



MUKTA ARTS LIMITED

Annual Report
for the year ended March 31, 2014



BOARD OF DIRECTORS

Mr. Subhash Ghai, Executive Chairman
Mr. Rahul Puri, Managing Director
Mr. Parvez A. Farooqui, Executive Director
Mr. Anil Harish
Mr. Kewal Handa

Chief Financial Officer

Mr. Prabuddha Dasgupta

Company Secretary & Compliance Officer

Mr. Ravi B. Poplai

Auditors

M/s B S R & Co. LLP

Internal Auditors

M/s Garg Devendra & Associates

Bankers

Kotak Mahindra Bank Limited
HDFC Bank Limited

Registrar & Transfer Agents

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai – 400 078.
Telephone No. - (022) 25963838

Registered Office

Mukta House,
Behind Whistling Woods Institute,
Filmcity Complex, Goregaon (East),
Mumbai- 400065.
Telephone No. - (022) 33649400
Fax No. - (022) 33649401
Website: www.muktaarts.com
CIN : L92110MH1982PLC028180

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Note: Shareholders are requested to avail services of the Company's bus outside Goregaon (East) Station near Bus Depot up to 3.30 p.m. to reach the AGM Venue

MUKTA ARTS LIMITED

PERFORMANCE

Performance at a glance

Rupees in millions

| | Year ended 31st March 2014 | Year ended 31st March 2013 | Year ended 31st March 2012 | Year ended 31st March 2011 | Year ended 31st March 2010 |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Realisation from productions, distribution & exhibition | 2,899.14 | 2,574.51 | 2,011.78 | 1,919.11 | 886.33 |
| Equipment Hire Income | 4.28 | 3.67 | 6.38 | 4.23 | 2.50 |
| Other Income | 57.48 | 48.11 | 373.16 | 129.11 | 53.34 |
| TOTAL INCOME | 2,960.90 | 2,626.29 | 2,391.31 | 2,052.44 | 942.18 |
| Profit/(Loss) before Interest, | | | | | |
| Depreciation and Tax | 85.28 | 124.94 | 399.78 | 30.29 | (174.96) |
| Depreciation | 42.06 | 34.80 | 32.91 | 29.65 | 18.65 |
| Interest | 61.88 | 50.31 | 50.44 | 60.56 | 48.58 |
| Profit/(Loss) before Tax | (18.66) | 39.83 | 316.43 | (59.92) | (242.19) |
| Profit/(Loss) after Tax | (15.21) | 29.03 | 255.72 | (61.63) | (242.44) |
| Dividend | - | 11.29 | 22.58 | - | - |
| Dividend Rate | - | 10% | 20% | - | - |
| Gross Fixed Assets | 1,491.31 | 1,389.26 | 1,309.09 | 1,347.66 | 473.12 |
| Net Fixed Assets | 494.13 | 436.08 | 398.44 | 590.94 | 258.19 |
| Total Assets | 2,503.91 | 2,393.41 | 2,043.19 | 1,715.75 | 1,429.63 |
| Equity Share Capital | 112.92 | 112.92 | 112.92 | 112.92 | 112.92 |
| Reserves and Surplus | 1,078.98 | 1,094.19 | 1,078.37 | 848.90 | 910.53 |
| Net Worth | 1,191.90 | 1,207.11 | 1,191.29 | 961.81 | 1,023.45 |
| Earnings per Share (EPS) | | | | | |
| <i>In Rupees</i> | | | | | |
| EPS Basic | (0.67) | 1.29 | 11.32 | (2.73) | (10.74) |
| EPS Adjusted to Rs. 5 | (0.67) | 1.29 | 11.32 | (2.73) | (10.74) |



CHAIRMAN'S STATEMENT



This year has been akin to riding through a storm. The company has managed to stand strong through many large issues and it is purely down to the strength of the inherent business that we are able to continue moving forward surely albeit slowly. The company is now building for the future. A new Managing Director has taken over and our priorities are expanding. I believe that this will be the start of a new era for Mukta and its group companies.

The media and entertainment industry is continuing to grow strongly. This year again the industry has grown at almost 12% that is more than double the GDP of the country. The Film industry too has seen strong performance. This growth is fuelled by the growth in multiplex screens coupled with a strong demand for improved film content. Music too has seen good growth despite the changes in the market that have affected the 'push' services on the mobile VAS side. I expect the industry to continue to reap the benefits of the expansion in exhibition into tier 2 and tier 3 areas. The times are indeed exciting.

This year has again seen Mukta grow in terms of top line. Our revenues have now touched Rs. 296 cr and what is pleasing is that these revenues are beginning to expand in all areas of our business that means the reliance on one area for profitability is diminishing. Profit-wise however, the performance has been akin to something in transition. I do expect that in the coming years, profits will spread out across our businesses.

The company has released only two regional films viz. "Samhita" in Marathi and "Nimbehuli" in Kannada in this year. All eyes were focused on my own film 'Kaanchi'. Sadly the fate of that film is now well known and its performance will drag down our profitability in the next financial year. Production remains a key area for us but for the time being, we are focusing on our first Punjabi release 'Double Di Trouble' starring Dharamendra and Gippy Grewal. This film will release on 29th August, 2014 and we are confident of its box office performance.

A significant change in our top management was made post 'Kaanchi'. I have decided to step away from the Managing Director position and focus purely on creative responsibilities within the company. I will remain Chairman but will use my experience to shepherd the company along in all areas. We have appointed Rahul Puri as the new Managing Director. Rahul has been with Mukta now for over 10 years and was previously Executive Director. He now brings considerable experience in the media and entertainment sector with his background in international investment banking and Mergers and Acquisitions. I have full faith in him and the team he will be building at the company.

Our new joint venture with UFO, Mukta VN Films Limited has started its operations from April 2014 and we believe this partnership will bring great value to the company. Although the bulk of the revenues will now move to this entity via the programming business, the partnership will cement our position as the dominant player in the exhibition booking space and give the company great strength to leverage this.

Mukta Cinemas is growing well and is on track to now be one of the major priorities of the business going forward. This year we have added screens in Gulbarga, Vizag, Selu, Banswara and Mumbai. All theatres opened very well. Vizag, Banswara and Mumbai in particular have been strong centres for the group in addition to the other strong performers in Baroda and Ahmedabad. We are slowly building a loyal set of patrons and the Mukta brand is growing in its recognition.

We have very recently opened at Sangli and Hyderabad taking the total number of screens operational to 24. In addition we have new properties set to start in Panvel, Bhopal, Raipur, Mumbai, Aurangabad and Kundali in the next year. We have an aggressive target set for this business and want to have close to 100 screens in operation within the next 18 months. This may sound ambitious but we have now built a strong and experienced team to help ensure that we hit these deadlines.

MUKTA ARTS LIMITED

Whistling Woods International (WWI) has been through a real rollercoaster this year. Despite the impending threat of the High Court order, in which the institute was supposed to return the land and the building, student numbers have never dipped. If anything, they have gone up. WWI has launched a new B.Sc. in Filmmaking this year that the management believes will help ramp up student numbers year on year. Also, the joint venture with Neeta Lulla, the Whistling Woods – Neeta Lulla School of Fashion started its maiden batch in October last year. WWI's partnership with DY Patil in Pune also successfully started this year with students enrolling in the B.Sc. in Filmmaking, MBA in Media and Communications and the BBA course offered there. Our international partnership with Bradford College also started its first full time batch with great success making WWI a truly global school.

On the academic side WWI hosted a CAPA (The Asian wing of the film school association CILECT) Conference in February to great success. Almost 30 academics from across the world attended the conference that was the first of its kind in India. WWI also hosted its annual 'Celebrate Cinema' festival on campus that again drew huge crowds in the two-day event. Over 5000 people arrived on campus that was graced again by some wonderful celebrities who shared their knowledge and experience with the public.

WWI was also granted a stay by the Bombay High Court in its review petition meaning that the campus can continue its operations and this is something that has been welcomed by students, staff, faculty as well as the industry. The institute can now move on and focus on growth and excellence unhindered.

It hasn't been an easy year as I mentioned but the company has dealt with the major issues it has faced and I believe that we are pulling together and will prioritize and focus on new avenues of growth and success.



Subhash Ghai



MANAGEMENT DISCUSSION AND ANALYSIS

Industry Performance

The Indian media and entertainment industry has again grown strongly in the past year. According to the KPMG-FICCI report, the entire industry has grown by almost 12%, which is again more than double of the country GDP. This report again suggests strong growth for the industry in the years to come, led by growth in TV, digital media and film. The 5 year growth rate for the industry is 14.2% surging from Rs. 918 bn in 2013 to Rs. 1,661 bn in 2018. The film business also grew strongly at around 12% and the music industry too has enjoyed a good year despite the various regulatory and legal confusions surrounding it.

The management has carefully examined these trends and our planning and strategy going forward is to look at the areas where we see significant growth and advantages. We will continue to be cautious in areas where we believe there are significant challenges and threats ahead.

Some key themes that emerged last year in the film space are as follows:

1. Unconventional themes seemingly is the new watch-word for film content. Many films this year have proved that despite a small star cast and low budget, they can reach audiences in India and across the world with strong storylines. These films remain a struggle to make however as the platforms as yet exist to serve mass market entertainers.
2. The rally of sequels will continue as brand continues to be the king in films. Taking a direct clue from Hollywood, we expect that more sequels will be greenlit and more and more content is acquired from branded content in terms of TV shows, books and other language remakes.
3. Hollywood is meeting Bollywood in earnest and in many different areas and ways. A lot of Indian talent has made its way west to try their hand in the bigger budget films in America. Anupam Kher in 'Silver Linings Playbook', Irfan Khan in 'The Amazing Spiderman' and even Priyanka Chopra as voice talent in 'Planes' have broken new ground for Indian actors. Alongside this, our films have again made an impression on the world stage (eg. 'The Lunchbox') and we would expect this interaction to increase going forward.
4. Multiplexes are giving way to Megaplexes. Large scale entertainment formats are now emerging with more facilities including bowling and food courts. These typically have 11-15 screens and are capable of showing 60-80 screenings per day. This greatly attracts audiences and is apt for India as it gives regional content the chance to grow given the larger screen numbers.
5. Exhibition is now focusing on Tier II and Tier III markets as the notion is that Tier I markets are now saturated or too expensive.
6. In-cinema advertising driven by digital media is expected to fuel a shift from traditional advertising in entertainment on mediums such as print and television to the cinema and reposition it by establishing credibility and traction in the minds of media planners.
7. Various State governments are incentivizing filmmakers to shoot in their respective states. The realization that the film industry can be an important partner to promote tourism and help spread 'Brand India' abroad has driven a whole host of States to encourage film production via various schemes.
8. Ancillary revenue streams such as licensing and merchandising is still at a nascent stage however the potential for growth remains clear.
9. Monetization on digital platforms is expected to rise significantly with the advent of 4G, however the preoccupation of consumers with 'free' or pirated content is becoming a large challenge for these legitimate services.

Some of the challenges ahead for the industry are as follows:

1. Piracy remains the largest issue. With the internet base in India growing strongly both wired and wireless, Peer-2-Peer networks have made the distribution of media assets easy and in most cases free. Thus to force a consuming base, which is aware of such technology, to begin to legitimately purchase these assets is becoming a huge challenge. Faster networks will hasten the emphasis of monetizing media assets but whether consumer mindsets can be adequately changed is the big question going forward.
2. Rising cost of talent is becoming a huge hindrance. Today even the largest Studios and Production Houses are battling the viability of their larger projects because talent is costing almost 50% of the budget. Today the leading stars have hiked fees substantially as well as taking points in profit participation. This is leading to a situation where the producers of the content are left as a first in, last out situation which is impacting overall profitability.
3. Though many production houses and studios are now looking for independent films, these films remain difficult to market and distribute. There is a lack of exhibition platforms for these films which means risk increases and this therefore leads to a lack of fund raising for these films as well.
4. There has also been a slowdown in real estate development which has in turn slowed down the delivery of new multiplexes. India remains an under-screened market however as new real estate projects stall, the opportunities for multiplexes in malls or greenfield residential areas is therefore also hampered until these projects complete and demand is available.

MUKTA ARTS LIMITED



Company Performance

This year the company has released only two regional films viz. "Samhita" in Marathi and "Nimbehuli" in Kannada under its banner. Work continued to release 'Kaanchi' which happened post the closing of the financial year. However the company announced three Hindi films and has also started work on its first Punjabi film 'Double Di Trouble'. This film is the first also for veteran star Dharamendra in a Punjabi film and also stars reigning superstar in Punjabi Gippy Grewal. It also has Poonam Dhillon, Minnisha Lamba, Kulraj Randhawa and Ghuggi in significant roles. The film is directed by Smeep Kang and is due to release on 29th August, 2014.

The company is also working hard to prepare its upcoming production slate and discussions are underway with talent as well as studio partners to finalise these projects within the next year.

The distribution business has continued well over the past year. The company continues to release major films in strong territories due to the programming strength of Mukta and strong relationships with the major studios. Over the past year the company has released over 25 films including Hindi and Punjabi like "Bullet Raja", "Best of Luck", "Rabba Main Kya Karoon", "Jatt & Juliet-2", "Daddy Cool Mundeey Fool and Jatts in Golmaal, and Hollywood films like "X-Men the Wolverine (3D)" "G.I. Joe", and "Percy Jackson".

In the programming segment, the company has finalised its Joint Venture with V N Films Pvt. Ltd., a subsidiary of UFO Moviez. Mukta V N Films Limited will be the leading player in the programming space controlling over 600 screens across the country. Mukta will own 55% of the JV and it is our hope that this larger consolidation will lead to more financial strength as well as leverage advantages for the company going forward. However, a significant portion of the turnover of the company will now be transferred to the JV though it will be accounted for in the consolidated results.

The company has continued to focus on its cinema expansion. This year the company has launched new properties in Selu, Banswara, Vizag and Mumbai. This has taken the screen count to 19 in operation. All these theatres have opened well quickly attracting a loyal audience with Mukta's keen understanding of content and matching that with a comfortable and quality viewing experience for the whole family. With Sangli and Hyderabad opening in July 2014 and Bhopal and Panvel set to open in August, the company now believes that exhibition will be its major investment area in the years to come.

Further, the company has properties lined up in Mumbai, Panvel, Cheeka Mandi (Haryana), Gurgaon, Kundali, Aurangabad and Ambarnath. The company is targeting to have well over 50 screens in operation by the middle of the 2015-2016 fiscal year and continues to tie-up further properties with the ambition of being one of the leading players in the exhibition space in years to come.

The company has worked hard on building a strong team for this new business and we have made some key appointments in this area. Mr. Satwik Lele joins us from Inox as the Chief Operating Officer for the division and will handle the day to day responsibilities and ensure that the ambitious targets remain on track.

The company has continued to get best value for its excess real estate. The Andheri property is now currently almost fully rented out and this year saw the opening of the prestigious Hard Rock Café in the building. The additional space in Mukta House





however has been kept on hold due to the uncertainty over the Whistling Woods campus.

The investment in Maya Digital Studios continues to be a work in progress. The company has recently ramped up its production again but has not managed the breakthroughs on a consistent basis. However the on-going operations are continuing and there is even talk of additional space for these expanded operations. The final shareholding agreement between the companies is now in place with Mukta owning a 26% stake in the business

It has been a challenging and eventful year for Whistling Woods International (WWI). The High Court order from February 2012 meant that the campus in Film City was to be returned to the Film City Corporation on July 31st 2014. Despite this uncertainty the Institute has grown strongly with some key initiatives starting this year.

The Institute saw robust admissions; including its largest ever batch of MBA (Media and Communications) in July 2013. The launch of a new B.Sc. in Filmmaking with University partner Bhartidassan has led to a new market for bachelors education in filmmaking opening up for WWI. This coupled with the existing diploma courses meant over 150 students joined the institute in July 2013 and another 50 more in January 2014. In addition to this, WWI also launched its first batch of the WWI-Neeta Lulla Fashion School in September 2013. This JV, announced last year, is WWI's foray into the lucrative fashion market and the early signs are extremely positive for this new venture.

WWI's partnership with DY Patil also took off this year. The campus, based in Pune, took in students in the B.Sc., BBA and MBA courses and the signs for this first intake are very encouraging. WWI's international partnership with Bradford College also started its maiden full-time batch in October 2013. Bradford College also honoured WWI's President Mrs Meghna Puri with an Fellowship at their annual convocation in December 2013.

In other initiatives, WWI has tied up with the Tata Institute of Social Sciences (TISS) as their Media and Entertainment vertical provider. Via WWI and TISS, vocational training programmes will be run in hubs across the country therefore building a strong demand for WWI courses and creating value and volume for the company in terms of revenue. The courses are currently being developed and WWI and TISS have signed up their first partner institutes.

On the academic side WWI hosted a CAPA (The Asian wing of the film school association CILECT) Conference in February to great success. Almost 30 academics from across the world attended the conference that was the first of its kind in India. WWI is building on its growing reputation by working with some of the best universities and colleges across the world. WWI also participated in another co-production with the Victoria College of Art in Australia. A short film was produced between both institutes set of students which showcased the multicultural society that we live in. The film 'Cow' has won acclaim in many festivals across the world.

WWI again hosted its annual public festival. 'Celebrate Cinema' again drew huge crowds for a two day event that showcased the campus and offered free filmmaking courses and guest interactions to the general public. Over 5,000 people were on campus over the festival and industry stalwarts like Rekha, Vidya Balan, Govind Nihalani, Hansal Mehta, Nikhil Advani, Divya Dutta, Kumar Sanu, AlkaYagnik and Amole Gupte were in attendance and participated. The festival has gone from strength to strength and is now a fixture on the institutes calendar.

With regard to the legal case, WWI is confident that it has a strong case and has filed a review petition with the High Court of Mumbai. The review questions some of the aspects of the order of February 2012 and in August 2014, the High Court has admitted the review and issued an interim stay on the order which allows WWI to continue its operations at its current campus unhindered until the review is heard in full.

Cautionary Statement

Statements in this management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward looking statements' with in the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to Company's operations include audience preference, availability of funds for expansion, change in Government regulation, tax regimes, economic development with in India and the countries which your company deals with and other incidental factors.

MUKTA ARTS LIMITED

NOTICE

Notice is hereby given that **32nd Annual General Meeting (AGM)** of Mukta Arts Limited will be held on **Saturday, the 27th day of September, 2014 at 4.00 p.m.** at the Whistling Woods Institute Auditorium, Dada Saheb Phalke Chitra Nagari, Goregaon (East), Mumbai- 400 065 to transact the following business:

Ordinary Business:

- 1 To receive, consider, and adopt the audited Profit and Loss Account of the Company for the year ended 31st March, 2014 and the Balance Sheet as at that date together with the Directors' Report and Auditors' Report thereon.
- 2 To re-appoint Mr. Rahul Puri (DIN 01925045), erstwhile Executive Director as the Managing Director who retires by rotation and, being eligible, offers himself for re-appointment.
- 3 To consider and, if thought fit, to pass with or without modification(s) the following resolution as a Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 139, 142 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, and pursuant to the recommendations of the Audit Committee and the Board of Directors of the Company, M/s B S R & Co. LLP, Chartered Accountants, (ICAI Firm Registration No. 101248W), be and are hereby re-appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this 32nd Annual General Meeting ("AGM") to the conclusion of the 36th AGM (subject to ratification of the appointment by the members at every AGM).

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

Special Business:

- 4 To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to provisions of sections 149, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act 2013 and clause 49 of the Listing Agreement, Mr. Anil Harish (DIN 00001685), a non-executive Director of the Company appointed pursuant to the provisions of the Companies Act, 1956 and holding office of an Independent Director in accordance with the Clause 49 of the Listing Agreement entered into with the Stock Exchanges and who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years from 27th September, 2014 to 26th September, 2019."

5. To consider and, if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. Kewal Handa (DIN 00056826), who was appointed as an Additional Director of the Company with effect from 7th June, 2014 vide Circular Resolution and who holds office until the conclusion of this AGM in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from a Member under Section 160 of the Companies Act, 2013 signifying his intention to propose Mr. Kewal Handa as a candidate for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for 5(five) consecutive years from 27th September, 2014 to 26th September, 2019."

- 6 To consider and, if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the recommendation made by Nomination and Remuneration Committee and provisions of Sections 196, 197, 203 and other applicable provisions, if any, of the Companies Act, 2013 including any statutory modifications or re-enactment thereof for the time being in force, read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 including Schedule V to the said Act, consent and approval of the Company be and is hereby accorded to the appointment of Mr. Subhash Ghai (DIN 00019803) as the Executive Chairman of the Company for a period of three years with effect from 30th May, 2014 on such remuneration and terms and conditions as are contained in the agreement dated 30th May, 2014 entered into between the Company and Mr. Subhash Ghai, as placed before the meeting and initialed by the Chairman for the sake of identification in supersession of the Agreement dated 1st April, 2014 entered into with him.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any year, Mr. Subhash Ghai be paid minimum remuneration as specified in Section II of Part II of Schedule V to the Companies Act, 2013 as in force in each financial year.

RESOLVED FURTHER THAT the terms and conditions of this appointment may be altered or varied from time to time by the Board (which term shall be deemed to include Nomination & Remuneration Committee of the Board) as it may in its discretion deem fit within the maximum amount payable to each Whole-time Director in accordance with Schedule V to the Act including any amendments thereto."



- 7 To consider and, if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:
- “RESOLVED THAT** pursuant to the recommendation made by Nomination and Remuneration Committee and provisions of Sections 196, 197, 203 and other applicable provisions, if any, of the Companies Act, 2013 including any statutory modifications or re-enactment thereof for the time being in force, read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 including Schedule V to the said Act, consent and approval of the Company be and is hereby accorded to the appointment of Mr. Rahul Puri (DIN 01925045) as Managing Director of the Company for a period of three years with effect from 30th May, 2014 on such remuneration and terms and conditions as are contained in the agreement 30th May, 2014 entered into between the Company and Mr. Rahul Puri, as placed before the meeting and initialed by the Chairman for the sake of identification in supersession of the Agreement dated 23rd October, 2013 entered into with him.
- RESOLVED FURTHER THAT** in the event of absence or inadequacy of profits in any year, Mr. Rahul Puri be paid minimum remuneration as specified in Section II of Part II of Schedule V to the Companies Act, 2013 as in force in each financial year.
- RESOLVED FURTHER THAT** the terms and conditions of this appointment may be altered or varied from time to time by the Board (which term shall be deemed to include Nomination & Remuneration Committee of the Board) as it may in its discretion deem fit within the maximum amount payable to each Whole-time Director in accordance with Schedule V to the Act including any amendments thereto.”
- 8 To consider and, if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:
- “RESOLVED THAT** pursuant to the provisions of Section 14 and all other applicable provisions of the Companies Act, 2013 read with Companies (Incorporation) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the draft regulations contained in the Articles of Association submitted to this meeting be and are hereby approved and adopted in substitution, and to the entire exclusion, of the regulations contained in the existing Articles of Association of the Company.
- RESOLVED FURTHER THAT** the Board of Directors of the Company or any Committee thereof be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”
- 9 To consider and, if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:
- “RESOLVED THAT** in supersession of the Special Resolution passed at the Extra-Ordinary General Meeting of the Company held on 8th March, 2000 and pursuant to Section 180(1)(c) and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) for the time being in force) and Memorandum and Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (‘the Board’) to borrow monies in excess of the aggregate of the paid up share capital and free reserves of the Company, provided that the total amount borrowed and outstanding at any point of time, apart from temporary loans obtained/ to be obtained from the Company’s Bankers in the ordinary course of business, shall not be in excess of Rs. 200,00,00,000/- (Rupees Two Hundred Crores Only) or the aggregate of the paid up share capital and free reserves of the Company, whichever is higher.
- RESOLVED FURTHER THAT** the Board be and is hereby authorised and empowered to arrange or settle the terms and conditions on which all such monies borrowed or to be borrowed from time to time as to interest, repayment, security or otherwise howsoever as it may think fit and to do all such acts, deeds and things, to execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to a Committee constituted by the Board and/ or any member of such Committee.”
- 10 To consider and, if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:
- “RESOLVED THAT** pursuant to the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013, as amended from time to time, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (‘the Board’) to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations, if any, created by the Company, on such movable and immovable properties, both present and future, and in such manner as the Board may deem fit, in favour of Banks, Financial Institutions, Insurance Companies, other lending/ investing agencies or bodies/ trustees, for holders of debentures/ bonds which may be issued to or subscribed to by all or any of the Banks, Financial Institutions, Insurance Companies, other lending/ investing agencies or any other person(s)/ bodies corporate by way of private placement or otherwise (hereinafter collectively referred to as ‘Lenders’), provided that the total amount of loans together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, costs, charges, expenses and all other monies payable by the Company in respect of the said loans, for which such charges, mortgages or hypothecations are created, shall not, at any time exceed the limit of Rs. 200,00,00,000/- (Rupees Two Hundred Crores Only) or the aggregate of the paid up share capital and free reserves of the Company, whichever is higher.

MUKTA ARTS LIMITED

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things, to execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to a Committee constituted by the Board and/ or any member of such Committee."

Registered Office:

Mukta House,
Behind Whistling Woods Institute
Filmcity Complex
Goregaon (East)
Mumbai- 400065
Place: Mumbai
Date: 8th August, 2014

By Order of the Board

Ravi B. Poplai
Company Secretary

NOTES:

1. A statement pursuant to Section 102 of the Companies Act, 2013 with respect to the special Business set out in the Notice is marked as Annexure – II to this Notice.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY / PROXIES INSTEAD OF HIMSELF / HERSELF AND VOTE ON A POLL AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORMS, TO BE EFFECTIVE SHOULD BE DULY COMPLETED, STAMPED AND DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. Pursuant to the provision of Section 105 of the Companies Act, 2013 a person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carry voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
4. Corporate Members intending to send their Authorised Representatives to attend the Meeting are requested to send to the Company a Certified Copy of the Board Resolution authorizing their Representative to attend and Vote on their behalf at the Meeting.
5. The Register of Members and Share Transfer Books of the Company will remain closed **from Saturday, the 20th September, 2014 to Saturday, the 27th September, 2014 (both days inclusive)**.
6. All the documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company between 10.00 a.m. and 12.00 noon on all days, except Saturdays, Sundays and holidays until the date of the Annual General Meeting or any adjournment thereof.
7. Pursuant to Clause 49 of the Listing Agreement, the relevant details in respect of Directors seeking appointment / re-appointment included as part of Notice item Nos. 2, 4 and 5 above is annexed herewith as Annexure – I.
8. Members wishing to claim dividends, which remain unclaimed, are requested to send their claims directly to the Company or to Link Intime India Private Limited, the Company's Registrars and Transfer Agents (the R & T Agents). Members are requested to note that dividend which remains unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company, is required to be transferred to the Investor Education and Protection Fund established by the Central Government as per Section 124 of the Companies Act, 2013 (Section 205A and 205C of the erstwhile Companies Act, 1956), no claim shall lie against the Company or the said Fund for the amounts so transferred.

Information in respect of each unclaimed dividend when due for transfer to the IEP Fund is given below:

| Dividend Reference | Date of Declaration | Due Date for transfer to IEPF |
|-----------------------|---------------------|-------------------------------|
| Interim Dividend 2008 | 14-04-2008 | 15-05-2015 |
| Interim Dividend 2009 | 20-01-2009 | 24-02-2016 |
| Interim Dividend 2011 | 04-08-2011 | 06-09-2018 |
| Final Dividend 2013 | 21-09-2013 | 24-10-2020 |

9. Members holding shares in dematerialized form are requested to intimate all changes pertaining to their bank details, National Electronic Clearing Service (NECS), Electronic Clearing Service (ECS), mandates, nominations, power of attorney, change of address, change of name, e-mail address, contact numbers, etc., to their Depository Participant (DP). Changes intimated to the DP will then be automatically reflected in the Company's records which will help the Company and the Company's Registrars and Transfer Agents, Link Intime India Private Limited to provide efficient and better services. Members holding shares in physical form are requested to intimate such changes to Link Intime India Private Limited.
10. Since securities of the Company are traded compulsorily in dematerialized form as per SEBI mandate, members holding shares in physical form are requested to get their shares dematerialized at the earliest.



11. Members holding shares in physical form in identical order of names in more than one folio are requested to send to the Company or Link Intime India Private Limited, the details of such folios together with the share certificates for consolidating their holding in one folio. A consolidated share certificate will be returned to such Members after making requisite changes thereon.
12. In case of joint holders attending the meeting, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote.
13. Members are requested to:
 - a. Bring their copies of the Annual Report at the time of attending the Annual General Meeting.
 - b. Complete the attendance slip and deliver the same at the entrance of the meeting hall.
 - c. Send their questions atleast 7 days in advance before the Annual General Meeting on any further information on accounts so as to enable the Company to answer their question satisfactorily.
14. In keeping with Ministry of Corporate Affairs' Green Initiative measures, soft copies of the Annual Report for the year ended 31st March 2014 are being sent to all members whose email IDs are registered with the Company / Depository Participant(s) for communication unless any member has requested for hard copies of the same. The Company hereby requests members who have not registered their email addresses so far, to register their email addresses for receiving all communication including annual report, notices, etc. from the Company electronically.
15. **E-voting**
 - i. In accordance with provisions of section 108 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 the business may be transacted through electronic voting system and the Company is providing facility for voting by electronic means ('e-voting') to its members. The Company has engaged the services of Central Depository Services (India) Limited ('CDSL') to provide e-voting facilities and enabling the members to cast their vote in a secure manner.

