	8,694
Advances from customers	72,110
Accrued expenses and taxes	16,336
Due to related party	1,337,474
Total current liabilities	1,434,614
Member's Equity	88,643
Total liabilities and member's equity	1,523,257

**STATEMENT OF INCOME AND MEMBER'S EQUITY**

From April 26, 2004 (Date of Formation) to March 31, 2005

Net revenue	\$ 2,735,279
Cost of operations	2,353,513
Gross profit	381,766
Selling, general and administrative expenses	335,816
Income from operations	45,950
Interest income	1,029

Income before income taxes	46,979
Provision for income taxes	8,336
Net income	38,643
Contribution of member's equity	50,000
Member's equity - end	\$ 88,643

**STATEMENT OF CASH FLOWS**

From April 26, 2004 (Date of Formation) to March 31, 2005

<b>Operating Activities</b>		<b>\$ 38,643</b>
Net income		38,643
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation		831
Changes in operating assets and liabilities		
Accounts receivable		(79,762)
Unbilled receivables		(142,607)
Advances to supplier		(145,000)
Inventories		(51,966)
Acquisition costs		(316,305)
Other current assets		(36,693)
Accounts payable		8,694
Advances from customers		72,110
Accrued expenses and taxes		16,336
Due to related party		1,337,474
Net cash provided by operating activities		701,755
<b>Investing Activities</b>		
Film in progress		(312,186)
Purchase of property and equipment		(7,210)
Payment for security deposits		(2,950)
Net cash used in investing activities		(322,346)
<b>Financing Activities</b>		
Proceeds from member's contribution		50,000
Net cash provided, by financing activities		50,000
Net increase in cash and cash equivalents		429,409
Cash and cash equivalents -beginning		-
Cash and cash equivalents -end		\$ 429,409
<b>Supplemental Information</b>		
Interest paid		\$ —
Income taxes paid		\$ —

**NOTES TO FINANCIAL STATEMENTS**

From April 26, 2004 (Date of Formation) to March 31, 2005

**1- Summary of Significant Accounting Policies**

**Nature of Business**

UTV Communications (USA) LLC ("the Company") was formed on April 26, 2004, under the laws of the State of Delaware. The Company engages in distribution, marketing and sale of cinematographic films, including producing, sale, and distribution of films in video cassettes, video discs, video compact discs and DVD format throughout the United States and other countries. The Company's sole member is UTV Software Communications Ltd. Mumbai, India.

**Cash and Cash Equivalents**

The Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

**Accounts Receivable**

The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Company's estimate is based on historical collection experience and a review of the current status of trade accounts receivable. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change. At March 31, 2005, the Company has not provided any provision for doubtful accounts.

**Unbilled Receivables**

The Company distributes films to movie theatres. When the minimum revenue is not guaranteed to the Company, the Company records estimated revenue based on minimum revenue as per industry practice, and historical experience. The balance of the revenue is recorded when received.

**Inventories**

Inventories consist of DVDs and are stated at the lower of average cost or market.

**Amortization of Acquisition and Deferred Costs and Revenue Recognition**

The Company capitalizes, and amortizes acquisition and deferred costs and accrues (expenses) related costs using the individual-film-forecast-computation method, which amortizes or accrues (expenses) such costs in the same ratio that current period actual revenue (numerator) bears to estimated remaining unrecognized ultimate revenue as of the beginning of the current fiscal year (denominator). The Company begins amortization of such capitalized costs when a film is released and begins to recognize the revenue from that film.

**NOTES TO FINANCIAL STATEMENTS**

From April 26, 2004 (Date of Formation) to March 31, 2005

**1- Summary of Significant Accounting Policies****Property, Equipment and Depreciation**

Property and equipment is stated at cost. Major expenditures for property and expenditures that substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation is removed from the accounts and resulting gains or losses are included in operations. Depreciation is computed by using straight-line methods over the estimated useful lives of the related assets.

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Income Taxes**

The Company has elected to be taxed as a corporation for income tax purposes. Consequently, provision has been made for federal, state and local income taxes.

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. At March 31 2005, deferred income taxes were not material.

**Shipping Costs**

Shipping costs are included in cost of operations.

**Advertising and Promotion Costs**

Advertising and promotion costs are expensed as incurred and included in cost of operations. For the period ended March 31, 2005, such costs totaled \$136,837.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**NOTES TO FINANCIAL STATEMENTS**

From April 26, 2004 (Date of Formation) to March 31, 2005

**1. Summary of Significant Accounting Policies****Start-up Costs**

In accordance with SOP 98-5, start-up costs are expensed as incurred and included in cost of operations. For the period ended March 31, 2005, such costs totaled \$3,507.

**2. Film in Progress**

During December 2004, the Company entered into a joint venture to produce a theatrical motion picture project. The costs incurred in connection with the project have been deferred until the project is completed and the film is released. The Company has made \$3.2 million commitment towards this project.

**3. Property and Equipment**

Property and equipment consist of the following:

	Estimated Useful Life Years	
Computers and software	5	\$ 7,210
Less: Accumulated depreciation		831
Net property and equipment		<u>\$ 6,379</u>

Depreciation expense was \$831 for the period ended March 31, 2005.

**4. Due to Related Party**

During the period ended March 31, 2005, the Company purchased film distribution rights from a related party for the United States of America, Canada and the West Indies. At March 31, 2005, the Company owes the affiliate \$1,337,474 for these rights and other advances made.

**5. Concentrations****Major Vendors and Customers**

During the period ended March 31, 2005 the Company purchased distribution rights for two films titles from a related party, and one film title from an unrelated third party where the related party is also a party to the contract, and fifty five titles from an unrelated third party. These four purchases accounted for 100% of total film rights purchased. The Company's sale of theatrical rights to three films and copies of DVDs to various customers in the United States of America and Canada, and TV rights to 55 movies to one customer for the period ended March 31, 2005 accounted for 100% of total sales. Accounts receivable from two customers account for approximately 81 % of total accounts receivable at March 31, 2005.

