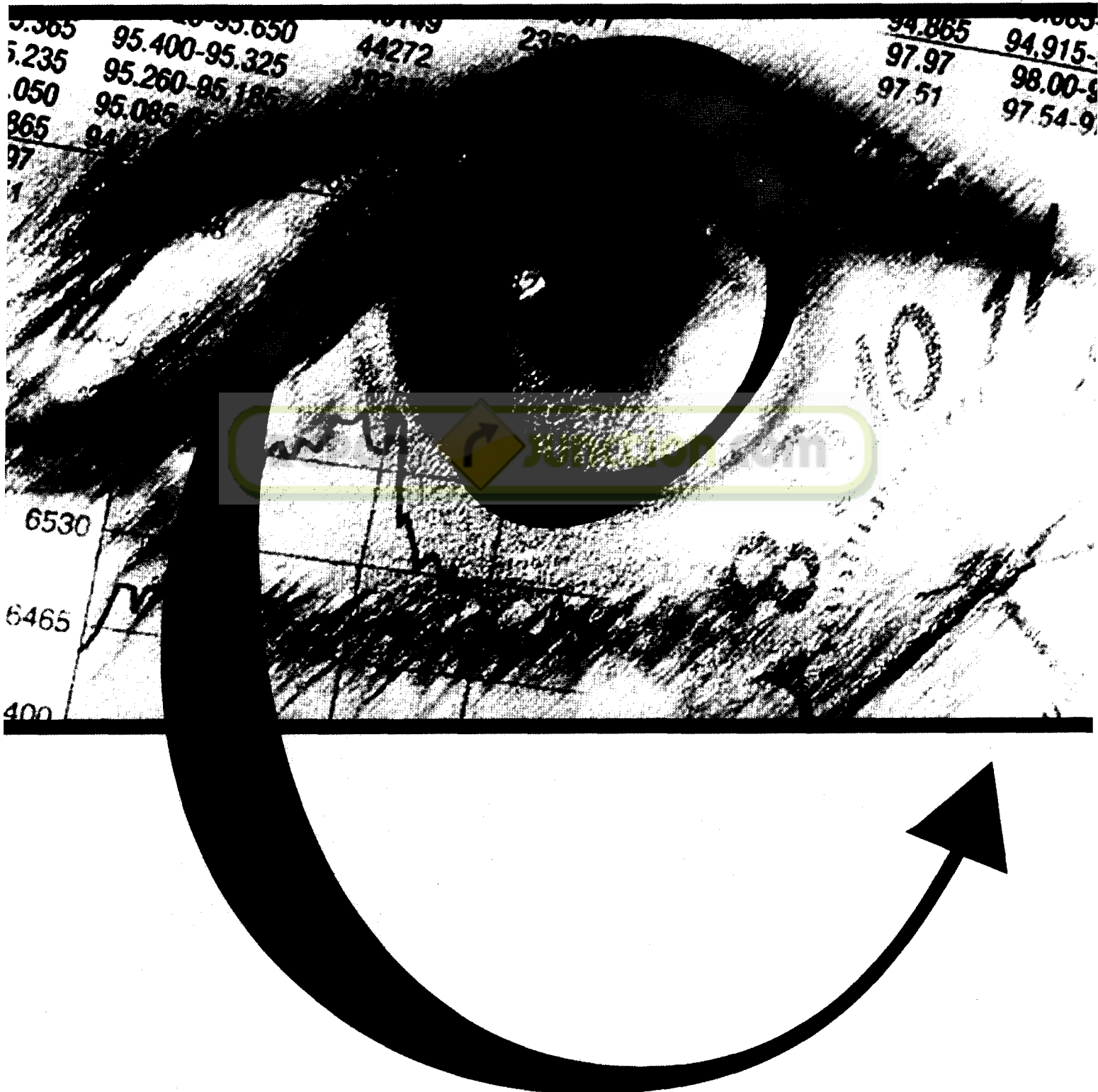




Creative Eye Limited



annual report 2005 - 2006

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Board of Directors

Shri Dheeraj Kumar	<i>Chairman and Managing Director</i>
Smt. Zuby Kochhar	<i>Executive Director</i>
Shri. Devendra Dass Kochar	<i>Executive Director Wg.Cdr.(Retd)</i>
Shri M.R. Sivaraman	<i>Non Executive Director</i>
Shri Shiv S. Sharma	<i>Non Executive Director</i>
Shri T.K. Choudhary	<i>Non Executive Director</i>
Shri N.R. Joshi	<i>Company Secretary</i>

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.karvycomputershare.com

BANKERS

Oriental Bank of Commerce

AUDITORS

Uttam Abuwala & Co.,
Chartered Accountants



Annual General Meeting

Thursday, 14th September, 2006 at 10.30 a.m.
at The Club, H.M. Suburban Fitness Park,
197, D.N. Nagar, Andheri (W), Mumbai - 400 053



Notice

Notice is hereby given that the Twentieth Annual General Meeting of the Members of CREATIVE EYE LIMITED will be held on Thursday, 14th September, 2006, 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 2006, 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 Shiv S Sharma who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri M R Sivaraman who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. Uttam Abuwala & 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.