The e-voting facility will be available at the link <https://www.evotingindia.com> during the following voting period:
Commencement of e-voting From 9.00 a.m. IST of 20th September, 2014
End of e-voting Up to 6.00 p.m. IST of 22nd September, 2014

During the e-voting period, Shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the record date may cast their vote electronically. The record date for the purpose of e-voting is 22nd August, 2014.
 - ii. Instructions for e-voting is annexed herewith as Annexure - III.
 - iii. Members should cast their votes either by remaining present at the Annual General Meeting or through e-voting facility. In case the Member votes through e-voting and also physically at the meeting, then votes casted through e-voting shall be only taken into consideration and treated valid.
 - iv. The Company has appointed Mr. Nrupang B. Dholakia, Practicing Company Secretary from Dholakia & Associates, as scrutinizer (the 'Scrutinizer') for conducting the e-voting process for the Annual General Meeting in a fair and transparent manner.
 - v. The Results shall be declared on or after the date of Annual General Meeting of the Company. The Results declared along with the Scrutinizer's Report shall be placed on the Company's website www.muktaarts.com and on the website of CDSL within two (2) days of passing the resolutions at the Annual General Meeting of the Company and communicated to the BSE Limited and National Stock Exchange of India Limited.

Registered Office:

Mukta House,
Behind Whistling Woods Institute
Filmcity Complex
Goregaon (East)
Mumbai- 400065
Place: Mumbai
Date: 8th August, 2014

By Order of the Board

Ravi B. Poplai
Company Secretary

MUKTA ARTS LIMITED

Annexure - I to Notice

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

| | | | |
|--|--|---|---|
| Name of Director | Mr. Rahul Puri | Mr. Anil Harish | Mr. Kewal Handa |
| Date of Birth | 19/09/1977 | 19/03/1954 | 22/08/1952 |
| Date of first appointment | 23/10/2007 | 24/03/2000 | 07/06/2014 |
| Qualifications | Graduate of Kings College London | B.A.(Hons.), L.L.B., L.L.M. (Miami, USA) | M Com., AICMA, ACS, |
| Expertise in specific functional areas and experience | Business Development, Administration and Finance Worked with UBS Warburg in London in corporate finance on international transactions. Worked with Ambit Corporate Finance and Nimbus Communications after moving to India. Joined Mukta Arts Limited in 2003 as Vice President- Finance and Strategy and later promoted as Executive Director. Currently he is holding the position of Managing director of the Company. | Partner: M/s D. M. Harish & Co. His key areas of practice include real estate, international investments, corporate law, and taxation. He is involved in several institutions in the legal field such as the Society of Indian Law Firms, of which he was the Executive Vice President. As a specialist in the field of Real Estate, he is also involved with the magazine "Property Scope" as well as the Accommodation Times Institute of Real Estate Management. He has written a number of articles which have been published in the Times of India, Hindustan Times and several professional journals. He is involved in several educational and charitable trusts and is the former President of the Hyderabad (Sind) National Collegiate Board, which runs more than 25 educational institutions and has about 50,000 students. He is also a much sought after speaker in India and abroad and has given several professional speeches at prestigious events such as the India calling Summit in Brussels, Belgium (2009) organized by the Indian Merchants Chamber and the International Fiscal Association (India Chapter) (2000). He has spoken in Dubai, Doha, Muscat and Jakarta on several occasions on topics such as FEMA, Taxation Collaborations and the legal requirements to operate a business in India, and at many Seminars in India. | Finance, Commercial Strategy, and Business Development He has more than 30 years of experience across finance, commercial strategy, and business development functions. Under Handa's leadership, Pfizer India, where he was the Managing Director from 2005 to 2008, became the first multi-national pharmaceutical company to enter the branded generics market. A visiting faculty at Narsee Monjee Institute of Management Studies, & a regular speaker in various forums. |
| Directorships held in other Public Companies (Excluding Private Companies) | 1. Mukta Telemedia Limited 2. Mukta V N Films Limited | 1. Advani Hotels & Resorts (India) Ltd. 2. Ador Welding Ltd. 3. Ashok Leyland Ltd. 4. Future Retail Ltd. 5. Future Consumer Enterprise Ltd. 6. Hotel Leelaventure Ltd. 7. Hinduja Global Solutions Ltd. 8. Hinduja Ventures Ltd. 9. Hinduja Leyland Finance Ltd. 10. Mahindra Lifespace Developers Ltd. 11. Oberoi Realty Ltd. 12. Unitech Ltd. 13. Valecha Engineering Ltd. | Nil |
| Membership of Audit Committees and Shareholder/Investor Grievance Committees across public companies | Nil | Audit Committee 1. Hotel Leelaventure Ltd. 2. Hinduja Ventures Ltd. 3. Hinduja Global Solutions Ltd. 4. Ador Welding Ltd. 5. Ashok Leyland Ltd. 6. Future Consumer Enterprise Ltd. 7. Mahindra Lifespace Developers Ltd. 8. Oberoi Realty Ltd. 9. Unitech Ltd. 10. Valecha Engineering Ltd. Shareholder/Investor Grievance Committee 1. Oberoi Realty Ltd. | Nil |



Annexure - II to Notice

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013:

Item No. 4:

Appointment of Mr. Anil Harish as an Independent Director.

The Company had appointed Mr. Anil Harish as Non-Executive Independent Director under Clause 49 of the Listing Agreement. Pursuant to the provisions of Section 149(4) of the Companies Act, 2013 ("the Act"), which came into force with effect from 1st April, 2014, every listed company is required to have at least one-third of the total number of Directors as Independent Directors. Further, Section 149(10) of the Act provides that an Independent Director shall hold office for a term up to five consecutive years on the Board of a company and is not liable to retire by rotation pursuant to Section 149(13) read with Section 152 of the Act.

Mr. Anil Harish, Non-Executive Director of the Company has given a declaration to the Board that he meets the criteria of Independence as provided under Section 149(6) of the Act. Mr. Anil Harish specializes in the field of Corporate Law, Joint Ventures and Collaborations, Property, Mergers and Acquisitions, Demergers, LLPs, Taxation, Arbitration, Exchange Control, Foreign Investments, Trusts, Wills and Indian and International Taxation.

In the opinion of the Board he fulfills the conditions specified in the Act and the Rules framed thereunder for appointment as Independent Director and he is independent of the management.

In compliance with the provisions of Section 149 read with Schedule IV to the Act, the appointment of Mr. Anil Harish as Independent Directors is now being placed before the Members in General Meeting for their approval.

The terms and conditions of his appointment as an Independent Director shall be open for inspection by the Members at the Registered Office of the Company on all working days, during business hours upto the date of the Meeting.

This Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

Mr. Anil Harish is interested in the resolution set out at Item No. 4 of the Notice with regard to his appointment.

Save and except the above, none of the other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in this resolution.

Your Directors recommend the resolution for your approval.

Item No. 5:

Appointment of Mr. Kewal Handa as Independent Director of the Company.

Mr. Kewal Handa was appointed as an Additional Director of the Company with effect from 7th June, 2014 by the Board of Directors of the Company vide Circular Resolution. He holds office until the conclusion of this AGM in terms of Section 161 of the Companies Act, 2013. The Company has received a notice under the provisions of Section 160 of the Companies Act, 2013, from a member alongwith as deposit of Rs. 1,00,000/- proposing the candidature of Mr. Kewal Handa for the office of Non-Executive Independent Director. The Directors recommend the said appointment in the best interest of the Company.

In the opinion of the Board he fulfills the conditions specified in the Act and the Rules framed thereunder for appointment as Independent Director and he is independent of the management.

The Company has also received a declaration from Mr. Kewal Handa that he meets with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and under Clause 49 of the Listing Agreement.

This Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

Mr. Kewal Handa is interested in the resolution set out at Item No. 5 of the Notice with regard to his appointment.

Save and except none of the Directors or Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested financially or otherwise in this resolution.

Your Directors recommend the resolution for your approval.

Item No. 6:

Appointment of Mr. Subhash Ghai as Executive Chairman for a period of 3 years and fixation of remuneration payable to him.

In pursuance to the approval by the Shareholders of the Company at Annual General Meeting held on 21st September, 2013, Mr. Subhash Ghai was re-appointed as Managing Director of the Company for the period of three years w.e.f 1st April, 2014 on the terms and conditions mentioned in the agreement entered into between Mr. Subhash Ghai and the Company which was duly approved at the above said AGM by the Shareholders.

MUKTA ARTS LIMITED

Section 203 of the Companies Act, 2013 provides that an individual shall not be Chairman and Managing Director of the Company at the same time. Since, Mr. Subhash Ghai was the Chairman and Managing Director of the Company, he voluntarily decided to step down from the position of the Managing Director of the Company to comply with the provisions of the Companies Act, 2013.

As per recommendation of the Nomination and Remuneration Committee, the Board of Directors at its Meeting held on 29th May, 2014 passed a resolution for appointment of Mr. Subhash Ghai as Executive Chairman of the Company for a period of three years with effect from 30th May, 2014 on such remuneration and terms and conditions as are contained in the agreement dated 30th May, 2014 entered between the Company and Mr. Subhash Ghai.

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

SALARY:

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

PERQUISITES:

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

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

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

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

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

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

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

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

I GENERAL INFORMATION

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



5. Export performance and net foreign Exchange collaborations : Rs. Nil for 2013-2014

6. Foreign investments of Collaborations, if any : NIL

II INFORMATION ABOUT THE APPOINTEE

1. Background details : B. Com, Diploma in cinema from FTII, Pune.
2. Past Remuneration : Rs. 4,138,588 for 2013-2014
3. Recognition or awards : Has won many awards as Film Director and Producer
4. Job Profile and his suitability : Filmmaker (Writer, Director and Producer)

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

5. Remuneration Proposed : As contained in the Explanatory Statement
6. Comparative remuneration profile with respect to Industry etc. : NA
7. Pecuniary Relationship directly or indirectly with the Company : NIL
8. Relationship with managerial Personnel, if any : Father-in- law of Mr. Rahul Puri-Managing Director

III OTHER INFORMATION

1. Reason of Loss or inadequate Profit : Insufficient revenues from films released during the year
2. Steps Taken or proposed to be Taken for improvement : Budgets for future films rationalized.
Additional Sources of income streamlined
3. Expected increase in Productivity and profits in measurable terms : Not quantifiable

IV DISCLOSURE

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

Your directors recommend the resolution for your approval.

Item No. 7:

Appointment of Mr. Rahul Puri as Managing Director for a period of 3 years and fixation of remuneration payable to him.

In pursuance to the approval by the Shareholders of the Company at Annual General Meeting held on 21st September, 2013, Mr. Rahul Puri was re-appointed as Whole time Director (designated as Executive Director) of the Company for the period of three years w.e.f. 23rd October, 2013 on the terms and conditions mentioned in the agreement entered into between Mr. Rahul Puri and the Company.

The Nomination and Remuneration Committee at its meeting held on 29th May, 2014 had recommended that Mr. Rahul Puri, Executive Director of the Company be appointed as the new Managing Director of the Company and the earlier agreement dated 23rd October, 2013 be rescinded. As per recommendation of the Nomination and Remuneration Committee, the Board of Directors at its Meeting held on 29th May, 2014 passed a resolution for appointment of Mr. Rahul Puri as Managing Director of the Company for a period of three years with effect from 30th May, 2014 on such remuneration and terms and conditions as are contained in the agreement entered between the Company and Mr. Rahul Puri.

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

SALARY:

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

MUKTA ARTS LIMITED

PERQUISITES:

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

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

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

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

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

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

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

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

I GENERAL INFORMATION

- | | | |
|--|---|-------------------------------------|
| 1. Nature of Industry | : | Production and Exhibition of Films |
| 2. Date of Commencement | : | 07/09/1982 |
| 3. In case of new Companies, expected date of commencement of activities as per project approved by financial institutions in the prospectus | : | Not applicable. |
| 4. Financial Performance based on Given indicators | : | As per financial statements annexed |
| 5. Export performance and net foreign Exchange collaborations | : | Rs. Nil for 2013-2014 |
| 6. Foreign investments of Collaborations, if any | : | NIL |

II INFORMATION ABOUT THE APPOINTEE

- | | | |
|--------------------------|---|----------------------------------|
| 1. Background details | : | Graduate of Kings College London |
| 2. Past Remuneration | : | Rs. 2,729,644 for 2013-2014 |
| 3. Recognition or awards | : | NIL |



- | | | |
|---|---|---|
| 4. Job Profile and his suitability | : | Incharge of overall Business Development and Administration Worked with UBS Warbarg in London in corporate finance on international transactions and has several years of rich experience in India & abroad. Looking at the overall exposure and experience Mr. Rahul Puri is ideally suited for the position. |
| 5. Remuneration Proposed | : | As contained in the Explanatory Statement |
| 6. Comparative remuneration profile with respect to Industry etc. | : | NA |
| 7. Pecuniary Relationship directly or indirectly with the Company | : | NIL |
| 8. Relationship with managerial Personnel, if any | : | Son-in-law of Executive Chairman, Mr. Subhash Ghai |

III OTHER INFORMATION

- | | | |
|--|---|---|
| 1. Reason of Loss or inadequate Profit | : | Insufficient revenues from films released during the year |
| 2. Steps Taken or proposed to be Taken for improvement | : | Budgets for future films rationalized. Additional Sources of income streamlined. |
| 3. Expected increase in productivity and profits in measurable terms | : | Not quantifiable |

IV DISCLOSURE

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

Your directors recommend the resolution for your approval.

Item No. 8:

Adoption of new set of Articles of Association of the Company.

The existing Articles of Association ("AOA") are based on the Companies Act, 1956 and several regulations in the existing AOA contain references to the specific sections of Companies Act, 1956 and some regulations in the existing AOA are no longer in conformity with the Companies Act, 2013 ("the Act").

With the enactment of the Companies Act, 2013, several regulations of the existing AOA of the Company require alteration or deletions. Given this situation, it is considered expedient to wholly replace the existing AOA by a new set of Articles.

The new AOA to be substituted in place of the existing AOA are largely based on Table 'F' of the Act which sets out the model articles of association for a company limited by shares.

The proposed new draft of AOA as aforesaid is available for inspection by the Members at the Registered Office of the Company during business hours and will also be available at the meeting.

None of the Directors or Key Managerial Personnel of the Company or their relatives may be deemed to be concerned or interested in this resolution.

Your Directors recommend the resolution for your approval.

Item No. 9:

Approval for borrowing limits of the Company.

The members of the Company at their the Extra-Ordinary General Meeting of the Company held on 8th March, 2000 had approved by way of an Special Resolution under Section 293(1)(d) of the Companies Act, 1956, for borrowings over and above the aggregate of paid up share capital and free reserves of the Company provided that the total amount of such borrowings together with the amounts already borrowed and outstanding at any point of time shall not be in excess of Rs. 200,00,00,000/- (Rupees Two Hundred Crores Only).

Under the provisions of Section 180(1)(c) of the Act, the above powers can be exercised by the Board only with the consent of the shareholders obtained by a Special Resolution. Further, as per a clarification dated 25th March, 2014 issued by the Ministry of Corporate Affairs, the Resolution earlier passed under Section 293(1)(d) of the Companies Act, 1956 will remain valid for a period of one year from the date of notification of Section 180 of the Act, i.e. upto 11th September, 2014. As such, it

MUKTA ARTS LIMITED

is necessary to obtain fresh approval of the shareholders by means of a Special Resolution, to enable the Board of Directors of the Company to borrow monies, apart from temporary loans obtained from the Company's Bankers in the ordinary course of business, in excess of the aggregate of paid-up share capital and free reserves of the Company. The approval for borrowing limit being sought is Rs. 200,00,00,000/- (Rupees Two Hundred Crores Only) or the aggregate of the paid up share capital and free reserves of the Company, whichever is higher, under Section 180(1)(c) of the Act.

None of the Directors or Key Managerial Personnel of the Company or their relatives may be deemed to be concerned or interested in this resolution.

Your Directors recommend the resolution for your approval.

Item No. 10:

Approval for Creation of Charge on the assets of the Company.

Under the provisions of Section 180(1)(a) of the Act, the power of the Board to create charge / mortgage / hypothecation on the Company's assets, both present and future, in favour of the lenders / trustees for the holders of debentures / bonds, to secure the repayment of monies borrowed by the Company (including temporary loans obtained from the Company's Bankers in the ordinary course of business) can be exercised by the Board only with the consent of the shareholders obtained by a Special Resolution. As such, it is necessary to obtain approval of the shareholders by means of a Special Resolution, to enable the Board of Directors of the Company to create charge / mortgage / hypothecation of the Company's assets, both present and future, in favour of the lenders, trustees for the holders of the debentures / bonds, to secure the repayment of monies borrowed by the Company (including temporary loans obtained from the Company's Bankers in the ordinary course of business).

The approval for borrowing limit being sought is for Rs. 200,00,00,000/- (Rupees Two Hundred Crores Only) or the aggregate of the paid up share capital and free reserves of the Company, whichever is higher, and to create charge /mortgage / hypothecation on the Company's assets to secure such borrowings, under Section 180(1)(a) of the Act.

None of the Directors or Key Managerial Personnel of the Company or their relatives may be deemed to be concerned or interested in this resolution.

Your Directors recommend the resolution for your approval.

Registered Office:

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

Place: Mumbai

Date: 8th August, 2014

By Order of the Board

Ravi B. Poplai
Company Secretary

Note: Shareholders are requested to avail services of the Company's bus outside Goregaon (East) Station near Bus Depot up to 3.30 p.m. to reach the AGM Venue.



Annexure - III to Notice

The instructions for shareholders for voting electronically are as under:-

- (i) The voting period begins on 20th September, 2014 at 9.00 a.m. IST and ends on 22nd September, 2014 at 6.00 p.m. IST. During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 22nd August, 2014, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
The shareholders should log on to the e-voting website www.evotingindia.com
- (ii) Click on "Shareholders" tab.
- (iii) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (iv) Next enter the Image Verification as displayed and Click on Login.
If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (v) If you are a first time user follow the steps given below:

| | For Members holding shares in Demat Form and Physical Form |
|-----------------------|---|
| PAN* | Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/folio number in the PAN field. In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field. |
| DOB | Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format. |
| Dividend Bank Details | Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. <ul style="list-style-type: none"> Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv). |

- (vi) After entering these details appropriately, click on "SUBMIT" tab.
- (vii) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (viii) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (ix) Click on the EVSN for the relevant <MUKTA ARTS LIMITED> on which you choose to vote.
- (x) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xi) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xiii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xiv) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xv) If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xvi) Note for Non-Individual Shareholders & Custodians:
Non-Individual Shareholders shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves as Corporates respectively.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details they should create compliance user using the admin login and password. The Compliance user would be able to link the depository account(s) / folio numbers on which they wish to vote.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xvii) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com or the Company's Registrars and Transfer Agents, Link Intime India Private Limited C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai – 400 078, Telephone No. - (022) 2596 3838.

MUKTA ARTS LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Thirty Second Annual Report and Audited Statement of Accounts of the Company for the Accounting year ended 31st March, 2014:

Financial Results:

(Figures in millions)

| Particulars | Year ending 31.03.2014 (Rs.) | Year ending 31.03.2013 (Rs.) |
|---|------------------------------------|------------------------------------|
| Profit/(Loss) before interest, depreciation & tax | 85.28 | 124.94 |
| Less: Interest | 61.88 | 50.31 |
| Profit/(Loss) after interest, before depreciation & tax | 23.4 | 74.63 |
| Less: Depreciation | 42.06 | 34.8 |
| Profit/(Loss) before tax | (18.66) | 39.83 |
| Less: Provision for taxation | 0 | 6.3 |
| Deferred Tax Liability/(Asset) | 3.45 | 4.5 |
| Profit/(Loss) available for appropriation | (15.21) | 29.03 |
| Less: Interim / Final Dividend | 0 | 11.29 |
| Tax on Interim / Final Dividend | 0 | 1.92 |
| Profit/(Loss) for the year | (15.21) | 15.82 |
| Add: Balance brought forward | 37.69 | 22.6 |
| Less: Transfer to general reserve | 0 | 0.73 |
| Profit/(Loss) Carried forward to Balance Sheet | 22.48 | 37.69 |

Company's Performance:

During the year the total revenues of the Company were placed at Rs. 2960.91 Millions compared to Rs. 2626.29 Millions last year.

The High Court of Judicature at Bombay ('High Court') as per order dated 09.02.2012 had quashed the Joint Venture Agreement ('JVA') between the Company and Maharashtra Film, Stage and Cultural Development Corporation Limited ('MFSCDCL') and passed consequential orders. Special leave petition of the subsidiary Company viz. Whistling Woods International Limited ('WWIL') filed with the Supreme Court of India in appeal did not succeed. The Company and WWIL had filed applications to review the said order with the High Court in Mumbai and after detailed hearing the Review Petition was admitted and a stay was granted on 30th July 2014. However, as an interim arrangement the High Court has ordered WWIL to pay arrears of rent for the years 2000-01 to 2013-14 aggregating to Rs 100,038,000 by January 2015 and pay rent of Rs. 4,500,000 per annum from the financial year 2014-15, pending disposal of the review petition.

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

Share Capital:

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

Dividend:

In view of the loss incurred by the Company in the year under review, Your directors regret that they have not recommended any dividend on equity shares for the year ended on 31st March, 2014.

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

The Directors confirm that:

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

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

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

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

Directors:

Mr. Subhash Ghai has relinquished the position of Managing Director as at the end of 29th May, 2014. Considering the experience and contribution made by Mr. Subhash Ghai for the growth of the Company, the Board of Directors at their



meeting held on 29th May, 2014, upon the recommendation of the Nomination and Remuneration Committee, appointed Mr. Subhash Ghai as the Executive Chairman of the Company with effect from 30th May, 2014.

Mr. Rahul Puri, has been elevated as the Managing Director of the Company with effect from 30th May, 2014. Mr. Rahul Puri, Managing Director, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Mr. Vijay Choraria and Mr. Pradeep Guha have resigned from directorship of the Company vide their resignation letters dated 24th December, 2013 and 14th June, 2014 respectively. The Board places on record its appreciation for the services rendered Mr. Vijay Choraria and Mr. Pradeep Guha during their tenure as Directors of the Company.

In accordance with the provisions of Section 149 of the Companies Act, 2013, members' approval is being sought for appointment of Mr. Anil Harish as Independent Director 5(five) consecutive years from 27th September, 2014 to 26th September, 2019.

Mr. Kewal Handa has been appointed as Additional Director of the Company. He was inducted on the Board of Directors with effect from 7th June, 2014 as an Independent Director. As per the provisions of the Companies Act, 2013, Independent Directors are required to be appointed for a term of five consecutive years and shall not be liable to retire by rotation. Accordingly, resolutions proposing appointment of Independent Directors form part of the Notice of the Annual General Meeting.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of Independence as prescribed both under Sub-Section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges.

Chief Financial Officer:

Your Company has appointed Mr. Prabuddha Dasgupta as Chief Financial Officer (CFO) of the Company with effect from 7th July, 2014.

Auditors:

The Auditors of the Company M/s. B S R & Co. Chartered Accountant (ICAI Firm Registration No- 101248W) has been converted into Limited Liability Partnership with the name M/s. B S R & Co. LLP with effect from 14th October, 2013.

The Auditors of the Company M/s B S R & Co. LLP, Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment as the Auditors of the Company. The Company has received a written consent and a certificate from the Auditors to the effect that their re-appointment, if made would be in accordance with the provisions of the Companies Act, 2013 and that they are not disqualified for such re-appointment.

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

Subsidiary Companies:

Mukta V N Films Limited has become a subsidiary of the Company since its incorporation on June, 2013. Now, the Company has five subsidiaries namely, Whistling Woods International Limited, Connect.1 Limited, Mukta Tele Media Limited, Coruscant Tec Private Limited and Mukta V N Films Limited.

A Statement of Subsidiary Companies as prescribed under Section 212 of the Companies Act, 1956, is annexed and is forming part of the Annual Report.

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

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

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

Corporate Governance:

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

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

MUKTA ARTS LIMITED

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

The Company is not engaged in manufacturing activities, and as such the particulars relating to conservation of energy and technology absorption are not applicable. The Company makes every effort to conserve energy as far as possible in its post-production facilities, Studios, Offices, etc. In particular the Company has taken specific measures to ensure conservation of energy in places where Mukta A2 Cinemas are located.

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

Insurance:

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

Fixed Deposits:

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

Listing of Company's Securities

The Company is listed in the BSE Ltd. (formerly known as Bombay Stock Exchange Ltd.), National Stock Exchange of India Limited (NSE) and The Calcutta Stock Exchange Association Limited (CSE).

The Company has applied for voluntary delisting from the Calcutta Stock Exchange Association Limited (CSE) w.e.f. 31st March, 2014. The Company has passed a board resolution for voluntary delisting from CSE at its Board Meeting dated 6th February, 2014 and published public notice of the proposed delisting in English, Hindi and Bengali newspapers on 25th March, 2014.

The Equity Shares of the Company will continue to be listed on the BSE and NSE. Post delisting, there would be no change in the capital structure of the Company.

The Listing fees for the year 2014-15 have already been paid to all the Stock Exchanges where the Company's shares are listed except the Calcutta Stock Exchange Association Limited.

Particulars of Employees:

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

Social Commitments:

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

Human Resources:

Human Resource is considered as one of the most critical resources in the business which can be continuously smoothened to maximize the effectiveness of the Organization. Human Resources build the Enterprise and the sense of belonging would inculcate the spirit of dedication and loyalty amongst them towards strengthening the Company's Policies and Systems. All personnel continue to have healthy, cordial and harmonious approach thereby enhancing the contributory value of the Company.

Safety and Health:

The health and safety of the employees across its operations remains the highest priority for the Company. All endeavors are being taken to enhance safety standards and processes towards minimising safety risks in all operations in the company.

Acknowledgements:

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

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

On Behalf of the Board of Directors

Place: Mumbai

Date: 8th August, 2014

Subhash Ghai
Chairman



CORPORATE INFORMATION

Board of Directors

Mr. Subhash Ghai, Executive Chairman
Mr. Rahul Puri, Managing Director
Mr. Parvez A. Farooqui, Executive Director
Mr. Anil Harish, Independent Director
Mr. Kewal Handa, Additional Director (Independent)

Chief Financial Officer

Mr. Prabuddha Dasgupta

Company Secretary and Compliance Officer

Mr. Ravi B. Poplai

Auditors

M/s B S R & Co. LLP
Chartered Accountants

Registered Office

Mukta House,
Behind Whistling Woods Institute,
Filmcity Complex, Goregaon (East),
Mumbai – 400 065
Telephone No. - (022) 33649400
Website: www.muktaarts.com
CIN : L92110MH1982PLC028180

Audit Committee

Mr. Kewal Handa
Mr. Parvez A. Farooqui

Nomination and Remuneration Committee

Mr. Anil Harish
Mr. Parvez A. Farooqui
Mr. Kewal Handa

Stakeholders Relationship Committee

Mr. Kewal Handa
Mr. Parvez A. Farooqui

Share Transfer Committee

Mr. Parvez A. Farooqui
Mr. Kewal Handa

Bankers

Kotak Mahindra Bank Limited
HDFC Bank Limited

Registrar & Transfer Agents

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (W)
Mumbai – 400 078
Telephone No. - (022) 2596 3838

MUKTA ARTS LIMITED

CORPORATE GOVERNANCE

Your Company has set itself the objective of expanding its capacities and becoming more competitive in its business. As a part of its growth strategy, the Company believes in adopting the 'best practices' that are followed in the area of Corporate Governance. The Company emphasises the need for full transparency and accountability in all its transactions, in order to protect the interests of its stakeholders. The Company is committed to adoption and implementation of policies and procedures so as to ensure high ethical standards in all its business activities. The Company believes that it is good corporate governance that alone protects the trust and expectations of the shareholders, customers, employees, government agencies and the society at large.

The report on Corporate Governance, as per the applicable provisions of Clause 49 of the listing agreement is as under and the same also takes account of the events occurring from 1st April, 2014 till the date of signing the Directors' Report, i.e., 8th August, 2014:

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

COMPOSITION OF BOARD

The Board of Mukta Arts Limited consist of Executive Chairman, Managing Director, Executive and Non-Executive Directors. All Directors including Non-Executive Directors are suitably qualified, experienced and competent. At present, the Board consists of five members, of which two are Non-Executive & Independent Directors.

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

| S.No | Name of the Director | Designation | Status of the Director |
|------|------------------------|---------------------|--------------------------------------|
| 1 | Mr. Subhash Ghai | Executive Chairman | Executive Chairman |
| 2 | Mr. Rahul Puri | Managing Director | Managing Director |
| 3 | Mr. Parvez A. Farooqui | Executive Director | Executive Director |
| 4 | Mr. Anil Harish | Director | Non-Executive Director & Independent |
| 5 | #Mr. Kewal Handa | Additional Director | Non-Executive Director & Independent |

Mr. Kewal Handa was appointed as Non-Executive Director & Independent Director w.e.f. 7th June, 2014.