**6. Commitment and Contingency****Operating Lease**

The Company is renting its office facility, in New York City, New York under the license agreements on a month to month basis with a right of termination by giving 30 day notice. The Company paid rent of \$27,850 for the period ended March 31, 2005.

**Cash and Cash Equivalents**

During the period ended March 31, 2005, the bank balances exceeded FDIC insured limit of \$100,000 per bank from time to time.

**Line of Credit**

The Company received a \$640,000 Line of Credit from Union Bank of California. The line of credit expires on August 1, 2006, and bears interest at 1.5% above the Bank's Reference Rate. The line is guaranteed by a letter of credit opened by the parent company. At March 31, 2005 there was no outstanding balance.

**COMPANY INFORMATION**

<b>Directors</b>	Hitesh Chandarana Sridhar Sreekakula	Appointed on 6 September 2004 Appointed on 10 December 2004
<b>Secretary</b>	Mrs B Chandarana	
<b>Company number</b>	5222227	
<b>Registered office</b>	51 - 53 Station Road Harrow Middlesex HA1 2TY	
<b>Auditors</b>	Nagle James Associates Limited 51- 53 Station Road Harrow Middlesex HA1 2TY	
<b>Bankers</b>	National Westminster Bank Plc 315 Station Road Harrow Middlesex HA1 2AD	

**DIRECTORS' REPORT**
**for the period ended 31 March 2005**

The directors present their report and the financial statements for the period ended 31 March 2005.

**Incorporation**

The company was incorporated on 6 September 2004 as UTV Communications (UK) Limited. The company commenced trade on 1 December 2004.

**Principal activity**

The principal activity of the company is that of distribution and marketing of entertainment software including motion pictures.

**Directors and their interests**

The directors who served during the period and their interests in the company are as stated below:

	Ordinary shares	
	31/03/05	06/09/04
Hitesh Chandarana	-	-
Sridhar Sreekakula	-	-

**Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that period. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

Nagle James Associates Limited were appointed auditors to the company and in accordance with Section 385 of the Companies Act 1985, a resolution proposing their reappointment will be put to the Annual General Meeting.

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the Board on 22 April 2005 and signed on its behalf by

**Mrs B Chandarana**  
Secretary

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UTV COMMUNICATIONS (UK) LIMITED**

We have audited the financial statements of UTV Communications (UK) Limited for the period ended 31 March 2005 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

**Registered Auditors**

51- 53 Station Road  
Harrow, Middlesex,  
HA1 2TY  
Date : 22 April 2005.

**Nagle James Associates Limited**

Chartered Accountants

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2005**

	Notes	Continuing operations Period ended 31/03/05 £
<b>Turnover</b> 2		815,876
Cost of sales		(770,165)
<b>Gross profit</b>		45,711
Administrative expenses		(43,389)
<b>Operating profit</b>	3	2,322
Other interest receivable and similar income		166
<b>Profit on ordinary activities before taxation</b>		2,488
Tax on profit on ordinary activities	4	(473)
<b>Profit on ordinary activities after taxation</b>		2,015
<b>Retained profit for the period</b>		2,015

There are no recognised gains or losses other than the profit or loss for the above financial period.

## BALANCE SHEET AS AT 31 MARCH 2005

	Notes	£	31/03/05 £
<b>Current assets</b>			
Stocks		6,124	
Debtors	5	522,314	
Cash at bank and in hand		120,475	
		648,913	
<b>Creditors: amounts falling due within one year</b>	6	(636,898)	
<b>Net current assets</b>			12,015
<b>Net assets</b>		12,015	
<b>Capital and reserves</b>			
Called up share capital	7	10,000	
Profit and loss account		2,015	
<b>Equity shareholders' funds</b>	8		12,015

The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 22 April 2005 and signed on its behalf by

Hitesh Chandarana  
Director

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2005

## 1. Accounting policies

## 1.1. Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in FRS1 from the requirement to produce a cashflow statement because it is a small company.

## 1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

Revenues from licensing of owned movies are recognised in accordance with the licensing agreement or on physical delivery of the movies which ever is later.

## 1.3. Stock

Stock is valued at the lower of cost and net realisable value.

The company evaluates the realisable value and / or revenue potential of the year end inventory on an annual basis and appropriate write down is made in cases where accelerated write down is warranted.

## 1.4. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss account.

## 2. Turnover

Turnover attributable to geographical markets outside the United Kingdom amounted to 74% for the period.

## 3. Operating profit

Operating profit is stated after charging:

	Period ended 31/03/05 £
Loss on foreign currencies	28,260
Auditors' remuneration	4,000

## 4. Tax on profit on ordinary activities

## Analysis of charge in period

	£
Current tax	
UK corporation tax	473

## 5. Debtors

Trade debtors	90,957
Amounts owed by connected company	425,018
Prepayments	6,339
	522,314

## 6. Creditors: amounts falling due within one year

Trade creditors	538,841
Amounts owed to parent company	61,105
Corporation tax	473
Other taxes and social security costs	13,502
Accruals	22,977
	636,898

## 7. Share capital

<b>Authorised</b>	
100,000 Ordinary shares of £1 each	100,000

**Allotted, called up and fully paid**

10,000 Ordinary shares of £1 each	10,000
-----------------------------------	--------

## 8. Reconciliation of movements in shareholders' funds

Profit for the period	2,015
Net proceeds of equity share issue	10,000
Net addition to shareholders' funds	12,015

## 9. Ultimate parent undertaking

The company's ultimate parent undertaking at the balance sheet date was UTV Software Communications Limited, a company incorporated in India.

## 10. Related party transactions

During the year the company sold the US rights to distribute the film 'Swades' for £590,863 to UTV Communications (USA) LLC, a company which is a wholly owned subsidiary of UTV Software Communications Limited. At the balance sheet date £425,018 is due by UTV Communications (USA) LLC.