Special Business:

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

"RESOLVED THAT Shri T K Choudhary, who was appointed in the casual vacancy in place of Shri S K Sachdeva with effect from 27th March 2006 by the Board of Directors at their meeting held on 27th March 2006 and who ceases to hold office at this Annual General Meeting and who is eligible for appointment and in respect of whom the Company has received a notice under section 257 of the Companies Act, 1956, from a member proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By Order of the Board of Directors

N R Joshi

Company Secretary

Place: Mumbai,

Dated: 22nd June, 2006.

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.
5. The Register of Members and Share Transfer Books of the Company will remain closed from 07th September 2006 to 14th September, 2006, (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 duplicate warrants.
7. While members holding shares in physical form may write to the Registrar for any change in their addresses and bank mandates, 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.
10. Re-appointment of Directors:
Shri Shiv S Sharma and Shri M R Sivaraman retire by rotation and being eligible offer themselves for reappointment. In pursuance of Corporate Governance code, information for the above said Directors is provided hereunder:
 - i) Shri Shiv S Sharma is the Director of the Company since 30th January 2001. He is a former Director General, Doordarshan and has vast experience in the media sector.
 - ii) Shri M R Sivaraman is the Director of the Company since 29th March 2001. He is a retired IAS Officer, who was the Union Revenue Secretary and Executive Director of International Monetary Fund. He is also the Chairman of Lawrence School, Ooty.

By Order of the Board of Directors

N R Joshi
Company Secretary

Place: Mumbai,
Dated: 22nd June, 2006.

Annexure to Notice

Explanatory statement pursuant to section 173(2) of the Companies Act, 1956.

Item No.5

Shri T. K. Chaudhary was appointed in the casual vacancy caused by the resignation of Shri S. K. Sachdeva w.e.f from 27th March 2006. Shri S. K. Sachdeva would have retired by rotation in this Annual general Meeting. The company has received a notice in writing under section 257 of the Companies Act, 1956 along with a deposit of Rs.500/- from a member proposing the candidature of Shri T. K. Chaudhary for the office of a Director. The Board recommends his appointment.

None of the Directors other than Shri T. K. Chaudhary are interested in the resolution.

By Order of the Board of Directors

N R Joshi
Company Secretary

Place: Mumbai,
Dated: 22nd June, 2006.



Directors' Report

Dear Shareholders,

Your Directors are pleased to present the Twentieth Annual Report and the Audited Statement of Accounts for the year ended 31st March 2006.

Financial Highlights

	(Rs. In lacs)	
	31.03.2006	31.03.2005
Sales	1736.08	1730.17
Cost of Software	1403.00	2038.87
Gross Profit	333.08	(308.70)
Other Income	144.89	154.71
Total	477.97	(153.99)
Other Expenses before Interest and Depreciation	233.69	258.40
Operating Profit	244.28	(412.39)
Interest	26.72	25.48
Depreciation	191.96	192.24
Net Profit before tax	25.60	(630.11)
Provision for deferred tax	(26.07)	(9.27)
Provision for Fringe Benefit Tax	2.84	—
Profit after tax	48.83	(620.84)
Earning per share		
Basic	0.24	—
Diluted	0.24	—
Dividend Rate	—	—

Operations

Your Company has tried to consolidate and improve the top line and bottom line growth by taking several steps. As a consequence of this, performance in the year under review is better as compared to the previous year.

Sales during the year were Rs.1736.08 lacs as compared to Rs.1730.17 lacs last year showing a marginal increase of 0.34% over that of last year. The turnover was entirely due to T. V. Serials. Your company has achieved an Operating Profit of Rs.244.28 lacs as against a loss of Rs.412.39 lacs incurred last year. Net Profit after Tax was Rs.48.83 lacs as against a loss of Rs.620.84 lacs. Your company is taking all the steps to improve its top line growth as well as its bottom line during the current year.

Dividend:

Owing to an accumulated loss of Rs.276.11 lacs as against last years Rs.638.36 lacs, your Directors are unable to recommend payment of dividend on equity share capital for the year ended 31st March, 2006.

Fund Utilization

For the financial year ending 31st March, 2006, the Company has utilized the fund received from the Initial Public Issue for the following purpose.

