

ANNUAL REPORT

RADAAN
MEDIAWORKS (I) LIMITED

2001 - 2002

REPORTS DIRECTORS REPORT

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DIRECTORS REPORT

Your directors have pleasure in presenting the Annual Report together with the Audited accounts of the Company for the year ended 31st March 2002.

FINANCIAL PERFORMANCE

The performance of the Company has improved well during the year and the highlights are given below :

| Particulars | Rs. in Thousands | |
|---|------------------|--------|
| | 2002 | 2001 |
| Profit before interest and Finance Charges and Depreciation | 25,290 | 21,291 |
| Interest and Finance Charges | 6,860 | 6,937 |
| Profit before Depreciation | 18,429 | 14,353 |
| Depreciation | 9,429 | 11,502 |
| Profit after Depreciation before Tax | 9,000 | 2,851 |
| Preliminary Expenses | 2 | 2 |
| Excess Depreciation written off | 3,316 | - |
| Profit before Tax | 12,314 | 2,848 |
| Provision for Income Tax | 1,542 | 800 |
| Excess Provision for Income Tax written off | - | 452 |
| Profit after Tax | 10,772 | 2,049 |

DIRECTORS

Sri. M.R. Mohan Ratha and Sri. B.S. Radhakrishnan who retire by rotation and being eligible offer them selves for re-appointment. During the year Ms. R. Radikaa and Mr. Raju Radha resigned as Directors of the Company.

CONVERSION OF COMPANY FROM PRIVATE LIMITED COMPANY TO PUBLIC LIMITED COMPANY

The Company has changed its status to Public Limited Company during the period and has received the approval from the Registrar of Companies, Chennai.

DEPOSITS

The Company has not accepted any fixed Deposits from the public.

APPOINTMENT OF MANAGING AND WHOLETEIME DIRECTORS

The Company has appointed Shri. M.R.Mohan Ratha as the Managing Director, Sri B.S. Radhakrishnan as Director-Technical and Sri. D. Ravichander Babu as Director-Finance and also is paying salary to the Directors after approving the same in the Extra Ordinary General Meeting held on 14.06.2002

INCREASE IN AUTHORIZED CAPITAL

The Company has increased its authorised capital to Rs. 10.10 Crores in the EGM held on 14.6.2002

PUBLIC ISSUE

In the month of June the Company proposed to issue shares at premium in consultation with the Lead Manager. In view of the unfavorable Capital Market in the Month of July and August, the Company decided to postpone the issue of equity shares. Further the Company proposes to issue Equity shares through the process of Initial Public Offering in the near future.

AUDITORS:

M/s Chandran & Raman & Co., Chartered Accountants, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment.

REPLY TO AUDITORS QUALIFICATION

The parawise comments to Auditors observation in the Auditors Report is given in the addendum to the Directors Report

PERSONNEL:

The company has not paid any remuneration beyond Rs.2,00,000 (Rs. Two lacs only) per month during the financial year ending 31.3.2002 as per Section 217 (2A) of the Companies Act, 1956.

DIRECTORS RESPONSIBILITY STATEMENT :

In Compliance with the provisions of Section 217 (2AA) of the Companies Act, 1956 (the Act) your Directors hereby confirm that

In preparing the Annual Accounts for the year ended 31st March 2002 all the applicable standards have been followed.

Accounting policies were adopted and applied consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the State Affairs of the Company as at 31st March 2002.

Proper and Sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and irregularities have been taken.

The Annual accounts have been prepared on a 'going concern' basis.

ACKNOWLEDGEMENT :

Your directors thank and acknowledge continuous co-operation and assistance extended to the Government of Tamilnadu, Banks, UTV, Vision Time, Sun TV, Gemini TV, Overseas Associates and Channels, Actors, Actresses, Technicians, our Employees, various Viewer and the Sponsors.

For **RADAAN MEDIAWORKS (I) LIMITED**

Sd/-

PLACE: CHENNAI
DATE- 28 08 2002

Managing Director

ADDENDUM TO THE DIRECTORS REPORT

Reply to the qualification in the report dated 2.7.2002 of the Statutory Auditor:

Regarding Section 58A of the Companies Act 1956 the organized financial sector like Schedule Bank and Financial Institutions are not supporting the media and entertainment industry and your company being private limited company and in the business of T.V. serial productions, entertainment and media works, had to resort to borrow money from private financial market. Accordingly the company has borrowed loan for the periods less than 6 months at different rate of interest. Unfortunately at the time of repayment due to paucity of funds and delay in the realization of the debtors the repayment was done more than 6 months but less than 12 months to 15 months. The Board confirms that the company has not accepted any amount in fixed deposits and the auditor's reference is only to the deemed deposit. The interest paid is only as per the prevailing market conditions and the company has taken every step to use the funds judiciously.