BOARD MEETINGS AND ATTENDANCE

Four Board Meetings were held during the year ended 31st March, 2014. Agenda for the Board meetings is sent to the Directors sufficiently in advance to allow them to examine and interact on the issues involved. Also the senior Executives of the Company are invited to make presentation from time to time.

The information as required under Annexure IA to Clause 49 of the Listing Agreement is made available to the Board. Adequate information is circulated as part of the Board papers and is also made available at the Board meeting to enable the Board take informed decisions.

The dates on which meetings were held are as follows:

| S. No. | Date of Meeting | Board Strength | No. of Directors Present |
|--------|-----------------|----------------|--------------------------|
| 1 | 28.05.2013 | 6 | 4 |
| 2 | 08.08.2013 | 6 | 3 |
| 3 | 13.11.2013 | 6 | 4 |
| 4 | 06.02.2014 | 5 | 4 |



ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND LAST ANNUAL GENERAL MEETING (AGM) AND THE NUMBER OF COMPANIES AND COMMITTEES WHERE HE IS DIRECTOR / MEMBER AS ON 31.03.2014

| Directors | No. of Board Meetings Attended during the period | Attendance at the last AGM held on 21.09.2013 | No. of Directorship in other Boards as on 31.03.2014 * | No. of Memberships in other Board Committees held in other Companies ** | |
|------------------------|--|---|--|---|--------|
| | For whole year | | | Chairman | Member |
| Mr. Subhash Ghai | 2 | Yes | 4 | Nil | 1 |
| Mr. Rahul Puri | 4 | Yes | 2 | Nil | Nil |
| Mr. Parvez A. Farooqui | 4 | Yes | 3 | Nil | Nil |
| Mr. Anil Harish | 3 | No | 13 | 4 | 10 |
| # Mr. Vijay Choraria | 2 | No | 7 | 1 | 3 |
| # Mr. Pradeep Guha | Nil | No | 4 | Nil | 4 |

Mr. Vijay Choraria and Mr. Pradeep Guha have since resigned from directorship of the Company vide their resignation letters dated 24th December, 2013 and 14th June, 2014 respectively.

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

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

The gap between two board meetings did not exceed four months.

COMMITTEES OF DIRECTORS

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

AUDIT COMMITTEE

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

COMPOSITION, NAME OF MEMBERS, CHAIRMAN AND OTHERS DETAILS

| | |
|------------------------|----------|
| # Mr. Kewal Handa | Chairman |
| Mr. Parvez A. Farooqui | Member |
| * Mr. Vijay Choraria | Member |
| ** Mr. Pradeep Guha | Member |

Mr. Kewal Handa was appointed as Non- Executive Director & Independent Director and accordingly appointed as member of the Audit Committee w.e.f. 07/06/2014.

*Mr. Vijay Choraria has resigned from directorship of the Company w.e.f. 24/12/2013 and accordingly he ceases to be a member of the Audit Committee.

**Mr. Pradeep Guha has resigned from directorship of the Company w.e.f. 14/06/2014 and accordingly he ceases to be a member of the Audit Committee.

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

Meetings & attendance during the year

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

MUKTA ARTS LIMITED

NOMINATION AND REMUNERATION COMMITTEE

(formerly known as Remuneration Committee)

The Committee comprises of following Directors

| | |
|------------------------|----------|
| Mr. Anil Harish | Chairman |
| Mr. Parvez A. Farooqui | Member |
| # Mr. Kewal Handa | Member |
| * Mr. Vijay Choraria | Member |
| ** Mr. Pradeep Guha | Member |

Mr. Kewal Handa was appointed as Non-Executive Director & Independent Director and accordingly appointed as member of the Nomination and Remuneration Committee w.e.f. 07/06/2014.

*Mr. Vijay Choraria has resigned from directorship of the Company w.e.f. 24/12/2013 and accordingly he ceases to be a member of the Nomination and Remuneration Committee.

**Mr. Pradeep Guha has resigned from directorship of the Company w.e.f. 14/06/2014 and accordingly he ceases to be a member of the Nomination and Remuneration Committee.

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

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

Meetings & attendance during the year

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

STAKEHOLDERS RELATIONSHIP COMMITTEE

(formerly known as Shareholders / Investor Grievance Committee)

Stakeholders Relationship Committee comprising the following Directors reviews shareholder's complaints and strives for resolution thereof.

COMPOSITION, NAME OF MEMBERS AND CHAIRMAN

| | |
|------------------------|----------|
| # Mr. Kewal Handa | Chairman |
| Mr. Parvez A. Farooqui | Member |
| * Mr. Vijay Choraria | Member |
| ** Mr. Pradeep Guha | Member |

Mr. Kewal Handa was appointed as Non- Executive Director & Independent Director and accordingly appointed as member of the Stakeholders Relationship Committee w.e.f. 07/06/2014.

*Mr. Vijay Choraria has resigned from directorship of the Company w.e.f. 24/12/2013 and accordingly he ceases to be a member of the Stakeholders Relationship Committee.

**Mr. Pradeep Guha has resigned from directorship of the Company w.e.f. 14/06/2014 and accordingly he ceases to be a member of the Stakeholders Relationship Committee.

MEETINGS AND ATTENDANCE DURING THE YEAR

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



COMPLIANCE OFFICER

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

DETAILS OF COMPLAINTS RECEIVED AND RESOLVED

During the year Company received 6 complaints from shareholders which have been resolved to the satisfaction of the complainants. None of the shareholders'/investors' complaints were pending unresolved as on 31st March, 2014. The "SCORES" website of SEBI for redressing of Grievances of the investors is being visited at regular intervals by the Company Secretary and there are no pending complaints registered with SCORES for the Financial Year ended on 31st March, 2014.

As per revised Clause 47(F) of the Listing Agreement the E-mail ID of the Investor Grievance Department of the Company is parvez@muktaarts.com.

The Web Site address of the Company is www.muktaarts.com.

SHARE TRANSFER COMMITTEE

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

COMPOSITION, NAME OF MEMBERS AND CHAIRMAN

| | |
|------------------------|----------|
| Mr. Parvez A. Farooqui | Chairman |
| # Mr. Kewal Handa | Member |
| * Mr. Vijay Choraria | Member |
| ** Mr. Pradeep Guha | Member |

Mr. Kewal Handa was appointed as Non- Executive Director & Independent Director and accordingly appointed as member of the Share Transfer Committee w.e.f. 07/06/2014.

*Mr. Vijay Choraria has resigned from directorship of the Company w.e.f. 24/12/2013 and accordingly he ceases to be a member of the Share Transfer Committee.

** Mr. Pradeep Guha has resigned from directorship of the Company w.e.f. 14/06/2014 and accordingly he ceases to be a member of the Share Transfer Committee.

Meetings & attendance during the year

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

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

DETAILS OF REMUNERATION TO EXECUTIVE DIRECTORS

| Particulars | Mr. Subhash Ghai Executive Chairman | Mr. Rahul Puri Managing Director | Mr. Parvez A. Farooqui Executive Director |
|--|--|-------------------------------------|--|
| Salary | 3,865,000 | 2,496,000 | 2,486,000 |
| Employers Contribution to Provident Fund | - | 190,080 | 172,800 |
| Perquisites | 273,588 | 43,564 | 32,754 |
| Total | 4,138,588 | 2,729,644 | 2,691,554 |

DETAILS OF SERVICE CONTRACT

| Names | Period of Contract | Dates of Appointment |
|------------------------|--------------------|-----------------------------|
| Mr. Subhash Ghai | 3 Years | 30 th May, 2014 |
| Mr. Rahul Puri | 3 Years | 30 th May, 2014 |
| Mr. Parvez A. Farooqui | 3 Years | 1 st April, 2013 |

MUKTA ARTS LIMITED

DETAILS OF REMUNERATION TO NON-EXECUTIVE DIRECTORS

The Non-Executive Directors are not entitled to any Remuneration except payment of Sitting Fees for attending the Meetings of Board of Directors. During the year 2013-14, the Company has paid total Sitting Fee of Rs. 25,000/- to Non-Executive Directors as under:

| Names | Sitting fees (Rs.) | Salary & perquisites (Rs.) | Commission (Rs.) | Total (Rs.) |
|--------------------|--------------------|----------------------------|------------------|---------------|
| Mr. Anil Harish | 15,000 | Nil | Nil | 15,000 |
| Mr. Vijay Choraria | 10,000 | Nil | Nil | 10,000 |
| Mr. Pradeep Guha | Nil | Nil | Nil | Nil |
| TOTAL | | | | 25,000 |

EQUITY SHARES OF MUKTA ARTS LIMITED HELD BY DIRECTORS AS ON 31ST MARCH, 2014

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

GENERAL BODY MEETINGS

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

| Description of Meeting | Location | Date | Time |
|-------------------------|---|------------|----------|
| 31 st AGM*** | Whistling Woods Institution's Auditorium Dada Saheb Phalke Chitra Nagari Goregaon (E), Mumbai-400 065 | 21.09.2013 | 4.00 P.M |
| 30 th AGM** | Whistling Woods Institution's Auditorium Dada Saheb Phalke Chitra Nagari Goregaon (E), Mumbai-400 065 | 27.09.2012 | 4.00 P.M |
| 29 th AGM* | Whistling Woods Institution's Auditorium Dada Saheb Phalke Chitra Nagari Goregaon (E), Mumbai-400 065 | 24.09.2011 | 4.00 P.M |

*** In the 31st AGM the following special resolutions were passed

1. Re-appointment of Mr. Rahul Puri as Whole time Director (to be designated as Executive Director) of the Company.
2. Re-appointment of Mr. Subhash Ghai as Managing Director of the Company.
3. Appointment Mr. Ashok Ghai as Professional Advisor to advise the Company in production of Regional Films to be produced by the Company from time to time.

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

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

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

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

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

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

DISCLOSURES

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



- 3) The Company has not adopted any Whistle Blower Policy. However, no personnel has been denied access to the Senior Management.
- 4) The Company has complied with the mandatory requirements regarding the Board of Directors, Audit Committees and other Board committees and other disclosures as required under the provisions of the revised Clause 49 of the Listing Agreement. The status of compliance in respect of non-mandatory requirements of Clause 49 of Listing Agreement is as follows:
 - (a) **Maintenance of the Chairman's Office:** The Company has an Executive Chairman and the office provided to him for performing his executive functions is also utilized by him for discharging his duties as Chairman.
 - (b) **Shareholders' rights:** Un-Audited Quarterly Financial Results are posted on the website of the Company.
 - (c) **Audit Qualification:** The Auditors remarks if any are explained in the Directors Report and necessary actions are also taken by the Company when required. The Company shall endeavor to have unqualified Financial Statements.
 - (d) **Training of Board of Directors:** The Directors of the Company are persons from Business and Profession with experience in Corporate Sector. They are being kept posted with various Statutory and Regulatory changes which are applicable to the Company.
 - (e) **Mechanism for evaluating Non-Executive Board Members:** Non Executive Members of the Board are highly qualified and there is no need for evaluation.
 - (f) **Whistle Blower Policy:** The Company has so far not framed a formal whistle blower policy. However, the employees of the Company have free access to the Board of Directors, Audit Committee and Senior Management personnel to report their concerns about unethical behaviour, fraud or violation of statutory requirements, with assurance from the Management to protect the employees from victimization in case they report any such unethical or fraudulent behaviour.
 - (g) **Board disclosures-Risk Management:** The Board is kept informed about the Risk Management being followed by the Company from time to time. All the risks such as fire, marine, burglary, earthquake etc. have been adequately insured.

INTERNAL CONTROLS

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

RISK MANAGEMENT

Production and distribution of films is fraught with the risk of changing audience preferences with changing times. The demography of the viewing population has changed to younger audience over time. Today's cinema viewers prefer commercial films compared to critically acclaimed films which your Company has strived to produce. As a result your Company has passed through considerable ups and downs in the last few years.

With a view to de-risk its business model, your Company entered into exhibition and programming stream as part of its business profile. The said business was nurtured to a critical mass before being merged to create synergies with another player viz UFO Moviez through formation of a subsidiary Company Mukta V N Films Limited ('MVN'). Today MVN is the largest player in the country in programming and exhibition field. Another initiative taken was formation of multiplex division of the Company viz. Mukta A2 Cinemas to ensure stable revenue generation. Today the Company owns 24 screens already operational at 9 different locations in the country. The Company has also taken the initiative to de-risk the business profile of its subsidiary Company formed for education in film making viz. Whistling Woods International Limited ('WWIL'). WWIL has spread its wings abroad to open the Bradford College-WWI Film School at Bradford college's Old campus in Bradford, UK. In addition it has also joined hands with DY Patil Group for opening second campus in Pune. Going forward WWIL proposes to assist in establishment of the African Film & TV Academy in pursuance to a joint venture agreement entered into with Trend Media City, Nigeria

CEO/ CFO CERTIFICATION

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

CODE OF CONDUCT

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

MUKTA ARTS LIMITED

A declaration signed by the Managing Director has been obtained by the Company confirming the affirmation by all the members of the Board and Senior Management personnel to the effect that they have complied with the said Code of Conduct during the financial year 2013-14.

CERTIFICATE ON CORPORATE GOVERNANCE

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

MEANS OF COMMUNICATION

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

SHAREHOLDERS' INFORMATION

- | | |
|--|---|
| A. Annual General Meeting: | 32nd Annual General Meeting |
| Date: | 27 th September, 2014 |
| Time: | 4.00 P.M. |
| Venue: | Whistling Woods Auditorium, Whistling Woods Institute Dada Saheb Phalke Chitra Nagari Goregaon (E), Mumbai – 400 065 |
| B. Financial Calendar: | |
| Financial Year | 1 st April to 31 st March |
| Adoption of Quarterly Results | |
| 1 st Quarter | Within 45 days after the end of June 2014 |
| 2 nd Quarter | Within 45 days after the end of September 2014 |
| 3 rd Quarter | Within 45 days after the end of December 2014 |
| 4 th Quarter (Audited yearly results) | Within 60 days after the end of March, 2015 |
| C. Date of Book Closure: | 20 th September, 2014 to 27 th September, 2014 (both days inclusive) |
| D. Listing on Stock Exchanges: | BSE Ltd. (formerly known as Bombay Stock Exchange Ltd.) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Tel: + 91 – 22 – 2265 5581 Fax: + 91 – 22 – 2272 3719 / 2272 2039 National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 Tel: +91-22- 26598100 - 8114 Fax: + 91 – 22 – 2659 8237 / 38 *Calcutta Stock Exchange Association Limited 7, Lyons Range, Kolkata – 700 001 Tel: + 91 – 33 – 2210 4470 - 77 Fax: + 91 – 33 – 2210 4492 / 2210 4500 |

The Listing fees for the year 2014–15 have already been paid to all the Stock Exchanges where the Company's shares are listed except the Calcutta Stock Exchange Association Limited.

Intimation to Stock Exchanges:

All price sensitive information and matters which are material and relevant to shareholders are intimated to all the Stock Exchanges where the securities of the Company are listed.



Corporate Filing and Dissemination System (CFDS), BSE Online and NSE Electronic Application Processing System (NEAPS):

In accordance with Clause 52 of the Listing Agreement, all disclosures and communications to BSE Limited and National Stock Exchange of India Limited are filed electronically through CFDS website www.corpfiling.co.in. The Company also submits to NSE all quarterly compliances, disclosures and communications through NSE's NEAPS portal. The Company further has complied with filing submissions through BSE's BSE Online portal.

*Delisting:

The Company has applied for voluntary delisting from the Calcutta Stock Exchange Association Limited (CSE) w.e.f. 31st March, 2014. The Company has passed a board resolution for voluntary delisting from CSE at its Board Meeting dated 6th February, 2014 and published public notice of the proposed delisting in English, Hindi and Bengali newspapers on 25th March, 2014.

E. Stock Code:

BSE Ltd. (formerly known as Bombay Stock Exchange Ltd.)
Code No: 532357
Symbol: MUKTARDM
ISIN No. INE374B01019

National Stock Exchange of India Limited
Symbol: MUKTAARTS

*Calcutta Stock Exchange Association Limited
Scrip Code – 23922

F. Market Price Data

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

| Month | BSE | | NSE | |
|--------------------------|--------------------|-------------------|--------------------|-------------------|
| April 2013 to March 2014 | Highest Rate (Rs.) | Lowest Rate (Rs.) | Highest Rate (Rs.) | Lowest Rate (Rs.) |
| April | 34.35 | 25.80 | 34.40 | 28.00 |
| May | 38.00 | 30.00 | 38.00 | 29.35 |
| June | 38.70 | 28.40 | 38.45 | 28.55 |
| July | 34.30 | 26.65 | 34.80 | 26.45 |
| August | 38.50 | 24.80 | 38.70 | 23.80 |
| September | 33.15 | 25.60 | 32.50 | 26.05 |
| October | 33.15 | 28.20 | 33.35 | 28.35 |
| November | 33.35 | 28.05 | 32.60 | 28.75 |
| December | 35.45 | 30.45 | 34.65 | 30.15 |
| January | 39.70 | 28.60 | 38.50 | 28.45 |
| February | 34.70 | 27.65 | 34.10 | 27.05 |
| March | 42.00 | 28.70 | 41.90 | 29.20 |

G. Address of Registrars and Transfer Agents

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

H. Share Transfer System

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

MUKTA ARTS LIMITED

I. Distribution of Shareholding as on 31st March, 2014

| Shareholding of Nominal Value (Rs) | No. of Shareholders | % of Total Shareholders | No. of Shares held | % of Total Shares |
|------------------------------------|---------------------|-------------------------|--------------------|-------------------|
| Range | | | | |
| 1 - 500 | 4402 | 87.00 | 528540 | 2.34 |
| 501 - 1000 | 304 | 6.01 | 251752 | 1.11 |
| 1001 - 2000 | 137 | 2.71 | 208162 | 0.92 |
| 2001 - 3000 | 51 | 1.01 | 128555 | 0.57 |
| 3001 - 4000 | 28 | 0.55 | 96778 | 0.43 |
| 4001 - 5000 | 26 | 0.51 | 121955 | 0.54 |
| 5001 - 10000 | 39 | 0.77 | 306964 | 1.36 |
| 10001 and above | 73 | 1.44 | 20938494 | 92.73 |
| TOTAL | 5060 | 100 | 22581200 | 100 |

J. Dematerialization of Shares

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

As on 31st March, 2014, 22561257 shares were held in dematerialized form, which is 99.91% of total paid up capital.

K. Company's Branches/Locations

Registered and Corporate Office

Mukta House, Behind Whistling Woods Institute,
Filmcity Complex, Goregaon (East), Mumbai- 400 065.
Telephone No. - (022) 33649400; Fax No. - (022) 33649401
Email ID: parvez@muktaarts.com; Website: www.muktaarts.com

Premises Owned and Leased

Bait-Ush-Sharaf 29th Road, Bandra, Mumbai- 400 050

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

Other Locations

Bashiron, 28th Road,
TPS- III, Bandra (West)
Mumbai- 400 050

1/A, Naaz Building,
Lamington Road,
Mumbai- 400004

607, Anushka Tower, Garg Tade Centre,
Near G3s Multiplex, Sector - 11,
Rohini, Delhi – 110085

1496, Bhagwati Bhavan, Bhagirath Palace,
3rd Floor, Main Road, Chandni Chowk, Delhi- 110 006.

Dhupar Bldg, 1st Floor, Near Standard Hotel, Railway Road,
Jalandar City- 144001

107, Rudraksha Bldg, 3rd Floor, 16th Meera Path Colony,
Dhenu Market, Indore- 452 003.



L. Address for correspondence

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

| | Company | Registrar and Transfer Agents |
|----------------|---|--|
| Contact Person | Mr. Ravi B Poplai Mr. Parvez A. Farooqui | Mr. Vishal Panjabi Ms. Ashwini Nemlekar |
| Address | Mukta House, Behind Whistling Woods Institute, Filmcity Complex, Goregaon (East), Mumbai – 400065. | Link Intime India Private Limited C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai – 400 078. |
| Telephone No. | (022) 3364 9400 | (022) 2596 3838 |
| Fax No. | (022) 3364 9401 | (022) 2594 6969 |

M. NOMINATION FACILITY

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

N. UNCLAIMED DIVIDEND

Dividends pertaining to the Financial Years 2007-08 to 2012-13 which remain unclaimed for a period of seven years will be transferred to Investor Education and Protection Fund (IEPF) in due course. To enable the members to claim their Dividend before its transfer to the above fund the proposed dates are given below:

| Dividend Reference | Date of Declaration | Due Date for transfer to IEPF |
|-----------------------|---------------------|-------------------------------|
| Interim Dividend 2008 | 14-04-2008 | 15-05-2015 |
| Interim Dividend 2009 | 20-01-2009 | 24-02-2016 |
| Interim Dividend 2011 | 04-08-2011 | 06-09-2018 |
| Final Dividend 2013 | 21-09-2013 | 24-10-2020 |

O. GOVERNANCE OF SUBSIDIARIES

The subsidiaries of the Company function independently, with an adequately empowered Board of Directors and sufficient resources, however for effective Governance the working of the said subsidiaries is reviewed by the Board from time to time. As the majority shareholder, the Company has nominated its representative on the Board of Subsidiary Companies to monitor performance of such Companies.

MUKTA ARTS LIMITED

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

TO THE MEMBERS OF MUKTAARTS LIMITED

We have examined the compliance of the conditions of Corporate Governance by Mukta Arts Limited, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges for the year ended on March 31, 2014 and also for the subsequent period from 1st April, 2014 to 8th August, 2014.

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

One of the Independent Director of the Company resigned from the Board w.e.f. 24th December, 2013 and vacancy caused due to resignation was filled in by the Board within a period of 180 days by appointing another Independent Director w.e.f. 7th June, 2014. Thereafter, another Independent Director of the Company has resigned w.e.f. 14th June, 2014 on account of which the conditions of Clause 49 of the Listing Agreement relating to Composition of Board and Audit Committee were not met out during the period from 14th June, 2014 to 8th August, 2014. However, as per the provisions of Clause 49 I (C) (iv), the vacancy caused due to resignation by an Independent Director can be filled within a period of 180 days from the date of resignation of Independent Director and the said period has not expired until 8th August, 2014.

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

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

For K. C. NEVATIA & ASSOCIATES
COMPANY SECRETARIES

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

Place: Mumbai

Date: 8th August, 2014



CEO/CFO CERTIFICATION

I Parvez A. Farooqui, Executive Director of the Company certify that:

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

For and on behalf of
Mukta Arts Limited

Parvez A. Farooqui
Executive Director

Place: Mumbai

Date: 8th August, 2014

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

I, Rahul Puri, Managing Director of Mukta Arts Limited hereby declare that all Board members and Senior Management personnel have confirmed compliance with Code of Conduct as laid down by the Company during Financial Year 2013-2014.

For and on Behalf of
Mukta Arts Limited

Rahul Puri
Managing Director

Place: Mumbai

Date: 8th August, 2014

MUKTA ARTS LIMITED

Independent Auditors' Report

To the Members of
Mukta Arts Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Mukta Arts Limited ('the Company'), which comprise the Balance sheet as at 31 March 2014, the Statement of profit and loss and the Cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

- a. *As explained in Note 3.39 to the financial statements, the remuneration paid to the managing director (including as film director fees) for the year ended 31 March 2014 amounting to Rs 15,138,588 and for earlier financial years from 2005-06 to 2012-2013 aggregating to Rs 110,606,159 is in excess of the limits prescribed under Schedule XIII to the Companies Act, 1956. The Company made applications to the Central Government seeking post-facto approval for earlier years, which is awaited; application for the current year is proposed to be made. During the financial year 2011-12, the Company had received approval for part of the excess remuneration paid (approval received for remuneration aggregating to Rs 25,200,000 for the financial years 2005-06, 2006-07 and 2007-08) and made applications to the authorities requesting reconsideration/ approval for the balance excess remuneration. Pending final communication from the authorities in this regard, no adjustment has been made in these financial statements.*
- b. *As at 31 March 2014, the Company's investment in its subsidiary, Whistling Woods International Limited (WWI), a joint venture between the Company and Maharashtra Film, Stage and Cultural Development Corporation Limited ('MFSCDCL'), aggregates to Rs 369,997,000 and loans, advances and deposits include Rs 445,870,587 recoverable from WWI. As more fully explained in Note 3.40 to these financial statements, through its order of 9 February 2012, the High Court of Judicature at Bombay ('High Court') had quashed the Joint Venture Agreement ('JVA') between the Company and MFSCDCL and passed consequential orders. WWI's petition for special leave to appeal filed with the Supreme Court of India had also been dismissed. However, the Company and WWI have filed applications to review the said order with the High Court, which have not yet come up for hearing. Further, MAL has made an application to the Government of Maharashtra in February 2013 to appoint expert valuers to determine the market price of the building. WWI's net worth stands fully eroded as at 31 March 2014 and the management is currently evaluating plans for the future.*

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



Independent Auditors' Report (Continued)

Qualified opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the matter relating to the investment in and loans and advances recoverable from the Company's subsidiary WWIL referred to in paragraph (b) of the Basis for Qualified Opinion paragraph above, the outcome and consequent adjustments to the financial statements of which cannot be presently determined, and for the matter relating to the remuneration to the managing director referred to in paragraph (a) of the Basis for Qualified Opinion paragraph above, the said financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:

- (a) *in the case of the Balance sheet, of the state of affairs of the Company as at 31 March 2014;*
- (b) *in the case of the Statement of profit and loss, of the loss of the Company for the year ended on that date; and*
- (c) *in the case of the Cash flow statement, of the cash flows of the Company for the year ended on that date.*

Report on other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary, for the purpose of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) the Balance sheet, the Statement of profit and loss and the Cash flow statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance sheet, the Statement of profit and loss, and the Cash flow statement dealt by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act, read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
 - (e) on the basis of written representations received from the directors of the Company as at 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

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

Place : Mumbai
Date : 29 May 2014

Rajesh Mehra
Partner
Membership No: 103145

MUKTA ARTS LIMITED

Annexure to the Independent Auditors' Report – 31 March 2014

(Referred to in our report of even date)

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets *except that tagging of certain fixed assets is yet to be completed.*
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified annually. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. *However, during the year the Company has not carried out a physical verification of any of its fixed assets.*
- (c) Fixed assets disposed off during the year were not substantial and, therefore, do not affect the going concern assumption.
- ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, *controls relating to purchase of fixed assets, customer contracting and tracking of amounts billable need to be further strengthened*, and having regard to the explanation that certain services rendered/ rights sold are of a specialised nature and are rendered/ sold to specific buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories (food and beverage items) and with regard to sale of services. We have not observed any other material weaknesses / continuing failure to correct weaknesses during the course of audit.
- (v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under Section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) *The Company has an internal audit system which needs to be strengthened in terms of seeking updates on remedial actions taken by management, to make it commensurate with the size of the Company and the nature of its business.*
- (viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any of the services rendered/ food and beverages sold by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records, the Company has been generally regular in depositing with appropriate authorities undisputed statutory dues deducted/ accrued in the books of account including Provident fund, Employees' State Insurance, Wealth tax, Service tax, and other material statutory dues applicable to it *except that there have been significant delays in depositing Value added tax and few delays in depositing income tax dues with appropriate authorities.* As explained to us, the Company did not have any dues on account of Excise duty, Customs duty and Investor Education and Protection Fund.

According to the information and explanations given to us, the following undisputed statutory dues are outstanding as at 31 March 2014 for a period of more than six months from the date they became payable:

| Name of the Statute | Nature of dues | Amount * | Period to which it relates | Due date |
|---------------------------------------|-----------------|-----------|------------------------------|----------------------------|
| Maharashtra Value Added Tax Act, 2002 | Value-added tax | 1,173,077 | April 2005 to March 2006 | May 2005 to April 2006 |
| Maharashtra Value Added Tax Act, 2002 | Value-added tax | 9,069,231 | April 2006 to March 2007 | May 2006 to April 2007 |
| Maharashtra Value Added Tax Act, 2002 | Value-added tax | 4,138,462 | April 2007 to March 2008 | May 2007 to April 2008 |
| Maharashtra Value Added Tax Act, 2002 | Value-added tax | 2,096,154 | April 2008 to March 2009 | May 2008 to April 2009 |
| Maharashtra Value Added Tax Act, 2002 | Value-added tax | 1,580,769 | April 2009 to March 2010 | May 2009 to April 2010 |
| Maharashtra Value Added Tax Act, 2002 | Value-added tax | 1,384,615 | April 2010 to March 2011 | May 2010 to April 2011 |
| Gujarat Value Added Tax Act, 2003 | Value-added tax | 328,463 | September 2012 to March 2013 | October 2012 to April 2013 |
| Gujarat Value Added Tax Act, 2003 | Value-added tax | 509,478 | April 2013 to August 2013 | May 2013 to September 2013 |
| Karnataka Value Added Tax Act, 2003 | Value-added tax | 341,036 | April 2013 to August 2013 | May 2013 to September 2013 |

*Credit available Rs 18,875,364 pending adjustment.



