

Creative Eye Limited

ANNUAL REPORT 2004 - 2005 www.reportjunction.com

Board of Directors

Shri Dheeraj Kumar

Smt. Zubay Kochhar

Shri. Devendra Dass Kochhar

Shri M.R. Sivaraman

Shri Shiv S. Sharma

Shri S.K. Sachdeva

Shri N.R. Joshi

Chairman and Managing Director

Executive Director

Executive Director Wg, Cdr. (Retd)

Non Executive Director

Non Executive Director

Non Executive Director

Company Secretary

REGISTERED AND CORPORATE OFFICE

"Kailash Plaza", Plot No.12-A,
Opp. Laxmi Industrial Estate,
New Link Road, Andheri (W),
Mumbai 400 053.
Telephones: 022-26732613 (7 lines)
Fax: 022 - 2673 2296
E-Mail : contact@creativeeye.com
Website: www.creativeeye.com

REGISTRAR AND TRANSFER AGENTS

Karvy Computershare Pvt.Ltd.
(UNIT: Creative Eye Limited)
46, Avenue-4, Street-1,
Banjara Hills, Hyderabad 500 034.
Telephone No. 040-23312454
Fax: 040 - 23311968
Website: www-karvy.com

BANKERS

Oriental Bank of Commerce

AUDITORS

Gurpal S. Gujral & Co.,
Chartered Accountants

Annual General Meeting

Friday, 23rd September 2005, 10.30 a.m. at The Club,
H.M. Suburban Fitness Park, 197, D.N. Nagar, Andheri (W), Mumbai - 400 053

c o n t e n t s

Notice of Annual General Meeting	1
Directors' Report and Management Discussion Analysis	2-6
Compliance Certificate of Corporate Governance	7
Statement of Disclosure by Audit Committee	8
Corporate Governance Disclosure	9-12
Auditors' Report	13-15
Balance Sheet, Profit & Loss Account and Schedules	16-25
Notes to accounts	26-28
Cash Flow Statement	29
Balance Sheet Abstract	30
Proxy & Attendance Slip	31



Notice is hereby given that the Nineteenth Annual General Meeting of the members of CREATIVE EYE LIMITED will be held on Friday, 23rd September 2005, at 10.30 a.m. at The Club, H.M. Suburban Fitness Park, 197, D N Nagar, Andheri (W), Mumbai 400 053, to transact the following business: -

Ordinary Business:-

1. To consider and adopt the audited Balance Sheet as at 31st March 2005, Profit and Loss Account and Cash Flow Statement for the year ended on that date and the Reports of the Board of Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri S.K. Sachdeva who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Shiv S. Sharma who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. Gurpal S. Gujral & Co., Chartered Accountants, as Auditor of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.
5. The Register of Members and Share Transfer Books of the Company will remain closed from 16th September, 2005 to 23rd September, 2005, (both days inclusive).
6. Members who have not encashed their dividend warrants for the financial years ended on 31st March, 2003, 31st March, 2002 and 31st March, 2001 may approach the company for the duplicate warrants.
7. While members holding shares in physical form may write to the Registrar for any change in their addresses and bank mandates and members holding shares in electronic form may inform the same to their Depository Participants.
8. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
9. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited.

By Order of the Board of Directors

N R Joshi
Company Secretary

Place: Mumbai,
Dated: 29th June, 2005.

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.
2. Shareholders are requested to bring their copy of Annual Report to the Meeting.
3. Members/Proxies should fill the Attendance Slip for attending the meeting.
4. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID number and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.
10. Re-appointment of Directors :
Shri S.K. Sachdeva and Shri Shiv S Sharma retire by rotation and being eligible offer themselves for reappointment. In pursuance of Corporate Governance code, information for the abovesaid Directors is provided hereunder :
 - i) Shri S.K. Sachdeva is the Director of the Company since 29th October, 2001. He is associated with the media industry since long and is a successful businessman holding links with chain of theatres in Northern India.
 - ii) Shri Shiv S Sharma is the Director of the Company since 30th January, 2001. He is the former Director General, Doordarshan and has vast experience in the media sector.

By Order of the Board of Directors

N R Joshi
Company Secretary

Place: Mumbai,
Dated: 29th June, 2005.

Dear Shareholders,

Your Directors are pleased to present the Nineteenth Annual Report and the Audited Statement of Accounts for the year ended 31st March 2005.