Further the company on becoming public company has to file the statement in lieu of advertisement. The company has taken necessary steps to comply with the necessary provisions of section 58A of the Companies Act 1956. It is also proposed to apply to central government for exemption.

Regarding Accounting Policy: The expenditure incurred in production of any tele-serial is normally treated as period cost and debited to the Profit and Loss Account of the concerned year. In the financial year ending 31.3.2002 some of the programs that were telecasted in the previous years are also telecasted during the year. As the benefit of the particular expenditure is extended to next year also it is proposed to apportionate the expenses to the next year also. Hence the company's Profit and Loss is properly shown.

For **RADAAN MEDIAWORKS (I) LIMITED**

Sd/-

PLACE: CHENNAI
DATE- 28 08 2002

Managing Director

**AUDITORS' REPORT TO THE MEMBERS OF
RADAAN MEDIA WORKS INDIA PRIVATE LIMITED**

1. We have audited the attached Balance Sheet of M/s. RADAAN MEDIA WORKS INDIA PRIVATE LIMITED as at 31st March 2002 and the Profit and Loss Account for the year ended on that date annexed thereto, both of which we have signed under reference to this report. These Finance 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 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 Issued by the Central Government in terms of section 227(4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement of the matters specified in paragraph 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 accounts as required by law have been kept by the Company so far as appears from our examination of those books.
 - (c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this Report comply with the applicable Accounting Standards referred to in Section 211(3c) of the Companies Act 1956.

- (e) In our opinion and according to the information and explanations given to us, none of the directors of the company are disqualified as on 31.03.2002 from being appointed as such under Section 274(1) (g) of the Companies Act, 1956.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account read together with the Notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2002; and
 - (ii) In the case of the Profit and Loss account, of the Profit of the Company for the year ended on that date,

ANNEXURE

RE. : RADAAN MEDIA WORKS INDIA PRIVATE LIMITED

REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE.

- A. (1) The Company has maintained proper records showing full particular including quantitative details and situation of fixed assets. The Company has programme of annual verification of all the Fixed Assets which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such annual verification of fixed assets.
- (2) None of the Fixed Assets have been revalued during the year.
- (3) The stock of cassettes forming part of work-in-progress have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (4) The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (5) The discrepancies noticed on verification between the physical stock and the book records were not material.
- (6) On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding years.
- (7) The Company has not taken any loans from parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (8) The Company has not granted any loans to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 or to the companies under the same management.
- (9) The Company has granted interest free loans to technicians and staff, who are repaying the principal as stipulated.
- (10) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to the purchase of stores including components, plant and machinery, equipment and other assets.
- (11) In our opinion and according to the information and explanations given to us, no transactions of purchase of goods and materials and sale of goods, materials and services have been made in pursuance of contracts or arrangements entered

in the registers maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more.

- (12) As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores and goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
- (13) The Unsecured loans represent loans from private financiers, guaranteed by directors, in respect of which compliance with the provisions of section 58A by the Companies Act, 1956 and the rules framed thereunder pertaining to filing of Statement in lieu of advertisement, tenure of loans and rate of interest etc. have not been adhered to.
- (14) In our opinion, the company's present internal audit system is commensurate with the size of the company and the nature of its business.
- (15) In our opinion and according to the information and explanations given to us, accumulation and disposal of scraps does not arise and the Company does not have any by-product.
- (16) The Company has been regular in remitting Provident fund dues and Employees State Insurance dues during the year with the appropriate authorities.
- (17) According to the information and explanations given to us, there is no undisputed amount payable in respect of Income-tax, wealth-tax, sales-tax, customs duty and excise duty which were outstanding as at 31st March 2002 for a period of more than six months from the date they become payable.
- (18) According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
- (19) The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions Act), 1985.
- (20) Clause (xvi) of the order is not applicable to the company.

