



ADLABS FILMS LIMITED

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ANNUAL REPORT 2002-03



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Manmohan Shetty
Chairman & Managing Director
Mr. Vasanji Mamania
Wholetime Director
Ms. Pooja Shetty
Wholetime Director
Mr. Berjis Desai
Mr. Shyam Shroff
Mr. Pradeep Guha
Mr. Chandir Gidwani

COMPANY SECRETARY

Ms. Kirti Desai

AUDITORS

H.O. Agarwal & Co
Chartered Accountants, Mumbai

BANKERS

Bank of Baroda
Chakala Branch, Mumbai

REGISTERED OFFICE

Adlabs Films Limited
Film City Complex,
Goregaon (East), Mumbai 400 065 ,
Phone: (022) 2842 33 33/44 88
Fax: (022) 2842 22 11
Email: adlabs@bom3.vsnl.net.in
Website: www.adlabsfilms.com

REGISTRAR & SHARE TRANSFER AGENTS

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound, L.B.S Marg,
Bhandup, Mumbai 400 078
Phone: (022) 25923837
Fax: (022) 25672693

NOTICE

Notice is hereby given that the 16th Annual General Meeting of Adlabs Films Limited will be held at Hotel Rangsharda, K.C. Marg, Bandra Reclamation, Bandra (West), Mumbai 400 050 on Tuesday, 23rd September, 2003 at 3.30 p.m. to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2003 and the Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To declare a dividend for the year ended 31st March, 2003.
3. To appoint a Director in place of Mr. Pradeep K. Guha who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Chandir G. Gidwani who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.
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 Section 31 and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification thereto or any re-enactment thereof for the time being in force, the Articles of Association of the Company be and are hereby altered by inserting the following new Article 106 along with the heading "Passing of Resolutions by Postal Ballot" :

106. Passing of Resolutions by Postal Ballot

The Company may pass a resolution by postal ballot in the manner prescribed by Section 192 A of the Act and such other applicable provisions of the Act. Notwithstanding anything contained in the provisions of the Act, the Company, being a listed Company, may, and in the case of resolutions relating to such business as the Central Government may by notification declare to be conducted only by postal ballot, shall, get any resolution passed by means of a postal ballot instead of transacting the business in a general meeting of the Company and

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary or expedient to give effect to this resolution."

By order of the Board

Registered Office
Film City Complex,
Goregaon (East),
Mumbai 400 065.

KIRTI DESAI
Company Secretary

Mumbai, 30th July, 2003

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The proxies to be effective, should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
3. An Explanatory Statement as required by Section 173 of the Companies Act, 1956, in respect of Item 6 is annexed hereto.



4. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, 16th September, 2003 to Tuesday, 23rd September, 2003 (both days inclusive).
5. The dividend, if declared at the meeting, will be payable on or before 10th October, 2003 to those Members whose names appear on the Company's Register of Members as on 23rd September, 2003.
6. Members are requested to inform any change in their addresses immediately so as to enable the Company or its Registrar and Share Transfer Agents to send communications at their correct addresses.
7. Members are requested to direct all correspondence relating to shares to the Company's Registrar and Share Transfer Agents, Intime Spectrum Registry Limited at C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup, Mumbai 400 078.
8. Members / Proxies attending the meeting are requested to complete the enclosed attendance slip and handover the same at the entrance of the Meeting Hall. Members holding shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of members attending the meeting.
9. Members are requested to bring their copies of Annual Report at the time of attending the Meeting.
10. Queries on accounts and operations of the Company, if any, may please be sent to the Company at least seven days in advance so that required information may be made available at the meeting.

ANNEXURE TO NOTICE

Additional Information required under Clause 49 of Listing Agreement

As required by Clause 49(VIA) of the Listing Agreement with the Stock Exchange information relating to the Directors proposed to be reappointed is provided below:

Mr. Pradeep Guha:

Mr. Guha is a graduate in Arts from Mumbai University and a member of Asian Institute of Management, Manila. Presently Mr. Guha is President and Director of Bennett, Coleman & Company Limited. He is also Chief Executive of The Times of India Group and is associated with many bodies in fields of marketing, advertising and publishing. Marketing is Mr. Guha's specialization.

