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Adlabs Films Limited



Annual Report 2004-05

ANNUAL REPORT 2004-2005

BOARD OF DIRECTORS**Mr. Manmohan Shetty***Chairman & Managing Director***Mr. Vasanji Mamanla***Wholtime Director***Ms. Pooja Shetty***Wholtime Director***Mr. Berjis Desai****Mr. Shyam Shroff (upto 28.10.2004)****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 & TRANSFER AGENTS****Intime Spectrum Registry Limited***C-13, Pannalal Silk Mills**Compound, L.B.S Marg,***Bhandup, Mumbai 400 078****Phone: (022) 2592 38 37****Fax: (022) 2567 26 93****CONTENTS****Page No.**

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NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of Adlabs Films Limited will be held at the Registered Office of the Company at Filmcity Complex, Goregaon (East), Mumbai 400 065 on Thursday, 29th September, 2005 at 2.30 p.m. to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2005 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 2005.
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 by passing the following resolution:
 "RESOLVED that M/s. BSR & Co, Chartered Accountants, Mumbai be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on a remuneration to be fixed by the Board of Directors, in place of M/s. H.O Agarwal & Co., Chartered Accountants, who are not seeking re-appointment."
6. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
 "RESOLVED THAT pursuant to the provisions of Section 198,269,309,310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") including any statutory modifications or re-enactments thereof, for the time being in force, consent of the Company be and is hereby accorded to the renewal of service period of Mr. Manmohan Shetty, Managing Director with effect from 1st August 2005 to 31st July 2010 (both days inclusive) and payment of remuneration, perquisites, benefits and amenities upon such terms, conditions and stipulations as are set out in the Agreement to be entered into between the Company and Mr. Manmohan Shetty and as is set forth in the Explanatory Statement forming part of the Notice;
 "RESOLVED FURTHER THAT in the event of absence or inadequacy of profit during Mr. Manmohan Shetty's term of office as Managing Director, the remuneration payable to Mr. Manmohan Shetty shall not exceed the maximum limits as permissible under Schedule XIII of the Act;
 "RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to modify/revise the remuneration of Mr. Manmohan Shetty as may be acceptable to him in accordance with the applicable provisions of the Act for the time being in force and/or in accordance with such guidelines on managerial remuneration as may be issued by the Central Government from time to time;
 "RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, matters, deeds and things as may be necessary or desirable to implement this resolution".
7. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
 "RESOLVED THAT pursuant to the provisions of Section 198,269,309,310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") including any statutory modifications or re-enactments thereof, for the time being in force, consent of the Company be and is hereby accorded to the renewal of service period of Mr. Vasanji Mamania, Wholetime Director with effect from 1st August 2005 to 31st July 2006 (both days inclusive) and payment of remuneration, perquisites, benefits and amenities upon such terms, conditions and stipulations as are set out in the Agreement to be entered into between the Company and Mr. Vasanji Mamania and as is set forth in the Explanatory Statement forming part of the Notice;

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“RESOLVED FURTHER THAT in the event of absence or inadequacy of profit during Mr. Vasanti Mamania’s term of office as Wholetime Director, the remuneration payable to Mr. Vasanti Mamania shall not exceed the maximum limits as permissible under Schedule XIII of the Act;

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to modify/revise the remuneration of Mr. Vasanti Mamania as may be acceptable to him in accordance with the applicable provisions of the Act for the time being in force and/or in accordance with such guidelines on managerial remuneration as may be issued by the Central Government from time to time;

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, matters, deeds and things as may be necessary or desirable to implement this resolution”.

Registered Office

Filmcity Complex,
Goregaon (East),
Mumbai 400 065

By Order of the Board

KIRTI DESAI

Company Secretary

Mumbai, 24th August, 2005

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 5, 6 and 7 is annexed hereto.
- 4) The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, 22nd September, 2005 to Thursday, 29th September, 2005 (both days inclusive).
- 5) The dividend, if declared at the meeting, will be payable on or before 15th October, 2005, to Members.
- 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/Proxies should bring along with them the Annual Report copy 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.

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

Mr. Pradeep Guha :

Mr. Guha is a graduate in Arts from Mumbai University and Member of Asian Institute of Management, Manila. Presently Mr. Guha is the Chief Executive of Zee Telefilms Limited and is associated with many bodies in fields of marketing.

