

KHYATI MULTI MEDIA ENTERTAINMENT LIMITED

14TH AUDITED ANNUAL REPORT FOR THE YEAR 2007-2008

Registered Office :

100, Chinubhai Tower,

Opp. : Handloom House,

Ashram Road, Ahmedabad - 380 009.

CIN: U92199GJ1995PLC024284
COMPANY REGN NUMBER:04-24284
NOMINAL SHARE CAPITAL: Rs.13,00,00,000/-

DATE OF : 20/01/1995
INCORPORATION;

KHYATI MULTIMEDIA-ENTERTAINMENT LIMITED

FOURTEENTH ANNUAL GENERAL MEETING - PROGRAMME.

DATE : 30TH SEPTEMBER, 2008
DAY : TUESDAY
TIME : 04.00 P.M.
VENUE : REGISTERED OFFICE OF THE COMPANY AT :
100, Chinubhai Towers, Opp: Handloom House,
Ashram Road, Navrangpura, Ahmedabad- 380 009.

NOTE TO SHAREHOLDERS:

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies to the meeting.

CONTENTS:

- 1) Board of Directors and Other Information.
- 2) Notice along with Explanatory statement pursuant to provisions of Sec 173(2) of the Companies Act 1956.
- 3) Directors' Report.
- 4) Corporate Governance Report.
- 5) Auditors' Report.
- 6) Balance Sheet.
- 7) Profit & Loss Account.
- 8) Schedules to the Balance Sheet and Profit & Loss Account.
- 9) Notes to the Accounts.
- 10) Balance Sheet Abstract and Company's General Business Profile.
- 11) Cash Flow Statement pursuant to Clause 32 of the Listing Agreement and Auditors' report there on.
- 12) Attendance Sheet & Proxy Form.

BOARD OF DIRECTORS

Shri Kartik J. Patel
Shri Jashubhai M. Patel
Shri Kiritbhai C. Patel
Smt. Jignaben K. Patel
Shri Praful Agrawal

Chairman & Managing Director
Whole-Time Director
Director
Director
Director

ACTING IN ADVISORY NATURE ONLY TO VARIOUS COMMITTEES OF CORPORATE GOVERNANCE

Secretarial and Corporate Legal Matters

Shri Kamlesh. M. Shah
(Practicing Company Secretary)

Finance, Audit and Taxation Matters

M/s. Khandhar & Parikh
Chartered Accountants

BANKERS OF THE COMPANY

Punjab National Bank, Relief Road Branch, Ahmedabad - 380001.
The Sabarmati Co-op. Bank Ltd., Vada Branch, Ahmedabad - 380014.
HDFC Bank Limited, Navrangpura Branch, Ahmedabad: 380009.

REGISTRAR AND SHARE TRANSFER AGENT

Sharepro Services
Satam Industrial Estate,
3rd Floor, Above Bank of Baroda,
Chakala, Andheri (East),
Mumbai.

Auditors

M/s. Khandhar & Parikh
Chartered Accountants
Ahmedabad

Company Law Consultants

M/s. Kamlesh M Shah & Co.,
Practicing Company Secretary
Ahmedabad.

REGD. OFFICE

101, Chinubhai Towers,
Opp. Handloom House,
Ashram Road, Navrangpura,
Ahmedabad: 380 009.

INVESTORS GRIEVANCE AND COMPLIANCE OFFICER:

Kartik. J. Patel,
Chairman And Managing Director
100, Chinubhai Towers, Opp: Handloom House,
Ashram Road, Navrangpura,
Ahmedabad: 380 009.

NOTICE

NOTICE is hereby given to the Members of Khyati Multimedia Entertainment Limited that **14th Annual General Meeting** of the Members of the Company will be held on Tuesday the 30th September, 2008 at 04.00 P.M. at the Registered Office of the Company at 100, Chinubhai Towers, Opp: Handloom House, Ashram Road, Navrangpura, Ahmedabad: 380 009 to transact the following Business.

ORDINARY BUSINESS :

- 1) To Receive, Consider, Approve and Adopt the Audited Statement of Account i.e. The Audited Balance Sheet as at 31/03/2008, the Profit & Loss Account for the Year ended on that date and the report of the Auditors and Directors thereon.
- 2) To Appoint a Director in place of Mr. Praful Agarwal, who retires by rotation and being eligible offers himself for reappointment.
- 3) To Appoint M/s. Khandhar and Parikh, Chartered Accountants, as the Statutory Auditors for the next Financial Year to hold the office as such from the conclusion of this Annual General Meeting up to the date of next Annual General Meeting and to fix their remuneration.