	Rs. In Lacs
Opening balance as on 01/04/2005	1309.00
Addition for Expansion of Post Production Studio	14.41
Closing balance as on 31/03/2006	1323.41



Directors' Report

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) Kya Mujhse Dosti Karoge		Hungama TV
4) Kanmani		Star Vijay TV
5) Om Namah Shivay	(Rerun)	ETV - Gujarati.
6) Om Namah Shivay	(Rerun)	ETV - Oriya
7) Om Namah Shivay	(Rerun)	ETV - Hindi.
8) Om Namah Shivay, Jaane Aanjane, Sansar (Rerun)		DD-I
9) Miilee		Star Plus
10) Jodee Kamaal Ki		Star Plus
11) Hindi Feature Films Right Sales		
12) Radio Programs		
13) Ad Commercials		
14) Under Overseas (Export Sale) Shree Ganesh		Thailand

Fiction Show: Miilee : Star Plus

Miilee, a social fiction show establishing the fight against injustice by a female protagonist named Miilee is being telecast over Star Plus since last many months. A daily soap being shown at 9.00 p.m. has established its marks in terms of ratings (TRPs) and well appreciated by the masses and the critics. The increasing association of your company with Star Plus, the leading channel of the nation, has strengthened substantially its base of operations.

Game Show – Jodee Kamaal Ki : Star Plus

Your Company has made a unique celebrity game show namely “Jodee Kamaal Ki”. This mega game show has been running successfully on Star Plus from 04th March 2006. The program is telecast every Saturday at 8.00 p.m. The show consists of celebrities from various fields like Politicians, Cricketers, TV Stars, Film Stars, Directors, Singers and Musicians etc.,

Re-Runs: Om Namah Shivay, Jaane Anjaane, Sansar : DD - 1

Your Company is back on Doordarshan with three major shows viz. Om Namah Shivay, Jaane Anjaane, Sansar, with re-telecast on its National Channel DD-1. As the programs are re-telecast program, the revenue generated by these shows adds to the bottom line of the company.

Ad Commercials:

Your company has ventured into the production of Ad Commercials during the year and has successfully entered into contracts with National and Multi-National Corporations. Dabur, a leading company since many years has given the responsibilities to your company through its advertising agencies Euro RSG and O&M to make Dabur Health Care Commercials. The successful commercials made for Dabur Health Care were with leading models like Sonu Nigam, Rahul Vaidya, Gurdeep Kohli etc., and were telecast on all the leading satellite channels as well as on Doordarshan. Your company also made commercials for Zandu Pharmaceuticals. The company is confident of getting more such contracts from National and Multi National clients.



Directors' Report

Future Plans

TV Serials

1. "Man Mein Hai Visshwas" : Sony TV

Your Company has entered into an agreement with Set India Private Limited to produce a unique show titled "Man Mein Hai Visshwas" based on the faith of the people. A show inspired by real life stories will create a new segment for the viewers. The show will reflect conviction of the people who had experienced a major change in their lives. A 52 part one hour weekly serial will be telecast from the second quarter of 06-07 and will continue in 07-08 too.

2. "Betiyaan" : Zee TV

Your company has entered into an arrangement with Zee TV to produce a daily social soap on prime time titled "Betiyaan" which will commence in the second quarter of 06-07. Based on a social theme of gender equality – that daughters are not inferior to sons, the serial is likely to appeal to the masses by emphasizing the achievement and capabilities of Indian womanhood.

3. Re-runs : Sony TV

Your company has entered into an agreement with Set India Pvt.Ltd. to telecast three of its mega mythological shows. Shree Ganesh, Om Namah Shivay and Jap Tap Vrat have been given to Sony TV for re-telecast with one natural telecast and one repeat telecast. Shree Ganesh is being telecast 7 days a week from Monday to Sunday at 9.00 a.m. effectively from 04th June, 06. The balance two programs will be telecast after Shree Ganesh. The revenue generated through re-telecast of these programs will add to the profits of the company in 06-07 and 07-08.

4. Sports Event:

The company successfully held a cricket event – EurAsia Cricket Series 2006 duly recognized by the International Cricket Council (ICC). The event was held at Zayed International Cricket Stadium in Abu Dhabi, UAE from 22nd April 2006 to 05th May, 2006.

As a promoter of the cricket event, your company assigned the telecast/marketing rights of the event to Sahara One Media & Entertainment Ltd and DD. The event was telecast simultaneously over Sahara One / Sahara Filmy and DD Sports Channel. BSNL was the title sponsor of the event. In this mega event of fourteen days, six Nations participated i.e. India-A, Pakistan-A, Sri Lanka-A, Holland, Ireland and UAE. This was the first event held at Abu Dhabi in alliance with Abu Dhabi Cricket Council. The success of this event has encouraged your Company to undertake such ventures in future.