During the year UTV Software Communications Limited paid expenses on behalf of UTV Communications (UK) Limited amounting to £59,634. At the balance sheet date £61,105 was due to UTV Software Communications Limited.

## 11. Going concern

The Directors believe that the company has adequate resources to continue in operational existence for the foreseeable future based on that the financial statements have been prepared on a going concern basis.

## DETAILED TRADING PROFIT AND LOSS ACCOUNT AND EXPENSES SCHEDULE FOR THE PERIOD ENDED 31 MARCH 2005

	£	£	Period ended 31/03/05 £
<b>Sales</b>			
Sales - share of box office collection		162,241	
Sale of DVDs - UK		49,500	
Sale of DVDs - Rest of World		13,272	
Sale of rights		590,863	
		815,876	
<b>Cost of sales</b>			
Cost of rights	649,949		
Cost of prints	56,649		
Cost of DVDs	7,022		
Freight, storage and clearing charges	17,392		
Theatre Hire	2,181		
Film classification cost	1,674		
Advertising	36,523		
Public relation and marketing	4,899		
Closing stock	(6,124)		
		(770,165)	
<b>Gross profit</b>	6%	45,711	
<b>Administrative expenses</b>			
Directors' remuneration	600		
Travelling	4,000		
Accountancy	6,417		
Audit	4,000		
Bank charges	112		
Profit/loss on exchange	28,260		
		43,389	
<b>Operating profit</b>	0%	2,322	
<b>Other income and expenses</b>			
<b>Interest receivable</b>			
Bank deposit interest	166		
		166	
<b>Net profit for the period</b>			2,488

**CORPORATE INFORMATION**

		<b>Date appointed</b>
<b>DIRECTORS:</b>	Mr Ashraf Ramtoola Mrs Kamalam Pillay Rungapadiachy	7 October 2004 7 October 2004
<b>SECRETARY:</b>	International Management (Mauritius) Ltd. Les Cascades Building Edith Cavell Street Port-Louis, Mauritius	
<b>REGISTERED OFFICE:</b>	Les Cascades Building Edith Cavell Street Port-Louis Mauritius	
<b>AUDITORS:</b>	Morison Mauritius Public Accountants 1 <sup>st</sup> , Floor, Fairfax House 21, Mgr Gonin Street Port Louis, Mauritius	

- proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- the financial statements give a true and fair view of the financial position of the Company as at 31 March 2005, and of its financial performance, changes in equity and cash flows for the period then ended and comply with International Financial Reporting Standards.

**Morison Mauritius** **Nazeer Bhugaloo, ACCA**  
**Public Accountants**  
 Date: 29 April 2005

**COMMENTARY OF THE DIRECTORS**

The directors have pleasure in submitting their annual report together with the audited financial statements for the period ended 31 March 2005.

**PRINCIPAL ACTIVITY**

The principal activity of the Company is to carry on the business of exhibiting and distributing cinematographic films, acquiring and selling rights therein, exhibiting and distributing television films, television programmes, video films etc.

**RESULTS AND DIVIDENDS**

The results for the period are as shown in the income statement.

The directors do not recommend the payment of a dividend for the period under review.

**DIRECTORS**

The present membership of the Board is set out on page 2.

**DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

Company law requires the directors to prepare financial statements for each financial period which present fairly the financial position, financial performance and the cash flows of the Company. The directors are also responsible for keeping accounting records which:

- correctly record and explain the transactions of the Company;
- disclose with reasonable accuracy at any time the financial position of the Company; and
- would enable them to ensure that the financial statements comply with the Companies Act 2001.

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

**AUDITORS**

The auditors, Morison Mauritius, Public Accountants, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual Meeting.

By order of the board:

**For International Management (Mauritius) Ltd**  
**Corporate Secretary**

Date: 29 April 2005

**REPORT FROM SECRETARY TO THE MEMBER OF UTV COMMUNICATIONS (MAURITIUS) LIMITED**

We certified to the best of our knowledge and belief, the Company has filed with the Registrar of Companies all such returns and as are required of the company under the Mauritius Companies Act 2001 in terms of Section 166(d).

**For International Management (Mauritius) Ltd**  
**Company Secretary**

Date: 29 April 2005

**AUDITORS' REPORT OF UTV COMMUNICATIONS (MAURITIUS) LIMITED TO UTV SOFTWARE COMMUNICATIONS LIMITED**

We have examined the financial statements of UTV Communications (Mauritius) Limited as at March 31, 2005 set out on pages 6 to 14. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

These financial statements have been prepared solely to enable UTV Software Communications Limited to prepare its Consolidated financial statements.

**Opinion**

We have obtained all the information and explanations that we have required.

In our opinion:

<b>INCOME STATEMENT</b>		
<b>FOR THE PERIOD FROM 12 OCTOBER 2004 TO 31 MARCH 2005</b>		
	<b>Note</b>	<b>For the period ended 31 March 2005 USD</b>
<b>Income</b>		
Revenue on sale of rights		171,800
Other income		613
		172,413
<b>Expenses</b>		
Purchase of rights		107,313
Professional fees		15,592
Audit fees		350
		123,255
Profit from operations		49,158
Finance costs		828
		48,330
Profit before taxation		48,330
Taxation	6	-
		48,330
Profit after taxation		48,330

**BALANCE SHEET AT 31 MARCH 2005**

	<b>Note</b>	<b>2005 USD</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Inventories	4	63,025
Cash in hand and at bank		78,993
		142,018
<b>Total assets</b>		142,018
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	5	10,000
Revenue reserve		48,330
		58,330
<b>Current liabilities</b>		
Trade and other payables	7	83,688
		83,688
<b>Total equity and liabilities</b>		142,018

Approved by the Board of Directors on 29 April 2005 and signed on its behalf by

Sd/-	Sd/-
Director	Director

<b>STATEMENT OF CHANGES IN EQUITY</b>			
<b>FOR THE PERIOD FROM 12 OCTOBER 2004 TO 31 MARCH 2005</b>			
	<b>Share capital</b>	<b>Revenue reserve</b>	<b>Total</b>
	USD	USD	USD
Issue of shares	10,000	-	10,000
Profit for the period	-	48,330	48,330
	10,000	48,330	58,330
<b>At 31 March 2005</b>	10,000	48,330	58,330