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

Sr. No.	Name of the Company	Designation/ Membership of Board Committees
1	Culture Company (India) Private Limited	Director
2	Whistling Woods International Private Limited	Director

Except Mr. Pradeep Guha, no other Director of the Company is concerned or interested in the Resolution.

Mr. Chandir Gidwani :

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

He has vast experience in areas of 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:

Sr. No.	Name of the Company	Designation/ Membership of Board Committees
1	Business Match Services India Private Limited	Director
2	Casby Logistic Private Limited	Director
3	Centrum Direct Limited	Vice Chairman
4	Centrum Fiscal Private Limited	Director
5	Expressit Logistics Worldwide Limited	Director
6	Ferrari Express Private Limited	Director
7	Nanikrami Agro Private Limited	Director
8	Ocean Express Private Limited	Director
9	Rap Media Limited	Director
10	Sanchajyo Investment & Finance Private Limited	Director

Except Mr. Chandir Gidwani, no other Director of the Company is concerned or interested in the Resolution.

Registered Office

Filmcity Complex,
Goregaon (East),
Mumbai 400 065.

Mumbai, 24th August, 2005

By Order of the Board

KIRTI DESAI
Company Secretary

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956:**Item No. 5**

M/s H.O. Agarwal & Co., Chartered Accountants, were appointed Statutory Auditors of the Company by the Members in the last Annual General Meeting held on 28th September, 2004 to hold office from the conclusion of the last Annual General Meeting till the conclusion of ensuing Annual General Meeting. M/s H.O. Agarwal & Co., Chartered Accountants are not seeking re-appointment.

It is proposed that M/s BSR & Co. Chartered Accountants, affiliated to KPMG group who are an internationally renowned firm, be appointed Statutory Auditors of the Company to hold office from the conclusion of the ensuing Annual General Meeting to be held on 29th September, 2005 till the conclusion of next Annual General Meeting on a remuneration to be fixed by the Board of Directors. The Company has received certificate from them that such appointment shall be in accordance with the limits in respect of maximum number of audits that they can accept under the provisions of Section 224(IB) of the Companies Act, 1956.

The Resolution under this item seeks the approval of the Members for the said appointment as Statutory Auditors.

None of the Directors is concerned or interested in the above Resolution.

Item no.6

At the Extra ordinary General Meeting of the Company held on 1st August, 2000, Members had approved the appointment of Mr. Manmohan Shetty as Managing Director of the Company for a period of 5 years from 1st August, 2000 to 31st July, 2005 (both days inclusive) and payment of remuneration, benefits and perquisites as contained in the Agreement dated 1st August, 2000 between him and the Company.

The Board of Directors at its meeting held on 11th August, 2001 had revised the remuneration, amenities and perquisites payable to Mr. Manmohan Shetty with effect from 1st April, 2001 for the remainder of his tenure. This was approved by the Members in the Annual General Meeting dated 27th September, 2001 and recorded in the Supplementary Agreement dated 28th September, 2001 between him and the Company.

Now, with the tenure of Mr. Manmohan Shetty having expired on July 31, 2005, subject to approval of Members and on recommendation of Remuneration Committee, the Board of Directors have again resolved to reappoint him as a Managing Director for a further term of five years with effect from 1st August, 2005 to 31st July, 2010 (both days inclusive) and payment of remuneration, perquisites, benefits and amenities upon such terms, conditions and stipulations as are set out in the Agreement to be entered into between the Company and Mr. Manmohan Shetty and as is set forth herein below:

- 1 Salary:
Rs. 3,00,000/- (Rupees Three Lakhs only) per month.
- 2 Perquisites:
 - i Housing :
Company shall provide rent free furnished accommodation for occupation by self and family. In lieu of rent-free accommodation, the Company shall give House Rent Allowance up to 50% of the salary set out in (1) above.

Company shall also provide facilities such as gas, electricity, air conditioners and furnishing at residence or reimburse expenses incurred towards such facilities. The expenditure incurred by the Company on these facilities shall be evaluated as per the Income Tax Rules, 1962.
 - ii Leave Travel Commission :
Mr. Shetty shall be entitled to the payment of Leave Travel Concession once in a year as per Rules of the Company subject to maximum of one month's salary.
 - iii Club Fees :
Membership Fees of One Club including admission fees and expenses. These shall not be considered as perquisites.