SPECIAL RESOLUTION:

- 1) To consider and if thought fit, to pass the following resolution as an Special Resolution:

RESOLVED THAT pursuant to the provision of Section 16, 31, 94, and all other provisions of the Companies Act 1956 and subject to the approval of the Registrar of Companies, The Stock Exchange, National Securities Depository Limited, SEBI and such other authorities as may be required or necessary or as may be applicable, Every 10 existing Equity Share of the Company of Rs.1/- each (Rs. One Each) face value / Paid up Value be and is hereby consolidated into 1 Equity Share of Rs.10 each (Rs. Ten Each) face value / paid up value per share. Authorized Share Capital of the company of Rs.13, 00,00,000/- (Rs. Thirteen Crore Only) divided into 13,00,00,000 Crore (Thirteen Crore) Equity Share of Rs. 1/- (Rs. One each) be and is here consolidate into One Equity Share Of Rs.10/- (Rs. Ten each Only)

"Resolved that clause 5 of the Memorandum of the Association of the Company be and is hereby altered, amended modified and same be substituted by the following new Authorized Share Capital clause;

CLAUSE-5

"The Authorized Share Capital of the company is Rs.13, 00,00,000/- (Rupees Thirteen Crores Only) divided into 1,30,00,000 (One Crore Thirty Lacs) Equity Shares of Rs.10/- (Rs. Ten Each Only) each".

DATE: 21ST AUGUST 2008.
PLACE: Ahmedabad.

By Order of the Board of Directors
Of Khyati Multimedia Entertainment Limited
Sd/-
(Kartik J. Patel)
Chairman And Managing Director.

NOTES

- i) A Member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote instead of him and that a Proxy need not be a member of the Company.
- ii) Proxies in order to be effective should be duly completed in the prescribed form stamped and signed and must be deposited at the Registered office of the company no less than 48 hours before the time fixed for the meeting.
- iii) Members desiring any information as regards account are requested to write to the company at least 7 days before the meeting to enable the management to keep the information ready.
- iv) Members are requested to intimate any change in their registered addresses if any directly at the Registered Office of the Company at their address mentioned elsewhere in this report.
- v) The Register of members and share transfer books of the company shall remain closed on 30/09/2008 to 30/09/2008. For the purpose of Annual General Meeting as per requirements of section 154 of the Companies Act 1956 and in compliance to Listing Agreement with stock exchanges.

Explanatory Statement pursuant to the Section 173 of the Companies Act 1956, in respect of the Special Business set out in Notice.

The members of the company are aware that the company's existing Equity Share Capital is divided into One Equity Share of Rs.1/- only each face value / paid up value. The Equity Share of the company are also listed and traded in the stock exchange in Ahmedabad & Mumbai.

Due to recent recession in the stock market of the country and the world over, the market prices of the Equity share is gone below the face value of the company and is traded at a price of Rs.0.40 Per Equity Share. Many shareholder of the company are holding less than 100 Equity Shares with in the Company. If they intend to sell their investment they are hardly getting Rs.40/- net of their investment and after deducting the charges for Brokerage, transaction expenses etc. they are put to ultimate loss. Accordingly, it is feared that the small investor will be put at heavy loss not only from loss of their investment but the shares of the company will also get the lesser liquidity in the market.

Considering all this matter in the larger interest of the general and small investors it is proposed to consolidate every 10 existing Equity share of RS.1/- each into 1 equity share of Rs.10 only each.

As the Company's share are listed on the stock exchange, the company is required to issue new share certificate to the shareholders holding physical shares and also required to take approval of depositories, stock exchange etc. authorities to give effect to the Demat Account of each and every investors. Accordingly it is proposed to give proper authority to board or a director or an authorized officer of the company to give effect to the resolution.

All the directors of the company are deemed to be concerned or interested in the proposed resolution.

DATE: 21ST AUGUST 2008.
PLACE: Ahmedabad.

By Order of the Board of Directors
Of Khyati Multimedia Entertainment Limited
Sd/-
(Kartik J. Patel)
Chairman And Managing Director.

DIRECTORS' REPORT

To,
The Members,
KHYATI MULTIMEDIA-ENTERTAINMENT LIMITED

Dear Shareholders,

Your Directors have pleasure in presenting herewith the Fourteenth Audited Annual report of your Company for the financial year ended on 31st March 2008.

FINANCIAL HIGHLIGHTS:

During the year under review the financial performance of the Company is as under:

(Amount in Rupees)

Particulars.	For the Year Ended on 31/03/2008	For the Year Ended on 31/03/2007
Gross Income	71,16,756	9,08,470
Total Expenses	6,40,85,846	36,86,222
Profit / (Loss) Before Depreciation & Tax	(5,69,69,090)	3,28,014
Provision for Depreciation	1668098	31,05,766
Profit Before Tax	(5,86,37,188)	(27,77,752)
Provision for Tax	NIL	0
Excess Income Tax Provision P.Y.	NIL	0
Provision for FBT	NIL	670
Net Profit / (Loss) for the Year	(5,86,37,188)	(27,77,422)
Deferred Tax Assets (Previous year liabilities)	NIL	1,80,000
Net Loss for the Year	(5,86,37,188)	(25,98,422)
Previous year Balance B/f.	5,66,977	(5,36,17,025)
Total Loss Transferred to Balance Sheet.	(5,80,70,211)	(5,62,15,447)

DIVIDEND

As your company has incurred a net loss during the year under review and due to making provision for deferred tax liability the accumulated losses does not permit your directors to declare any amount as dividend to be paid.