**CASH FLOW STATEMENT**  
**FOR THE PERIOD FROM 12 OCTOBER 2004 TO 31 MARCH 2005**

	For the period ended 31 March 2005 USD
<b>Operating activities</b>	
Profit before taxation	48,330
<i>Adjustments for:</i>	
Interest expense	828
Increase in inventory	(63,025)
Increase in trade and other payables	83,688
<i>Net cash generated from operations</i>	<u>69,821</u>
<b>Financing activities</b>	
Issue of shares	10,000
Interest paid	(828)
<i>Net cash generated from financing activities</i>	<u>9,172</u>
<b>Net increase in cash and cash equivalents</b>	<u>78,993</u>
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of the period	<u>78,993</u>
<b>Cash and cash equivalents made up of:</b>	
Cash in hand and at bank	<u>78,993</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM 12 OCTOBER 2004 TO 31 MARCH 2005**

**1. COMPANY PROFILE**

The Company has been incorporated in the Republic of Mauritius as a private company in accordance with the Mauritian Companies Act 2001. It has been granted a Category 2, Global Business Licence by the Financial Services Commission.

The principal activity of the Company is to carry on the business of exhibiting and distributing cinematographic films, acquiring and selling rights therein, exhibiting and distributing television films, television programmes, video films etc and its registered address is at Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius.

**2. ACCOUNTING POLICIES**

**(a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS) and interpretations of the Standing Interpretations Committee (SIC) issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(b) Basis of preparation**

The financial statements are prepared under the historical cost convention. Financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

**(c) Foreign currencies**

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. Such balances are translated at period-end exchange rates unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used.

**(d) Inventories**

Inventories is valued at lower of cost and net realisable value. The company evaluates the net realisable value and / or revenue potential of the period end inventory on an annual basis and appropriate writedown is made in cases where accelerated write down is warranted.

**(e) Revenue recognition**

Revenue represents the total invoice value of sales made during the year. Revenues from licensing of movies are recognised in accordance with the licensing agreement or on physical delivery whichever is later.

**(f) Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, which, it is probable will result in an outflow of economic benefits that can be reasonably estimated to settle that obligation. At time of the effective payment, the provision is deducted from the corresponding expenses. All known risks at balance sheet date are reviewed in detail and provision is made where necessary.

**(g) Financial instruments**

Financial assets and liabilities are recognised on the balance sheet when the Company has become a party to the contractual provisions of the instrument.

The Company's policies in respect of the main financial instruments are as follows:

- **Trade receivables** : Trade receivables are stated at their nominal values as reduced by appropriate allowances for irrecoverable amounts.
- **Trade payables** : Trade payables are stated at their nominal values.
- **Cash resources** : Cash resources are measured at fair values.
- **Equity instruments** : Equity instruments are recorded at the proceeds received, net of direct issue costs.

**(h) Related party transactions**

For the purpose of these financial statements, parties are considered to be related to the Company if they have the ability, directly or indirectly, to control the Company or exercise significant influence over the Company in making financial and operating decisions, or vice versa, or where the Company is subject to common control or common significant influence. Related parties may be individual or other entities.

**3. DEFERRED INCOME TAXES**

Deferred income taxes are calculated on all temporary differences under liability method at 15 %.

	2005 USD
At 12 October 2004	-
Movement	-
At 31 March	-
<b>4. INVENTORIES</b>	
Inventories (Unamortised cost of movie copyright)	63,025
<b>5. SHARE CAPITAL</b>	
<i>Issued and fully paid up</i>	
10,000 ordinary shares of USD 1 each	10,000

**6. TAXATION**

A Global Business Licence Category 2 company is not tax-resident in Mauritius and is therefore not liable to tax.

**7. TRADE AND OTHER PAYABLES**

Advance against revenue	9,500
Provision for audit fees	350
Sundry creditors	70,338
Other creditors	3,500
	<u>83,688</u>

**8. FINANCIAL INSTRUMENTS**

**(a) Values of financial instruments**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Company's financial assets and liabilities include cash and cash equivalents, payables and loans. The carrying amounts of these assets and liabilities approximate their fair values.

**(b) Currency profile**

The currency profile of the Company's financial assets and liabilities is summarised as follows:

	Financial assets 2005	Financial liabilities 2005
	USD	USD
United States Dollar	<u>78,993</u>	<u>83,688</u>
	78,993	83,688

**(c) Financial risks**

**(i) Credit risk**

The Company has no significant concentration of credit risk. The Company has policies in place to ensure that sales are made to customers with an appropriate credit history.

**(ii) Liquidity risk**

The Company manages its liquidity risk by maintaining sufficient cash and also by ensuring the availability of fund through committed credit facilities.

**9. RELATED PARTY TRANSACTIONS**

For the period ended 31 March 2005, the Company traded with related entities. The nature, volume of transactions and balances with the entities are as follows:

	Nature of Transactions	Volume of transactions for the period ended 31 March 2005	Balances at 31 March 2005
		USD	USD
UTV Multi-Media & Communications SDN BHD	Professional fees	11,000	11,000

**10. REPORTING CURRENCY**

The financial statements are presented in US Dollars.

**STATEMENT BY DIRECTOR**

I, Foo loon Sang, being the sole director of **UTV INTERNATIONAL HOLDINGS LTD.**, do hereby state that, in the opinion of the director, the financial statements set out on pages 4 to 25 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2005 and of the results of its operations, its cash flows and changes in equity of the Group and of the Company for the financial year ended on that date and have been properly drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of Companies Act, 1965.