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- iv Medical Reimbursement :
Reimbursement of medical expenses (including hospitalization) actually incurred by him.
- v Leave and Leave Encashment :
In accordance with the Rules of the Company.
- vi Car :
Company shall provide chauffeur driven car, all expenses for running and upkeep of such car as also the salary of the chauffeur to be borne and paid by the Company. Use of car for private purpose shall be billed to Mr. Shetty.
- vii Telephone :
Company shall provide a telephone at his residence for use on Company's business. The rent, call charges for business and other outgoings in respect thereof as also in respect of mobile phone shall be paid by the Company, personal long distance calls shall be billed by the Company to Mr. Shetty.
- viii Personal Accident Insurance :
Company shall pay the premium of a sum not exceeding Rs.10,000/- per annum.
- ix Others :
Such other perquisites, benefits, allowances in accordance with the Rules of the Company or as may be agreed to by the Board of Directors. The perquisites and benefits shall be estimated to be an amount equal to the Annual Salary and allowances payable to Mr. Shetty.

For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost to the Company.

The remuneration payable by the Company to Mr. Manmohan Shetty together with the remuneration payable by the Company to its other Whole time Directors shall not exceed 10% of the net profits computed in the manner provided in the Companies Act, 1956.

3 Retirement Benefits:

- (i) Company's contribution towards Provident Fund Scheme as per rules of the scheme.
- (ii) Gratuity as per rules of the Company.

4 Minimum Remuneration:

In the absence or inadequacy of profits in any financial year, remuneration payable to Mr. Shetty shall be subject to the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956.

The revised terms for remuneration, perquisites and allowances as set out above may be treated as an abstract under Section 302 of the Companies Act, 1956.

The Board commends the Resolution for approval by Members.

None of the Directors except, Mr. Manmohan Shetty and Ms. Pooja Shetty who is a relative of Mr. Manmohan Shetty is concerned or interested in the Resolution.

The Agreements dated 1st August, 2000, Supplementary Agreement dated 28th September, 2001 and the draft Supplementary Agreement proposed to be entered into between Mr. Manmohan Shetty and the Company are available for inspection by Members at the Registered Office of the Company on any working day, excluding Saturdays, between 11.00 a.m to 1.00 p.m till the date of this Annual General Meeting.

Item No. 7

At the Extra ordinary General Meeting of the Company held on 1st August, 2000, Members had approved the appointment of Mr. Vasanji Mamania as Wholetime Director of the Company for a period of 5 years from 1st August, 2000 to 31st July, 2005 (both days inclusive) and payment of remuneration, benefits and perquisites as contained in the Agreement dated 1st August, 2000 between him and the Company.

The Board of Directors at its meeting held on 11th August, 2001 had revised the remuneration, amenities and perquisites payable to Mr. VasANJI Mamania with effect from April 1, 2001 for the remainder of his tenure. This was approved by the Members in the Annual General Meeting dated 27th September, 2001 and recorded in the Supplementary Agreement dated 28th September, 2001 between him and the Company.

Now, with the tenure of Mr. VasANJI Mamania having expired on 31st July, 2005, subject to approval of Members and on recommendation of Remuneration Committee, the Board of Directors have again resolved to reappoint him as a Wholetime Director for a further term of one year with effect from 1st August, 2005 to 31st July, 2006 (both days inclusive) and payment of remuneration, perquisites, benefits and amenities upon such terms, conditions and stipulations as are set out in the Agreement to be entered into between the Company and Mr. VasANJI Mamania and as is set forth herein below:

- 1 Salary :
Rs 3,00,000/- (Rupees Three Lakhs only) per month.
- 2 Perquisites :
 - i Housing :
Company shall provide rent free furnished accommodation for occupation by self and family. In lieu of rent-free accommodation, the Company shall give House Rent Allowance up to 50% of the salary set out in (1) above.