Except for the above, there are no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, value added tax and other material statutory dues which were in arrears as at 31 March 2014 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax and other material statutory dues which have not been deposited on account of any dispute. The following dues of Service tax have not been deposited by the Company on account of dispute:

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

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the current and in the immediately preceding financial year.
- (xi) According to the information and explanations given to us and on the basis of our examination of the records, *the Company has defaulted in the repayment of dues to one of its bankers. Loan amounting to Rs 56,932,251 which became due on 31 December 2013 was paid on 9 January 2014 and loan amounting to Rs 25,976,545 which became due on 31 March 2014 was paid on 21 April 2014.* The Company has not defaulted in the repayment of dues to any financial institutions and the Company did not have any outstanding debentures during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or nidhi/ mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company had given guarantees for loans taken by others from banks are not prejudicial to the interest of the Company. The guarantee was cancelled during the year on repayment of the loan by the subsidiary.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company, *we report that the Company has used short term funds aggregating Rs 302,413,814 to fund tangible assets and intangible assets under development.*
- (xviii) The Company has not made any preferential allotment of shares during the year to companies/ firms/ parties covered in the register maintained under Section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

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

Place : Mumbai
Date : 29 May 2014

Rajesh Mehra
Partner
Membership No: 103145

MUKTA ARTS LIMITED

BALANCE SHEET AS AT 31 MARCH 2014

(Currency: Indian Rupees)

| | Notes | 31 March 2014 | 31 March 2013 |
|---|-------|----------------------|----------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 3.1 | 112,917,500 | 112,917,500 |
| Reserves and surplus | 3.2 | 1,078,983,369 | 1,094,192,593 |
| Non-current liabilities | | | |
| Long-term borrowings | 3.3 | 150,739,843 | 170,235,278 |
| Deferred tax liabilities (net) | 3.4 | 7,332,813 | 10,781,523 |
| Other long-term liabilities | 3.5 | 257,004,400 | 267,969,294 |
| Long-term provisions | 3.6 | 6,944,969 | 6,170,075 |
| Current liabilities | | | |
| Short-term borrowings | 3.7 | 313,048,478 | 188,272,278 |
| Trade payables | 3.8 | 343,939,763 | 332,984,944 |
| Other current liabilities | 3.9 | 223,402,399 | 190,470,086 |
| Short-term provisions | 3.10 | 9,596,904 | 19,413,968 |
| TOTAL | | 2,503,910,438 | 2,393,407,539 |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | 3.11 | | |
| Tangible assets | | 477,168,967 | 426,414,886 |
| Intangible assets | | 16,957,798 | 9,664,889 |
| Capital work-in-progress | | 75,334,953 | 66,633,518 |
| Intangible assets under development | | 298,776,619 | 84,692,154 |
| | | 868,238,337 | 587,405,448 |
| Non-current investments | 3.12 | 391,266,850 | 390,991,850 |
| Long-term loans and advances | 3.13 | 586,353,463 | 544,122,139 |
| Other non-current assets | 3.14 | 11,145,939 | 9,711,041 |
| Current assets | | | |
| Inventories | 3.15 | 1,219,475 | 1,172,712 |
| Trade receivables | 3.16 | 311,257,023 | 489,529,746 |
| Cash and bank balances | 3.17 | 30,236,355 | 31,769,883 |
| Short term-loans and advances | 3.18 | 303,917,191 | 338,704,721 |
| Other current assets | 3.19 | 275,805 | - |
| TOTAL | | 2,503,910,438 | 2,393,407,539 |
| Summary of significant accounting policies | 2 | | |
| The accompanying notes from 1 to 3.43 are an integral part of these financial statements. | | | |

As per our report of even date attached.

For and on behalf of the Board of Directors of Mukta Arts Limited

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W

Subhash Ghai

Chairman and Managing Director

Parvez A. Farooqui

Executive Director

Rajesh Mehra

Partner

Membership No: 103145

Rahul Puri

Executive Director

Ravi Poplai

Company Secretary

Place : Mumbai

Date : 29th May, 2014



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2014

(Currency: Indian Rupees)

| | Notes | 31 March 2014 | 31 March 2013 |
|---|-------|----------------------|----------------------|
| Income | | | |
| Revenue from operations | 3.20 | 2,903,423,809 | 2,579,833,662 |
| Other income | 3.21 | 57,482,613 | 46,454,456 |
| Total income | | 2,960,906,422 | 2,626,288,118 |
| Expenses | | | |
| Cost of production, distribution, exhibition and theatrical operations | 3.22 | 2,627,797,249 | 2,338,058,779 |
| Purchases of food and beverages | | 12,912,540 | 3,864,539 |
| Changes in inventories of food and beverages | 3.23 | (46,763) | (725,100) |
| Employee benefits expense | 3.24 | 62,842,291 | 44,827,016 |
| Finance costs | 3.25 | 61,875,546 | 50,307,908 |
| Depreciation and amortisation expense | 3.11 | 56,680,067 | 42,525,841 |
| Other expenses | 3.26 | 157,503,427 | 107,595,314 |
| Total expenses | | 2,979,564,356 | 2,586,454,297 |
| (Loss)/ profit for the year before tax | | (18,657,934) | 39,833,821 |
| (Loss)/ profit from continuing operations before tax (note 3.42) | | (40,620,323) | 23,245,319 |
| Tax expenses | | | |
| -Current tax (including MAT credit entitlement recognised and utilised) | | (8,602,612) | 2,934,385 |
| -Deferred tax | | (3,770,750) | 2,487,524 |
| (Loss)/ profit from continuing operations after tax | | (28,246,961) | 17,823,410 |
| Profit from discontinuing operations before tax (note 3.42) | | 21,962,389 | 16,588,502 |
| Tax expenses | | | |
| -Current tax (including MAT credit entitlement recognised and utilised) | | 8,602,612 | 3,367,900 |
| -Deferred tax | | 322,039 | 2,015,069 |
| Profit from discontinuing operations after tax | | 13,037,738 | 11,205,533 |
| (Loss)/ profit for the year after tax | | (15,209,223) | 29,028,943 |
| Earnings per equity share ((nominal value of share Rs 5 (2013: Rs 5)) | 3.27 | | |
| Basic and diluted | | (0.67) | 1.29 |
| Earnings per equity share from continuing operations ((nominal value of share Rs 5 (2013: Rs 5)) | | | |
| Basic and diluted | | (1.25) | 0.79 |
| Summary of significant accounting policies | 2 | | |
| The accompanying notes from 1 to 3.43 are an integral part of these financial statements. | | | |

As per our report of even date attached.

For and on behalf of the Board of Directors of Mukta Arts Limited

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

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rajesh Mehra
Partner
Membership No: 103145

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

Place : Mumbai
Date : 29th May, 2014

MUKTA ARTS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

(Currency: Indian Rupees)

| | 31 March 2014 | 31 March 2013 |
|---|----------------------|---------------------|
| A. Cash flows from operating activities | | |
| (Loss)/ Profit for the year before tax | (18,657,934) | 39,833,821 |
| Adjustments for: | | |
| Depreciation and amortisation expense | 56,680,067 | 42,525,844 |
| Provision for doubtful debts/ advances | 9,276,342 | 2,163,770 |
| Loss on sale of current investment | - | 3,813 |
| Bad debts/ advances/ Intangible Assets under development written-off | 12,919,330 | 14,071,847 |
| Finance costs | 61,875,546 | 50,307,908 |
| Interest income | (42,422,213) | (44,278,437) |
| Interest on income tax refund | - | (1,205,572) |
| Dividend income | - | (34,339) |
| Profit on sale of assets, net | (2,098,795) | - |
| Excess provision written back, net | - | (1,656,450) |
| Operating cash flow before working capital changes | 77,572,342 | 101,732,205 |
| Adjustment for working capital changes | | |
| Decrease/ (increase) in trade receivables | 175,875,187 | (260,850,572) |
| Decrease/ (increase) in loans and advances, other non-current assets and other current assets | 443,947 | (124,544,997) |
| (Increase) in inventories | (46,763) | (725,100) |
| Increase/ (decrease) in trade payables, provisions, other long-term liabilities and other current liabilities | (35,377,156) | 348,109,549 |
| Cash generated from operations | 218,467,557 | 63,721,085 |
| Income taxes paid | (24,698,794) | (49,424,509) |
| Net cash generated from operating activities (A) | 193,768,763 | 14,296,576 |
| B. Cash flows from investing activities | | |
| Interest income | 42,422,213 | 44,278,437 |
| Dividend income | - | 34,339 |
| Purchase of fixed assets (tangible and intangible) | (318,242,726) | (108,242,510) |
| Proceeds from sale of fixed assets | 3,509,524 | - |
| Purchase of investment in mutual funds | - | (34,339) |
| Proceeds from sale of investment in mutual funds | - | 13,412,975 |
| Proceeds from maturity/ (reinvestment) of fixed deposits, net | (156,318) | (7,152,910) |
| Movement in dividend bank account | - | 300 |
| Proceeds on termination of agreement for institute at Haryana | - | 28,687,138 |
| Investments in equity shares of subsidiaries | (275,000) | - |
| | (272,742,308) | (29,016,570) |
| Income taxes paid on interest income | (2,460,057) | (3,783,861) |
| Net cash (used in) investing activities (B) | (275,202,365) | (32,800,431) |



CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

| | 31 March 2014 | 31 March 2013 |
|---|-------------------|-------------------|
| C. Cash flows from financing activities | | |
| Secured loan taken, net | 3,371,291 | 70,226,489 |
| Unsecured loan taken/ (repaid), net | 137,000,000 | (2,600,000) |
| Interest paid | (59,871,145) | (50,348,786) |
| Interest income on income tax | - | 1,205,572 |
| Net cash flow from financing activities (C) | 80,500,146 | 18,483,275 |
| Net (decrease) in cash and cash equivalents (A+B+C) | (933,457) | (20,279) |
| Cash and cash equivalents as at beginning of the year | 9,820,276 | 9,841,156 |
| Cash and cash equivalents as at end of the year (Refer note (b) below) | 8,886,819 | 9,820,276 |

Notes:

- (a) The cash flow statement has been prepared under the indirect method as set out in Accounting Standard - 3 prescribed in the Companies (Accounting Standards) Rules, 2006.
- (b) Cash and cash equivalents at year-end comprises:

| | 31 March 2014 | 31 March 2013 |
|---|------------------|------------------|
| Cash in hand | 1,481,386 | 2,149,263 |
| Balances with scheduled banks in | | |
| -in current accounts | 7,195,399 | 7,671,012 |
| -in deposits with original maturity of less than three months | 210,034 | |
| | 8,886,819 | 9,820,276 |

As per our report of even date attached.

For and on behalf of the Board of Directors of Mukta Arts Limited

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

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rajesh Mehra
Partner
Membership No: 103145

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

Place : Mumbai
Date : 29th May, 2014

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

(Currency: Indian Rupees)

1. Background

Mukta Arts Limited ('Mukta' or 'the Company') is a company incorporated in India under the Companies Act, 1956 ('the Act'). The Company was incorporated on 7 September 1982 as Mukta Arts Private Limited and was converted to a public limited company on 30 September 2000 and renamed as Mukta Arts Limited. The Company is promoted by Mr. Subhash Ghai who holds approximately 54.99% of the outstanding equity share capital as at 31 March 2014. The Company is primarily engaged in the business of film production, distribution and exhibition (wherein it provides film content to multiplexes and single screens across India as well as manages/ operates theatres). The Company also provides production equipment to other production houses and independent producers.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting, in accordance with the provisions of the Act read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act 2013 and accounting principles generally accepted in India ('Indian GAAP') and comply with the accounting standards ('AS') prescribed in the Companies (Accounting) Standards Rules, 2006 issued by the Central Government in consultation with the National Advisory Committee on Accounting Standards ('NACAS'), to the extent applicable. Accounting policies have been consistently applied except where otherwise stated or where a newly issued accounting standard is initially adopted or a revision in accounting standard requires change in accounting policy hitherto in use. The financial statements are presented in Indian Rupees, except where mentioned otherwise.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the revised Schedule VI to the Act. The Company has identified its operating cycle as twelve months.

2.2 Use of estimates

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

2.3 Current-non-current classification

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

Assets

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

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

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

All other assets are classified as non-current.

Liabilities

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

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (*Continued*)

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

All other liabilities are classified as non-current.

Operating cycle

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

2.4 Fixed assets

Tangible assets

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

Intangible assets

Film rights comprising negative rights and distribution rights.

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

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

Software

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

2.5 Depreciation/ amortisation

Tangible assets

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

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

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

Intangible assets

Film rights comprising negative rights and distribution rights

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

Software

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

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (*Continued*)

2.6 *Impairment*

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

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

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

2.7 *Revenue recognition*

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

Film/content production and related income

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

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

Income from distribution and exhibition

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

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

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

Theatrical exhibition and related income

Sale of tickets

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

Sale of food and beverages

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

Advertisement/ sponsorship revenue

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

Revenue from equipment hire/ facility rental

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

Interest income

Interest income is recognised on a time proportion basis.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (*Continued*)

2.8 Inventory

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

2.9 Investments

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

2.10 Employee benefits

(a) Short term employee benefits

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

(b) Post employment benefits

Defined contribution plan:

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

Defined benefit plan:

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

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

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

(c) Other long-term employee benefits

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

2.11 Foreign currency transactions

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

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

2.12 Earnings per share ('EPS')

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

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (*Continued*)

2.13 Taxation

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

Current tax

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

Minimum Alternative Tax Credit entitlement

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

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

Deferred tax

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

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

2.14 Leases

Finance lease

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

Operating lease

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

Assets given on operating lease

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

2.15 Borrowing costs

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

2.16 Provisions and contingencies

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

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



NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2014

(Currency: Indian Rupees)

3.1 Share capital

| | 31 March 2014 | 31 March 2013 |
|---|--------------------|---------------|
| Authorised | | |
| 24,000,000 (2013: 24,000,000) equity shares of Rs 5 each | 120,000,000 | 120,000,000 |
| Issued, subscribed and paid-up | | |
| 22,581,200 (2013: 22,581,200) equity shares of Rs 5 each, fully paid-up | 112,906,000 | 112,906,000 |
| Add :- Forfeited shares (Amount originally paid-up) | 11,500 | 11,500 |
| (No. of shares forfeited: 4,000 (2013: 4,000)) | | |
| | 112,917,500 | 112,917,500 |

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

| | 31 March 2014 | | 31 March 2013 | |
|--|-------------------|--------------------|---------------|-------------|
| | No. of Shares | Amount | No. of Shares | Amount |
| Equity shares | | | | |
| Balance as at the beginning of the year | 22,581,200 | 112,917,500 | 22,581,200 | 112,917,500 |
| Issued during the year | - | - | - | - |
| Buyback/ forfeiture/ reduction during the year | - | - | - | - |
| Balance as at the end of the year | 22,581,200 | 112,917,500 | 22,581,200 | 112,917,500 |

b) Rights, preferences and restrictions attached to equity shares

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

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

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

| | 31 March 2014 | | 31 March 2013 | |
|-------------------------|-------------------|---------------|---------------|-----------|
| | No. of Shares | % holding | No. of Shares | % holding |
| 1. Mr. Subhash Ghai | 12,417,990 | 54.99% | 12,417,990 | 54.99% |
| 2. Ms. Meghna Ghai Puri | 1,650,000 | 7.31% | 1,650,000 | 7.31% |
| 3. Ms. Mukta Ghai | 1,650,000 | 7.31% | 1,650,000 | 7.31% |

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.2 Reserves and surplus

| | 31 March 2014 | 31 March 2013 |
|---|----------------------|---------------|
| Securities premium account | 973,360,000 | 973,360,000 |
| General reserve | | |
| At the commencement of the year | 83,144,791 | 82,419,067 |
| Add : Transfer from balance in Statement of profit and loss on account of equity dividend | - | 725,724 |
| | 83,144,791 | 83,144,791 |
| Surplus in the Statement of profit and loss | | |
| At the commencement of the year | 37,687,802 | 22,594,020 |
| Add : (Loss)/ profit for the year | (15,209,223) | 29,028,943 |
| Less : Appropriations | | |
| Equity dividend (Rs. Nil (2013:Rs 0.50 per share)) | - | (11,290,600) |
| Tax on equity dividend | - | (1,918,837) |
| Transfer to general reserve on account of equity dividend | - | (725,724) |
| | 22,478,578 | 37,687,802 |
| | 1,078,983,369 | 1,094,192,593 |

3.3 Long-term borrowings

| | 31 March 2014 | 31 March 2013 |
|---|----------------------|---------------|
| a) Term loans | | |
| Secured loans | | |
| - From banks: | | |
| Kotak Mahindra Bank Limited * | 243,906,065 | 220,956,337 |
| (Repayable within a year Rs 99,411,544 (2013: Rs 56,658,757)) | | |
| - Motor vehicle finance loans ** | 11,556,043 | 8,312,821 |
| (Repayable within a year Rs 5,310,721 (2013: Rs 4,924,068)) | | |
| - From financial institution *** | - | 7,817,000 |
| (Repayable within a year Rs Nil (2013: Rs 7,817,000)) | | |
| b) Finance lease obligations (secured) # | - | 2,780,859 |
| (Repayable within a year Rs Nil (2013: Rs 231,914)) | | |
| Amount disclosed under other current liabilities (note 3.9) | (104,722,265) | (69,631,739) |
| | 150,739,843 | 170,235,278 |



NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.3 Long-term borrowings (Continued)

- (i) * Term loan is secured against all current assets, commercial property at Oshiwara and three residential flats at Bandra. Loan is also secured by the personal guarantee of Mr. Subhash Ghai, the Managing Director of the Company and Mrs. Mukta Ghai, a relative of the Managing Director and a shareholder. Further, one term loan is secured against a film's assets, revenues, receivables and print. The term loan has been taken in various tranches, having separate maturity periods ranging from 1 to 5 years and at interest rate varying from 10% to 14% per annum. The details of repayment and other terms are as follows:

| Loan tranches | Repayment schedule |
|---|--|
| Term loan of Rs 50,000,000 taken on 18 January 2010 | Outstanding amount of loan will be repayable within 1 year from the reporting date with monthly EMI of Rs 1,112,222 |
| Term loan of Rs 100,000,000 taken on 17 January 2011 | Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 2,352,826 |
| Term loan of Rs 30,000,000 taken on 26 September 2011 | Outstanding amount of loan will be repayable within 4 years from the reporting date with monthly EMI of Rs 690,532 |
| Term loan of Rs.50,000,000 taken on 13 December 2011 | Outstanding amount of loan will be repayable within 4 years from the reporting date with monthly EMI of Rs 1,163,413 |
| Term loan of Rs 25,000,000 taken on 4 January 2013 | Outstanding amount of loan will be repayable within 5 years from the reporting date with monthly EMI of Rs 588,534 |
| Term loan of Rs 50,000,000 taken on 4 January 2013 | Outstanding amount of loan will be repayable within 5 years from the reporting date with monthly EMI of Rs 1,087,019 |
| Term loan of Rs 90,000,000 taken on 23 April 2013 | Outstanding amount of loan was repaid in April 2014 |
| Term loan of Rs 50,000,000 taken on 7 February 2014 | Outstanding amount of loan will be repayable within 5 years from the reporting date with monthly EMI of Rs 1,281,208 |

- (ii) ** The motor vehicle finance loans taken by the Company are secured against the related vehicles. Repayment schedule is as detailed below:

| Lendor | Repayment schedule |
|-----------------------------|---|
| Reliance Capital Limited | Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 495,000 till 1 December 2014 then Rs. 386,100 till 1 December 2015 and then Rs. 188,100 till November 2016 |
| Kotak Mahindra Bank Limited | Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 102,460 |
| ICICI Bank Limited | Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 24,315 |

- (iii) *** Term loan from financial institution - Life Insurance Corporation loan was secured against keyman insurance policy of a director at an interest rate of 9% p.a. The loan was repaid on the maturity of the keyman policy in October 2013.
- (iv) # The Company had obtained equipment on finance lease basis in December 2012. The agreements for the equipment were modified during the year.

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.4 Deferred tax liabilities

Deferred tax liability

Arising on account of timing differences in:

Depreciation/ amortisation

16,230,292

15,313,060

16,230,292

15,313,060

Deferred tax assets

Arising on account of timing differences in:

Provision for leave encashment and gratuity

2,585,314

2,542,580

Provision for doubtful debts and advances

4,674,531

1,988,956

Rent straightlining

1,637,634

-

8,897,479

4,531,536

Net deferred tax (liability)

(7,332,813)

(10,781,523)

3.5 Other long-term liabilities

Security deposits received

40,123,493

33,883,368

Rent straight lining

6,394,487

5,352,903

Income received in advance

210,486,420

228,733,023

257,004,400

267,969,294

3.6 Long-term provisions

Provisions for employee benefits

Provision for gratuity (note 3.28)

4,141,810

4,025,460

Provision for leave salary (note 3.28)

2,803,159

2,144,615

6,944,969

6,170,075

3.7 Short-term borrowings

Secured :

Cash credit from Kotak Mahindra Bank Limited *

141,148,478

153,372,278

Unsecured :

Inter corporate deposits **

171,900,000

34,900,000

313,048,478

188,272,278

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

** Deposit of Rs. 111,900,000 accepted at interest rate of 15% p.a. repayable on demand provided 30 days advance notice is given to the borrower. Deposit of Rs. 30,000,000 accepted at interest rate of 24% repayable on demand. Deposit of Rs. 30,000,000 accepted at interest rate of 24% repayable on demand.



NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.8 Trade payables

For goods and services received

Dues to subsidiary companies

Others (also refer note 3.35)

| 31 March 2014 | 31 March 2013 |
|---------------|---------------|
| 608,000 | 1,396,671 |
| 343,331,763 | 331,588,273 |
| 343,939,763 | 332,984,944 |

3.9 Other current liabilities

Current maturities of term loans (note 3.3)

Current maturities of finance lease obligations (note 3.3)

Dues to venturer

Interest accrued but not due on borrowings

Income received in advance

Advances received for films and other services

Employee benefits expense payable

Creditors for fixed assets

Temporary book overdraft

Unclaimed dividends

Statutory dues payable*

Security deposits received

Rent straight lining

| 31 March 2014 | 31 March 2013 |
|---------------|---------------|
| 104,722,265 | 69,399,825 |
| - | 231,914 |
| 12,799,396 | 45,102,136 |
| 3,574,817 | 1,570,416 |
| 18,335,815 | 18,746,605 |
| 20,699,076 | 2,146,450 |
| 2,983,751 | 611,840 |
| 36,076,931 | 12,835,267 |
| 3,443,381 | 1,601,437 |
| 643,572 | 681,976 |
| 13,638,402 | 28,710,713 |
| 6,355,000 | 8,831,507 |
| 129,993 | - |
| 223,402,399 | 190,470,086 |

*Statutory dues payable includes

- Provident fund

- ESIC

- CST/VAT payable

- Service tax payable

- TDS payable

- Profession tax

- Dividend tax Payable

- ET/INR/Show tax payable

| | |
|-----------|------------|
| 258,337 | 203,733 |
| 140,745 | 11,641 |
| 3,283,338 | 22,706,537 |
| 1,391,245 | - |
| 7,160,785 | 2,806,568 |
| 39,570 | 19,410 |
| - | 1,918,837 |
| 1,364,383 | 1,043,987 |

3.10 Short-term provisions

Provisions for employee benefits

Provision for leave salary (note 3.28)

Provision for taxation

(Net of advance tax and tax deducted at source Rs 68,877,486; 2013: Rs 68,320,945)

Dividend payable

| 31 March 2014 | 31 March 2013 |
|---------------|---------------|
| 1,421,742 | 1,310,302 |
| 8,175,162 | 6,813,066 |
| - | 11,290,600 |
| 9,596,904 | 19,413,968 |

MUKTA ARTS LIMITED

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

(Currency: Indian Rupees)

3.11 Fixed assets

| | Intangible assets | | | | | Tangible assets | | | | | | |
|--|---------------------|--------------------|-------------------|-------------------|--------------------|--------------------|--------------------|---------------------|-------------------|---|-------------------|--------------------|
| | Distribution rights | Negative rights | Exhibition rights | Computer software | Total | Ownership premises | Leasehold premises | Plant and machinery | Motor vehicles | Furniture fixtures and office equipment | Computers | Total |
| Gross block | | | | | | | | | | | | |
| As at 1 April 2012 | 232,500,320 | 409,304,314 | 2,500,000 | 3,073,300 | 647,377,934 | 228,190,272 | 142,784,820 | 203,037,984 | 46,581,661 | 33,126,758 | 7,989,657 | 661,711,152 |
| Additions | 7,500,000 | - | - | 437,361 | 7,937,361 | - | 41,954,254 | 18,059,900 | - | 7,709,674 | 4,505,604 | 72,229,433 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - |
| Other adjustment | - | - | - | - | - | - | (1,971,431) | 1,971,431 | - | - | - | - |
| As at 31 March 2013 | 240,000,320 | 409,304,314 | 2,500,000 | 3,510,661 | 655,315,295 | 228,190,272 | 182,767,643 | 223,069,315 | 46,581,661 | 40,836,432 | 12,495,261 | 733,940,585 |
| Additions | - | 22,603,109 | - | - | 22,603,109 | - | 49,504,641 | 21,399,552 | 6,049,898 | 11,863,035 | 7,159,016 | 95,976,142 |
| Disposals | - | - | - | - | - | - | - | 12,495,207 | 4,014,934 | - | 14,000 | 16,524,141 |
| Other adjustment | - | - | - | (690,596) | (690,596) | - | - | - | - | - | 690,596 | 690,596 |
| As at 31 March 2014 | 240,000,320 | 431,907,423 | 2,500,000 | 2,820,065 | 677,227,808 | 228,190,272 | 232,272,284 | 231,973,660 | 48,616,625 | 52,699,467 | 20,330,873 | 814,083,181 |
| Accumulated Depreciation/Amortisation | | | | | | | | | | | | |
| As at 1 April 2012 | 232,500,320 | 401,680,232 | 2,164,685 | 1,579,102 | 637,924,339 | 38,365,964 | 13,755,317 | 160,739,782 | 33,933,129 | 21,330,124 | 4,601,605 | 272,725,921 |
| Charge for the year | 6,973,067 | - | 67,063 | 685,937 | 7,726,067 | 6,171,761 | 11,089,398 | 9,576,092 | 3,176,778 | 2,719,388 | 2,066,360 | 34,799,777 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - |
| Other adjustment | - | - | - | - | - | - | - | - | - | - | - | - |
| As at 31 March 2013 | 239,473,387 | 401,680,232 | 2,231,748 | 2,265,039 | 645,650,406 | 44,537,724 | 24,844,715 | 170,315,874 | 37,109,907 | 24,049,512 | 6,667,966 | 307,525,698 |
| Charge for the year | 526,933 | 13,816,409 | 53,650 | 222,612 | 14,619,604 | 5,863,172 | 13,700,898 | 11,250,734 | 3,516,845 | 3,842,714 | 3,893,097 | 42,067,460 |
| Disposals | - | - | - | - | - | - | - | 9,130,155 | 3,548,790 | - | - | 12,678,945 |
| Other adjustment | - | - | - | - | - | - | - | - | - | - | - | - |
| As at 31 March 2014 | 240,000,320 | 415,496,641 | 2,285,398 | 2,487,651 | 660,270,010 | 50,400,896 | 38,545,613 | 172,436,453 | 37,077,962 | 27,892,226 | 10,561,063 | 336,914,214 |
| Net block | | | | | | | | | | | | |
| As at 31 March 2013 | 526,933 | 7,624,082 | 268,252 | 1,245,622 | 9,664,889 | 183,652,548 | 157,922,928 | 52,753,441 | 9,471,754 | 16,786,920 | 5,827,295 | 426,414,886 |
| As at 31 March 2014 | - | 16,410,782 | 214,602 | 332,414 | 16,957,798 | 177,789,376 | 193,726,671 | 59,537,207 | 11,538,662 | 24,807,241 | 9,769,810 | 477,168,967 |

Tangible/ Intangible given as security

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

| | 31 March 2014 | 31 March 2013 |
|---|---------------|---------------|
| Tangible assets - Capital work-in-progress (also refer note 3.30) | 75,334,953 | 66,633,518 |
| Intangible assets under development | 298,776,619 | 84,692,154 |



NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.12 Non - current investments