Financial Highlights

	(Rs. In lacs)	
	31.03.2005	31.03.2004
Sales	1730. 17	1100. 51
Cost of Software	2038. 87	861. 83
Gross Profit	(308. 70)	238. 68
Other Income	154. 71	143. 83
Total	(153. 99)	382. 51
Other Expenses before interest and Depreciation	258. 40	279. 66
Operating Profit	(412. 39)	102. 85
Interest	25. 48	4. 49
Depreciation	192. 24	191. 03
Net Profit before tax	(630. 11)	(92. 67)
Provision for deferred tax	(9. 27)	(10. 42)
Profit after tax	(620. 84)	(103. 09)
Earning per share		
Basic	—	—
Diluted	—	—
Dividend Rate	—	—

Operations

The year 2004-05 saw your company improve its top line growth. Sales during the year were 1730.17 lacs as compared to Rs. 1100. 51 lacs last year showing an increase of 57. 22% over that of last year. The company could not maintain its bottom line with a result the company had to incur losses.

Loss of volume because of competitive pressures coupled with a low pricing took a toll on operating margin. The 3D Plus movie "Aabra Ka Daabra" unfortunately did not succeed. However, the company is making all efforts to make good the loss by trying to exploit terrestrial rights both in domestic markets and international markets.

In the year 2004-05, the actual performance of Film

Industry with respect to Hindi Feature Films was not satisfactory. Some of the major production houses who were also listed companies could not perform well in spite of producing big budget films with established stars. Some of the perceived reasons for the failure of many feature films including big budget films during the year under review has been as follows:-

1. Changing perception of the viewers.
2. Hardship in distribution for territories like Bengal, Bihar, Orissa and Assam.
3. The natural calamities such as tsunami adversely affected the movie business in the southern territories.
4. Strong penetration of satellite channels into viewers home providing entertainment at low cost.
5. Distributors reluctance for paying minimum guarantee to production houses.
6. Distributors acquiring the rights mainly on commission basis.
7. Demand versus supply – supply being in-abundance creating stiff competition.
8. Imposing various taxes by central and state government on the entertainment industry.
9. Exorbitant ticket rates fixed by multiplex thus restricting the audience to theatres.

Dividend:

Owing to the loss, your Directors are unable to recommend payment of dividend on equity share capital for the year ended 31st March, 2005.

Fund Utilization

For the financial year ending 31st March, 2005, the Company has spent the fund received from the Initial Public Issue for the following purpose.

	Rs. In Lacs
Opening balance as on 01/04/2004	1303.00
Addition for Expansion of Post Production Studio	6.00
Closing balance as on 31/03/2005	<u>1309.00</u>

It is not love that is blind but jealousy.

Business Marketing and Sales Promotion

During the year, the main programs run by the Company were:-

- | | |
|--|----------------|
| 1) Hey Yehii To Haii Woh | Star One |
| 2) Ruby Duby Hub Dub –
Just Funtashtic | Sahara One |
| 3) Paowan | Hungama TV |
| 4) Kya Mujhse Dosti Karoge | Hungama TV |
| 5) Kavyaa Rangnath Re | Star Vijay TV |
| 6) Kanmani | Star Vijay TV |
| 7) Shree Ganesh (Malayalam) | Asianet TV |
| 8) Om Namah Shivay - (Rerun) | ETV - Gujarati |
| 9) Om Namah Shivay - (Rerun) | ETV - Oriya |
| 10) Om Namah Shivay - (Rerun) | ETV - Hindi |
| 11) Hindi Feature Films Right Sale | |
| 12) Under Overseas (Export Sale)
Shree Ganesh | Thailand |
| 13) TVC Spot Sales | Star Plus |

The Movie Segment

The Company is negotiating for the sale of terrestrial and satellite rights with the respective channels. Through these rights, the company is hopeful to generate additional revenues thus compensating the loss to certain extent relating to the movie.

Future Plans

In the year 2005, the new Satellite Channels have made their effective in-road in the Entertainment Industry. Disney Channel, Pogo, Nickelodeon have made an impact in the children's genre. Your company is in active negotiation with these channels to produce programs specifically related to children's genre. Your company is hopeful to produce minimum one program each for these channels and to exploit the 3D technology with one of the major children genre channel.

All the above mentioned satellite channels have planned to create local content through local production houses and your company has very healthy professional relationship with these channels.

Your company is further strengthening its professional relationship with southern channels viz. Sun TV group. Company is hopeful to produce quality programs for the same group in the current year. Besides strengthening its relationship with Sun

TV group, the company is enjoying a professional relationship with Star Vijay T. V. with two programs viz. "Kavyaa Rangnath Re" and "Kanmani" in Tamil language. The company has formidable plans to come back on Doordarshan at the earliest. The company is in active negotiation with Doordarshan and is hopeful to commence new programs very soon.

The company has forayed with film distribution with their own movie "Aabra Ka Daabra" in the Eastern Circuit popularly known as Bengal territory in the film trade in the month of May, 2005. The company plans to acquire Hindi and Bengali films at reasonable cost to continue further with distribution in the Eastern Circuit.