On behalf of the Board,

**Foo loon Sang**  
Kuala Lumpur

Dated: 14 April, 2005

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
UTV INTERNATIONAL HOLDINGS LTD.  
(Incorporated in British Virgin Islands)**

We have audited the financial statements set out on pages 4 to 25 of **UTV INTERNATIONAL HOLDINGS LTD.** These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain all the information and explanations, which we consider necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, which have been prepared under the historical cost convention, are properly drawn up in accordance with the applicable approved accounting standards in Malaysia, so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2005 and of the results of the operations of the Group and of the Company, its cash flow and changes in equity of the Group and of the Company, for the financial year ended on that date.

We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in the form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' report on the financial statements of the subsidiary were not subject to any qualification.

Sd/-  
**Mustapha, Khoo & Co**  
No: AF 0599  
Chartered Accountants  
Kuala Lumpur

Dated: 14 April, 2005

**CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2005**

	Note	2005 USD	2004 USD
<b>ASSET</b>			
Plant and equipment	3	171,114	293,365
<b>CURRENT ASSETS</b>			
Inventories	5	72,448	73,558
Trade and other receivables	6	3,803,771	3,849,862
Cash and bank balances		3,247	6,101
		<b>3,879,466</b>	3,929,521
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	109,049	215,845
Short term borrowing - secured	8	338,654	391,515
Hire purchase creditor	9	-	14,068
		<b>447,703</b>	621,428
<b>NET CURRENT ASSETS</b>		<b>3,431,763</b>	3,308,093
		<b>3,602,877</b>	3,601,458
<b>FINANCED BY:</b>			
SHARE CAPITAL	10	4,144,000	4,144,000
RESERVES		(1,166,151)	(1,173,163)
		<b>2,977,849</b>	2,970,837
<b>MINORITY INTEREST</b>		<b>625,028</b>	619,124
<b>NON CURRENT LIABILITY</b>			
Hire purchase creditor	9	-	11,497
		<b>3,602,877</b>	3,601,458

**CONSOLIDATED PROFIT AND LOSS ACCOUNTS (CONSOLIDATED INCOME  
STATEMENT)**

**FOR THE YEAR ENDED 31 MARCH 2005**

	Note	2005 USD	2004 USD
Revenue	11	254,770	989,750
Production costs		(147,507)	(709,483)
Gross profit		107,263	280,267
Other income	12	44,127	94,390
Total income		151,390	374,657
Administrative and operating expenses	13	(78,566)	(251,937)
Profit before depreciation of plant and equipment, finance cost and taxation		72,824	122,720
Depreciation of plant and equipment		(46,300)	(78,770)
Profit before finance cost and taxation		26,524	43,950
Finance costs	14	(13,608)	(34,979)
Profit before taxation		12,916	8,971
Taxation	15	-	-
Net profit for the year after taxation		12,916	8,971
Minority interest		(5,904)	(3,893)
Profit attributable to the shareholders of the Company		7,012	5,078
Accumulated loss brought forward		(1,137,038)	(1,142,116)
Accumulated loss carried forward		(1,130,026)	(1,137,038)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2005**

	Share capital USD	Preference share USD	Translation difference USD	Accumulated loss USD	Total USD
<b>Group 2005</b>					
As at 1 April 2004	250,000	3,894,000	(36,125)	(1,137,038)	2,970,837
Net profit for the year	-	-	-	12,916	12,916
Minority interest	-	-	-	(5,904)	(5,904)
As at 31 March 2005	250,000	3,894,000	(36,125)	(1,130,026)	2,977,849
<b>2004</b>					
As at 1 April 2003	250,000	3,884,000	(36,125)	(1,142,116)	2,955,759
Allotment during the year	-	10,000	-	-	10,000
Net profit for the year	-	-	-	8,971	8,971
Minority interest	-	-	-	(3,893)	(3,893)
As at 31 March 2004	250,000	3,894,000	(36,125)	(1,137,038)	2,970,837

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2005**

	Note	2005 USD	2004 USD
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		12,916	8,971
Minority interest		(5,904)	(3,893)
		7,012	5,078
Adjustment for:-			
Depreciation of plant and equipment		46,300	78,770
Interest expenses		13,608	34,979
Interest income		(2,947)	(5,607)
Loss on disposal of plant and equipment		21,604	-
Loss on foreign exchange - unrealised		-	2,045
Minority interest		5,904	3,893
Share of depreciation expenses by related party		37,640	-
Operating profit before working capital changes		129,121	119,158
Working capital changes:			
Decrease in inventories		1,110	765,433
Decrease / (Increase) in trade and other receivables		46,091	(590,957)
Decrease in trade and other payables		(106,796)	(122,234)
Cash generated from operating activities		69,526	171,400
Less: Interest paid		(13,608)	(34,979)
Net cash generated from operating activities		55,918	136,421



**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2005**

	Note	2005 USD	2004 USD
<b>CASH FLOW FROM INVESTING ACTIVITIES (CONTD.)</b>			
Acquisition of plant and equipment		(1,958)	(23,926)
Hire purchase drawdown		-	8,947
Interest received		2,947	5,607
Proceed from disposal of plant and equipment		18,665	-
Repayment of hire purchase		(25,565)	(12,079)
Net cash used in investing activities		(5,911)	(21,451)
<b>CASH FLOW FROM FINANCING ACTIVITY</b>			
Proceeds from issuance of preference share	-	10,000	-
Net cash generated from financing activity	-	10,000	-
Net increase in cash and cash equivalents		50,007	124,970
Cash and cash equivalents at beginning of the year		(385,414)	(510,384)
Cash and cash equivalents at end of the year	16	(335,407)	(385,414)

**BALANCE SHEET AS AT 31 MARCH 2005**

	Note	2005 USD	2004 USD
<b>ASSET</b>			
Investment in subsidiary company	4	1,752,926	1,752,926
<b>CURRENT ASSETS</b>			
Other receivables	6	1,544,889	1,553,943
Cash in hand		115	125
		1,545,004	1,554,068
<b>CURRENT LIABILITY</b>			
Other payables	7	25,809	28,118
<b>NET CURRENT ASSETS</b>			
		1,519,195	1,525,950
		3,272,121	3,278,876
<b>FINANCED BY:</b>			
SHARE CAPITAL	10	4,144,000	4,144,000
ACCUMULATED LOSS		(871,879)	(865,124)
		3,272,121	3,278,876