Trade investments (valued at cost unless stated otherwise)

| Name of the corporate bodies | 31 March 2014 | | 31 March 2013 | |
|--|---------------|--------------------|---------------|--------------------|
| | % of holding | Amount | % of holding | Amount |
| Investments in equity share of subsidiaries (un-quoted) | | | | |
| (a) Connect 1 Limited 594 (2013: 594) equity shares of Rs 1,000 each, fully paid-up. | 99% | 594,000 | 99% | 594,000 |
| (b) Whistling Woods International Limited 169,997 (2013: 169,997) equity shares of Rs 1,000 each, fully paid-up. (note 3.40) | 84.99% | 169,997,000 | 84.99% | 169,997,000 |
| (c) Mukta Tele Media Limited 4,996 (2013: 4,996) equity shares of Rs 100 each, fully paid-up. | 99.92% | 499,600 | 99.92% | 499,600 |
| (d) Coruscant Tec Private Limited 750,000 (2013: 750,000) equity shares of Rs 10 each, fully paid-up. | 100% | 9,900,000 | 100% | 9,900,000 |
| (e) Mukta VN Films Limited 27,500 (2013: Nil) equity shares of Rs 10 each, fully paid-up. | 55% | 275,000 | 0% | - |
| | | <u>181,265,600</u> | | <u>180,990,600</u> |
| Investment in preference shares of subsidiary (un-quoted) | | | | |
| (a) 200,000 (2013: 200,000) 8% Redeemable cumulative preference shares of Whistling Woods International Limited of Rs 1,000 each, fully paid-up (note 3.40). These preference shares were issued on 27 August 2007 and are redeemable at par at any time on or after 21 June 2012 and before 21 June 2027. | 100% | 200,000,000 | 100% | 200,000,000 |
| | | <u>200,000,000</u> | | <u>200,000,000</u> |
| Investment in equity instruments-others (un-quoted) | | | | |
| (a) Maya Digital Studios Private Limited 1,000,000 (2013: 1,000,000) equity shares of Rs 10 each, fully paid-up As per the terms of the Shareholders agreement, additional shares, not exceeding 1,000,000 may be allotted to the Company. | | 10,000,000 | | 10,000,000 |
| (b) Bashiron Co. Op. Housing Society Limited 10 Shares (2013: 10) of Rs 50 each * | | 500 | | 500 |
| (c) Bait-Ush-Sharaf Co. Op. Housing Society Limited 15 Shares (2013: 15) of Rs 50 each* | | 750 | | 750 |
| * pledged as security against borrowings (refer Note 3.3 and 3.7) | | <u>10,001,250</u> | | <u>10,001,250</u> |
| | | <u>391,266,850</u> | | <u>390,991,850</u> |
| Aggregate value of unquoted investments | | 391,266,850 | | 390,991,850 |

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.13 Long-term loans and advances

| | 31 March 2014 | 31 March 2013 |
|---|--------------------|---------------|
| To other than related parties | | |
| <i>Unsecured, considered good</i> | | |
| Capital advances | | |
| - Tangible assets | 22,098,828 | 28,859,783 |
| - Intangible assets under development | 23,689,635 | 29,728,770 |
| | 45,788,463 | 58,588,553 |
| Security deposits # | 54,286,091 | 45,475,624 |
| Advance tax (including tax deducted at source) (net of provision Rs 113,377,519; 2013: Rs 115,296,156) | 106,278,909 | 77,757,962 |
| Advances to related parties ## | 380,000,000 | 362,300,000 |
| | 586,353,463 | 544,122,139 |
| # Security deposits include deposit to subsidiaries | | |
| - Whistling Woods International Limited (note 3.40) | 30,000,000 | 30,000,000 |
| - Connect1 Limited | 1,950,000 | 1,950,000 |
| # Security deposits include deposit to Proprietary concern of the Managing Director of the Company | | |
| - Mukta Arts | 300,000 | 300,000 |
| ## Advances to related party includes to subsidiaries | | |
| - Whistling Woods International Limited (note 3.40) | 380,000,000 | 362,300,000 |

3.14 Other non-current assets

| | 31 March 2014 | 31 March 2013 |
|---|-------------------|---------------|
| <i>Unsecured, considered good unless stated otherwise</i> | | |
| Other bank balances (note 3.17) | 10,197,051 | 9,440,661 |
| Rent straight lining | 948,888 | 270,380 |
| | 11,145,939 | 9,711,041 |

3.15 Inventories

| | 31 March 2014 | 31 March 2013 |
|--|------------------|---------------|
| (valued at lower of cost and net realisable values) | | |
| Food and beverages | 1,219,475 | 1,172,712 |
| | 1,219,475 | 1,172,712 |



NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.16 Trade receivables

(a) Unsecured, considered good

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

Other debts

(b) Unsecured, considered doubtful

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

Other debts

Less: Provision for doubtful receivables

Trade receivables (unsecured, considered good) include Rs 1,679,800 (2013: Rs 677,500) due from directors or other officers, or any of them, either severally or jointly with any other person or from firms or private companies in which any director is a partner or a director or member as listed below:

- Coruscant Tec Private Limited (wholly-owned subsidiary)

| | 31 March 2014 | 31 March 2013 |
|--|--------------------|---------------|
| | 52,088,226 | 21,300,133 |
| | 259,168,797 | 468,229,613 |
| | 311,257,023 | 489,529,746 |
| | | |
| | 3,659,675 | 1,791,088 |
| | 528,949 | - |
| | 4,188,624 | 1,791,088 |
| | 4,188,624 | 1,791,088 |
| | - | - |
| | 311,257,023 | 489,529,746 |
| | | |
| | 1,679,800 | 677,500 |

3.17 Cash and bank balances

Cash and cash equivalents

Balance with banks

-in current accounts

-in deposits with original maturity of less than three months

Cash in hand

Other bank balances

Balance in dividend account

Deposits with original maturity of more than three months but less than twelve months

Deposits with original maturity of more than twelve months

Deposits under lien

- Deposits with original maturity of less than three months

- Deposit with original maturity of more than three months but less than twelve months

- Deposit with original maturity of more than twelve months

Less : Deposits with original maturity of more than twelve months from the Balance sheet date disclosed under non-current assets (note 3.14)

| | 31 March 2014 | 31 March 2013 |
|--|---------------------|---------------|
| | 7,195,399 | 7,671,012 |
| | 210,034 | - |
| | 1,481,386 | 2,149,263 |
| | 8,886,819 | 9,820,276 |
| | | |
| | 643,572 | 681,976 |
| | 2,104,573 | - |
| | 9,097,051 | - |
| | | |
| | 1,687,939 | 4,021,019 |
| | 16,913,451 | 17,246,612 |
| | 1,100,000 | 9,440,661 |
| | 31,546,586 | 31,390,268 |
| | (10,197,051) | (9,440,661) |
| | 30,236,355 | 31,769,883 |

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.18 Short-term loans and advances

| | 31 March 2014 | 31 March 2013 |
|---|--------------------|---------------|
| To other than related parties | | |
| <i>Other loans and advances- unsecured, considered good unless otherwise stated</i> | | |
| Sundry advance to distributor, producer, employees, etc. | | |
| Considered good | 213,772,475 | 252,396,621 |
| Considered doubtful | 10,939,309 | 4,060,504 |
| | 224,711,784 | 256,457,125 |
| Less : Provision for doubtful advances | 10,939,309 | 4,060,504 |
| | 213,772,475 | 252,396,621 |
| Advances to related parties # | 48,983,571 | 45,069,861 |
| Prepaid expenses | 2,290,558 | 1,574,642 |
| Service tax credit receivable | - | 411,659 |
| Inter-corporate deposit | 38,870,587 | 39,251,937 |
| | 303,917,191 | 338,704,721 |
| # Advances to related party includes to subsidiaries | | |
| - Whistling Woods International Limited (note 3.40) | 35,870,587 | 31,796,877 |
| - Mukta Tele Media Limited | 13,112,984 | 13,272,984 |

3.19 Other current assets

| | 31 March 2014 | 31 March 2013 |
|----------------------|---------------|---------------|
| Rent straight lining | 275,805 | - |



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

(Currency: Indian Rupees)

3.20 Revenue from operations

| | 31 March 2014 | | 31 March 2013 | |
|---|---------------|----------------------|---------------|----------------------|
| (a) Sale of products/ film rights | | | | |
| Own Film/ Content production | 18,674,907 | | 75,641,611 | |
| Food and beverages | 35,293,125 | 53,968,032 | 10,501,272 | 86,142,883 |
| (b) Sale of services | | | | |
| Distribution/Exhibition, theatrical and film production services | | | | |
| Distribution and exhibition | 2,615,574,647 | | 2,389,014,317 | |
| Equipment hire income | 4,283,365 | | 3,672,846 | |
| Box office collection | | | | |
| Sale of tickets | 153,219,695 | | 46,733,039 | |
| Less: Entertainment tax | (26,644,935) | 2,746,432,772 | (8,194,556) | 2,431,225,646 |
| (c) Other operating revenue | | | | |
| Rent and amenities charges | 75,818,801 | | 57,402,254 | |
| Excess provision written back | 7,366,659 | | 1,656,450 | |
| Sundry balances written back | 5,183,390 | | - | |
| Other income from theatrical operations | 14,654,155 | 103,023,005 | 3,406,428 | 62,465,132 |
| | | 2,903,423,809 | | 2,579,833,662 |

3.21 Other income

| | 31 March 2014 | 31 March 2013 |
|---|-------------------|-------------------|
| Interest income on bank deposits (Tax deducted at source Rs 273,974 (2013: Rs 250,875)) | 2,740,234 | 1,955,080 |
| Interest income on others (Tax deducted at source Rs 2,186,083 (2013: Rs 3,532,986)) | 39,681,979 | 42,323,357 |
| Dividend income on current investment | - | 34,339 |
| Other non-operating income | | |
| Keyman insurance claim received | 11,875,000 | - |
| Interest on income tax refund | - | 1,205,572 |
| Profit on sale of asset, (net) | 2,098,795 | - |
| Miscellaneous income (net) | 1,086,605 | 936,108 |
| | 57,482,613 | 46,454,456 |

3.22 Cost of production, distribution, exhibition and theatrical operations

| | 31 March 2014 | 31 March 2013 |
|---|----------------------|----------------------|
| Own production - publicity, print, dubbing etc. | 18,410,780 | 652,884 |
| Distributor and producers share | 2,610,673,661 | 2,340,271,368 |
| Operator's share in theatrical operations | (1,731,436) | (2,865,473) |
| Other direct cost of theatrical operations | 444,244 | - |
| | 2,627,797,249 | 2,338,058,779 |

3.23 Changes in inventories of food and beverages

| | 31 March 2014 | 31 March 2013 |
|---|------------------|------------------|
| Inventories at the end of the year | | |
| Food and beverages | 1,219,475 | 1,172,712 |
| | 1,219,475 | 1,172,712 |
| Inventories at the beginning of the year | | |
| Food and beverages | 1,172,712 | 447,612 |
| | 1,172,712 | 447,612 |
| (Increase) in inventories | (46,763) | (725,100) |

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.24 Employee benefits expense

| | 31 March 2014 | 31 March 2013 |
|---|-------------------|-------------------|
| Salaries and other benefits (notes 3.30 and 3.39) | 57,061,539 | 41,453,223 |
| Staff welfare | 1,193,481 | 14,763 |
| Gratuity and leave encashment (note 3.28) | 1,576,558 | 1,339,570 |
| Contribution to provident and other funds (note 3.28) | 3,010,713 | 2,019,460 |
| | 62,842,291 | 44,827,016 |

3.25 Finance costs

| | 31 March 2014 | 31 March 2013 |
|--------------------------------------|-------------------|-------------------|
| a) Interest cost on | | |
| - Term loan | 28,360,572 | 25,387,352 |
| - Cash credit facilities | 13,746,538 | 13,728,859 |
| - Car loan | 2,164,087 | 1,982,808 |
| - Unsecured loan | 11,567,834 | 6,649,934 |
| - Others | 4,646,328 | 687,248 |
| b) Processing cost and other charges | 1,390,187 | 1,871,707 |
| | 61,875,546 | 50,307,908 |

3.26 Other expenses

| | 31 March 2014 | 31 March 2013 |
|--|--------------------|--------------------|
| Rent | 36,242,205 | 15,622,294 |
| Legal and professional fees | 28,179,108 | 22,297,275 |
| Electricity charges | 16,652,084 | 8,256,702 |
| Bad debts/ advances/ intangibles under development written-off | 14,157,046 | 14,071,847 |
| Provision for doubtful debts and advances | 9,276,342 | 2,163,770 |
| Repairs and maintenance | | |
| Buildings | 8,009,668 | 12,422,429 |
| Plant and machinery | 805,153 | 662,335 |
| Others | 235,959 | 472,619 |
| Security charges | 7,048,845 | 2,010,096 |
| Rates and taxes | 6,658,935 | 1,962,523 |
| Business promotion | 6,496,341 | 4,622,477 |
| Motor vehicle expenses | 2,782,483 | 3,100,625 |
| Printing and stationery | 1,919,552 | 1,777,226 |
| Communication | 1,887,658 | 1,705,750 |
| Insurance | 1,841,472 | 1,607,168 |
| Brokerage and commission | 1,751,940 | 2,400,000 |
| Travelling expenses | 1,702,612 | 2,556,266 |
| Payment to auditor (Refer details below) | 1,626,949 | 1,153,850 |
| Loss on sale of mutual funds | - | 3,813 |
| Miscellaneous expenses | 10,229,075 | 8,726,251 |
| | 157,503,427 | 107,595,314 |
| Payment to auditor (excluding service tax) | | |
| As auditor: | | |
| Audit fee | 1,500,000 | 1,100,000 |
| Reimbursement of expenses | 126,949 | 53,850 |
| | 1,626,949 | 1,153,850 |



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.27 Earnings per equity share:

| | 31 March 2014 | | 31 March 2013 | |
|--|---------------|-----------------------|---------------|-----------------------|
| | Total | Continuing operations | Total | Continuing operations |
| a) Net (loss)/ profit after tax attributable to shareholders | (15,209,223) | (28,246,961) | 29,028,943 | 17,823,410 |
| b) Weighted average number of equity shares outstanding during the year for basic EPS | 22,581,200 | 22,581,200 | 22,581,200 | 22,581,200 |
| c) Weighted average number of equity shares outstanding during the year for dilutive EPS | 22,581,200 | 22,581,200 | 22,581,200 | 22,581,200 |
| d) Basic EPS | (0.67) | (1.25) | 1.29 | 0.79 |
| e) Dilutive EPS | (0.67) | (1.25) | 1.29 | 0.79 |
| f) Nominal value per share | 5 | 5 | 5 | 5 |

3.28 Gratuity and other post employment benefit plans

(i) Defined contribution plans

Contribution to provident fund - amount of Rs 2,320,242 (2013: Rs 1,693,216) and ESIC - amount of Rs 690,471 (2013: Rs 326,244) is recognized as an expense and included in "Employee benefits expense" in the Statement of profit and loss.

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

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

The leave wages are payable to all eligible employees at the rate of daily salary for each day of accumulated leave on death or on resignation or upon retirement on attaining superannuation age. During the year, Rs 780,120 (2013: Rs 350,505) is recognized as an expense in the Statement of profit and loss.

Actuarial assumptions

Discount rate (p.a)

Salary escalation rate (p.a)

31 March 2014

8.85%

8.00%

31 March 2013

7.95%

8.00%

(b) Gratuity (Defined benefit plan)

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

A) Change in defined benefit obligation

Opening defined benefit obligation

Current service cost

Interest cost

Actuarial (gain) / loss

Benefits paid

Closing defined benefit obligation

B) Change in fair value of plan assets

Opening fair value of plan assets

Expected return on plan assets

Actuarial gain on plan assets

Contributions by employer

Benefits paid

Closing fair value of plan assets

C) Expenses recognised in the Statement of profit and loss

Current service cost

Interest on defined benefit obligation

Expected return on plan assets

Net actuarial (gain)/ loss recognized

Total expense recognized

31 March 2014

8,748,992

652,401

597,090

(29,894)

(49,038)

9,919,551

4,723,532

249,953

173,206

680,088

(49,038)

5,777,741

652,401

597,090

(249,953)

(203,100)

796,438

31 March 2013

7,471,543

501,468

579,389

214,765

(18,173)

8,748,992

3,956,524

238,624

121,901

424,656

(18,173)

4,723,532

501,468

579,389

(238,624)

92,864

935,097

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.28 Gratuity and other post employment benefit plans (Continued)

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

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

| | 31 March 2014 | 31 March 2013 |
|--|---------------|---------------|
| D) Amount recognised in Balance sheet | | |
| Present value of funded obligations | (9,919,551) | (8,748,992) |
| Fair value of plan assets | 5,777,741 | 4,723,532 |
| Net liability | (4,141,810) | (4,025,460) |
| E) Actuarial assumptions | | |
| Discount rate (p.a) | 8.85% | 7.95% |
| Expected rate of return on assets (p.a) | 8.75% | 7.50% |
| Salary escalation rate (p.a) | 8% | 8.00% |
| F) Details of plan assets | | |
| LIC managed funds | 5,777,741 | 4,723,532 |

G) Experience adjustments

| | 31 March 2014 | 31 March 2013 | 31 March 2012 |
|---|---------------|---------------|---------------|
| Present value of the defined benefit obligation | 9,919,551 | 8,748,992 | 7,471,543 |
| Fair value of the plan assets | 5,777,741 | 4,723,532 | 3,956,524 |
| Deficit | (4,141,810) | (4,025,460) | (3,515,019) |
| Experience adjustment on defined benefit obligation | 465,475 | (109,839) | 47,723 |
| Experience adjustment on plan assets | 173,206 | 121,901 | 126,151 |

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

The Company expects Rs 2,000,000 in contribution to be paid to its defined benefit plan in the next year (2013: Rs 1,000,000)

3.29 Lease disclosure under AS 19 – 'Leases'

Operating lease : Company as lessee

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

Lease rent expenses of Rs 36,242,205 (2013: Rs 15,622,294) have been included under 'Rent' in the Statement of profit and loss.

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

| | 31 March 2014 | 31 March 2013 |
|--|-------------------|-------------------|
| Amounts due within one year | 6,468,267 | 4,407,510 |
| Amounts due after one year but not later than five years | 20,186,918 | 24,724,230 |
| Amounts due later than five years | 56,985,045 | 56,985,045 |
| | 83,640,230 | 86,116,785 |

Operating lease : Company as lessor

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

Lease rent income of Rs 20,791,454 (2013: Rs 19,056,395) has been included under 'Rent and amenities charges' in the Statement of profit and loss.

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

| | 31 March 2014 | 31 March 2013 |
|--|-------------------|-------------------|
| Amounts due within one year | 19,321,342 | 10,002,423 |
| Amounts due after one year but not later than five years | 24,742,461 | 10,014,375 |
| | 44,063,803 | 20,016,798 |



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

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

Operating lease : Company as lessor (Continued)

The carrying amount of assets is as follows :

| | 31 March 2014 | 31 March 2013 |
|---------------------------|---------------|---------------|
| Gross block | 184,846,555 | 171,362,055 |
| Accumulated depreciation | 25,701,380 | 16,010,742 |
| Net block | 159,145,175 | 155,351,313 |
| Depreciation for the year | 5,248,320 | 5,220,680 |

Operating lease : Company as sub-lessor

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

Sublease rent income of Rs 25,322,762 (2013: Rs 23,568,537) has been included under 'Rent and amenities charges' in the Statement of profit and loss.

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

| | 31 March 2014 | 31 March 2013 |
|--|---------------|---------------|
| Amounts due within one year | 18,233,207 | 24,532,242 |
| Amounts due after one year but not later than five years | 11,253,485 | 30,241,114 |
| | 29,486,692 | 54,773,355 |

The carrying amount of assets is as follows :

| | 31 March 2014 | 31 March 2013 |
|---------------------------|---------------|---------------|
| Gross block | 84,022,759 | 77,352,652 |
| Accumulated depreciation | 17,942,268 | 12,140,041 |
| Net block | 66,080,491 | 65,212,612 |
| Depreciation for the year | 4,866,555 | 4,495,669 |

Finance lease : Company as lessee

The Company had obtained equipment on finance lease basis in December 2012. The agreements for the equipment were modified during the year and the lease is now in the nature of an operating lease.

| | Minimum lease payments | | Present value | |
|--|------------------------|---------------|---------------|---------------|
| | 31 March 2014 | 31 March 2013 | 31 March 2014 | 31 March 2013 |
| Amounts due within one year | - | 360,000 | - | 231,914 |
| Amounts due after one year but not later than five years | - | 2,805,000 | - | 2,548,945 |
| Amounts due later than five years | - | - | - | - |

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

The Company has obtained plant and equipment on finance lease basis as at 31 March 2013. The carrying amount of assets was as follows.

| | Finance lease assets | |
|---------------------------|----------------------|---------------|
| | 31 March 2014 | 31 March 2013 |
| Gross block | - | 2,864,683 |
| Accumulated depreciation | - | 229,960 |
| Net block | - | 2,634,724 |
| Depreciation for the year | - | 229,960 |

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.30 Capitalisation of expenditure

During the year, the Company has capitalised the salaries, wages and bonus amounting to Rs 3,627,737 (2013: Rs 3,751,895) to the cost of Fixed asset/ Capital work in progress (CWIP). Consequently, expenses disclosed under note 3.24 are net of amount capitalised by the Company.

3.31 Segment information

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

3.32 Related party disclosures

Details of related parties including summary of transactions entered into by the Company during the year ended 31 March 2014 are summarized below:

A Parties where control exists

(i) Shareholders holding more than 20%

- Subhash Ghai

(ii) Subsidiary companies

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

(iii) Key management personnel and relatives of such personnel

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.32 Related party disclosures (Continued)

A Parties where control exists (Continued)

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

- Mukta Arts – Proprietary concern of Subhash Ghai
- Mukta Tele Arts Private Limited – Enterprise in which Subhash Ghai exercises significant influence
- Sharyans Resources Limited - Enterprise in which Vijay Choraria is a common director till 24 December 2013

B Transactions with related parties for the year ended 31 March 2014 are as follows:-

| Transactions | Subsidiary companies | | Key Management Personnel and relatives of such personnel | | Enterprises over which key management personnel have control/ substantial interest/ significant influence | |
|--|----------------------|---------------|--|---------------|---|---------------|
| | 31 March 2014 | 31 March 2013 | 31 March 2014 | 31 March 2013 | 31 March 2014 | 31 March 2013 |
| Rendering of services - Sale of products | | | | | | |
| Coruscant Tec Private Limited | 6,127,626 | 4,841,579 | - | - | - | - |
| Receiving of services | | | | | | |
| Ashok Ghai - Professional fees | - | - | 2,580,000 | 193,000 | - | - |
| Connect. 1 Limited - Rent | 240,000 | 240,000 | - | - | - | - |
| Mukta Arts - Rent | - | - | - | - | 60,000 | 60,000 |
| Interest income | | | | | | |
| Whistling Woods International Limited | 37,563,329 | 35,329,863 | - | - | - | - |
| Salaries and other benefit | | | | | | |
| Siraj Farooqui | - | - | 2,725,480 | 2,444,320 | - | - |
| Sameer Farooqui | - | - | 595,000 | 504,060 | - | - |
| Sajid Farooqui | - | - | 602,040 | 539,040 | - | - |
| Managerial remuneration | | | | | | |
| Subhash Ghai | - | - | 4,138,588 | 4,579,490 | - | - |
| Subhash Ghai - Film Director fees | - | - | 11,000,000 | 5,400,000 | - | - |
| Parvez A. Farooqui | - | - | 2,691,554 | 2,439,320 | - | - |
| Rahul Puri | - | - | 2,729,644 | 2,446,320 | - | - |
| Reimbursement of expenses received by the Company | | | | | | |
| Whistling Woods International Limited | 673,587 | 64,273 | - | - | - | - |
| Reimbursement of expenses paid by the Company | | | | | | |
| Whistling Woods International Limited | 179,544 | 4,629,557 | - | - | - | - |
| Sharyans Resources Limited | - | - | - | - | - | 1,275,614 |
| Loan given during the year | | | | | | |
| Whistling Woods International Limited | 21,750,000 | 47,000,000 | - | - | - | - |
| Loan repaid during the year | | | | | | |
| Whistling Woods International Limited | 4,050,000 | 19,500,000 | - | - | - | - |
| Advances given during the year | | | | | | |
| Coruscant Tec Private Limited | 805,800 | 3,059,455 | - | - | - | - |
| Advances received during the year | | | | | | |
| Coruscant Tec Private Limited | 805,800 | - | - | - | - | - |
| Advances repaid during the year | | | | | | |
| Coruscant Tec Private Limited | - | 3,139,454 | - | - | - | - |
| Loan receivable | | | | | | |
| Whistling Woods International Limited | 380,000,000 | 362,300,000 | - | - | - | - |
| Loan receivable | | | | | | |
| Whistling Woods International Limited | 493,341 | - | - | - | - | - |
| Interest receivable | | | | | | |
| Whistling Woods International Limited | 35,377,246 | 31,796,877 | - | - | - | - |
| Payables | | | | | | |
| Whistling Woods International Limited | - | 1,004,671 | - | - | - | - |
| Mukta Arts | - | - | - | - | 60,000 | 60,000 |
| Sharyans Resources Limited | - | - | - | - | - | 420,609 |
| Ashok Ghai | - | - | - | 193,000 | - | - |
| Connect 1. Limited | 608,000 | 392,000 | - | - | - | - |

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.32 Related party disclosures (Continued)

B Transactions with related parties for the year ended 31 March 2014 are as follows:- (Continued)

| Transactions | Subsidiary companies | | Key Management Personnel and relatives of such personnel | | Enterprises over which key management personnel have control/ substantial interest/ significant influence | |
|--|----------------------|---------------|--|---------------|---|---------------|
| | 31 March 2014 | 31 March 2013 | 31 March 2014 | 31 March 2013 | 31 March 2014 | 31 March 2013 |
| Trade receivables | | | | | | |
| Corusant Tec Private Limited | 1,679,800 | 677,500 | - | - | - | - |
| Advances receivable | | | | | | |
| Mukta Tele Media Ltd | 13,112,984 | 13,272,984 | - | - | - | - |
| Deposit receivable | | | | | | |
| Whistling Woods International Limited (pursuant to mutual sharing arrangement) | 30,000,000 | 30,000,000 | - | - | - | - |
| Connect. 1 Limited | 1,950,000 | 1,950,000 | - | - | - | - |
| Mukta Arts | - | - | - | - | 300,000 | 300,000 |
| Personal guarantee given jointly by Mr. Subhash Ghai and Mrs. Mukta Ghai for secured loans taken from Kotak Mahindra Bank | | | | | | |
| Letter of support to Whistling Woods International Limited | | | | | | |
| Corporate guarantee given | | | | | | |
| Whistling Woods International Limited | - | 50,000,000 | - | - | - | - |

Disclosure as per Clause 32 of the Listing agreement

| Name of the Company | Balance as at | | Maximum outstanding during the year | |
|--|---------------|---------------|-------------------------------------|---------------|
| | 31 March 2014 | 31 March 2013 | 31 March 2014 | 31 March 2013 |
| (a) Particulars in respect of loans and advances in the nature of loans to subsidiary/ associate companies | | | | |
| - Whistling Woods International Limited | 415,377,246 | 394,096,877 | 415,377,246 | 405,096,877 |
| (b) Particulars of Loans and advances to Companies in which director (s) is a Director or member: | | | | |
| None | - | - | - | - |
| (c) Particulars in respect of loans and deposits to subsidiary companies where there is no repayment schedule | | | | |
| - Whistling Woods International Limited | 415,377,246 | 394,096,877 | 415,377,246 | 405,096,877 |

3.33 Commitments

Estimated amounts of contracts remaining to be executed on capital account and not provided for aggregate to Rs 6,129,756 (2013: Rs 9,598,304).

3.34 Contingent liabilities

| | 31 March 2014 | 31 March 2013 |
|---|---------------|---------------|
| a) Claims against the Company not acknowledge as debt | | |
| Service tax matters * | 1,675,000 | 2,915,000 |
| b) Guarantees given by bank on behalf of the Company | 19,701,390 | 21,651,390 |
| c) Corporate guarantees for loans taken by subsidiary | - | 50,000,000 |
| d) The Company Law Board had passed an order directing Central Government to undertake the investigation under Section 237 of the Act. The Company aggrieved by the Order had moved the Bombay High Court and obtained stay on the Order. The hearing in this matter was completed on 7 January 2009 and Hon'ble Bombay High Court had quashed the investigation. The Central Government has on 25 February 2012 moved the Hon'ble Supreme Court challenging the Order passed by the Hon'ble Bombay High Court on 7 January 2009. | | |
| e) Support letter provided to Whistling Woods International Limited, a subsidiary of the Company. | | |



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.34 Contingent liabilities (Continued)

* Notes

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

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

3.35 Dues to Micro and Small Enterprises

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

| | 31 March 2014 | 31 March 2013 |
|---|---------------|---------------|
| The amounts remaining unpaid to micro and small suppliers as at the end of the year | | |
| - Principal | - | - |
| - Interest | - | - |
| The amount of interest paid by the Company as per the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006) | - | - |
| The amounts of the payments made to micro and small suppliers beyond the appointed day during each accounting year | - | - |
| The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006 | - | - |
| The amount of interest accrued and remaining unpaid at the end of each accounting year | - | - |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act, 2006. | - | - |

3.36 Foreign currency exposures not covered by forward contracts

The Company has no foreign currency exposures as at 31 March 2014 (2013: Rs Nil).

3.37 Expenditure in foreign currency (on accrual basis)

| | 31 March 2014 | 31 March 2013 |
|---------------------|---------------|---------------|
| Travelling expenses | 27,555 | 892,998 |

3.38 Earnings in foreign exchange (on accrual basis)

| | 31 March 2014 | 31 March 2013 |
|--|---------------|---------------|
| Revenue from operations - Own film/ content production | - | 23,774 |

3.39 Managerial remuneration

The remuneration paid to the managing director (including fees as film director) of the Company for the year ended 31 March 2014 amounting to Rs 15,138,588 and for earlier financial years from 2005-06 to 2012-2013 aggregating to Rs 110,606,159, is in excess of the limits prescribed under Schedule XIII to the Act. The Company made applications to the Central Government seeking post-facto approval for earlier years, which is awaited; application for the current year is proposed to be made. During the financial year 2011-12, the Company had received approval for part of the excess remuneration paid (approval received for remuneration aggregating to Rs 25,200,000 for the financial years 2005-06, 2006-07 and 2007-08). The Company had made an application to authorities requesting reconsideration/ approval for the balance excess remuneration. Pending final communication from the authorities in this regard and application for the current year, no adjustment has been made in these financial statements.