The Company's ongoing projects includes "Hey Yehii To Haii Woh" on Star One, "Ruby Duby Hub Dub" on Sahara One, "Kanmani" on Star Vijay and the sale of Hindi film rights which shall continue in the current year. Besides the ongoing TV serials, the company is confident to produce serials for Star Plus, Sahara One and Zee TV in the current year, the negotiations are on with the respective channels.

Public Deposit

The Company has not accepted any deposit within the meaning of section 58A of the Companies Act, 1956 and Rules made thereunder.

Directors:

In accordance with the provisions of Articles of Association of the Company, Shri S. K. Sachdeva and Shri. Shiv S Sharma retire by rotation as Directors of the Company and being eligible offers themselves for re-appointment.

Directors' Responsibilities Statement:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibilities Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2005, the applicable Accounting Standards had been followed along with proper explanations relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a 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 under review;

- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- (iv) that the directors had prepared the accounts for the financial year ended 31st March, 2005 on a 'going concern' basis.

Auditors

M/s. Gurpal S Gujral & Co. , Chartered Accountants, Auditors of the company hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The company has received a letter from M/s. Gurpal S. Gujral to the effect that their appointment as Auditors, if made, would be within the limits under Section 224(1-B) of the Companies Act, 1956.

Personnel

As per the amended provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, during year none of the employees are drawing remuneration more than Rs. 2,00,000/- per month or Rs. 24,00,000/- per annum.

Foreign Exchange

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 regarding foreign exchange earnings and outgo is given hereunder.

(Rs. In lacs)

Foreign Exchange Outgoings

Expenses on Foreign Travelling	—
Import of Plant & Machinery	—

Foreign Exchange Earnings:

Sale of software	42. 88
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Corporate Governance:

Your Company and its Board has been complying with Corporate Governance to the extent set out in

this respect as a separate report, in pursuance of requirements of Clause 49 of the Listing Agreement. The Management Discussion and Analysis Report forms part of this Report, Auditor's Certificate regarding compliance of the conditions of Corporate Governance as stipulated under the said clause is also attached to the Report.

Management Discussion and Analysis

a) Industry structure and developments:

Economic Growth

Based on the analysis of the report compiled by the renowned analysts of the Media Industry, the year 2004 was a good year for the Indian Entertainment Industry of which television segment continued to dominate by the emergence of several new channels in the kids segment, news channels and niche category. DTH also made its debut during the year. Overall the television segment saw the maximum growth in revenues and is expected to spear head the growth of the Indian Entertainment Industry as a whole.

Industry Size

The Indian Entertainment Industry stands at over Rs. 20000 crores today. In a span of next five years it is expected to grow to over Rs. 45000 crores, which means in percentage term it will grow @18% compounded annually. The main contributor will be television segment followed by film segment.

Opportunities

In the year 2005, the emergence of several new channels on the kids segment, demanding local content from Indian production houses enhances the opportunity for your company as your company has established its mark with various kids programs and a kids movie released in the year 2004. DTH license provided to major satellite broadcasters and Doordarshan establishing its presence in DTH shall enable your company to create more programs, as the demand shall rise for good contents. Broad Band shall make its formidable presence in 2005, hence providing numerous opportunities to the viewers such as Video On Demand etc. , thus increasing the feasibility of producing additional contents. Your company has plans to enter into production of specific programs in these segments. Besides as your

company is holding the Intellectual Property Right's of more than 3000 hrs. of contents in the mythological genre, children genre which can be recycled to generate revenue stream thus increasing the bottom line of the company.

Your company has an edge over the competitor to exploit the opportunity for better revenue generation and positioning.

Weakness

The program profile being swiftly changing on the satellite channels from fiction to interactive shows, game shows, talk shows etc. , creates uncertainty for content providers even having the agreements in place for fiction shows, the programs are curtailed due to sudden changes in the policies. It adversely impacts the top line growth and the profit margin of the content creators. The changing policies of National Broadcasters popularly known as Doordarshan from sponsored programming to self financing scheme also impacts the marketing strategies of company as the National Broadcasters have started marketing the programs through their own marketing division. It affects top-line growth thus restricting the turnover of the company.

Threats

1. The closure of satellite channels due to indifferent Government Policies.
2. Restricting Satellite Channels operation due to frequent changes of the Government at the Centre.
3. Competitive Threat.

c) Segment wise or product wise performance:

The Major segments of the Company's turnover are commissioned programs, Sponsored programs and film business. Turnover of each segment is as follows:

Figures in (lacs)
31st March 2005

Commissioned Programs	1500. 34
Sponsored Programs	22. 77
Film Business	207. 06
Total	1730. 17

Profitability of each segment of the Company

is given hereunder :

Figures in (lacs)
31st March 2005

Segments	Sales	Cost of Software	Gross profit
Commissioned Programs	1500.34	1452.20	48.14
Sponsored Programs	22.77	42.67	(19.90)
Films	207.06	243.90	(36.84)
Total	1730.17	1738.77	(8.60)

d) Future Outlook:

Technology will be the driving force in the entertainment industry for the next decade. Its boundaries will be merged with those of the telecommunications and information technology segments. Due to this, consumers will no doubt benefit with host of value added features and it will entail new revenue stream for the players in each segment.