**PROFIT AND LOSS ACCOUNTS (INCOME STATEMENT)  
FOR THE YEAR ENDED 31 MARCH 2005**

	Note	2005 USD	2004 USD
Revenue	11	-	-
Other income	12	-	15,409
Total income		-	15,409
Less: Administrative and operating expenses	13	(6,755)	(19,412)
Loss before taxation		(6,755)	(4,003)
Taxation	15	-	-
Net loss for the year after taxation		(6,755)	(4,003)
Accumulated loss brought forward		(865,124)	(861,121)
Accumulated loss carried forward		(871,879)	(865,124)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2005**

	Share capital USD	Preference share USD	Accumulated loss USD	Total USD
<b>Company 2005</b>				
As at 1 April 2004	250,000	3,894,000	(865,124)	3,278,876
Net loss for the year	-	-	(6,755)	(6,755)
As at 31 March 2005	250,000	3,894,000	(871,879)	3,272,121
<b>2004</b>				
As at 1 April 2003	250,000	3,884,000	(861,121)	3,272,879
Allotment during the year	-	10,000	-	10,000
Net loss for the year	-	-	(4,003)	(4,003)
As at 31 March 2004	250,000	3,894,000	(865,124)	3,278,876

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005**

	Note	2005 USD	2004 USD
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Operating loss before working capital changes		(6,755)	(4,003)
Working capital changes:			
Decrease / (Increase) in other receivables		9,054	(7,677)
(Decrease) / Increase in other payables		(2,309)	1,695
Net cash used in operating activities		(10)	(9,985)
<b>CASH FLOW FROM FINANCING ACTIVITY</b>			
Issuance of preference shares		-	10,000
Net cash generated from financing activity		-	10,000
Net increase in cash and cash equivalents		(10)	15
Cash and cash equivalent at beginning of the year		125	110
Cash and cash equivalent at end of the year	16	115	125

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005**
**1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION**

The Company, incorporated in the British Virgin Islands on 28 August, 1996, is a wholly owned subsidiary of UTV Software Communications Ltd., a company incorporated in India. The Company's principal activity is that of an investment holding.

The principal activities of its subsidiary company are to carry on the business of television programme production and related activities.

There have been no significant changes in the nature of these activities during the financial year.

The registered office of the Company is situated at Craigmuir Chambers, PO Box 71, Road Town, Tortola, British Virgin Islands.

The principal place of business of the Company is located at 610, Block G, Pusat Dagangan Phileo Damansara I, 9, Jalan 16/11, 46350 Petaling Jaya, Selangor.

All the amounts stated in the financial statements are in US Dollars.

**2. SIGNIFICANT ACCOUNTING POLICIES**
**(a) Basis of accounting**

The financial statements are prepared under the historical cost convention and comply with the applicable approved accounting standards in Malaysia.

The Company relies on its holding company for continued financial support and has obtained an undertaking from the holding company to enable it to operate as a going concern.

**(b) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and of the subsidiary company made up to 31 March 2005. Subsidiary company is consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the relevant subsidiary company is measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiary company acquired or disposed of during the financial year is included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

All significant intercompany transactions and balances are eliminated on consolidation.

**(c) Plant and equipment**

The carrying amounts of plant and equipment are reviewed at each balance sheet date to determine, whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of plant and equipment exceeds its recoverable amount. The recoverable amount of plant and equipment is based on the lower of market value or replacement cost.

The impairment loss is charged to the profit and loss accounts (income statement), unless if it reverses a previous revaluation, in which case it is charged to equity. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred. Such subsequent increase in recoverable amount is recognised in the profit and loss accounts (income statement), unless if it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

**(d) Depreciation**

Plant and equipment are stated at cost less accumulated depreciation. Depreciation of the plant and equipment is provided on a straight line basis calculated so as to write off the cost of each asset over its estimated useful life. The principal annual rates are:-

Furniture, fittings and office equipment	4.75% - 6.33%
Computer equipment	16.21%
Renovations	10%
Studio equipment	12.5%

**(e) Investment in subsidiary**

A subsidiary company is an enterprise that is controlled by another enterprise. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Investment in unquoted shares of the subsidiary company, which is eliminated on consolidation, is stated at cost. Where there is an indication of impairment in the value of the investments, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

(f) Inventories

Inventories comprise inventories of film accessories and production costs of television programmes.

Inventories of film accessories are stated at the lower of cost or net realisable value.

Production costs of television programmes comprise direct costs of production and other production overheads. Production costs are stated at the lower of cost net of accumulated amortisation and net realisable value.

Production costs are amortised on an individual television programme basis in the ratio that the estimated revenues from specific income source exploited during the period, bear to management's estimate of aggregate revenues that the Company expects to earn from the programme from all sources.

(g) Trade and other receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at the balance sheet date.

(h) Cash and cash equivalents

Cash and cash equivalents are cash and short term funds held for the purposes of meeting short term commitments and readily convertible into cash with insignificant risk of changes in value.

(i) Foreign Currency Transaction and balances

Transactions in foreign currencies are recorded in US Dollar at rates of exchange ruling at the time of the transactions. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at balance sheet date.

Gains and losses from conversion of short term assets and liabilities, whether realised or unrealised, are included in operating profit as they arise.

The assets and liabilities of the foreign entity, including goodwill and fair value adjustments arising on the acquisitions, is translated to US Dollar at the closing rates. The operating results are translated to US Dollar at the exchange rates at the dates of the transactions. Gains and losses arising on translation are taken directly to the foreign exchange translation reserve.

All other foreign exchange differences are taken to the income statement in the period in which they arise.