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

- 3.40** Public Interest Litigations ('PIL') had been filed alleging that the Maharashtra Film, Stage and Cultural Development Corporation Limited ('MFSCDCL') had not followed proper procedure while entering into a Joint Venture Agreement ('JVA') with the Company and subsequent allotment of 20 acre land to the said joint venture, Whistling Woods International Limited ('WWI'), a subsidiary of the Company. During the year 2011-12, pursuant to the Order of the High Court of Judicature at Bombay ('High Court') dated 9 February 2012, inter-alia, the JVA with MFSCDCL was quashed/ rendered cancelled, WWI was ordered to return the land to MFSCDCL and pay rent (including interest on arrears) retrospectively on the entire land since the date of the JVA. Of the total land admeasuring 20 acres, 14.5 acres vacant unused land was handed over to MFSCDCL on 18 April 2012 and the balance is to be handed over on or before 31 July 2014. Pending discussion and/ or agreement with MFSCDCL and/ or clarifications to be sought from the concerned parties, no adjustments have been made to the Share Capital structure of WWI and the carrying value of the land rights in its books of account. However, in terms of the Order of the High Court, the said amount together with future rent till the date of vacation of the premises is adjustable against the market price of the Institute building of WWI on the said land. The valuation is to be carried out by an expert valuer to be appointed by the Government. During the previous year, the PWD Engineer has given his valuation report based on the Balance Sheet of WWI as at 31 March 2011. Further, the Company made an application to the Government of Maharashtra in February 2013 to appoint expert valuers to determine the market price. WWI's petition for special leave to appeal filed with the Supreme Court of India has been dismissed. However, the Company and WWI have filed review petitions with the High Court, which have not yet come up for hearing. Pending final disposal of the review petitions and valuation of the building, and in view of the future plans for WWI which are being evaluated, management believes that the Company's investments in WWI and amounts due therefrom are good and recoverable as management is hopeful of reliefs based on the issues involved and on merits of the case, as also of a high valuation of the building.

3.41 Details of opening stock, closing stock and sales of food and beverages items

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

| Particulars | Opening stock | |
|-------------------------|------------------|----------------|
| | 31 March 2014 | 31 March 2013 |
| Bottled beverages | 5,688 | 23,487 |
| Non bottled beverages | 260,625 | 105,853 |
| Non packaged food items | 626,130 | 51,745 |
| Packing material | 46,735 | 256,909 |
| Others | 233,534 | 9,618 |
| Total | 1,172,712 | 447,612 |

Information with regards to the sale of food and beverage items

| Particulars | Sales | |
|-------------------------|-------------------|-------------------|
| | 31 March 2014 | 31 March 2013 |
| Bottled beverages | 2,274,320 | 1,235,908 |
| Non bottled beverages | 8,407,424 | 2,178,808 |
| Non packaged food items | 21,235,010 | 5,209,111 |
| Packaged food items | 3,376,371 | 1,877,445 |
| Total | 35,293,125 | 10,501,272 |

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

| Particulars | Closing stock | |
|-------------------------|------------------|------------------|
| | 31 March 2014 | 31 March 2013 |
| Bottled beverages | 93,231 | 5,688 |
| Non bottled beverages | 429,649 | 260,625 |
| Non packaged food items | 643,635 | 626,130 |
| Packing material | 52,537 | 46,735 |
| Others | 423 | 233,534 |
| Total | 1,219,475 | 1,172,712 |



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

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

Value of food and beverage items

| Particulars | 31 March 2014 | 31 March 2013 |
|--------------|-------------------|------------------|
| Imported | Nil | Nil |
| Indigenous | 12,912,540 | 3,864,539 |
| Total | 12,912,540 | 3,864,539 |

3.42 Discontinuing operations

During the year ended 31 March 2013, the Company entered into an arrangement with VN Films Private Limited (formerly known as Allied Services Private Limited) vide term sheet dated 11 September 2012 to form a Joint Venture Company under the name "MUKTA VN FILMS LIMITED" to conduct the business of exhibition and programming presently being conducted by the Company and forming part of the Company's revenue under 'Software' segment. The Board of Directors of the Company had passed a resolution at their meeting held on 5 March 2013, authorising the Company to enter into a shareholders' agreement. Further on 19 April 2013, the proposal has been approved by the shareholders through postal ballot. A share subscription cum shareholder agreement has been entered into on 19 March 2014 between the Company and Mukta VN Films Private Limited based on which they legally and beneficially own 27,500 (55%) and 22,500 (45%) equity shares respectively. Consequently, the exhibition and programming business is disclosed as a discontinuing operation.

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

| | 31 March 2014 | 31 March 2013 |
|--------------------------------|--------------------|--------------------|
| Liabilities | | |
| Non-current liabilities | | |
| Long-term provisions | 2,200,669 | 431,905 |
| Current liabilities | | |
| Short-term borrowings | 100,000,000 | 100,000,000 |
| Trade payables | 262,142,499 | 252,154,409 |
| Other current liabilities | 945,468 | 42,829 |
| Short-term provisions | 450,511 | 91,721 |
| Total liabilities | 365,739,148 | 352,720,864 |
| Assets | | |
| Deferred tax asset | 1,844,897 | 2,166,937 |
| Current assets | | |
| Trade receivables | 260,201,789 | 243,474,432 |
| Short term-loans and advances | 168,004,270 | 155,484,633 |
| Total assets | 430,050,957 | 401,126,001 |

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

| | 31 March 2014 | 31 March 2013 |
|--------------------------|----------------------|----------------------|
| Income | | |
| Revenue from operation | 2,542,663,594 | 2,150,270,498 |
| Expenses | | |
| Cost of operations | 2,476,618,698 | 2,104,699,056 |
| Employee benefit expense | 14,306,879 | 7,524,436 |
| Finance cost | 13,746,538 | 14,000,000 |
| Other expenses | 16,029,090 | 7,458,504 |
| Total expenses | 2,520,701,205 | 2,133,681,996 |
| Profit before tax | 21,962,389 | 16,588,502 |
| Provision for taxation | 8,924,651 | 5,382,969 |
| Profit after tax | 13,037,738 | 11,205,533 |

MUKTA ARTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.42 Discontinuing operations (Continued)

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

| | 31 March 2014 | 31 March 2013 |
|---|---------------|---------------|
| Cash flows from operating activities | | |
| Profit for the year before tax | 21,962,389 | 16,588,502 |
| Adjustments for: | | |
| (Increase) in trade receivables | (22,080,156) | (32,739,363) |
| (Increase) in loans and advances and other non-current assets | (12,519,638) | (61,518,974) |
| Increase in trade payables, provisions, other long-term and other current liabilities | 17,354,749 | 64,785,438 |
| Cash generated from operations | 4,717,344 | (12,884,397) |
| Income taxes paid | (8,924,651) | (5,382,969) |
| Net cash generated from operating activities (A) | (4,207,307) | (18,267,366) |
| Cash flows from investing activities (B) | - | - |
| Cash flows from financing activities | | |
| (Increase)/ Decrease in balance with Corporate and other business units | 4,207,307 | 18,267,366 |
| Cash flows from financing activities (C) | 4,207,307 | 18,267,366 |

3.43 Prior period comparatives

Up to the previous year, Rs 45,102,136 was classified under 'Trade payables', this has now have been shown under 'Other current liabilities' (Dues to venturer).

Up to the previous year, Rs 1,656,450 was classified under 'Other income' (Excess provision written back), this has now been shown under 'Revenue from operations' (Excess provision written back).

Up to the previous year, Rs 2,010,096 was classified under 'Other expenses' (Miscellaneous expenses), this has now been shown under 'Other expenses' (Security charges).

Up to the previous year, Rs 11,290,600 was classified under 'Other current liabilities' (Dividend payable), this has now been shown under 'Short term provisions' (Dividend payable).

As per our report of even date attached.

For and on behalf of the Board of Directors of Mukta Arts Limited

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

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rajesh Mehra
Partner
Membership No: 103145

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

Place : Mumbai
Date : 29th May, 2014



Independent Auditors' Report

To the Board of Directors of
Mukta Arts Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Mukta Arts Limited ('the Company') and its subsidiaries (as per the list appearing in notes to the consolidated financial statements) (collectively referred to as 'the Group'), which comprise the consolidated Balance sheet as at 31 March 2014, the consolidated Statement of profit and loss and consolidated Cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

The consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 which, as per a clarification issued by the Ministry of Corporate Affairs, continues to apply under section 133 of the Companies Act 2013 (which has suppressed section 211(3C) of the Companies Act 1956 w.e.f. 12 September 2013).

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Basis for Qualified Opinion

- a. *As explained in Note 3.37 to the consolidated financial statements, the remuneration paid to the managing director of the Company for the year ended 31 March 2014 amounting to Rs 15,138,588 (including as film director fees) and for earlier financial years from 2005-06 to 2012-2013 aggregating to Rs 110,606,159 is in excess of the limits prescribed under Schedule XIII to the Companies Act, 1956. The Company has made applications to the Central Government seeking post-facto approval for earlier years, which is awaited; application for the current year is proposed to be made. During the financial year 2011-12, the Company had received approval for part of the excess remuneration paid (approval received for remuneration aggregating to Rs 25,200,000 for the financial years 2005-06, 2006-07 and 2007-08) and made an application to the authorities requesting reconsideration/ approval for the balance excess remuneration. Pending final communication from the authorities in this regard, no adjustment has been made in these consolidated financial statements.*
- b. *As more fully explained Note 3.34 to the consolidated financial statements, Whistling Woods International Limited ('WWI'), a subsidiary of the Company, has disputed the demand from Income-tax authorities aggregating to Rs 5,060,974 (2013: Rs 3,630,861 (including interest Rs 1,902,995 (2013: Rs 872,982) and penalty Rs 413,148 (2013: Rs Nil)) for the financial years ended 31 March 2004 (assessment year 2004-05) and 31 March 2005 (assessment year 2005-06). No provision has been made in the financial statements in this regard. Had the Company accrued for this liability, the loss for the year and the deficit in Statement of profit and loss at year end would have been higher by Rs.5,060,974 (2013: 3,630,861).*
- c. *As more fully explained in Note 3.38 to the consolidated financial statements, through its order of 9 February 2012, the High Court of Judicature at Bombay ('High Court') had quashed the Joint Venture Agreement ('JVA') relating to WWI between the Company and Maharashtra Film, Stage and Cultural Development Corporation Limited ('MFSCDCL') and*

MUKTA ARTS LIMITED

Independent Auditors' Report (Continued)

has passed consequential orders. WWI's petition for Special Leave to Appeal had been dismissed by the Supreme Court of India in April 2012. The Company and WWI had filed a Civil Application to review the said order with the High Court, which has not yet come up for hearing.

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

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

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

Qualified opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the matter relating to the litigation with MFSCDCL referred to in paragraph (c) of the Basis for Qualified Opinion paragraph above, the outcome and consequent adjustments to the consolidated financial statements of which cannot be presently determined, and for the matter relating to the remuneration to the managing director referred to in paragraph (a) and the matter related to disputed income tax dues referred to in paragraph (b) of the Basis for Qualified Opinion paragraph above, the said consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance sheet, of the state of affairs of the Group as at 31 March 2014;
- (b) in the case of the consolidated Statement of profit and loss, of the loss of the Group for the year ended on that date; and
- (c) in the case of the consolidated Cash flow statement, of the cash flows of the Group for the year ended on that date.

Other Matters

We have not audited the financial statements of subsidiaries mentioned in the Annexure to this report whose total assets, total revenues and total cash inflows/ (outflow) are mentioned in the Annexure to this report. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management for the purpose of consolidation, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

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

Rajesh Mehra
Partner
Membership No: 103145

Place : Mumbai
Date : 29 May 2014



Independent Auditors' Report (Continued)

Annexure to the Independent Auditors' Report – 31 March 2014

(Referred to in our report of even date)

The following subsidiaries have been audited by other auditors and considered by us for the consolidation:

| Name of the company | Accounting period | Subsidiary | Total assets | Total revenues | Cash inflow/ (outflow) | Name of the Auditor |
|--------------------------------|--------------------------|-------------------|---------------------|-----------------------|-------------------------------|--------------------------------|
| Connect 1 Limited | April 2013 to March 2014 | Direct | 3,030,234 | 240,000 | (15,267) | M/s Garg Devendra & Associates |
| Mukta Tele Media Limited | April 2013 to March 2014 | Direct | 4,106,136 | 16,337 | 2,822,530 | M/s Garg Devendra & Associates |
| Coruscant Tele Private Limited | April 2013 to March 2014 | Direct | 3,805,696 | 7,304,204 | (66,539) | M/s Garg Devendra & Associates |
| Mukta V N Films Limited | April 2013 to March 2014 | Direct | 500,000 | Nil | (34,277) | M/s Garg Devendra & Associates |

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W

Rajesh Mehra

Partner

Membership No: 103145

Place : Mumbai
Date : 29 May 2014

MUKTA ARTS LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2014

(Currency: Indian Rupees)

| | Notes | 31 March 2014 | 31 March 2013 |
|---|---------|----------------------|----------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 3.1 | 112,917,500 | 112,917,500 |
| Reserves and surplus | 3.2 | 414,898,378 | 488,321,104 |
| Minority interest | | 216,702 | 6,341 |
| Non-current liabilities | | | |
| Long term borrowings | 3.3 | 183,250,887 | 171,262,768 |
| Deferred tax liabilities (net) | 3.4 (a) | 7,332,813 | 10,782,180 |
| Other long-term liabilities | 3.5 | 271,283,399 | 281,263,594 |
| Long-term provisions | 3.6 | 9,650,420 | 8,480,930 |
| Current liabilities | | | |
| Short-term borrowings | 3.7 | 313,048,478 | 218,777,705 |
| Trade payables | 3.8 | 372,934,110 | 345,950,324 |
| Other current liabilities | 3.9 | 303,294,956 | 277,313,991 |
| Short-term provisions | 3.10 | 9,908,880 | 20,080,260 |
| TOTAL | | 1,998,736,523 | 1,935,156,697 |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | 3.11 | | |
| Tangible assets | | 766,335,025 | 737,816,694 |
| Intangible assets | | 18,832,481 | 11,447,606 |
| Capital work-in-progress | | 75,334,953 | 66,633,518 |
| Intangible assets under development | | 299,845,773 | 87,462,113 |
| | | 1,160,348,232 | 903,359,931 |
| Deferred tax assets (net) | 3.4 (b) | - | - |
| Non-current investments | 3.12 | 10,001,750 | 10,001,750 |
| Long-term loans and advances | 3.13 | 198,921,601 | 166,212,712 |
| Other non-current assets | 3.14 | 11,187,856 | 9,711,041 |
| Current assets | | | |
| Inventories | 3.15 | 1,219,475 | 1,172,712 |
| Trade receivables | 3.16 | 321,511,695 | 503,117,313 |
| Cash and bank balances | 3.17 | 31,667,534 | 33,142,431 |
| Short-term loans and advances | 3.18 | 262,283,141 | 303,968,709 |
| Other current assets | 3.19 | 1,595,239 | 4,470,098 |
| TOTAL | | 1,998,736,523 | 1,935,156,697 |
| Summary of significant accounting policies | 2 | | |

The accompanying notes from 1 to 3.40 are an integral part of these financial statements.

As per our report of even date attached.

For and on behalf of the Board of Directors of Mukta Arts Limited

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

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rajesh Mehra
Partner
Membership No: 103145

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

Place : Mumbai
Date : 29th May, 2014



CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2014

(Currency: Indian Rupees)

| | Note | 31 March 2014 | 31 March 2013 |
|--|------|----------------------|----------------------|
| Income | | | |
| Revenue from operations | 3.20 | 3,081,958,840 | 2,770,971,893 |
| Other income | 3.21 | 46,230,773 | 19,603,480 |
| Total income | | 3,128,189,613 | 2,790,575,373 |
| Expenses | | | |
| Cost of operations | 3.22 | 2,627,797,249 | 2,343,169,620 |
| Purchases of food and beverages | | 12,912,540 | 3,864,538 |
| Changes in inventories of food and beverages | 3.23 | (46,763) | (725,100) |
| Employee benefits expense | 3.24 | 106,147,083 | 81,984,375 |
| Finance costs | 3.25 | 66,443,832 | 56,948,607 |
| Depreciation and amortisation expense | 3.11 | 85,511,960 | 76,972,359 |
| Other expenses | 3.26 | 305,983,101 | 231,226,293 |
| Total expenses | | 3,204,749,002 | 2,793,440,692 |
| (Loss) before tax | | (76,559,389) | (2,865,319) |
| Tax expenses: | | | |
| - Current tax | | 326,687 | 6,323,640 |
| - Deferred tax (credit)/ charge | | (3,449,367) | 4,502,912 |
| (Loss) for the year after tax and before minority interest | | (73,437,365) | (13,691,872) |
| Less: Minority interest | | (14,639) | 462 |
| (Loss) after tax | | (73,422,726) | (13,692,334) |
| Earnings per equity share ((nominal value of share Rs 5 (2013: Rs 5)) | 3.27 | | |
| Basic and diluted | | (3.25) | (0.61) |
| Summary of significant accounting policies | 2 | | |

The accompanying notes from 1 to 3.40 are an integral part of these financial statements.

As per our report of even date attached.

For and on behalf of the Board of Directors of Mukta Arts Limited

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

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rajesh Mehra
Partner
Membership No: 103145

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

Place : Mumbai
Date : 29th May, 2014

MUKTA ARTS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

(Currency: Indian Rupees)

| | 31 March 2014 | 31 March 2013 |
|---|----------------------|---------------------|
| A. Cash flows from operating activities | | |
| (Loss)/ Profit for the year before tax | (76,559,389) | (2,865,319) |
| Adjustments for: | | |
| Depreciation and amortisation expense | 85,511,960 | 76,972,359 |
| Provision for doubtful debts/ advances | 10,440,159 | 2,606,903 |
| Loss on sale of current investment | - | 3,813 |
| Bad debts/ advances/ intangible assets under development written-off | 12,919,330 | 14,403,312 |
| Finance costs | 66,443,832 | 56,948,607 |
| Interest income | (5,118,217) | (8,951,287) |
| Interest on income tax refund | (983,608) | (1,214,045) |
| Dividend income | - | (34,339) |
| (Profit)/ loss on sale of assets, net | (13,691,848) | 21,714 |
| Excess provision written back, net | - | (2,856,009) |
| Miscellaneous expenditure written-off | - | 690 |
| Operating cash flow before working capital changes | 78,962,219 | 135,036,399 |
| Adjustment for working capital changes | | |
| Decrease/ (increase) in trade receivables | 177,858,034 | (262,218,725) |
| Decrease/ (increase) in loans and advances, other non-current assets and other current assets | 27,769,323 | (88,053,794) |
| (Increase) in inventories | (46,763) | (725,100) |
| Increase/ (decrease) in trade payables, provisions, other long-term liabilities and other current liabilities | (18,775,247) | 334,985,887 |
| Cash generated from operations | 265,767,566 | 119,024,667 |
| Income taxes paid | (33,744,728) | (52,121,913) |
| Net cash generated from operating activities (A) | 232,022,838 | 66,902,755 |
| B. Cash flows from investing activities | | |
| Interest income | 5,118,217 | 44,278,437 |
| Dividend income | - | 34,339 |
| Purchase of fixed assets (tangible and intangible) | (333,705,537) | (116,405,431) |
| Advance received for sale of fixed assets | - | 10,000,000 |
| Proceeds from sale of fixed assets | 17,539,104 | 813,438 |
| Purchase of investment in mutual funds | - | (34,339) |
| Proceeds from sale of investment in mutual funds | - | 13,412,975 |
| Proceeds from maturity/ (reinvestment) of fixed deposits, net | (157,674) | (7,152,910) |
| Movement in dividend bank account | - | 300 |
| Proceeds on termination of agreement for institute at Haryana | - | 28,687,138 |
| Investments in equity shares of subsidiaries | - | - |
| | (311,205,890) | (26,366,054) |
| Income taxes paid on interest income | - | (3,783,861) |
| Net cash (used in) investing activities (B) | (311,205,890) | (30,149,915) |
| C. Cash flows from financing activities | | |
| Secured loan taken, net | 4,261,523 | 71,237,993 |
| Unsecured loan taken/ (repaid), net | 137,000,000 | (2,600,000) |
| Working loan facility | - | (19,128,744) |
| Interest paid | (62,914,209) | (87,311,843) |
| Interest income on income tax | - | 1,205,572 |
| Net cash flow from financing activities (C) | 78,347,314 | (36,597,022) |
| Net (decrease) in cash and cash equivalents (A+B+C) | (835,738) | 155,818 |
| Cash and cash equivalents as at beginning of the year | 11,153,737 | 11,030,083 |
| Cash and cash equivalents as at end of the year (Refer note (b) below) | 10,317,999 | 11,185,901 |
| Notes: | | |
| (a) The cash flow statement has been prepared under the indirect method as set out in Accounting Standard - 3 prescribed in the Companies (Accounting Standards) Rules, 2006. | | |
| (b) Cash and cash equivalents at year-end comprises: | | |
| Cash in hand | 2,205,813 | 2,925,147 |
| Balances with scheduled banks in | | |
| - in current accounts | 7,902,152 | 8,228,590 |
| - Fixed deposit accounts | - | - |
| - in deposits with original maturity of less than three months | 210,034 | - |
| | 10,317,999 | 11,153,737 |

As per our report of even date attached.

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

Rajesh Mehra
Partner
Membership No: 103145

Place : Mumbai
Date : 29th May, 2014

For and on behalf of the Board of Directors of Mukta Art Limited

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

(Currency: Indian Rupees)

1. Background

Mukta Arts Limited ('Mukta' or 'the Company or 'the Parent Company') is a company incorporated in India under the Companies Act, 1956 ('the Act'). The Company was incorporated on 7 September 1982 as Mukta Arts Private Limited and was converted from a private limited company to a public limited company on 30 September 2000 and renamed as Mukta Arts Limited. The Company is promoted by Mr. Subhash Ghai who holds approximately 54.99% of the outstanding equity share capital as at 31 March 2014. The Company is primarily engaged in the business of film production, distribution and film exhibition (wherein it provides film content to multiplexes and single screens across India and also manages/ runs theatres). The Company also provides production facilities to other production houses and independent producers. The Company has five subsidiaries, Whistling Woods International Limited (which is an education institute which imparts training in various skills related to films, television and media industry), Coruscant Tec Private Limited (which is a wireless solutions company with a focus on wireless content), Connect1 Limited (which is involved in marketing of film content), Mukta Tele Media Limited (which is involved in production of television serials) and Mukta V N Films Limited (which is involved in the business of film exhibition).

2. Summary of significant accounting policies

2.1 Basis of preparation and consolidation

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

The audited financial statements of the subsidiaries used in consolidation are for the same reporting period as that of the Company, i.e. year ended 31 March 2014. These financial statements are audited by the auditors of the respective entities.

The financial statements of the Group have been prepared and presented under the historical cost convention, on the accrual basis of accounting, in accordance with the provisions of the Act read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act 2013 and accounting principles generally accepted in India ('Indian GAAP') and comply with the Accounting Standards ('AS') prescribed in the Companies (Accounting Standards) Rules, 2006, issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable. The consolidated financial statements are presented in Indian Rupees except where mentioned otherwise.

All assets and liabilities have been classified as current or non-current as per the Group normal operating cycle and other criteria set out in the revised Schedule VI to the Act. The Group has identified its operating cycle as twelve months.

2.2 Principles of consolidation

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

Subsidiaries

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

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

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

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

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Continued)

| Sr. No. | Name of the subsidiary | Country of incorporation | % of shareholding in 2014 | % of shareholding in 2013 |
|---------|---|--------------------------|---------------------------|---------------------------|
| 1 | Whistling Woods International Limited (also refer note 3.38) | India | 84.99% | 84.99% |
| 2 | Connect 1 Limited * | India | 99.00% | 99.00% |
| 3 | Mukta Tele Media Limited* | India | 99.92% | 99.92% |
| 4 | Coruscant Tele Private Limited* | India | 100.00% | 100.00% |
| 5 | Mukta V N Films Limited* * audited by M/s Garg Devendra & Associates, Chartered Accountants (Firm's registration No. 130993W). | India | 55% | NA |

2.3 Use of estimates

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

2.4 Current–non-current classification

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

Assets

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

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

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

All other assets are classified as non-current.

Liabilities

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

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

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

All other liabilities are classified as non-current.

Operating cycle

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

2.5 Goodwill

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

Goodwill is reviewed for a decline other than temporary in its carrying value, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses the recoverability of goodwill by reference to the valuation methodology adopted by it on the acquisition date, which included strategic



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Continued)

and synergic factors that were expected to enhance the enterprise value. Accordingly, the Group would consider that there exists a decline other than temporary in the carrying value of goodwill when, in conjunction with its valuation methodology, its expectations with respect to the underlying acquisitions it has made deteriorates with adverse market conditions.

2.6 Fixed assets

Tangible assets

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

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

Intangible assets

Film rights comprising negative rights and distribution rights.

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

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

Software

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

Intellectual property rights

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

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

2.7 Depreciation/ amortisation

Tangible assets

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

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

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

Intangible assets

Film rights comprising negative rights and distribution rights

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

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

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

Software

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

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Continued)

2.8 Impairment

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

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

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

2.9 Revenue recognition

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

Film/content production and related income

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

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

Income from distribution and exhibition

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

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

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

Theatrical exhibition and related income

Sale of tickets

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

Sale of food and beverages

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

Advertisement/ sponsorship revenue

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

Revenue from equipment hire/ facility rental

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

Consultancy fees/ tuition fees income/ infrastructure fees/ facilitation charges

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

Infrastructure fees is revenue generated from facilities provided for various courses undertaken in film making and School of Media and communication and is recognized over the period of the course. Facilitation charges include revenue from provision of insurance and other related facilities to the students and are recognized on a time proportion basis.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Continued)

Interest income

Interest income is recognised on a time proportion basis.