For **CHANDRAN & RAMAN**
Chartered Accountants

Sd/-

(S.G. KALYANARAMAN)
Partner

Place : Chennai
Date : 2nd July 2002

BALANCE SHEET AS AT 31.03.2002

| PARTICULARS | SCHEDULE | As on 31.03.2002 Rs. | As on 31.03.2001 Rs. |
|---|----------|----------------------------|----------------------------|
| I. SOURCES OF FUNDS : | | | |
| 1. Shareholders Funds : | | | |
| Share Capital | A | 75,139,100.00 | 75,139,100 |
| Reserves & Surplus | B | 13,590,855.97 | 2,818,648 |
| 2. Loan Funds | | | |
| Secured Loans | C | 27,658,953.14 | 4,683,731 |
| Unsecured Loans | D | 8,747,955.02 | 31,577,037 |
| | | <u>125,136,864.13</u> | <u>114,218,516</u> |
| II. APPLICATION OF FUNDS | | | |
| 1. Fixed Assets | | | |
| Gross Block at Cost | E | 94,390,245.92 | 83,658,642 |
| Less : Depreciation | | 17,580,827.20 | 11,641,809 |
| | | <u>76,809,418.72</u> | <u>72,016,833</u> |
| Net Block | | 6,000.00 | 6,000 |
| 2. Investments | | | |
| 3. Current Assets, Loans & Advances (a) | | | |
| a. Cash and Bank Balances | G | 6,781,019.55 | 3,524,753 |
| b. Sundry Debtors | | 34,678,406.00 | 29,493,910 |
| c. Work in Progress | | 11,178,203.60 | 15,608,958 |
| d. Teleserials Rights | | 9,682,084.00 | — |
| e. Loans & Advances | | 26,082,912.70 | 33,431,898 |
| f. Prepaid Taxes (net of provisions) | | 1,993,278.50 | 230,473 |
| | | <u>90,395,904.35</u> | <u>82,289,992</u> |
| Less : Current Liabilities & Provisions-(b) | H | 42,092,714.94 | 40,115,173 |
| a. Liabilities | | — | — |
| b. Provisions | | <u>42,092,714.94</u> | <u>40,115,173</u> |
| Net Current Assets | | 48,303,189.41 | 42,174,819 |
| Miscellaneous Expenditure & Losses (to the extent not written off or adjusted) | I | 18,256.00 | 20,864 |
| | | <u>125,136,864.13</u> | <u>114,218,516</u> |
| Notes on Accounts & Significant Accounting Policies | | | |

As per our Report attached
For **CHANDRAN & RAMAN**
Chartered Accountants

Place : Chennai
Date : 02.07.2002

Sd/-
R. RADIKAA
Director

Sd/-
M.R. MOHAN RATHA
Director

Sd/-
(S.G. KALYANARAMAN)
Partner

PROFIT & LOSS ACCOUNT FOR YEAR ENDED 31.03.2002

| PARTICULARS | SCHEDULE | Year Ended 31.03.2002 Rs. | Year Ended 31.03.2001 Rs. |
|--|----------|---------------------------------|---------------------------------|
| INCOME : | | | |
| Revenue From Teleserials / Telefilms | J | 209,880,572.50 | 180,206,643 |
| Other Income | K | 113,654.72 | 143,064 |
| Increase / Decrease in Work in Progress | L | (4,430,754.40) | 8,769,899 |
| | | <u>205,563,472.82</u> | <u>189,119,606</u> |
| EXPENDITURE | | | |
| Expenditure on Teleserials / Telefilms & Event Shows | M | 165,919,442.16 | 147,493,925 |
| Employes Cost | N | 2,680,464.99 | 2,777,790 |
| Administrative Expenses | O | 11,411,623.24 | 16,943,241 |
| Selling & Marketing Expenses | P | 261,352.57 | 613,506 |
| | | <u>180,272,882.96</u> | <u>167,828,462</u> |
| Profit before Interest & Finance Charges and Depreciation | | 25,290,589.86 | 21,291,144 |
| Interest & Finance Charges | Q | 6,860,792.08 | 6,937,716 |
| Profit before Depreciation | | 18,429,797.78 | 14,353,428 |
| Depreciation | E | 9,429,394.20 | 11,502,169 |
| Profit after Depreciation before Tax | | 9,000,403.58 | 2,851,259 |
| Preliminary expenses written off | I | 2,608.80 | 2,608 |
| Excess Dep. Written back | | 3,316,813.00 | — |
| Profit before Tax | | 12,314,607.78 | 2,848,651 |
| Provision for Income-Tax | | 1,542,400.00 | 800,000 |
| Excess Provision for Income-Tax written back | | — | 452 |
| Profit after tax | | 10,772,207.78 | 2,049,103 |
| Balance brought forward from last year | | 2,818,648.19 | 769,545 |
| Balance transferred to Balance Sheet | | <u>13,590,855.97</u> | <u>2,818,648</u> |
| Notes on Accounts & Significant Account Policies | | | |