The exchange rates ruling at the balance sheet date used (denominated in units of United States Dollar per foreign currency) are as follows:

	2005 USD	2004 USD
Singapore Dollar	0.5947	0.5949
Ringgit Malaysia	0.2632	0.2632

(j) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rate that have been enacted at the balance sheet date.

(k) Deferred taxation

Deferred taxation is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the profit and loss account (income statement), except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(l) Assets under hire purchase

Asset acquired under hire purchase agreement is included in plant and equipment and capital element of the hire purchase commitment is shown as hire purchase creditor. The capital element of the hire purchase is applied to reduce the outstanding obligations and the interest element is charged to the profit and loss account over the period of hire purchase on a straight line basis. Assets acquired under hire purchase are depreciated over the useful lives of equivalent owned assets.

(m) Revenue Recognition

Revenue on commissioned television programmes are recognised on substantial completion of production of the programmes. The amount recognised is the predetermined price, the collection of which is reasonably assured.

(n) Financing costs

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of financing costs in the profit and loss accounts (income statement).

(o) Financial instruments

Fair value in respect of cash and cash equivalents, trade and other receivables, trade and other payables which carrying amount approximately to the fair value due to the relatively short term nature of these financial instruments.

(p) Financial risk management

The Company's activities is exposed to some financial risks and risk management is carried out under

policies approved by the board of directors.

i) Interest rate risk

The Company's income and operating cashflows are substantially independent of the changes in market interest risks.

ii) Credit risk

Trade receivables may give rise to credit risk which require the loss to be recognised if a counter party fails to perform as contracted. It is the Company's policy to monitor the financial standing of these counter-parties on an going basis to ensure that the Company is exposed to minimal credit risk.

iii) Liquidity risk

It is the Company's policy to ensure continuity in servicing its cash obligations in the future by way of measuring and forecasting its cash commitments, and monitoring and maintaining a level of cash and cash equivalents deemed adequate to the Company's operations.

(iv) Foreign currency risk

The Company is exposed to foreign currency risk as a result of its normal daily transactions, where the currency denomination differs from the local currency, US Dollar. There is no specific policy to mitigate this risk as the management is of the opinion that the exposure to this risk is insignificant.

3. PLANT AND EQUIPMENT

	Furniture, fittings and office equipment	Computer equipment	Renovation	Studio equipment	Total
Group	USD	USD	USD	USD	USD
Net book value as at 1 April 2003	9,743	5,595	85,528	247,343	348,209
Additions	1,768	4,295	-	17,863	23,926
Depreciation charge	(871)	(2,986)	(21,141)	(53,772)	(78,770)
Net book value as at 31 March 2004	10,640	6,904	64,387	211,434	293,365
Additions	489	1,469	-	-	1,958
Disposal	(1,766)	(5,158)	-	(33,345)	(40,269)
Depreciation charge	(1,052)	(2,381)	(23,084)	(57,423)	(83,940)
Net book value as at 31 March 2005	8,311	834	41,303	120,666	171,114
Net book value as at 31 March 2004					
Cost	18,669	22,994	230,835	437,681	710,179
Accumulated depreciation	(8,029)	(16,090)	(166,448)	(226,247)	(416,814)
Net book value	10,640	6,904	64,387	211,434	293,365
Net book value as at 31 March 2005					
Cost	17,211	16,993	230,835	396,472	661,511
Accumulated Depreciation	(8,900)	(16,159)	(189,532)	(275,806)	(490,397)
Net book value	8,311	834	41,303	120,666	171,114

Included in the studio equipment, are equipment acquired under hire purchase agreement with a net book value amounting to USD Nil (2004 : USD35,429).

4. INVESTMENT IN SUBSIDIARY COMPANY

Company	2005 USD	2004 USD
Unquoted investment in ordinary shares - at cost	618,188	618,188
Unquoted investment in redeemable preference shares - at cost	1,134,738	1,134,738
	<b>1,752,926</b>	1,752,926

The subsidiary which is incorporated in Malaysia is as follows:

Name of company	Effective interest		
	2005 %	2004 %	Principal activities
Antah-UTV Multi-Media & Communications Sdn. Bhd.	69.99	69.99	Television programme production

The subsidiary company is audited by Messrs. Mustapha, Khoo & Co.

The subsidiary company converted its operation into 100% variable cost model, hence the Company terminated employment contract of all employees with effect from 15 September 2004 and paid requisite retrenchment compensation.

5. INVENTORIES

	Group	
	2005 USD	2004 USD
Deferred production costs	70,854	128,544
Amortised to income statement	-	(57,690)
	<b>70,854</b>	70,854
Film accessories	1,594	2,704
	<b>72,448</b>	73,558

During the financial year, the Group has transferred inventories amounting to USD710,138 at cost to a company in which certain directors of the Company have interest.

## 6. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005 USD	2004 USD	2005 USD	2004 USD
Trade debtors	123,447	579,145	-	-
Allowance for doubtful debts	(2,237)	(2,237)	-	-
	121,210	576,908	-	-
Other debtors, deposits and prepayments	3,178,966	2,776,705	413,205	414,586
Amount owing by related companies	165,663	158,317	-	-
Amount owing by a director	337,932	337,932	337,932	337,932
Amount owing by a subsidiary company	-	-	793,752	801,425
	3,803,771	3,849,862	1,544,889	1,553,943

Included in the Company's other debtors, deposits and prepayments is an amount of USD 93,582 (2004: USD 93,582) owing by a subsidiary company.

Included in the previous year Group's other debtors, deposits and prepayments is an amount of USD2,430,950 owing by a company in which certain directors of the Company have interest.

Included in the Group's other debtors, deposits and prepayments is an amount of USD164,650 (2004: USD157,304) owing by UTV International (Singapore) Pte. Ltd., which bears an interest rate of 8.3% per annum and the tenure of the loan is for a period of five years from the date of disbursement of loan.

The amount owing by a director is unsecured, interest free and has no fixed terms of repayment.