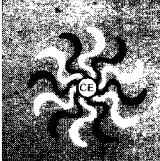
The future belongs to digitalization in the television industry. So also content is and will continue to be the king of entertainment in future. Securing rights over the content will decide the strength of the players across all the segments.

e) Adequacy of Internal Control

Your company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from un-authorized use or disposition and that transactions are authorized, recorded and reported correctly. The internal control system are supplemented by an extensive program of internal audits, review by management and documented guidelines and procedures. The internal control system are designed to ensure that financial and other records are reliable for preparing financial information and other data for maintaining accountability for assets. Internal audit findings and recommendations are reviewed by the top management and the Audit Committee at regular intervals.

f) Discussion on financial performance with respect to operational performance :

Sales during the year ended 31st March, 2005 was Rs. 1730. 17 lacs as against Rs. 1100. 51 lacs in previous year. There was an increase of Rs. 629. 66 lacs in sales over the previous year.

**Human Resources**

The company's relationship with its employees continued to be very cordial and harmonious. It is the endeavor of the company to improve and instill confidence in each of the employee and to improve their morale to move forward in their respective job with courage, conviction and dedication.

Total number of employees on the payroll of the company as on 31/03/2005 was 36.

Cautionary Statement

Estimates and expectations stated in the Management Discussion Analysis maybe "forward looking statements" within the applicable securities law and regulations. Actual results might differ substantially or materially from those expressed or implied due to the external factors which are beyond the control of the company. Important factors that could make a difference to your company's operation includes the channels decision, changes in the government regulations, tax laws, statutes and other incidental factor.

Acknowledgement:

Your directors express their appreciation for the contribution made by the employees to the improvement in the operations of the company. Your directors also thank all the Government Agencies, Bankers, Financial Institutions, Shareholders, Customers, Vendors and other business associates, who through their continuous support and co-operation have helped in your company's progress.

For and on behalf of the Board
For **Creative Eye Limited**

Dheeraj Kumar
Chairman & Managing Director

Place: Mumbai

Dated: 29th June 2005

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To

The members of
Creative Eye Limited

"Kailash Plaza",
Plot No.12-A, New Link Road,
Andheri (W), Mumbai 400 053.

Dear Shareholders,

We have examined the compliance of the conditions of Corporate Governance by Creative Eye Limited, for the year ended on 31st March, 2005 as stipulated in clause 49 of the Listing Agreement of the Company with Stock Exchanges In India.

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

In our opinion and to the best of our information and according to the explanations given to us,

- i) We certify that the Company has complied with conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

- ii) We state that no investor grievances is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investor Grievance Committee.

Further, the report of the Directors on Corporate Governance read with the Management Discussions and Analysis Report discloses all the relevant information in accordance with Clause 49 of the Listing Agreement with the Stock Exchange.

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

For and on Behalf of
Gurpal S. Gujral & Co.
Chartered Accountants

Gurpal S. Gujral
F.C.A., Partner

Place: Mumbai
Dated: 29th June, 2005.

To,

The Shareholders of
Creative Eye Limited

In terms of Clause 49 of the Listing Agreement regarding Corporate Governance, we the members of the Audit Committee disclose in respect of the Financial Year 2004-2005 that;

1. the Audit Committee has reviewed the Audited Financial Statement of the Company and held discussions of the quality of the accounting principles as applied and significant judgements affecting Company's financial statements.
2. the Audit Committee have discussed of the quality of those principles as applied and judgements referred on (1) above under the circumstances.
3. the Chairman of the Audit Committee and its members after initial discussions amongst themselves, invited the Chairman & Managing Director and Executive Director of the Company

along with the Internal Auditor to discuss the various issues related to Audited Financial Statements of the Company. The Members of the Audit Committee discussed with the Management on the various issues pertaining to the Audited Financial Statements.

4. the Audit Committee, in reliance on the review and discussion conducted with Management in (1), (2) and (3) above, believed that the Company's financial statements are fairly presented in conformity with the generally accepted accounting principles in all material respects.

For and on Behalf of Audit Committee of
Creative Eye Limited

M. R. SIVARAMAN
Chairman, Audit Committee

Place: Mumbai

Dated: 29th June, 2005.

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