2.10 Inventory

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

2.11 Investments

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

2.12 Employee benefits

(a) Short term employee benefits

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

(b) Post-employment benefits

Defined contribution plan:

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

Defined benefit plan:

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

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

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

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

(c) Other long-term employee benefits

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

2.13 Foreign currency transactions

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

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

2.14 Earnings per share ('EPS')

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

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

2. Summary of significant accounting policies (Continued)

2.15 Taxation

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

Current tax

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

Minimum alternative tax credit entitlement

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

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

Deferred tax

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

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

2.16 Leases

Finance lease

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

Operating lease

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

Assets given on operating lease

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

2.17 Borrowing costs

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

2.18 Provisions and contingencies

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2014

(Currency: Indian Rupees)

3.1 Share capital

| | 31 March 2014 | 31 March 2013 |
|---|--------------------|---------------|
| Authorised | | |
| 24,000,000 (2013: 24,000,000) equity shares of Rs 5 each | 120,000,000 | 120,000,000 |
| Issued, subscribed and paid-up | | |
| 22,581,200 (2013: 22,581,200) equity shares of Rs 5 each, fully paid-up | 112,906,000 | 112,906,000 |
| Add :- Forfeited shares (Amount originally paid-up) | 11,500 | 11,500 |
| (No. of shares forfeited: 4,000 (2013: 4,000)) | | |
| | 112,917,500 | 112,917,500 |

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

| | 31 March 2014 | | 31 March 2013 | |
|--|-------------------|--------------------|-------------------|--------------------|
| | No. of Shares | Amount | No. of Shares | Amount |
| Equity shares | | | | |
| Balance as at the beginning of the year | 22,581,200 | 112,917,500 | 22,581,200 | 112,917,500 |
| Issued during the year | - | - | - | - |
| Buyback/ forfeiture/ reduction during the year | - | - | - | - |
| Balance as at the end of the year | 22,581,200 | 112,917,500 | 22,581,200 | 112,917,500 |

b) Rights, preferences and restrictions attached to equity shares

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

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

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

| | 31 March 2014 | | 31 March 2013 | |
|-------------------------|---------------|-----------|---------------|-----------|
| | No. of shares | % holding | No. of shares | % holding |
| 1. Mr. Subhash Ghai | 12,417,990 | 54.99% | 12,417,990 | 54.99% |
| 2. Ms. Meghna Ghai Puri | 1,650,000 | 7.31% | 1,650,000 | 7.31% |
| 3. Ms. Mukta Ghai | 1,650,000 | 7.31% | 1,650,000 | 7.31% |

3.2 Reserves and surplus

| | 31 March 2014 | 31 March 2013 |
|---|----------------------|---------------|
| Securities premium | 973,360,000 | 973,360,000 |
| General reserve | | |
| At the commencement of the year | 83,144,790 | 82,419,067 |
| Add : Transfer from balance in Statement of profit and loss on account of equity dividend | - | 725,723 |
| | 83,144,790 | 83,144,790 |
| (Deficit) in the Statement of profit and loss | | |
| At the commencement of the year | (568,183,686) | (540,556,192) |
| Add : (Loss) for the year | (73,422,726) | (13,692,334) |
| Less : Appropriations | | |
| Equity dividend Rs Nil per share (2013: Rs 0.50) | - | (11,290,600) |
| Tax on equity dividend | - | (1,918,837) |
| Transfer to general reserve on account of equity dividend | - | (725,723) |
| | (641,606,412) | (568,183,686) |
| | 414,898,378 | 488,321,104 |

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.3 Long term borrowings

| | 31 March 2014 | 31 March 2013 |
|--|--------------------|--------------------|
| a) Term loans | | |
| Secured loans | | |
| Kotak Mahindra Bank Limited * | 243,906,067 | 220,956,337 |
| (Repayable within a year Rs 99,411,544 (2013: Rs 56,658,757)) | | |
| - Motor vehicle finance loans ** | 12,583,536 | 10,017,181 |
| (Repayable within a year Rs 5,899,696 (2013: Rs 5,600,938)) | | |
| - From financial institution *** | - | 7,817,000 |
| (Repayable within a year Rs Nil (2013: Rs 7,817,000)) | | |
| b) Finance lease obligations (secured) # | - | 2,780,859 |
| (Repayable within a year Rs Nil (2013: Rs 231,914)) | | |
| c) Loans and advances from related parties (unsecured) ## | 32,072,524 | - |
| Amount disclosed under the head - other current liabilities (note 3.9) | (105,311,240) | (70,308,609) |
| | 183,250,887 | 171,262,768 |

| | 31 March 2014 | 31 March 2013 |
|--|---------------|---------------|
| ## Loans and advances from related parties include loans from entity with common director | | |
| Mukta Tele Arts Private Limited | 32,072,524 | - |
| (No terms of repayment have been specified. Interest is charged at 13.5% p.a) | | |

- (i) * Term loan is secured against all current assets, commercial property at Oshiwara and three residential flats at Bandra. Loan is also secured by the personal guarantee of Mr. Subhash Ghai, the Managing Director of the Company and Mrs. Mukta Ghai, a relative of the Managing Director and a shareholder. Further, one term loan is secured against a film's assets, revenues, receivables and print. The term loan has been taken in various tranches, having separate maturity periods ranging from 1 to 5 years and at interest rate varying from 10% to 14% per annum. The details of repayment and other terms are as follows:

| Loan tranches | Repayment schedule |
|---|--|
| Term loan of Rs 50,000,000 taken on 18 January 2010 | Outstanding amount of loan will be repayable within 1 year from the reporting date with monthly EMI of Rs 1,112,222 |
| Term loan of Rs 100,000,000 taken on 17 January 2011 | Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 2,352,826 |
| Term loan of Rs 30,000,000 taken on 26 September 2011 | Outstanding amount of loan will be repayable within 4 years from the reporting date with monthly EMI of Rs 690,532 |
| Term loan of Rs.50,000,000 taken on 13 December 2011 | Outstanding amount of loan will be repayable within 4 years from the reporting date with monthly EMI of Rs 1,163,413 |
| Term loan of Rs 25,000,000 taken on 4 January 2013 | Outstanding amount of loan will be repayable within 5 years from the reporting date with monthly EMI of Rs 588,534 |
| Term loan of Rs 50,000,000 taken on 4 January 2013 | Outstanding amount of loan will be repayable within 5 years from the reporting date with monthly EMI of Rs 1,087,019 |
| Term loan of Rs 90,000,000 taken on 23 April 2013 | Outstanding amount of loan was repaid in April 2014 |
| Term loan of Rs 50,000,000 taken on 7 February 2014 | Outstanding amount of loan will be repayable within 5 years from the reporting date with monthly EMI of Rs 1,281,208 |

- (ii) ** The motor vehicle finance loans taken by the Company are secured against the related vehicles. Repayment schedule is as detailed below:

| Lender | Repayment schedule |
|--------------------------|---|
| Reliance Capital Limited | Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 495,000 till 1 December 2014 then Rs. 386,100 till 1 December 2015 and then Rs. 188,100 till November 2016 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.3 Long term borrowings (Continued)

| | |
|------------------------------|--|
| Kotak Mahindra Bank Limited | Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 102,460 |
| ICICI Bank Limited | Outstanding amount of loan will be repayable within 3 years from the reporting date with monthly EMI of Rs 24,315 |
| Kotak Mahindra Prime Limited | Outstanding amount of loan will be repayable within 1 year from the reporting date with monthly EMI of Rs 27,030 |
| Kotak Mahindra Prime Limited | Outstanding amount of loan will be repayable within 2 years from the reporting date with monthly EMI of Rs 42,000 |

- (iii) *** Term loan from financial institution - Life Insurance Corporation loan was secured against keyman insurance policy of a director at an interest rate of 9% p.a. The loan was repaid on the maturity of the keyman policy in October 2013.
- (iv) # The Company had obtained equipment on finance lease basis in December 2012. The agreements for the equipment were modified during the year.

3.4 (a) Deferred tax liabilities, net

Deferred tax liabilities

Arising on account of timing differences in:
Depreciation/ amortisation

Deferred tax assets

Arising on account of timing differences in:
Provision for leave encashment and gratuity
Provision for doubtful debts and advances
Long term capital loss

Net deferred tax liability

| 31 March 2014 | 31 March 2013 |
|---------------|---------------|
| 16,230,292 | 15,313,716 |
| 16,230,292 | 15,313,716 |
| 2,585,314 | 2,542,580 |
| 4,674,531 | 1,988,956 |
| 1,637,634 | - |
| 8,897,479 | 4,531,536 |
| 7,332,813 | 10,782,180 |

3.4 (b) Deferred tax assets, net

Deferred tax liabilities

Arising on account of timing differences in:
Depreciation/ amortisation

Deferred tax assets

Arising on account of timing differences in:
Unabsorbed depreciation allowance and carried forward business loss
Disallowances u/s 43B
Provision for leave encashment and gratuity
Provision for doubtful debts and advances

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

Net deferred tax asset

| 31 March 2014 | 31 March 2013 |
|---------------|---------------|
| 16,073,398 | 14,606,746 |
| 16,073,398 | 14,606,746 |
| 204,171,267 | 199,739,633 |
| 402,425 | 1,642,273 |
| 876,466 | 604,395 |
| 379,025 | 249,684 |
| 205,829,183 | 202,235,985 |
| 16,073,398 | 14,606,746 |
| - | - |

3.5 Other long-term liabilities

Security deposits received
Rent straight lining
Income received in advance

| 31 March 2014 | 31 March 2013 |
|---------------|---------------|
| 54,402,493 | 47,177,668 |
| 6,394,486 | 5,352,903 |
| 210,486,420 | 228,733,023 |
| 271,283,399 | 281,263,594 |

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.6 Long-term provisions

| | 31 March 2014 | 31 March 2013 |
|---|------------------|------------------|
| Provisions for employee benefits | | |
| Provision for gratuity (note 3.28) | 5,375,675 | 4,898,470 |
| Provision for leave salary (note 3.28) | 4,212,711 | 3,520,426 |
| Provision for Fringe benefits tax (net of advance tax Rs 1,795,722 (2013: 1,795,722)) | 62,034 | 62,034 |
| | 9,650,420 | 8,480,930 |

3.7 Short-term borrowings

| | 31 March 2014 | 31 March 2013 |
|---|--------------------|--------------------|
| Secured : | | |
| Cash credit from Kotak Mahindra Bank Limited* | 141,148,478 | 153,372,278 |
| Overdraft facility from Punjab National Bank Limited ** | - | 30,505,427 |
| Unsecured : | | |
| Inter corporate deposits*** | 171,900,000 | 34,900,000 |
| | 313,048,478 | 218,777,705 |

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

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

*** Deposit of Rs. 111,900,000 accepted at interest rate of 15% p.a. repayable on demand provided 30 days advance notice is given to the borrower. Deposit of Rs. 30,000,000 accepted at interest rate of 24% p.a. repayable on demand. Deposit of Rs. 30,000,000 accepted at interest rate of 24% p.a. repayable on demand.

3.8 Trade payables

| | 31 March 2014 | 31 March 2013 |
|---|--------------------|--------------------|
| For goods and services received (note 3.35) | 372,934,110 | 345,950,324 |
| | 372,934,110 | 345,950,324 |

3.9 Other current liabilities

| | 31 March 2014 | 31 March 2013 |
|--|--------------------|--------------------|
| Current maturities of term loans (note 3.3) | 105,311,240 | 70,076,695 |
| Current maturities of finance lease obligations (note 3.3) | - | 231,914 |
| Dues to venturer | 12,799,396 | 45,102,136 |
| Interest accrued but not due on borrowings ** | 5,100,039 | 1,570,416 |
| Income received in advance | 58,138,209 | 38,920,152 |
| Advances received for film and other services | 20,699,075 | 18,746,605 |
| Advances received from sale of fixed assets | - | 10,000,000 |
| Employee benefits expense payable | 6,906,109 | 1,932,663 |
| Creditors for fixed assets | 39,588,290 | 16,827,070 |
| Temporary book overdraft | 5,013,392 | 1,601,437 |
| Unclaimed dividends | 643,572 | 681,976 |
| Statutory dues payable* | 17,619,094 | 36,225,437 |
| Security deposits received | 31,172,872 | 34,509,279 |
| Others | 303,668 | 888,211 |
| | 303,294,956 | 277,313,991 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

| | 31 March 2014 | 31 March 2013 |
|---|---------------|---------------|
| *Statutory dues payable includes: | | |
| - Provident fund | 364,478 | 299,827 |
| - ESIC | 151,973 | 35,378 |
| - CST/ VAT payable | 3,283,338 | 22,706,537 |
| - Service tax payable | 2,116,575 | 2,654,267 |
| - TDS payable | 10,276,252 | 6,968,853 |
| - Profession tax | 40,970 | 19,410 |
| - Dividend tax payable | - | 1,918,837 |
| - ET/ INR/ Show tax payable | 1,385,508 | 1,622,328 |
| ** Interest accrued but not due on borrowings includes amount due to entity with common director | | |
| Mukta Tele Arts Private Limited | 1,525,222 | - |

3.10 Short-term provisions

| | 31 March 2014 | 31 March 2013 |
|--|------------------|-------------------|
| Provisions for employee benefits | | |
| Provision for leave salary (note 3.28) | 1,614,786 | 1,480,670 |
| Provision for compensated absence | 63,841 | 66,523 |
| Provision for taxation | 8,230,253 | 7,242,467 |
| (Net of advance tax and tax deducted at source Rs 68,877,486 (2013: Rs 68,320,945)) | | |
| Dividend payable | - | 11,290,600 |
| | 9,908,880 | 20,080,260 |

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2014 (CONTD.) (Currency: Indian Rupees)

3.11 Fixed assets

| | Intangible assets | | | | | | Tangible assets | | | | | | | | Total | | |
|--|---------------------|-----------------|-------------------|--|---------------|-------------------|-----------------|--------------|--------------------|----------------|--------------------|--------------------|---------------------|----------------|---|-------------|---------------|
| | Distribution rights | Negative rights | Exhibition rights | Intellectual property rights (Course curriculum) | Library books | Computer software | Total | Land rights* | Ownership premises | Temporary shed | Institute building | Leasehold premises | Plant and machinery | Motor vehicles | Furniture fixtures and office equipment | Computers | Total |
| Gross block | | | | | | | | | | | | | | | | | |
| As at 1 April 2012 | 232,500,320 | 409,304,314 | 2,500,000 | 6,184,859 | 8,326,003 | 17,193,941 | 676,009,437 | 30,000,000 | 240,446,642 | 666,964 | 278,718,006 | 142,784,820 | 390,287,251 | 51,411,004 | 69,319,585 | 134,791,247 | 1,338,405,519 |
| Additions | 7,500,000 | - | - | - | 484,580 | 2,740,636 | 10,725,216 | - | - | - | - | 41,954,254 | 18,942,652 | 1,795,479 | 7,935,166 | 5,344,442 | 75,971,993 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | 2,375,380 | 1,273,988 | - | 9,917 | 3,659,285 |
| Redclassification to assets held for sale* | - | - | - | - | - | - | - | - | 4,064,607 | - | - | (1,971,431) | 1,971,431 | - | - | - | 4,064,607 |
| Other adjustment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| As at 31 March 2013 | 240,000,320 | 409,304,314 | 2,500,000 | 6,184,859 | 8,810,583 | 19,934,577 | 686,734,653 | 30,000,000 | 236,382,035 | 666,964 | 278,718,006 | 182,767,643 | 408,805,954 | 51,932,515 | 77,254,751 | 140,125,772 | 1,406,653,640 |
| Additions | - | 22,603,109 | - | - | 650,540 | 722,829 | 23,976,478 | - | - | - | - | 49,504,641 | 22,441,698 | 6,080,498 | 13,909,971 | 9,349,137 | 101,285,945 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | 12,495,207 | 4,014,934 | - | 98,835 | 16,608,976 |
| Other adjustment | - | - | - | - | - | (690,596) | (690,596) | - | - | - | - | - | - | - | 690,596 | - | 690,596 |
| As at 31 March 2014 | 240,000,320 | 431,907,423 | 2,500,000 | 6,184,859 | 9,461,123 | 19,966,810 | 710,020,535 | 30,000,000 | 236,382,035 | 666,964 | 278,718,006 | 232,272,284 | 418,752,445 | 53,998,079 | 91,164,722 | 150,066,670 | 1,492,021,205 |
| Accumulated Depreciation/Amortisation | | | | | | | | | | | | | | | | | |
| As at 1 April 2012 | 232,500,320 | 401,680,232 | 2,164,685 | 6,094,508 | 7,971,138 | 14,265,944 | 664,676,827 | - | 42,794,354 | 666,964 | 69,945,993 | 13,755,317 | 278,480,337 | 37,053,678 | 50,076,857 | 114,116,660 | 606,890,160 |
| Charge for the year | 6,973,067 | - | 67,063 | 18,071 | 603,240 | 2,948,779 | 10,610,220 | - | 6,562,803 | - | 10,410,002 | 11,089,998 | 21,455,935 | 3,642,245 | 4,456,301 | 8,745,454 | 66,382,138 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | 1,798,203 | 1,025,910 | - | - | 2,824,113 |
| Redclassification to assets held for sale* | - | - | - | - | - | - | - | - | 1,591,239 | - | - | - | - | - | - | - | 1,591,239 |
| Other adjustment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| As at 31 March 2013 | 239,473,387 | 401,680,232 | 2,231,748 | 6,112,579 | 8,574,378 | 17,214,723 | 675,287,047 | - | 47,765,918 | 666,964 | 80,355,995 | 24,844,715 | 298,138,069 | 39,670,013 | 54,533,158 | 122,862,114 | 668,636,946 |
| Charge for the year | 526,933 | 13,816,409 | 53,650 | 14,456 | 596,471 | 893,088 | 15,901,007 | - | 6,111,351 | - | 9,890,928 | 13,700,898 | 15,448,782 | 4,243,924 | 11,234,693 | 8,980,377 | 114,295,749 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | 9,130,155 | 3,548,790 | - | 82,775 | 12,761,720 |
| Other adjustment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| As at 31 March 2014 | 240,000,320 | 415,496,641 | 2,285,398 | 6,127,035 | 9,170,849 | 18,107,811 | 691,188,054 | - | 53,877,269 | 666,964 | 90,246,923 | 38,545,613 | 304,456,696 | 40,365,147 | 65,767,851 | 131,759,716 | 725,686,180 |
| Net block | | | | | | | | | | | | | | | | | |
| As at 31 March 2013 | 526,933 | 7,624,082 | 288,252 | 72,280 | 236,205 | 2,719,854 | 11,447,606 | 30,000,000 | 188,616,117 | - | 198,362,011 | 157,922,928 | 110,667,885 | 12,262,502 | 22,721,593 | 17,263,658 | 737,816,694 |
| As at 31 March 2014 | - | 16,410,782 | 214,602 | 57,824 | 290,274 | 1,858,999 | 18,832,481 | 30,000,000 | 182,504,766 | - | 188,471,083 | 193,726,671 | 114,295,749 | 13,632,932 | 25,396,871 | 18,306,954 | 766,335,025 |

Tangible/Intangible assets given as security

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

| | 2014 | 2013 |
|---|-------------|------------|
| Tangible assets - Capital work-in-progress | | |
| (also refer note 3.30) | 75,334,953 | 66,633,518 |
| Intangible assets under development | | |
| | 299,845,773 | 87,462,113 |

* Also refer note 3.38

** The Board of Directors on 1 August 2012 approved a plan to sell the Company's ownership premises at Bandra, Mumbai. The Company assessed the recoverable amount of the said premises, being the market price, which is higher than carrying amount on the date of sale and accordingly no impairment loss has been recognised during the previous year. The said premise has been reclassified to assets held for sale under Other current assets



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(Currency: Indian Rupees)

3.12 Non-current investments

| | 31 March 2014 | 31 March 2013 |
|---|-------------------|-------------------|
| Trade investments (valued at cost unless stated otherwise) | | |
| Name of the corporate bodies | | |
| Investment in equity instruments-others (un-quoted) | | |
| (a) Maya Digital Studios Private Limited 1,000,000 (2013: 1,000,000) equity shares of Rs 10 each, fully paid-up As per the terms of the Shareholders agreement, additional shares, not exceeding 1,000,000 may be allotted to the Company. | 10,000,000 | 10,000,000 |
| (b) Bashiron Co. Op. Housing Society Limited 10 Shares (2013: 10) of Rs 50 each * | 500 | 500 |
| (c) Bait-Ush-Sharaf Co. Op. Housing Society Limited 25 Shares (2013: 25) of Rs 50 each * | 1,250 | 1,250 |
| * pledged as security against borrowings (refer note 3.3 and 3.7) | | |
| | 10,001,750 | 10,001,750 |
| Aggregate value of unquoted investments | 10,001,750 | 10,001,750 |

3.13 Long-term loans and advances

| | 31 March 2014 | 31 March 2013 |
|---|--------------------|--------------------|
| <i>Unsecured, considered good</i> | | |
| Capital advances | | |
| - Tangible | 22,098,828 | 26,356,783 |
| - Intangible | 23,689,635 | 32,231,770 |
| | 45,788,463 | 58,588,553 |
| Security deposits # | 26,274,151 | 16,855,604 |
| Advance tax (including tax deducted at source) (net of provision Rs 113,377,519 (2013: Rs 115,296,156)) | 126,858,987 | 90,768,555 |
| | 198,921,601 | 166,212,712 |
| # Security deposits include deposit to Proprietary concern of the Managing Director of the Company | | |
| -Mukta Arts | 300,000 | 300,000 |

3.14 Other non-current assets

| | 31 March 2014 | 31 March 2013 |
|---|-------------------|------------------|
| <i>Unsecured, considered good unless stated otherwise</i> | | |
| Other bank balance (note 3.17) | 10,237,494 | 9,440,661 |
| Rent straightlining | 948,888 | 270,380 |
| Interest accrued and not due on fixed deposit | 1,474 | - |
| | 11,187,856 | 9,711,041 |

3.15 Inventories

| | 31 March 2014 | 31 March 2013 |
|---|------------------|------------------|
| (valued at lower of cost and net realisable value) | | |
| Foods and beverages | 1,219,475 | 1,172,712 |
| | 1,219,475 | 1,172,712 |

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.16 Trade receivables

| | 31 March 2014 | 31 March 2013 |
|--|--------------------|--------------------|
| (a) Unsecured, considered good | | |
| Outstanding for a period exceeding six months from the date they are due for payment | 54,060,143 | 23,740,144 |
| Other debts | 267,451,552 | 479,377,169 |
| | 321,511,695 | 503,117,313 |
| (b) Unsecured, considered doubtful | | |
| Outstanding for a period exceeding six months from the date they are due for payment | 4,886,292 | 2,599,125 |
| Other debts | 528,949 | - |
| | 5,415,241 | 2,599,125 |
| Less: Provision for doubtful receivables | 5,415,241 | 2,599,125 |
| | - | - |
| | 321,511,695 | 503,117,313 |

3.17 Cash and bank balances

| | 31 March 2014 | 31 March 2013 |
|---|---------------------|--------------------|
| Cash and cash equivalents | | |
| Balance with banks | | |
| - in current accounts | 7,902,152 | 8,228,590 |
| - in deposits with original maturity of less than three months | 210,034 | - |
| Cheques, drafts on hand | - | 717,744 |
| Cash in hand | 2,205,813 | 2,207,403 |
| | 10,317,999 | 11,153,737 |
| Other bank balances | | |
| Balance in dividend account | 643,572 | 681,976 |
| Deposits with original maturity of more than three months but less than twelve months | 2,104,573 | - |
| Deposits with original maturity of more than twelve months | 9,097,051 | - |
| Deposits under lien | | |
| - Deposits with original maturity of less than three months | 1,687,939 | 4,027,942 |
| - Deposit with original maturity of more than three months but less than twelve months | 16,913,451 | 17,278,776 |
| - Deposit with original maturity of more than twelve months | 1,140,443 | 9,440,661 |
| | 31,587,029 | 31,429,355 |
| Less : Deposit with original maturity of more than twelve months from the Balance sheet date disclosed under non-current assets (note 3.14) | (10,237,494) | (9,440,661) |
| | 31,667,534 | 33,142,431 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.18 Short-term loans and advances

| | 31 March 2014 | 31 March 2013 |
|--|---------------|---------------|
| <i>Other loans and advances - unsecured, considered good unless otherwise stated</i> | | |
| Sundry advances to distributor, producer, employee etc. | | |
| Considered good | 213,738,185 | 253,085,219 |
| Considered doubtful | 10,939,309 | 4,246,734 |
| | 224,677,494 | 257,331,953 |
| Less: Provision for doubtful advances | 10,939,309 | 4,246,734 |
| | 213,738,185 | 253,085,219 |
| Prepaid expenses | 3,384,573 | 2,281,073 |
| Inter-corporate deposit | 38,870,587 | 39,251,937 |
| Service tax credit receivable | 656,825 | 4,174,411 |
| Other loans and advances | 5,632,971 | 5,176,069 |
| | 262,283,141 | 303,968,709 |

3.19 Other current assets

| | 31 March 2014 | 31 March 2013 |
|--|---------------|---------------|
| <i>Unsecured, considered good unless otherwise stated</i> | | |
| Rent straight lining | 275,805 | - |
| Fixed assets reclassified as held for sale (refer note 3.11) | - | 2,473,368 |
| Interest accrued and not due on fixed deposit | - | 6,923 |
| Unbilled revenue | 969,500 | - |
| Other receivables | 349,934 | 1,989,807 |
| | 1,595,239 | 4,470,098 |

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.20 Revenue from operations

| | 31 March 2014 | | 31 March 2013 | |
|--|---------------|----------------------|---------------|----------------------|
| (a) Sale of products/ film rights | | | | |
| Own film/ Content production | 12,547,281 | | 70,800,032 | |
| Food and beverages | 35,293,125 | 47,840,406 | 10,501,272 | 81,301,304 |
| (b) Sale of services | | | | |
| Distribution and exhibition | 2,615,574,647 | | 2,389,014,317 | |
| Equipment hire income | 4,283,365 | | 3,672,846 | |
| Fees from students | 114,344,929 | | 148,046,187 | |
| Box office collection | | | | |
| Sale of tickets | 153,219,695 | | 46,733,039 | |
| Less: Entertainment tax | (26,644,935) | 2,860,777,701 | (8,194,556) | 2,579,271,833 |
| (c) Other operating revenue | | | | |
| Rent and amenities charges | 75,818,801 | | 57,402,254 | |
| Other income from theatrical operations | 14,654,155 | | 3,406,428 | |
| Income from downloads | 7,299,750 | | 5,952,399 | |
| Consultancy fees | 6,809,960 | | 7,845,402 | |
| Infrastructure services | 54,713,700 | | 26,002,500 | |
| Income from institutional affiliations | 1,635,211 | | 1,310,267 | |
| Excess provision written back | 7,371,100 | | 2,856,009 | |
| Sundry balances written back | 4,680,806 | | - | |
| Re-examination fees | 357,250 | | 70,500 | |
| Channel packaging income and production income | - | 173,340,733 | 5,552,997 | 110,398,756 |
| | | 3,081,958,840 | | 2,770,971,893 |

3.21 Other income

| | 31 March 2014 | 31 March 2013 |
|---|-------------------|-------------------|
| Interest income on bank deposits (Tax deducted at source Rs 273,974 (2013: Rs 250,875)) | 2,740,234 | 1,957,793 |
| Interest income on others (Tax deducted at source Rs 2,211,733 (2013: Rs 3,532,986)) | 2,377,983 | 6,993,494 |
| Dividend income on current investment | - | 34,339 |
| Other non-operating income | | |
| Keyman insurance claim received | 11,875,000 | - |
| Interest on income tax refund | 983,608 | 1,214,045 |
| Profit on sale of assets, (net) | 13,691,848 | - |
| Hire charges | 11,491,643 | 7,341,228 |
| Miscellaneous income | 2,834,635 | 1,816,363 |
| Discount received | 235,822 | 246,218 |
| | 46,230,773 | 19,603,480 |

3.22 Cost of operations

| | 31 March 2014 | 31 March 2013 |
|---|----------------------|----------------------|
| Own production - publicity, print, dubbing etc. | 18,410,780 | 652,884 |
| Distributor and producers share | 2,610,673,661 | 2,340,271,368 |
| Other direct cost of theatrical operations | 444,244 | - |
| Operator's share in theatrical operations | (1,731,436) | (2,865,473) |
| Other production expenses | - | 5,110,841 |
| | 2,627,797,249 | 2,343,169,620 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.23 Changes in inventories of food and beverages

| | 31 March 2014 | 31 March 2013 |
|---|------------------|------------------|
| Inventories at the end of the year | | |
| Foods and beverages | 1,219,475 | 1,172,712 |
| | <u>1,219,475</u> | <u>1,172,712</u> |
| Inventories at the beginning of the year | | |
| Foods and beverages | 1,172,712 | 447,612 |
| | <u>1,172,712</u> | <u>447,612</u> |
| | | |
| (Increase) in inventories | <u>(46,763)</u> | <u>(725,100)</u> |

3.24 Employee benefits expense

| | 31 March 2014 | 31 March 2013 |
|---|--------------------|-------------------|
| Salaries and other benefits (notes 3.30 and 3.37) | 95,533,419 | 74,173,059 |
| Staff welfare | 4,045,221 | 1,953,808 |
| Gratuity and leave encashment (note 3.28) | 2,175,446 | 2,775,633 |
| Contribution to provident and other funds (note 3.28) | 4,392,997 | 3,081,875 |
| | <u>106,147,083</u> | <u>81,984,375</u> |

3.25 Finance costs

| | 31 March 2014 | 31 March 2013 |
|--------------------------------------|-------------------|-------------------|
| a) Interest cost on | | |
| - Term loan | 28,360,572 | 25,387,352 |
| - Cash credit facilities | 16,468,643 | 20,169,245 |
| - Car loan | 2,315,577 | 2,048,420 |
| - Unsecured loan | 13,262,525 | 6,649,934 |
| - Others | 4,646,328 | 687,248 |
| b) Processing cost and other charges | 1,390,187 | 2,006,408 |
| | <u>66,443,832</u> | <u>56,948,607</u> |

3.26 Other expenses

| | 31 March 2014 | 31 March 2013 |
|--|--------------------|--------------------|
| Legal and professional fees | 69,581,287 | 73,682,613 |
| Business promotion | 36,726,392 | 16,568,640 |
| Rent (notes 3.29) | 36,525,832 | 16,926,448 |
| Electricity charges | 32,168,587 | 22,517,171 |
| Repairs and maintenance | | |
| Buildings | 17,266,865 | 18,290,097 |
| Plant and machinery | 805,153 | 662,335 |
| Others | 240,427 | 474,156 |
| Bad debts/ advances/ intangibles under development written-off | 17,012,447 | 14,403,312 |
| Sets/ student practicals | 16,851,828 | 14,398,051 |
| Provision for doubtful debts and advances | 10,440,159 | 2,606,903 |
| Rates and taxes | 9,097,756 | 4,485,873 |
| Travelling expenses | 7,512,576 | 7,354,883 |
| Printing and stationery | 5,903,195 | 3,788,865 |
| Motor vehicle expenses | 3,843,554 | 4,213,698 |
| Communication | 3,649,024 | 3,738,624 |
| Scholarships awards | 3,624,928 | 2,935,624 |
| Insurance | 3,130,813 | 2,497,890 |
| Brokerage and commission | 2,419,874 | 2,536,297 |
| Payment to auditor (Refer details below) | 2,179,984 | 1,694,696 |
| Loss on sale of investments (net) | - | 3,813 |
| Miscellaneous expenses | 27,002,420 | 17,446,304 |
| | <u>305,983,101</u> | <u>231,226,293</u> |

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.26 Other expenses (Continued)

Payment to auditor (excluding service tax) *

As auditor:

Audit fee

2,023,035

1,625,846

Reimbursement of expenses

156,949

68,850

2,179,984

1,694,696

* includes fees to respective auditors of subsidiary companies

3.27 Earnings per equity share:

| | 31 March 2014 | 31 March 2013 |
|--|---------------|---------------|
| a) Net (loss) after tax | (73,422,726) | (13,692,334) |
| b) Weighted average number of equity shares outstanding during the year for basic EPS | 22,581,200 | 22,581,200 |
| c) Weighted average number of equity shares outstanding during the year for dilutive EPS | 22,581,200 | 22,581,200 |
| d) Basic EPS | (3.25) | (0.61) |
| e) Dilutive EPS | (3.25) | (0.61) |
| f) Nominal value per share | 5 | 5 |

3.28 Gratuity and other post employment benefit plans

(i) Defined contribution plans

Contribution to provident fund - amount of Rs 3,524,318 (2013 : Rs 3,224,310) and ESIC - amount of Rs 868,679 (2013: Rs 541,019) is recognized as an expense and included in "Employee benefits expense" in the Statement of profit and loss.