Details of Mr. Guha's other Directorships are given below:

| | |
|--|---------------------------|
| Bennett, Coleman & Company Ltd. | Director |
| Dharmayug Investments Ltd. | Director |
| Surge Enterprises Ltd. | Director |
| Times Online Money Ltd. | Director |
| Times Internet Ltd. | Director |
| Entertainment Network India Ltd. | Director |
| Times Infotainment Media Ltd. | Director |
| Culture Company (India) Private Ltd. | Director |
| Whistling Woods International Private Ltd. | Director |
| Bennett, Coleman & Company Ltd. | Member of Audit Committee |

None of the Directors except Mr. Pradeep Guha is concerned or interested in the Resolution.

Mr. Chandir Gidwani:

Mr. Gidwani holds Master's Degree in Commerce from Mumbai University and Fellow of the Institute of Chartered Accountants of India.

He is currently the Managing Director of Centrum Finance Limited and has vast experience in areas of

ADLABS FILMS LIMITED

Internal and Management Audit, Accounting procedures, policies and practices, Internal Control and Management Information System.

Details of Mr. Gidwani's other Directorships are given below:

| | |
|--|----------------------------------|
| Centrum Finance Ltd. | Managing Director |
| Centrum Fiscal Private Ltd. | Director |
| Ocean Express (Private) Ltd. | Director |
| Ferrari Express (Private) Ltd. | Director |
| Casby Logistics Private Ltd. | Director |
| Nanikrami Agro (Private) Ltd. | Director |
| Sanchajyo Investments & Finance (Private) Ltd. | Director |
| Business Match Services India Ltd. | Director |
| Centrum Finance Ltd. | Member of Compensation Committee |

None of the Directors except Mr. Chandir Gidwani is concerned or interested in the Resolution.

Explanatory Statement

Pursuant to Section 173(2) of the Companies Act, 1956 in respect of item relating to Special Business contained in the Notice:

Item No.6

Section 192 A of the Companies Act, 1956 ("the Act") was inserted by the Companies (Amendment) Act, 2000 in order to give Members a right to vote through postal ballot system by requiring a listed public Company to pass resolutions relating to certain businesses notified by the Central Government by means of postal ballot only.

It is therefore proposed to alter the present Articles of Association of the Company by inserting a new Article No.106 in order to conform to the amended provisions of the Act.

The Board recommends the proposed Special Resolution at Item No.6 of the Notice be passed.

None of the Directors of the Company are concerned or interested in the said Resolution at Item No.6 of the Notice.

A copy of the existing Articles of Association of the Company together with a copy of the proposed alteration referred to in the Resolution at Item No.6 of the Notice will be open for inspection by the Members at the Registered Office of the Company on any working day between 10 a.m. and 12 p.m. until the date of the Annual General Meeting or any adjournment thereof.

By order of the Board

Registered Office

Film City Complex,
Goregaon (East),
Mumbai 400 065.

KIRTI DESAI
Company Secretary

Mumbai, 30th July, 2003.



CHAIRMAN'S STATEMENT

Dear Shareholders,

This year Adlabs completes its Silver Jubilee. It travelled this long path very steadily and progressively with growth and success at each step and it intends to continue doing the same, with your encouragement and the goodwill of others who will join us in this journey of our sincere efforts.

We have added yet another Multiplex (besides Imax Adlabs) with four screens in Mulund called R-Adlabs, which was opened to the Public on the 18th of July, 2003. This is a joint venture between your Company and the Runwal Group who are the owners of R-Mall, the complex in which the Multiplex has been built.

The progress on other Multiplex projects at Borivali, Pune and Metro Cinema, Mumbai, are in various stages.

We have also launched Entertainment One India Ltd., the fully owned subsidiary of Adlabs, which is now one of the leading film production houses in the country with nine film projects under its wing. Four films will be released this very year, which is a commendable job done by this division. I expect this division to grow in a professional and well planned manner, in the future, to ensure and protect the Company's profits and investments in this field. The details of Entertainment One are there in this report.