UNPAID/UNCLAIMED DIVIDEND

The Company does not have any outstanding unpaid/unclaimed dividend which is required to be transferred to the Investors Education and Protection funds as per the provision of Section 205C of the Companies Act, 1956. The Company does not have any outstanding liability on account of Interest and Principal on Deposits, Debentures or Share Application Money.

SHARE CAPITAL STRUCTURE

During the year under review there were no changes in the Authorized, Issued, Subscribed and Paid up Share Capital Structure of the Company.

BUY BACK OF EQUITY SHARES

The Company had not made any Buy Back of its paid up equity shares during the year in terms of section 77A, 77AA and 77B of the Companies Act 1956. Hence no specific disclosure is required to be made in this report.

YEAR UNDER REVIEW

During the current year also the activities for residential resort was affected due to closure of Highway Restaurant and closure of Water Park facilities. These two units were not running at break-even point and hence the resort could not run these two units. During the year under review company has not achieved any sales from the multimedia division. However it has earned a Total income of Rs. 71,16,756/- (Previous year it was Rs.9,08,470/-). After all Administrative Expenditure and Depreciation of Rs.65,75,394 (Previous year Rs. 36,86,222/-) the company has suffered a gross operational loss of Rs. 5,86,37,188/- (Previous year gross loss of Rs. 2,77,752/-). After making necessary adjustments for Deffered Tax, Fring Benefit Your Company had a Net loss for the year transferred to balance sheet is Rs.58,07,021/- (Previous year loss of Rs. 25,98,422/-).

SETTLEMENT / LIQUIDATION OF FINANCIAL LIABILITIES.

As the SICK Industrial Companies Provisions Act is abolished and the company has yet reached the stage of loss of pick net worth by more than 50% it is not sick as per provisions of Law. Further the company's real estate i.e. fixed assets value is increasing day by day in the market, which is not reflected in the balance sheet. The company is in process of negotiation with its Bankers and Financial institutions for liquidation of its financial liabilities under a well acceptable financial restructuring scheme or under the one time settlement scheme so that the company become a debt free company and after its fixed assets are released from the charge, the company can venture in to some new business of real estate development for remaining vacant land available with the company so that it can revive financially.

DEMATERIALIZATION OF SECURITIES

Your Company's equity shares are already admitted in the System of Dematerialization by both the Depositories namely NSDL and CDSL. The Company has already signed tripartite Agreement through Registrar and Share Transfer Agent M/s. Sharepro Services. The Investors are advised to take advantage of timely dematerialization of their securities. The ISIN allotted to your Company is INE 593B01014.

COMPLIANCE TO CODE OF CORPORATE GOVERNANCE

The Complete Report on Corporate Governance is given separately after this report.

ENVIRONMENT PROTECTION:

The company is maintaining high standards for discharge of effluents both water and air. All the water park units are maintained in Highly Hygienic conditions. The company discharges all effluents strictly in accordance with the prevailing pollution control regulations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and perceptions on existing business, future out look of the industry, future expansion and diversification plans of the Company and future course of action for the development of the Company are fully explained in a separate para in Corporate Governance Report in Annexure-A forming part of this report and also report on Corporate Governance.

DEPOSITS

During the year under review your company has neither invited nor accepted any public deposit or deposits from the public as defined under Section 58A of the Companies Act-1956. The Deposits were accepted from the Directors are exempt as per the provisions of Section 58A of the Companies Act 1956.

DIRECTORS

During the year under review Shri Praful Agarwal shall retire by rotation at the ensuing Annual General Meeting as provisions of Law. He is eligible for reappointment as director and has offered himself for directorship of the company. Hence, your directors recommend reappointing them by passing resolutions.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provision contained in Section 217(2AA) of the Companies Act, 1956, the Directors of your Company confirm:

- (A) That in the preparation of the annual accounts, the applicable accounting standards has been followed and no material departure has been made from the same;
- (B) That they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affair of the company at the end of the financial year and of the profit or loss of the company for that period;
- (C) That they have 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 for preventing and detecting fraud and other irregularities;
- (D) That they have prepared the annual accounts on a going concern basis.

STATUTORY AUDITORS

M/s. Khandhar & Parikh., present Statutory Auditors of the company have given their letter of consent and confirmation under section 224(1B) the Companies Act 1956 for reappointment as Statutory Auditors of the Company. Necessary Resolution making their appointment as the Statutory Auditors and fixing their remuneration is proposed to be passed at the Annual General Meeting.