## 7. TRADE AND OTHER PAYABLES

	Group		Company	
	2005 USD	2004 USD	2005 USD	2004 USD
Trade creditors	36,221	100,321	-	-
Other creditors and accruals	69,010	90,917	21,539	23,848
Amount owing to ultimate holding company	3,818	24,607	4,270	4,270
	109,049	215,845	25,809	28,118

Included in the Group's other creditors and accruals are amounts USD4,490 (2004: USD4,201) owing to the companies in which a director of the subsidiary has financial interests respectively.

The amount owing to ultimate holding company is interest free and has no fixed terms of repayment.

## 8. SHORT TERM BORROWING - SECURED

## Group

The bank overdraft bears an interest rate of 2% (2004: 1.5%) above the bank's base lending rate and is secured by a Standby Letter of Credit issued by SCB Mumbai, India.

## 9. HIRE PURCHASE CREDITOR

	2005 USD	2004 USD
Amount due	-	29,953
Less: unexpired interest	-	(4,388)
	-	25,565
Repayable as follows:		
Within next twelve months	-	14,068
After next twelve months	-	11,497
	-	25,565

The hire purchase liability bears interest at rates ranging from 5.5% - 5.8% (2004: 5.5% - 5.8%) flat per annum.

## 10. SHARE CAPITAL

	Group/Company	
	2005 USD	2004 USD
Authorised capital: 3,925,000 participating voting non-convertible preference shares of USD 1 each	3,925,000	3,925,000
Authorised capital: 500,000 common shares of USD 1 each	500,000	500,000
	4,425,000	4,425,000

## Issued and fully paid:

As at 1 April 3,894,000 / 3,884,000 participating voting non-convertible preference shares of USD 1 each	3,894,000	3,884,000
Allotment during the financial year Nil / 10,000 participating voting non-convertible preference shares of USD 1 each	-	10,000
As at 31 March 3,894,000 participating voting non-convertible preference shares of USD 1 each	3,894,000	3,894,000
Issued and fully paid: 250,000 common shares of USD 1 each	250,000	250,000
	4,144,000	4,144,000

## 11. REVENUE

Revenue of the Group represents the contracted price of completed and substantially completed television programmes and episodes.

## 12. OTHER INCOME

	Group		Company	
	2005 USD	2004 USD	2005 USD	2004 USD
Gain on foreign exchange - realised	1,593	46	-	-
Gain on foreign exchange - unrealised	-	20,504	-	15,409
Loan interest income	2,947	5,607	-	-
Miscellaneous income	10,928	114	-	-
Sale of library materials	20,789	-	-	-
Sale of studio set	-	79	-	-
Studio rental income	7,869	68,040	-	-
	44,126	94,390	-	15,409

## 13. ADMINISTRATIVE AND OPERATING EXPENSES

	Group		Company	
	2005 USD	2004 USD	2005 USD	2004 USD
Included in the above are the following expenses:				
Auditors' remuneration				
- statutory audit	3,947	3,684	1,710	3,684
- special audit	3,578	-	1,710	-
- Overprovision during the year	(105)	-	(105)	-
Directors' remuneration	7,374	72,505	-	-
Loss on disposal of plant and equipment	21,604	-	-	-
Loss on foreign exchange - realised	12	581	12	-
Loss on foreign exchange - unrealised	-	2,045	-	-
Rental	789	-	-	-

## 14. FINANCE COSTS

	Group		Company	
	2005 USD	2004 USD	2005 USD	2004 USD
Bank overdraft interest	13,547	32,883	-	-
Hire purchase interest	61	2,096	-	-
	13,608	34,979	-	-

## 15. TAXATION

There is no tax charge for the current financial period as the Company is incorporated in a tax haven country.

## 16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005 USD	2004 USD	2005 USD	2004 USD
Cash in hand	4	247	-	-
Cash at banks	3,243	5,854	115	125
Bank overdrafts - secured	(338,654)	(391,515)	-	-
	(335,407)	(385,414)	115	125

**17. SIGNIFICANT RELATED PARTY TRANSACTIONS**

	<b>Group</b>	
	2005 USD	2004 USD
Sales of library materials to ultimate holding company	20,789	-
Consultancy fee paid to a company in which one of the directors of the Company has interest	-	27,492

**18. EMPLOYEES INFORMATION**

	<b>Group</b>	
	2005 USD	2004 USD
Staff costs	6,427	28,826
Number of employees at end of year (excluding director)	-	13

Staff costs include salaries, contributions to employees' provident fund and other staff related expenses except for remuneration of director

**19. COMPARATIVE FIGURES**

Comparative figures for certain items in the Group's other debtors, deposits and prepayments and amount owing by related parties have been reclassified to conform with current year's presentation and the reclassification does not have any effect on the reporting profit in the previous financial year.

	<b>Group</b>	
	Restated amount USD	Previously stated amount USD
Other debtors, deposits and prepayments	2,455,701	2,614,018
Amount owing by related companies	158,317	-

**DETAILED TRADING AND PROFIT AND LOSS ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005**

	2005 USD	2004 USD
Other income:		
Gain on foreign exchange - unrealised	-	15,409
	-	15,409
Less: Administrative and operating expenses		
Auditor's remuneration		
- statutory audit	1,710	3,684
- special audit	1,710	-
- Overprovision during the year	(105)	-
Bank charges	10	85
Corporate secretarial fee	1,360	1,360
General expenses	2,058	12,210
Loss on foreign exchange - realised	12	-
Professional fees	-	2,073
	6,755	19,412
Loss before taxation	(6,755)	(4,003)
Taxation	-	-
Net loss for the year after taxation	(6,755)	(4,003)
Accumulated loss brought forward	(865,124)	(861,121)
Accumulated loss carried forward	(871,879)	(865,124)

### CAUTIONARY STATEMENT

Statements made in this Annual Report describing the Company's objectives, projections, estimates, expectations may be "Forward-looking statements" within the meaning of applicable securities laws & regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand supply and price conditions in the domestic & overseas markets in which the company operates, changes in the government regulations, tax laws & other statutes & other incidental factors. We cannot guarantee that any forward looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.