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

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

The leave wages are payable to all eligible employees at the rate of daily salary for each day of accumulated leave on death or on resignation or upon retirement on attaining superannuation age. During the year, Rs 978,327 (2013: 669,327) is recognized as an expense in the Statement of profit and loss.

Actuarial assumptions

Discount rate (p.a)

31 March 2014

8.85% to 9.35%

31 March 2013

7.95% to 8.05%

Salary escalation rate (p.a)

6% to 8%

6% to 8%

(b) Gratuity (Defined benefit plan)

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

| | 31 March 2014 | 31 March 2013 |
|--|---------------|---------------|
| A) Change in defined benefit obligation | | |
| Opening defined benefit obligation | 10,602,668 | 9,026,270 |
| Current service cost | 1,026,676 | 826,823 |
| Interest cost | 772,977 | 732,957 |
| Actuarial (gain)/ loss | (94,274) | 257,556 |
| Benefits paid | (192,701) | (240,938) |
| Closing defined benefit | 12,115,346 | 10,602,668 |
| B) Change in fair value of plan assets | | |
| Opening fair value of plan assets | 5,704,198 | 5,072,028 |
| Expected return on plan assets | 339,026 | 333,182 |
| Actuarial gain on plan assets | 169,234 | 115,270 |
| Contributions by employer | 719,914 | 424,656 |
| Benefits paid | (192,701) | (240,938) |
| Closing fair value of plan assets | 6,739,671 | 5,704,198 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.28 Gratuity and other post employment benefit plans (Continued)

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

| | | |
|---|----------------|----------------|
| C) Expenses recognised in the Statement of profit and loss | | |
| Current service cost | 1,026,676 | 826,823 |
| Interest on defined benefit obligation | 772,977 | 732,957 |
| Expected return on plan assets | (339,026) | (333,182) |
| Net actuarial (gain)/ loss recognized | (263,508) | 142,286 |
| Total expense recognized | 1,197,119 | 1,368,884 |
| D) Amount recognised in Balance sheet | | |
| Present value of funded obligations | (12,115,346) | (10,602,668) |
| Fair value of plan assets | 6,739,671 | 5,704,198 |
| Net liability | (5,375,675) | (4,898,470) |
| E) Actuarial assumptions | | |
| Discount rate (p.a) | 8.85% to 9.35% | 7.95% to 8.05% |
| Expected rate of return on assets (p.a) | 7.50% to 8.75% | 7.50% |
| Salary escalation rate (p.a) | 6% to 8% | 6% to 8% |
| F) Details of plan assets | | |
| LIC managed funds | 6,739,671 | 5,704,198 |

G) Experience adjustments

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|-------------|-------------|-------------|-------------|-----------|
| Present value of the defined benefit obligation | 12,115,346 | 10,602,668 | 9,026,270 | 9,220,652 | 1,080,605 |
| Fair value of the plan assets | 6,739,671 | 5,704,198 | 5,072,028 | 5,334,840 | 951,407 |
| Deficit | (5,375,675) | (4,898,470) | (3,954,242) | (3,885,812) | (129,198) |
| Experience adjustment on defined benefit obligation | 989,967 | (206,230) | (87,443) | (377,413) | (96,707) |
| Experience adjustment on plan assets | 169,234 | 115,270 | 129,774 | 114,892 | 5,119 |

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

The Company expects Rs 3,000,000 in contribution to be paid to its defined benefit plan in the next year (2013: Rs 1,500,000)

3.29 Lease disclosure under AS 19 – 'Leases'

(i) Operating lease : Company as lessee

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

Lease rent expenses of Rs 36,525,832 (2013: Rs 16,926,448) have been included under 'Rent' in the Statement of profit and loss.

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

| | 31 March 2014 | 31 March 2013 |
|--|---------------|---------------|
| Amounts due within one year | 6,468,267 | 4,407,510 |
| Amounts due after one year but not later than five years | 20,186,918 | 24,724,230 |
| Amounts due later than five years | 56,985,045 | 56,985,045 |
| | 83,640,230 | 86,116,785 |

(ii) Operating lease : Company as lessor

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

Lease rent income of Rs 20,791,454 (2013: Rs 19,056,395) has been included under 'Rent and amenities charges' in the Statement of profit and loss

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

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

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

| | 31 March 2014 | 31 March 2013 |
|--|-------------------|-------------------|
| Amounts due within one year | 19,321,342 | 10,002,423 |
| Amounts due after one year but not later than five years | 24,742,461 | 10,014,375 |
| | 44,063,803 | 20,016,798 |

The carrying amount of assets is as follows :

| | 31 March 2014 | 31 March 2013 |
|---------------------------|--------------------|--------------------|
| Gross block | 184,846,555 | 171,362,055 |
| Accumulated depreciation | 25,701,380 | 16,010,742 |
| Net block | 159,145,175 | 155,351,313 |
| Depreciation for the year | 5,248,320 | 5,220,680 |

(iii) Operating lease : Company as sub-lessor

The Company has subleased part of the office premises taken on lease which is renewable thereafter as per the terms of the respective agreement.

Sublease rent income of Rs 25,322,762 (2013: Rs 23,568,537) has been included under 'Rent and amenities charges' in the Statement of profit and loss.

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

| | 31 March 2014 | 31 March 2013 |
|--|-------------------|-------------------|
| Amounts due within one year | 18,233,207 | 24,532,242 |
| Amounts due after one year but not later than five years | 11,253,485 | 30,241,114 |
| | 29,486,692 | 54,773,355 |

The carrying amount of assets is as follows :

| | 31 March 2014 | 31 March 2013 |
|---------------------------|-------------------|-------------------|
| Gross block | 84,022,759 | 77,352,652 |
| Accumulated depreciation | 17,942,268 | 12,140,041 |
| Net block | 66,080,491 | 65,212,612 |
| Depreciation for the year | 4,866,555 | 4,495,669 |

Finance lease : Company as lessee

The Company had obtained equipment on finance lease basis in December 2012. The agreements for the equipment were modified during the year.

| | Minimum lease payments | | Present value | |
|--|------------------------|------------------|---------------|------------------|
| | 31 March 2014 | 31 March 2013 | 31 March 2014 | 31 March 2013 |
| Amounts due within one year | - | 360,000 | - | 231,914 |
| Amounts due after one year but not later than five years | - | 2,805,000 | - | 2,548,945 |
| Amounts due later than five years | - | - | - | - |
| Total | - | 3,165,000 | - | 2,780,859 |

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

The Company had obtained plant and equipment on finance lease basis as at 31 March 2013. The carrying amount of assets was as follows.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

Finance lease assets

| | 31 March 2014 | 31 March 2013 |
|---------------------------|---------------|---------------|
| Gross block | - | 2,864,683 |
| Accumulated depreciation | - | 229,960 |
| Net block | - | 2,634,724 |
| Depreciation for the year | - | 229,960 |

3.30 Capitalisation of expenditure

During the year, the Company has capitalised the salaries, wages and bonus amounting to Rs 3,627,737 (2013: Rs 3,751,895) to the cost of Fixed asset/ Capital work in progress (CWIP). Consequently, expenses disclosed under note 3.26 are net of amount capitalised by the Company.

3.31 Segment information

| Particulars | 31 March 2014 | 31 March 2013 |
|---|---------------|---------------|
| Segment revenue | | |
| Software division | 2,659,936,936 | 2,471,319,745 |
| Equipment division | 9,391,104 | 3,672,846 |
| Education | 178,894,171 | 183,274,856 |
| Theatrical exhibition | 176,522,040 | 52,446,183 |
| Others | 88,397,049 | 57,402,254 |
| Total | 3,113,141,300 | 2,768,115,884 |
| Less : Inter segment revenue | 15,063,015 | - |
| Net sales/ Income from operations | 3,098,078,285 | 2,768,115,884 |
| Segment results | | |
| (Loss)/ profit before tax, interest and exceptional items from each segment | | |
| Software division | (27,173,847) | 77,479,295 |
| Equipment division | (2,766,750) | (4,568,366) |
| Education | (25,739,869) | (6,221,294) |
| Theatrical exhibition | 1,494,791 | (663,563) |
| Others | 64,806,880 | 49,415,400 |
| Total | 10,621,205 | 115,441,472 |
| Less: Finance costs | 66,443,832 | 56,948,607 |
| Unallocated expenses, net of unallocable income | 20,736,762 | 61,358,183 |
| Total (loss) before tax | (76,559,389) | (2,865,318) |
| Segment assets | | |
| Software division | 905,829,210 | 954,907,360 |
| Equipment division | 32,119,368 | 38,332,964 |
| Education | 310,354,833 | 349,781,810 |
| Theatrical exhibition | 294,824,643 | 187,568,535 |
| Others | 169,747,832 | 145,438,693 |
| Unallocable (includes advance for tax net of provision for tax) | 495,645,360 | 259,735,401 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

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3.31 Segment information (Continued)

| Particulars | 31 March 2014 | 31 March 2013 |
|---|---------------|---------------|
| Segment liabilities | | |
| Software division | 646,356,283 | 610,864,098 |
| Equipment division | 871,958 | 331,367 |
| Education | 119,471,749 | 146,666,184 |
| Theatrical exhibition | 61,210,593 | 54,329,807 |
| Others | 45,605,885 | 24,412,188 |
| Unallocable (includes provision for tax net of advance tax and minority interest) | 807,163,197 | 497,912,620 |
| Capital expenditure | | |
| Software division | 238,437,175 | 58,604,876 |
| Equipment division | 1,804,210 | 8,497,689 |
| Education | 7,695,285 | 6,324,432 |
| Theatrical exhibition | 94,288,123 | 107,138,371 |
| Others | 642,066 | 223,092 |
| Unallocable | 3,149,674 | 883,283 |
| Depreciation and amortization | | |
| Software division | 19,539,596 | 14,594,961 |
| Equipment division | 7,148,862 | 7,101,898 |
| Education | 28,324,996 | 33,746,363 |
| Theatrical exhibition | 15,978,620 | 8,834,815 |
| Others | 9,547,227 | 7,031,081 |
| Unallocable | 4,972,659 | 5,663,241 |
| Capital employed | | |
| (Segment assets - Segment liabilities) | | |
| Software division | 259,472,927 | 344,043,262 |
| Equipment division | 31,247,410 | 38,001,597 |
| Education | 190,883,084 | 203,115,626 |
| Theatrical exhibition division | 233,614,050 | 133,235,173 |
| Others | 124,141,947 | 121,026,505 |
| Unallocable (includes minority interest) | (311,517,836) | (238,177,218) |

The Group has disclosed Business Segments as the primary segment.

Management has identified five business segments – Software division, Equipment division, Education, Theatrical exhibition division and Others. Segments have been identified taking into account the nature of the business, the differing risks and returns, the organisation structure and internal reporting system.

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

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

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



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3.32 Related party disclosures

Details of related parties including summary of transaction entered into by the Group during the year ended 31 March 2014 are summarized below:

A. Parties where control exists

(i) Shareholders holding more than 20%

- Subhash Ghai

(ii) Key management personnel and relatives of such personnel

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

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

- Mukta Arts – Proprietary concern of Subhash Ghai
- Mukta Tele Arts Private Limited – Enterprise in which Subhash Ghai exercises significant influence
- Sharyans Resources Limited - Enterprise in which Vijay Choraria is a common director till 24 December 2013

B Transactions with related parties for the year ended 31 March 2014 are as follows:-

| Transactions | Key Management Personnel and relatives of such personnel | | Enterprises over which key management personnel have control/ substantial interest/ significant influence | |
|--|--|---------------|---|---------------|
| | 31 March 2014 | 31 March 2013 | 31 March 2014 | 31 March 2013 |
| Receiving of services | | | | |
| Ashok Ghai - Professional fees | 2,580,000 | 3,230,444 | - | - |
| Mukta Arts - Rent | - | - | 60,000 | 60,000 |
| Employee benefits expense | | | | |
| Siraj Farooqui | 2,725,480 | 2,444,320 | - | - |
| Sameer Farooqui | 595,000 | 504,060 | - | - |
| Sajid Farooqui | 602,040 | 539,040 | - | - |
| Managerial remuneration | | | | |
| Subhash Ghai | 4,138,588 | 4,579,490 | - | - |
| Subhash Ghai - Film Director fees | 11,000,000 | 5,400,000 | - | - |
| Parvez A. Farooqui | 2,691,554 | 2,439,320 | - | - |
| Rahul Puri | 2,729,644 | 2,446,320 | - | - |
| Meghna Ghai Puri | 2,489,304 | 2,236,425 | - | - |
| Reimbursement of expenses paid by the Company | | | | |
| Sharyans Resources Limited | - | - | - | 1,275,614 |
| Loan received during the year | | | | |
| Mukta Tele Arts Private Limited | - | - | 34,500,001 | - |
| Loan repaid during the year | | | | |
| Mukta Tele Arts Private Limited | - | - | 2,427,477 | - |
| Interest on loan during the year | | | | |
| Mukta Tele Arts Private Limited | - | - | 1,694,691 | - |
| Unsecured loan | | | | |
| Mukta Tele Arts Private Limited | - | - | 32,072,524 | - |

MUKTA ARTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

3.32 Related party disclosures (Continued)

| | | | | |
|--|---|---------|-----------|---------|
| Interest accrued but not due on borrowings | | | | |
| Mukta Tele Arts Private Limited | - | - | 1,525,222 | - |
| Payables | | | | |
| Mukta Arts | - | - | 60,000 | 60,000 |
| Sharyans Resources Limited | - | - | - | 420,609 |
| Ashok Ghai | - | 193,000 | - | - |
| Deposit receivable | | | | |
| Mukta Arts | - | - | 300,000 | 300,000 |
| Personal guarantee given jointly by Mr. Subhash Ghai and Mrs. Mukta Ghai for secured loans taken from Kotak Mahindra Bank | | | - | - |

3.33 Commitments

Estimated amounts of contracts remaining to be executed on capital account and not provided for aggregate to Rs 6,129,756 (2013: Rs 9,598,304).

3.34 Contingent liabilities

| | 31 March 2014 | 31 March 2013 |
|---|---------------|---------------|
| a) Claims not acknowledge as debt | | |
| Service tax matters* | 1,675,000 | 2,915,000 |
| Local taxes | 22,865,198 | 22,252,096 |
| b) Guarantee given by bank on behalf of the Company | 19,701,390 | 21,651,390 |
| c) The Company Law Board had passed an order directing Central Government to undertake the investigation under Section 237 of the Act. The Company aggrieved by the Order had moved the Bombay High Court and obtained stay on the Order. The hearing in this matter was completed on 7 January 2009 and Hon'ble Bombay High Court had quashed the investigation. The Central Government has on 25 February 2012 moved the Hon'ble Supreme Court challenging the Order passed by the Hon'ble Bombay High Court on 7 January 2009. | | |
| d) Matters in respect of Whistling Woods International Limited (WWI)-Income tax | | |

A Assessment year 2004-05

"There are certain additions/ disallowances made in the assessment and the Department had raised a demand of Rs. 2,898,895 (including interest Rs 711,905). Aggrieved by the assessment order, the Company had filed an appeal with the C.I.T (Appeals) who confirmed the additions/ disallowances. The Company subsequently filed an appeal with the Income Tax Appellate Tribunal which was also dismissed and the Company deposited the outstanding amount. The Assessing officer has passed an order u/s 143(3)/250 of the Income tax Act, 1961 giving the appeal effect against which the Company preferred an appeal before C.I.T (Appeals) who by order dated 4 February 2013 upheld the order of Assessing officer. The Company has filed an appeal against the said order before Hon. Tribunal on 23 April 2013 hearing is scheduled on 29 July, 2014. The Company has not accrued for the liability as it is contesting these matters and management believes that its position will be upheld. The Assessing officer had also levied penalty of Rs 3,000,000, which was contested by the Company with the C.I.T (Appeals) who confirmed the penalty. The Company subsequently filed an appeal with the Income Tax Appellate Tribunal which set aside the order and referred it back to the C.I.T Appeals. The C.I.T Appeals vide order dated 30 July 2012 has allowed the appeal and penalty is deleted, refund of the amount paid for penalty levied is received, with interest, after adjusting liability. Department has preferred an appeal against C.I.T (A) order u/s 271(1) (c); hearing awaited. The Company has not accrued for the liability as it is contesting these matters and management believes that its position will be upheld."

B Assessment year 2005-06

"There are certain additions/ disallowances made in the assessment and the Department had raised a demand of Rs 524,063 (including interest Rs 106,950) and the Company deposited the outstanding amount. Aggrieved by the assessment order, the Company had filed an appeal with the C.I.T (Appeals) who confirmed the additions/ disallowances. The Company subsequently filed an appeal with the Income Tax Appellate Tribunal which set aside the order and referred it back to the C.I.T Appeals. C.I.T (Appeals) who by order dated 4 February 2013 upheld the order of Assessing officer. The Company has filed an appeal against the



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

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3.34 Contingent liabilities (Continued)

said order before Hon. Tribunal on 23 April 2013 of which hearing is on 26 June 2014. The Company has not accrued for the liability as it is contesting these matters and management believes that its position will be upheld.

The Assessing officer has also levied penalty u/s 271(1)(c) of Rs 413,148 which was contested by the Company and the same has been appealed on 22 April 2014.

* Notes

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

3.35 Dues to Micro, Small and Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into force from 2nd October 2006, certain disclosures are required to be made relating to Micro and Small Enterprises (MSME). On the basis of the information and records available with the Management, none of the Group's suppliers are covered; accordingly, disclosure of information with regards to principal, interest accruals and payments are not applicable.

| | 2014 | 2013 |
|---|------|------|
| The amounts remaining unpaid to micro and small suppliers as at the end of the year | | |
| - Principal | - | - |
| - Interest | - | - |
| The amount of interest paid by the Company as per the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006) | - | - |
| The amounts of the payments made to micro and small suppliers beyond the appointed day during each accounting year | - | - |
| The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006 | - | - |
| The amount of interest accrued and remaining unpaid at the end of each accounting year | - | - |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act, 2006. | - | - |

3.36 Foreign currency exposures not covered by forward contracts

The Group has no foreign currency exposures as at 31 March 2014 (2013: Rs Nil).

3.37 Managerial remuneration

The remuneration paid to the managing director (including fees as film director) of the Company for the year ended 31 March 2014 amounting to Rs 15,138,588 and for earlier financial years from 2005-06 to 2012-2013 aggregating to Rs 110,606,159, is in excess of the limits prescribed under Schedule XIII to the Act. The Company made applications to the Central Government seeking post-facto approval for earlier years, which is awaited; application for the current year is proposed to be made. During the financial year 2011-12, the Company had received approval for part of the excess remuneration paid (approval received for remuneration aggregating to Rs 25,200,000 for the financial years 2005-06, 2006-07 and 2007-08). The Company had made an application to authorities requesting reconsideration/ approval for the balance excess remuneration. Pending final communication from the authorities in this regard and application for the current year, no adjustment has been made in these consolidated financial statements.

3.38 Public Interest Litigations ('PIL') had been filed alleging that the Maharashtra Film, Stage and Cultural Development Corporation Limited ('MFSCDCL') had not followed proper procedure while entering into a Joint Venture Agreement ('JVA') with the Company and subsequent allotment of 20 acre land to the said joint venture, Whistling Woods International Limited ('WWI'), a subsidiary of the Company. During the year 2011-12, pursuant to the Order of the High Court of Judicature at Bombay ('High Court') dated 9 February 2012, inter-alia, the JVA with MFSCDCL was quashed/ rendered cancelled, WWI was ordered to return the land to MFSCDCL and pay rent (including interest on arrears) retrospectively on the entire land since the date of the JVA. Of the total land admeasuring 20 acres, 14.5 acres vacant unused land was handed over to MFSCDCL on 18 April 2012 and the balance is to be handed over on or before 31 July 2014. Pending discussion and/ or agreement with MFSCDCL and/ or clarifications to be sought from the concerned parties, no adjustments have been made to the Share Capital structure of WWI and the carrying value

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)

(Currency: Indian Rupees)

of the land rights in its books of account. However, in terms of the Order of the High Court, the said amount together with future rent till the date of vacation of the premises is adjustable against the market price of the Institute building of WWI on the said land. The valuation is to be carried out by an expert valuer to be appointed by the Government. During the previous year, the PWD Engineer has given his valuation report based on the Balance Sheet of WWI as at 31 March 2011. Further, the Company made an application to the Government of Maharashtra in February 2013 to appoint expert valuers to determine the market price. WWI's petition for special leave to appeal filed with the Supreme Court of India has been dismissed. However, the Company and WWI have filed review petitions with the High Court, which have not yet come up for hearing. Pending final disposal of the review petitions and valuation of the building, and in view of the future plans for WWI which are being evaluated, no adjustment has been made in these consolidated financial statements as management is hopeful of reliefs based on the issues involved and on merits of the case, as also of a high valuation of the building.

3.39 During the year ended 31 March 2013, Mukta Arts had entered into an arrangement with VN Films Private Limited (formerly known as Allied Services Private Limited) vide term sheet dated 11 September 2012 to form a Joint Venture Company under the name "MUKTA VN FILMS LIMITED" as a subsidiary of Mukta Arts Limited to conduct the business of exhibition and programming being conducted by Mukta Arts Limited and forming part of the Company's revenue under 'Software' segment. As the discontinued business is to be transferred to a subsidiary i.e. within the Group, the said business is disclosed as a discontinuing operation only in the standalone financial statements of Mukta Arts Limited and previous year disclosures have also been modified accordingly in these consolidated financial statements.

3.40 Prior period comparatives

Previous year's figures have been regrouped/ reclassified as follows:

| Regrouped From | Regrouped To | Amount |
|--|--|------------|
| Employee benefits expense (Salaries and other benefits) | Employee benefits expense (Gratuity and leave encashment) | 683,454 |
| Other income (Excess provision written back) | Revenue from operations (Excess provision written back) | 2,856,009 |
| Other current liabilities (Income received in advance) | Other current liabilities (Security deposit received) | 11,662,795 |
| Revenue from operations (Fees from students) | Revenue from operations (Infrastructure services) | 26,002,500 |
| Revenue from operations (Fees from students) | Revenue from operations (Income from institutional affiliations) | 1,310,267 |
| Other current liabilities (Dividend payable) | Short-term provisions (Dividend payable) | 11,290,600 |
| Short-term loans and advances (Other loans and advances) | Other current assets (Fixed assets reclassified as held for sale) | 2,473,368 |
| Short-term loans and advances (Other loans and advances) | Other current assets (Interest accrued and not due on fixed deposit) | 6,923 |
| Short-term loans and advances (Other loans and advances) | Other current assets (Other receivables) | 1,989,807 |
| Short-term provisions (Provision for leave salary) | Short-term provisions (Provision for compensated absence) | 66,523 |
| Trade payables | Other current liabilities (Dues to venturer) | 45,102,136 |
| Long-term loans and advances (Advance Tax) | Long-term provisions (Provision for fringe benefits tax) | 608,066 |

As per our report of even date attached.

For and on behalf of the Board of Directors of Mukta Arts Limited

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

Subhash Ghai
Chairman and Managing Director

Parvez A. Farooqui
Executive Director

Rajesh Mehra
Partner
Membership No: 103145

Rahul Puri
Executive Director

Ravi Poplai
Company Secretary

Place : Mumbai
Date : 29th May, 2014



MUKTA ARTS LTD.

(Consolidated financial statements) Financial year ended 31st March, 2014

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

(Currency: Indian Rupees)

| Sr. No. | Particulars | Whistling Woods International Limited | Connect.1 Limited | Mukta Tele Media Limited | Coruscant Tec Private Limited | Mukta V N Films Limited |
|---------|------------------------|---------------------------------------|-------------------|--------------------------|-------------------------------|-------------------------|
| a) | Capital | 400,000,000 | 600,000 | 500,000 | 7,500,000 | 5,00,000 |
| b) | Reserves | (676,819,818) | 458,998 | (9,819,118) | (5,472,647) | (34,277) |
| c) | Total Assets | 327,891,262 | 3,226,243 | 4,106,137 | 4,058,120 | 5,00,000 |
| d) | Total Liabilities | 327,891,262 | 3,226,243 | 4,106,137 | 4,058,120 | 5,00,000 |
| e) | Details of investment | - | 250 | 250 | - | - |
| f) | Turnover | 203,653,606 | 2,40,000 | 16,337 | 7,304,204 | - |
| g) | Profit before taxation | (54,603,692) | 107,694 | (3,056,970) | (314,206) | (34,277) |
| h) | Provision for taxation | 297,545 | 33,591 | - | - | - |
| i) | Profit after taxation | (54,901,237) | 74,103 | (3,056,970) | (314,206) | (34,277) |
| j) | Proposed dividend | - | - | - | - | - |

MUKTA ARTS LIMITED

NOTES

[illegible]



PROXY FORM

MUKTA ARTS LIMITED

CIN : L92110MH1982PLC028180

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

Website: www.muktaarts.com; Telephone No. - (022) 3364 9400; Fax No. - (022) 3364 9401

Name of the member (s):

Registered address:

E-mail Id:

Folio / DP ID-Client ID No.

I/We being the member(s) of Mukta Arts Limited holding _____ shares hereby appoint:

(1) Name _____

Address _____

E-mail Id: _____ Signature _____ or failing him

(2) Name _____

Address _____

E-mail Id: _____ Signature _____ or failing him

(3) Name _____

Address _____

E-mail Id: _____ Signature _____ or failing him

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on Saturday, the 27th day of September, 2014 at 4.00 p.m. at the Whistling Woods Institute Auditorium, Dada Saheb Phalke Chitra Nagari, Goregaon (East), Mumbai- 400 065 and at any adjournment thereof in respect of such resolutions as are indicated below:

| Resolution No. | | RESOLUTIONS | Optional * | |
|----------------|--|-------------------|------------|---------|
| | | Ordinary Business | For | Against |
| 1. | Adoption of financial statements | | | |
| 2. | Re-appointment of Mr. Rahul Puri who retires by rotation | | | |
| 3. | Appointment of M/s B S R & Co. LLP, Chartered Accountants as Auditors and fixing their remuneration. | | | |
| | | Special Business | | |
| 4. | Appointment of Mr. Anil Harish as an Independent Director | | | |
| 5. | Appointment of Mr. Kewal Handa as Independent Director of the Company. | | | |
| 6. | Appointment of Mr. Subhash Ghai as Executive Chairman for a period of 3 years and fixation of remuneration payable to him. | | | |
| 7. | Appointment of Mr. Rahul Puri as Managing Director for a period of 3 years and fixation of remuneration payable to him. | | | |
| 8. | Adoption of new set of Articles of Association of the Company. | | | |
| 9. | Approval for borrowing limits of the Company. | | | |
| 10. | Approval for Creation of Charge on the assets of the Company. | | | |

Signed this..... Day of..... 2014

Signature of shareholder.....

Signature of Proxy holder(s)

Note:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the 32nd Annual General Meeting.
3. It is optional to put a 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
4. Please complete all details including details of member(s) in above box before submission.

Affix 1 Re.
Revenue
Stamp



MUKTA ARTS LIMITED

CIN : L92110MH1982PLC028180

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

Website: www.muktaarts.com; Telephone No. - (022) 3364 9400; Fax No. - (022) 3364 9401

ATTENDANCE SLIP

32nd Annual General Meeting on Saturday, 27th September, 2014

Folio No. / DP/ID NO.....

No. of Shares held:.....

Mr./Mrs./Miss.....

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company. I hereby record my presence at the 32nd Annual General Meeting of the Company held on Saturday, the 27th day of September, 2014 at 4.00 p.m. at the Whistling Woods Institute Auditorium, Dada Saheb Phalke Chitra Nagari, Goregaon (East), Mumbai- 400 065.

.....
Proxy's Name in Block Letters

.....
Member's/Proxy's Signature

NOTES :

1. This Meeting is of Members only and you are requested not to bring with you any person who is not a Member.
2. Shareholders/Proxy holders are requested to bring the attendance slips with them when they come to the Meeting and hand over at the entrance after affixing their signature on them.
3. Shareholders are requested to bring their copy of the Annual Report alongwith them to the Annual General Meeting, as copies of the Report will not be distributed again at the Meeting, in view of the increasing cost of the Annual Report.
4. If it is intended to appoint a proxy, the Form of Proxy should be completed and deposited at the Registered Office of the Company at least 48 hours before the Meeting.

REGISTERED POST

If undelivered, please return to:



MUKTA ARTS LIMITED

Registered Office

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

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

www.muktaarts.com