As per our Report attached
For **CHANDRAN & RAMAN**
Chartered Accountants

Place : Chennai
Date : 02.07.2002

Sd/-
R. RADIKAA
Director

Sd/-
M.R. MOHAN RATHA
Director

Sd/-
(S.G. KALYANARAMAN)
Partner

SCHEDULES TO BALANCE SHEET

| | As on 31.03.2002 | As on 31.03.2001 |
|--|-----------------------|---------------------|
| | Rs. | Rs. |
| A. SHARE CAPITAL | | |
| Authorised Capital | | |
| 1000000 Equity Shares of Rs. 10/- each | <u>100,000,000.00</u> | <u>100,000,000</u> |
| Issued, Subscribed and Paid up Capital | | |
| 75,13,910 Equity Shares of Rs.10/- each (Out of above 58,73,890 Equity Shares have been allotted for consideration other than cash | 75,139,100.00 | 75,139,100 |
| | <u>75,139,100.00</u> | <u>75,139,100</u> |
| B. RESERVE & SURPLUS | | |
| Profit & Loss Account | 13,590,855.97 | 21,818,648 |
| | <u>13,590,855.97</u> | <u>2,818,648</u> |
| C. SECURED LOANS | | |
| Canara Bank | | — |
| Bills Discounted Account (Secured against Hypothecation of Book Debts) | 23,658,250.00 | |
| Hire Purchase Loans (Secured against Hypothecation of Assets covered under respective Hire Purchase agreements) | 4,000,703.14 | 4,683,731 |
| | <u>27,658,953.14</u> | <u>4,683,731</u> |
| D. UNSECURED LOANS | | |
| Kotak Mahindra Finance Ltd. | — | 22,053,128 |
| Bills Discounted A/c. | | 2,803,909 |
| ANZ Grindlays Bank | 1,970,997.37 | |
| From Directors | 876,957.65 | — |
| From Others | 5,900,000.00 | 6,720,000 |
| | <u>8,747,955.02</u> | <u>31,577,037</u> |
| F. INVESTMENT | | |
| Non-Trade-Quoted 600 Equity shares of 10/- each in Andhra Bank Limited at cost | 6,000.00 | 6,000 |
| Market Value as on 31st March 2002 | <u>6,000.00</u> | <u>6,000</u> |

**SCHEDULE "E"
FIXED ASSETS SCHEDULE UNDER THE COMPANIES ACT, 1956**

| PARTICULARS OF THE ASSET | Rate of Depreciation | GROSS BLOCK | | | DEPRECIATION | | | WRITTEN DOWN VALUE | |
|--------------------------------------|-------------------------|---------------------|--------------------|---------------------|------------------|--------------------------------|--------------------|-----------------------|--|
| | | As on 01.14.2001 | As on 31.3.2002 | As on 01.04.2001 | FOR THE YEAR | DELETION DURING THE YEAR | AS ON 31.3.2002 | AS ON 30.3.2001 | |
| | | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | |
| Goodwill | 20.00% | 7,500,000 | 7,500,000 | 1,500,000 | 1,500,000 | — | 3,000,000 | 6,000,000 | |
| Brand Equity | 10.00% | 7,500,000 | 7,500,000 | 750,000 | 750,000 | — | 1,500,000 | 6,456,750 | |
| Software Library Imponed on Lease | 10.00% | 43,720,000 | 43,720,000 | 4,372,000 | 4,372,000 | — | 8,744,000 | 37,638,548 | |
| hold Property | 20 years | 1,251,728 | 3,323,975 | 85,345 | 168,241 | — | 253,586 | 3,070,389 | |
| Furniture | 6.33% | 400,915 | 619,280 | 156,577 | 64,806 | — | 221,383 | 397,897 | |
| Vehicles* | 9.50% | 2,490,175 | 4,316,268 | 187,159 | 316,968 | 173,563 | 330,564 | 3,985,705 | |
| Office Equipments | 4.75% | 882,321 | 1,165,066 | 123,505 | 76,372 | — | 199,876 | 965,188 | |
| Studio Equipments | 7.07% | 14,371,905 | 17,970,865 | 733,905 | 726,379 | — | 1,460,285 | 16,450,580 | |
| Generator | 4.75% | 9,415 | 9,415 | 449 | 447 | — | 896 | 8,519 | |
| Stabiliser & UPS | 4.75% | 436,424 | 712,916 | 55,036 | 27,417 | — | 82,443 | 630,473 | |
| Computer | 25.00% | 2,861,160 | 7,612,460 | 381,028 | 1,426,764 | — | 1,787,792 | 5,824,668 | |
| Capital Work-in-Progress | — | 2,234,600 | — | — | — | — | — | 2,234,600 | |
| Total | | 83,658,643 | 94,390,246 | 8,324,996 | 9,429,394 | 173,563 | 17,580,837 | 76,809,419 | |
| | | | | | | | | 72,016,833 | |