I am sure you are all aware that we have ventured the Digital Projection Systems business, which is yet another landmark for Adlabs. This is not only the first in India but practically the first in the world on such a large commercial scale. This system will enable us to release films in B & C class centres simultaneously with the Metro cities. This project has already taken a very good start with excellent response from the Distributors, Theatre Owners and Producers. This has a very good growth potential and we have already been approached by Mukta Arts Ltd. and Shringer Films to implement the project wider and faster.

Along with the Digital Projection which is spreading all over the country, we are also looking into offers of doing further Multiplexes in some parts of the country.

Today, your Company has a firm standing in the industry in the field of Processing & Printing, Exhibition, Digital Projection and Production of films and we shall continue to strive to acquire leadership position in the years to come.

Thanking you,

MANMOHAN SHETTY
Chairman & Managing Director

Mumbai, 30th July, 2003.

DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors are pleased to present their Sixteenth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS

| | | (Rs. in Lacs) |
|---|----------------|----------------|
| | 2002-2003 | 2001-2002 |
| Gross income | | |
| Sales | 3412.53 | 2759.68 |
| Traded Goods | 2249.81 | 1969.63 |
| Theatre Operations | 1744.82 | 961.88 |
| Other income | 398.20 | 407.38 |
| Total | 7805.36 | 6098.57 |
| Expenditure | 4589.36 | 4014.81 |
| Profit Before Depreciation, Interest & Tax | 3216.00 | 2083.76 |
| Interest | 104.73 | 97.39 |
| Depreciation | 425.07 | 378.54 |
| Profit Before Tax | 2686.20 | 1607.83 |
| Tax | 995.00 | 574.00 |
| Short provision for tax in respect of earlier years | 25.90 | — |
| Profit After Tax | 1665.30 | 1033.83 |
| Balance brought forward from previous year | 53.22 | 38.15 |
| TOTAL | 1718.52 | 1071.98 |
| Appropriations | | |
| General Reserve | 1200.00 | 750.00 |
| Proposed Dividend | 430.02 | 268.76 |
| Dividend Tax | 55.09 | Nil |
| Balance Carried Forward | 33.41 | 53.22 |
| TOTAL | 1718.52 | 1071.98 |

REVIEW OF OPERATIONS

During the year under review, film processing and printing activities witnessed a growth in volumes and sales therefrom were higher by 23.65% at Rs.3413 lacs as compared to Rs.2760 lacs in the previous year. In 2002-03, Company processed 15.56 million feet of 35mm motion pictures negative film and 188.30 million feet of 35mm motion picture print film as compared to 13.70 million feet of negative and 159.69 million feet print film respectively last year.

Further, during the year, 84 Hindi feature films were processed at your lab and were successfully released as against 53 films processed and released last year.

As for performance of Imax Dome Theatre, its ticketing sales was Rs.538.80 lacs while the four screen multiplex theatre recorded its first full year's ticketing sales at Rs.773.13 lacs in 2002-03. Income from cafe sales, advertising and retailing was Rs. 366.07 lacs.

The Net profit after tax registered rise of 61% to Rs.1665.30 lacs as compared to Rs.1033.83 lacs in



2001-02 reflecting increase in prints processed due to higher number of releases, increase in theatre income, benefit of entertainment tax exemption and efficient cost cutting modules adopted.

DIVIDEND

The Directors recommend a dividend of 40% (Rs.2.00 per Equity Share) for the year ended 31st March, 2003. If approved by the Members at the forthcoming Annual General Meeting, the total dividend will absorb Rs.485 lacs including dividend tax payable by the Company of Rs.55 lacs.

CONSOLIDATED FINANCIAL STATEMENTS

The Audited Consolidated Financial Statements for the year ended March 31, 2003 forms part of the Annual Report. The reports and audited accounts of subsidiary company viz. Entertainment One India Ltd., along with statement pursuant to Section 212 of the Companies Act, 1956 also form part of the Annual Report.

BUSINESS OUTLOOK 2003-2004

The Company's objective is to maximize business opportunities while achieving optimum utilization in its existing business operations which are Film Processing, Theatre Operations, Film Production and Digital Exhibition.