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:

Mr. S K Sachdeva has resigned from the directorship of the Company, with effect from 24th January 2006.

During the year the Board of Directors at its meeting held on 27th March 2006 appointed Shri T. K. Choudhary an IGP ret'd in the vacancy arising on account of the resignation of Shri S. K. Sachdeva. He will cease to hold office at the forthcoming Annual General Meeting and is eligible for appointment. The Company has received a notice under section 257 of the Companies Act, 1956 proposing his candidature for the office of Director. Shri Choudhary, IPS RETD was DGP Maharashtra. Shri Choudhary is an accredited officer having awards like Raksha Medal for the 1965 war, Western Star for the 1971 war and the Police Medal for Meritorious Service. Shri Choudhary is now actively involved in social work. The Company will benefit by his rich and vast experience in various fields.

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

Directors' Responsibilities Statement:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors'



Directors' Report

Responsibilities Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2006, 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 judgments 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 profit 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, 2006 on a 'going concern' basis.

Auditors

M/s. Uttam Abuwala & 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. Uttam Abuwala & Co. to the effect that their reappointment 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 the 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.

Foreign Exchange Outgoings (Rs. In lacs)

Expenses on Foreign Travel	NIL
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Foreign Exchange Earnings

Sale of software	92.72
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Corporate Governance:

Your Company and its Board has been complying with all the requisites of good Corporate Governance as set out in 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:

Industry Size and Economic Growth

As usual the television segment of Media Industry has dominated the field of entertainment and has the potential to do so in future. Out of the estimated 185 million homes in India, the reach to the television is confined to only 100 million homes. Indian television industry is projected to grow at an annual compounded rate of 24 percent per annum over the next five years.

The spread of TV sets on account of increasing income levels is expected to further fuel the growth of subscription revenue.



Directors' Report

Television advertising is also expected to grow significantly over the next five years. Rapid growth of industry is also fuelling the growth of expenditure on ad spend.

b) Opportunities

Indian television industry is on the threshold of major technological changes. Digital cable, DTH and IPTV are likely to hit the market soon. In fact all the segments of the industry whether broadcasting, distribution, regulations and content are witnessing many changes. The launching of the new method of distribution of programs using new technologies expected to commence in the last quarter of 07-08 will open a new window opportunity to your company to diversify its programs into new areas.

Weaknesses

Changing policies of the Government owing to globalization and other regulations by the legislators, the competitors strategies followed by the Satellite Channels to attract quality programs at low cost and the changing taste of the viewers, put the company's ability to adapt rapidly to the changes.

Threats

The major threats faced by the company are the sudden introduction of new technologies.

Competitors peer pressure in the market and

Shifts in the policies of the Government including changes in taxation laws have given shocks to the company. These threats remain in the future also.

c) Segment wise or Product wise Performance:

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

	Figures in (lacs) 31 st March 2006
Commissioned Programs	1734.37
Film Business	1.71
Total	1736.08

Profitability of each segment of the Company is given hereunder :

	Figures in (lacs)		
Segments	Sales	Cost of Software	Gross profit
Commissioned Programs	1734.37	1400.01	334.36
Films	1.71	2.99	(1.28)
Total	1736.08	1403.00	333.08

d) Future Outlook:

Currently the number of channels available in India is estimated to be 300 in 2005 and this may grow in future. With the growth in the spread of TV sales, the number of households availing Cable TV and DTH will also rise sharply in the coming years. Keeping these factors in view, your company is engaged in the creations of content that will serve the requirement of industry and the viewing public.

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 those transactions are authorized, recorded and reported correctly. An extensive program of internal audits, reviewed by management and documented guidelines and procedures, supplements the internal control system. The internal control systems are designed to ensure that financial and other records are reliable for preparing financial information and other data for maintaining accountability for assets. The top Management and the Audit Committee review internal audit findings and recommendations at regular intervals.



Directors' Report

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

Sales during the year ended 31st March 2006 was Rs.1736.08 lacs as against Rs. 1730.17 lacs in previous year. There was a marginal increase of Rs.5.91 lacs in sales over the previous year. Cost of software for the year were Rs.1403.00 lacs as compared to Rs.2038.87 lacs. Gross Profit during the year was Rs.333.08 lacs as against a loss of Rs.308.70 lacs in the previous year.

Human Resources

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

The total number of employees on the payroll of the company as on 31/03/2006 was 38.

Cautionary Statement

Estimates and expectations stated in the Management Discussion Analysis Report 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 include 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: 22nd June, 2006