SCHEDULES TO BALANCE SHEET (CONTD..)

| | As on 31.03.2002 | As on 31.03.2001 |
|--|----------------------|---------------------|
| G. CURRENT ASSETS, LOANS AND ADVANCES | Rs. | Rs. |
| a. Cash and Bank Balances | 6,781,019.55 | 3,524,753 |
| b. Sundry Debtors | 34,678,406.00 | 29,493,910 |
| c. Work in Progress | 11,178,203.60 | 15,608,958 |
| d. Teleserials Rights | 9,682,084.00 | — |
| e. Loans & Advances | 26,082,912.70 | 33,431,898 |
| f. Prepaid Taxes (net of provision) | 1,993,278.50 | 230,473 |
| | <u>90,395,904.35</u> | <u>82,289,992</u> |
| H. CURRENT LIABILITIES | | |
| 1. Current Liabilities | | |
| a. Sundry Creditors for Trade & Expenses | 30,167,069.89 | 32,042,150 |
| b. Sundry Creditors - Others | 11,774,205.05 | 8,007,227 |
| c. Due to Directors | 151,440.00 | 65,746 |
| 2. Provisions | | |
| Provision for Taxation (net of payments) | Nil | Nil |
| | <u>42,092,714.94</u> | <u>40,115,173</u> |
| I. MISCELLANEOUS EXPENDITURE & LOSSES (Preliminary Expenses to the extent not written off) | | |
| Balance as per last Balance Sheet | 20,864.80 | 23,473 |
| Less : Amount Written Off for period | 2,608.80 | 2,609 |
| | <u>18,256.00</u> | <u>20,864</u> |

As per our Report attached
For **CHANDRAN & RAMAN**
Chartered Accountants

Place : Chennai
Date : 02.07.2002

Sd/-
R. RADIKAA
Director

Sd/-
M.R. MOHAN RATHA
Director

Sd/-
(S.G. KALYANARAMAN)
Partner

SCHEDULE : R

NOTES ON ACCOUNTS:

1. Significant Accounting Policies

(a) Basis of Accounting and preparation of financial statements

The financial statements have been prepared on historical cost convention and in accordance with the normally accepted accounting principles.

(b) Fixed assets

(i) Fixed assets are stated at cost less depreciation.

(c) Depreciation/Amortisation

(i) Depreciation on fixed assets, other than Computer, Software Library, Brand Equity and Goodwill is provided on Straight Line Method at the rates laid down in Schedule XIV of the Companies Act, 1956. In respect of computers, depreciation is provided on Straight Line Method at 25%.

(ii) Software Library, Goodwill and Brand Equity are depreciated over a period of their effective life as determined by the management not exceeding ten years from the date of acquisition.

(iii) Improvement effected on premises taken on lease are amortised over the period of lease.

(d) Expenditure on Tele-serials / Tele Films :

(i) Cost of Tele serials / Tele-films not having any repeat telecast value and other future exploitation benefit are written off in full in the year of telecast

(ii) Cost of Tele serials / Tele films having repeat telecast value and other future exploitation benefit and in respect of which the company holds right of exploitation - 80% of the cost is written off in the year of telecast and balance 20% is written off equally over the next two years.

(e) Inventories:

Stock of empty cassettes and work-in-progress are valued at cost.

(f) Revenue Recognition:

Income from teleserials / telefilms is recognised on accrual basis as per the terms of the agreement entered into for telecasting/exploitation.

(g) Foreign Currency Transactions:

Transactions pertaining to income and expenditure are accounted at the rate prevailing on the date of transaction.