INTERNAL AUDITORS

In order to make proper compliance with the provisions of Corporate Governance the company has established in house internal Audit Department which is functioning under the close supervision and direction of the Audit Committee and also taking expert guidance/ advise of the statutory Auditors M/s. Khandhar And Parikh, Chartered Accountants from to time to time.

AUDITORS OBSERVATION

Auditor observed that the Company has not deposited the Provident fund amounting to Rs200750/- in the respective account for which it was clarified that the matter is under dispute and after the final satisfaction of the dispute it was be deposited.

There are no other observations made by the Auditors in their report. However notes to the Accounts itself are clarificatory and self explanatory in the nature.

FORMATION OF AUDIT COMMITTEE

In compliance to the Provisions of Section 292A of the Companies Act 1956 and clause 49 of the Listing Agreement on Corporate Governance in part, your directors have already formed an Audit Committee within the organization consisting of 3 independent directors, an advisor (Chartered Accountants) to internal audit Department and Practicing Company Secretary as advisors to the company. The area of operations and functional responsibilities assigned to the committee are as per the guidelines provided in Clause 49 of the Listing Agreement for implementation of code of corporate governance. The committee meets at least once in a quarter and gives its report of each meeting to the Board for its approval, record and information purpose.

EMPLOYEES

There are no employees of the company who were in receipt of the remuneration of Rs.24,00,000/- in the aggregate if employed for the year and in receipt of the monthly remuneration of Rs. 2,00,000/- in the aggregate if employed for a part of the year under review. Hence the information required under Section 217 (2A) of the Companies Act, 1956 being not applicable are not given in this report.

STATUTORY INFORMATION

The Information required to be disclosed in the report of the Board of Directors as per the provisions of Section 217 (1)(e) of the Companies Act-1956 and the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 regarding the conservation of energy, technology absorption, foreign exchange earnings and outgo, as the company was totally non operational for its main business activities of water park resort and multimedia operations, the same data are not applicable to the company for the current year hence are not given herewith.

MATERIAL CHANGES

Except the information given in this report there are no material changes have taken place after completion of the financial year up to the date of this report which may have substantial effect on business and finances of the company.

APPRECIATION

Your Directors take this opportunity to acknowledge the trust reposed in your company by its Shareholders, Bankers and Clients. Your Directors also keenly appreciate the dedication & commitment of all our employees, without which the continuing progress of the company would not have been possible.

DATE : 21st August, 2008

PLACE : Ahmedabad.

On Behalf of the Board of Directors
Of Khyati Multimedia Entertainment Limited
Sd/-

(Kartik J. Patel)
Chairman And Managing Director

REPORT ON CORPORATE GOVERNANCE

MANAGEMENT PERCEPTION ON CORPORATE GOVERNANCE

The company believes that good Corporate Governance practices enable the Board to direct and control the affairs of the company in an efficient manner. As such, the company steps to put in place the system of Corporate Governance as per the guidelines provided in Clause 49 of the Listing Agreement. Further with the formation of the various committees within the organizations, the company also complies with various provisions of the Companies Act, 1956 as well as SEBI and Stock Exchange requirements. Hence, as per the norms prescribed under Listing Agreement being applicable to the company and in compliance to Section 292A of the Companies Act, 1956, the company had duly complied with the code of corporate governance on 31st March 2008.

BOARD COMPOSITION

Name of the Director	Designation	Type	Executive / Non Executive
Mr. Kartik J. Patel	Chairman & Managing Director	Promoter & Exec Dir.	Executive
Mr. Jashubhai M. Patel	Executive Director	Promoter & Exec Dir.	Executive
Mr. Praful Agarwal	Director	Independent Director	Non Executive
Mr. Kiritbhai C. Patel	Director	Independent Director	Non Executive
Mrs. Jignaben K. Patel	Director	Independent Director	Non Executive

COMPOSITION OF COMMITTEES

A. AUDIT COMMITTEE

Sr.	Name	Type
1	Shri Jashubhai M. Patel	Chairman
2	Shri Kiritbhai C. Patel	Member
3	Smt Jignaben K. Patel	Member
4	Shri Alpesh K. Patel*	Finance Controller
5	Shri Kamlesh M. Shah*	Company Secretary to act as secretary to committee

INVESTOR GRIEVANCE COMMITTEE

Sr.	Name	Type
1	Shri Jashubhai M. Patel	Chairman
2	Shri Kiritbhai C. Patel	Member
3	Smt Jignaben K. Patel	Member
4	Shri Kamlesh M. Shah *	Company Secretary to act as Secretary
5	Shri Raju. D. Patel*	Advocate

*(In the Advisory capacity only)