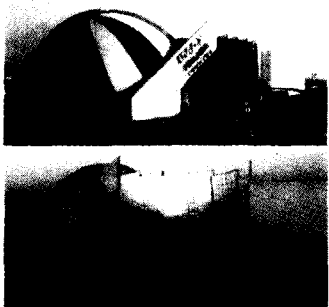
FILM PROCESSING

The Company shall continue to focus on its film processing activity, its core business. As mentioned in the last year's report, Company is nearing the final stages of completion of Kodak's Image Care Program aimed at promotion of high standard of quality in film processing and printing.

IMAX DOME THEATRE AND MULTIPLEX OPERATIONS

The theatre business is expected to show an overall increase in occupancy due to the following factors:

- Release of more Imax films during the year thereby enabling Company to reach larger number of patrons.
- Disney's animation films are now made available on larger format. These have been successful across the world and expect similar response here. Introduction of IMAX DMR technology has enabled Hollywood blockbusters such as Apollo 13, Star Wars, and Matrix Reloaded also to be viewed on the large format. The content thus shall now be able to attract larger audience than before.
- Efficient cost cutting measures, exemption of entertainment tax, encouraging response to feature films and other income streams such as advertising revenue, cafeteria sales, restaurant, games arcade and simulator ride shall have positive impact on the bottom line.



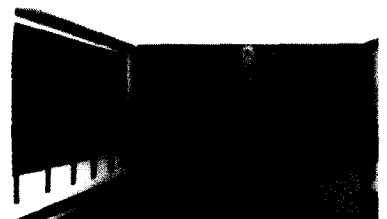
Imax Dome Theatre, Wadala

The Company has now set up a new four screen multiplex at Mulund in association with the Runwal Group and similar projects such as RAP Adlabs, Borivali; GOLD Adlabs, Pune and Metro, Mumbai are in various stages of finalisation/implementation.

FILM PRODUCTION

The Company started its business in film production through its wholly owned subsidiary, Entertainment One India Ltd. in the year 2002.

This Company has tied up with regular



R-Adlabs, Mulund

producers of repute, so that the films are completed in the stipulated time and budget. The sale recoveries of the film projects have been estimated to be reasonably more than the budgeted amounts. This has been done in consultation with marketing and sales experts. Therefore the films are expected to be in profit on the day of its release and if they do well at the box office that profit could increase manifold.

There are nine film projects on hand with Entertainment One India Ltd. presently.

The details of these projects are given in the Directors' Report of Entertainment One India Limited.

DIGITAL EXHIBITION

Adlabs Films Limited has launched its Digital Exhibition business by installing Digital Projection System in theatres located at those centres where normally prints are not available in the first week of release. This had encouraged video piracy and poor quality viewing thus entailing loss of revenue to film producers/distributors and also depriving enthusiastic cinema goers of seeing the film in theatres in the first week of release.

The Company in association with GDC TECHNOLOGY LTD., Hongkong, manufacturers of servers in association with PROJECTION DESIGN, manufacturers of DLP digital projectors, introduced the concept of digital film encoding, encryption, storage, delivery and projection for the Indian market.

The telecine facility involves use of GDC's DSR Digital Film Agile Encoder to deliver digital prints of feature films in India. This DSR Encoder is designed to encode, encrypt and package high resolution digital content in designated Hard Disk Drives and deliver to the electronic cinemas for downloading into DSR Servers. Once programmed the DSR Server will deliver the digital content to the projector and audio system with image and sound which is pristine, crisp and clear. The DSR Server though a highly sophisticated equipment with many security features is user friendly and requires almost zero maintenance.

The business plan on the above is either i) install the system in the existing theatres at the cost of the theatre owner and charge royalty for each film or ii) make a contract with the theatre for a fixed rent and receive money on release of film or iii) share revenue with theatre owner.

Subsequently after introduction of the system and its acceptance, Subhash Ghai promoted Mukta Arts Limited joined hands with Adlabs Films Limited and the proposed venture is under formation. Also, proposal to sign with Shringar Films for participation in the same venture is under negotiation. Till date there are twenty five theatres running this system.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association, Mr. Pradeep Guha and Mr. Chandir Gidwani retire by rotation and being eligible, offer themselves for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of provisions of Section 217(2AA) of the Companies Act, 1956, the Directors confirm :

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made for the same;
- b) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of