Outstanding balances of Current Assets and Current Liabilities relating to foreign currency transactions are restated in rupees by adopting the rate of exchange prevailing on the date of Balance Sheet and the resultant exchange gains / loss is recognised / written off in the profit & Loss Account.

(h) Retirement benefits:

Employee retirement benefits will be accounted for in the year in which such liabilities accrue.

- (1) In terms of the agreement entered into by the Company with Smt. R. Radikaa, a director of the company, she has agreed to provide her acting talents / other talents and skills exclusively for the Tele serials / Tele Films to be produced / reproduced by the company. The consideration of Rs. 75,00,000/- for the same has been discharged by way of allotment of 7,50,000 equity shares of Rs. 10/- each as fully paid. The said rights has been reckoned as Goodwill and is accordingly grouped under Fixed Assets as against the past practice of treating the same as deferred revenue expenditure. Consequently a sum of Rs. 30.00 Lacs (including Rs.15.00 lacs charged in earlier accounting years) has been charged as depreciation upto 31.03.2002, leaving a balance of Goodwill of Rs.45.00 Lacs to be written off in future.
- (2) The cost of Episodes of Tele Serials / Tele Films completed and pending Telecast as on the date of balance sheet has been considered as work-in-progress and the same has been valued at cost.
- (3) The company initially entered into lease hold agreements with Directors for acquiring the leasehold rights of the property at 3 Paul Appasamy Street, T.Nagar, Chennai - 600 017 and for property at No. 4, Paul Appasamy Street, T. Nagar, Chennai - 600 017 respectively for a period of 11 years. The consideration for the initial lease deposit was by way of

allotment of 7,50,000/- Equity shares as fully paid. The tenure of the lease was further extended to 20 years during the year for which additional deposit of Rs.65.00 lacs was effected. The registration formalities in respect of the lease agreements are yet to be completed.

- (4) There has been a change in the Accounting Policy during the year regarding the treatment of expenditure incurred on production of Tele serials / Tele films. (Refer Accounting Policy D(ii)). Consequent to the change, 80% of the expenses on cost of production of Tele serials / Tele films incurred during the year have been charged off in the account and the balance 20% is carried forward to be written off in the next two years against the future exploitation benefits. The said amount (20%) has been included under the head Current Assets, Loans and Advances under Tele serials Rights" for future exploitations. Had the company followed the earlier policy of charging the entire expenses in the year of telecast, the profit for the year would be lower by Rs.96,82,084/- with a corresponding reduction in the value of Current Assets.
- (5) It has been decided by the Management to charge depreciation on Straight Line Method (SLM) with retrospective effect as against the Written Down Value (WDV) method of providing depreciation adopted in the earlier accounting years. (Refer Accounting Policy C.)

Had the company followed the earlier method of providing depreciation, the depreciation charge for the current period would have been higher by Rs. 29,38,332/- with a corresponding impact on the profits of the company.

Further due to change in method of providing depreciation, with retrospective effect, a sum of Rs. 33,16,813/- being the excess depreciation charged in earlier years has been written back to the profit & Loss Account under "Excess Depreciation Written back".
- (6) Contingent Liabilities not provided for:

| | |
|---|-----|
| a) Estimated amount of contracts remaining to be executed on Capital Accounts | Nil |
| b) Claims against the company not acknowledged as debts | Nil |
| c) Other monies for which the company is contingent liable | Nil |

| | | |
|-------------------------------------|---|--|
| (7) Auditor's Remuneration | | |
| a. Audit Fee | - | Rs. 1,50,000/- |
| b. Tax Audit | - | Rs. 25,000/- |
| c. Certification matters | - | Rs. 25,000/- |
| (8) Licensed and Installed Capacity | - | Not Applicable |
| (9) Earnings in Foreign Currency | - | US \$ 88,684/- Equivalent in Rs. 42,65,167/- |
| 10) Expenditure in Foreign Currency | - | US \$ 12,310/- Equivalent in Rs. 5,87,777/- |

(In the nature of Foreign Travels)

Signatories to Schedules "A" to "R"

Place : Chennai
Date : 02.07.2002

Sd/-
R. RADIKAA
Director

Sd/-
M.R. MOHAN RATHA
Director

As per our Report attached
For **CHANDRAN & RAMAN**
Chartered Accountants

Sd/-
(S.G. KALYANARAMAN)
Partner