Company shall also provide facilities such as gas, electricity, air conditioners and furnishing at residence or reimburse expenses incurred towards such facilities. The expenditure incurred by the Company on these facilities shall be evaluated as per the Income Tax Rules, 1962.
 - ii Leave Travel Commission :
Mr. Mamania shall be entitled to the payment of Leave Travel Concession once in a year as per Rules of the Company subject to maximum of one month's salary.
 - iii Club Fees :
Membership Fees of One Club including admission fees and expenses. These shall not be considered as perquisites.
 - iv Medical Reimbursement :
Reimbursement of medical expenses (including hospitalization) actually incurred by him.
 - v Leave and Leave Encashment :
In accordance with the Rules of the Company.
 - vi Car :
Company shall provide chauffeur driven car, all expenses for running and upkeep of such car as also the salary of the chauffeur to be borne and paid by the Company. Use of car for private purpose shall be billed to Mr. Mamania.
 - vii Telephone :
Company shall provide a telephone at his residence for use on Company's business. The rent, call charges for business and other outgoings in respect thereof shall be paid by the Company, personal long distance calls shall be billed by the Company to Mr. Mamania.
 - viii Personal Accident Insurance :
Company shall pay the premium of a sum not exceeding Rs.10,000/- per annum.
 - ix Others:
Such other perquisites, benefits, allowances in accordance with the Rules of the Company or as may be agreed to by the Board of Directors. The perquisites and benefits shall be estimated to be an amount equal to the Annual Salary and allowances payable to Mr. Mamania.

For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost to the Company.

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The remuneration payable by the Company to Mr.Vasanji Mamania together with the remuneration payable by the Company to its Managing Director and other Whole time Director shall not exceed 10% of the net profits computed in the manner provided in the Companies Act, 1956.

3 Retirement Benefits:

- (i) Company's contribution towards Provident Fund Scheme as per rules of the scheme.
- (ii) Gratuity as per rules of the Company.

4 Minimum Remuneration:

In the absence or inadequacy of profits in any financial year, remuneration payable to Mr. Mamania shall be subject to the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956.

The revised terms for remuneration, perquisites and allowances as set out above may be treated as an abstract under Section 302 of the Companies Act, 1956.

The Board commends the Resolution for approval by Members.

None of the Directors except, Mr. Vasanji Mamania is concerned or interested in the Resolution.

The Agreements dated 1st August, 2000, Supplementary Agreement dated 28th September, 2001 and the draft Supplementary Agreement proposed to be entered into between Mr. Vasanji Mamania and the Company are available for inspection by Members at the Registered Office of the Company on any working day, excluding Saturdays, between 11.00 a.m to 1.00 p.m till the date of this Annual General Meeting.

Registered Office

Filmcity Complex,
Goregaon (East),
Mumbai 400 065.

By Order of the Board

KIRTI DESAI

Company Secretary

Mumbai, 24th August, 2005

CHAIRMAN'S STATEMENT

Dear Shareholders,

As you are aware, Mr. Anil Dhirubhai Ambani led Reliance Capital Limited recently acquired majority shareholding of your company, a matter of honour and pride for all of us. This strategic investment in your company will help us expand very rapidly thus, making us the largest entertainment conglomerate of India.

With the infusion of the fresh capital in to the Company, we intend to venture into new businesses such as overseas distribution of Hindi films, Indian theatrical distribution, Indian home videos, television channel, etc.

Multiplexes will remain an important growth sector for the company, and further investments will be made in order to achieve an all India presence with the largest market share.

Currently we are operating 24 screens in 6 multiplexes and by March 2006 we will be adding 22 screens in 5 multiplexes taking our screen total to 46 in 11 properties. Aggressive growth in this division has resulted in identification and finalization of new properties.

In an effort to enter other potent markets for the growth and expansion of our film processing business, the company recently set up operations in Chennai in association with Vijay Labs (existing lab) - a joint venture in April 2005. Further expansion will take place in Kolkatta. The premises for lab operations here have already been acquired. The lab will be operational by December 2005 and will include sound mixing and editing facilities.

The film funding/production division – Entertainment one will see further investments in order to increase the number of films produced as originally planned. This year we have released 'Waqt – A race against time' by Vipul Shah and will be releasing, 'Dil jo bhi kahey' by Romesh Sharma, 'Apharan' by Prakash Jha, 'Marigold' by Willard, and 'Bluff Master' by Rohan Sippy. A report on this is printed else where in this report.

Finally, for the 6th time, your company has bagged the National Film Award for best film processing laboratory, for the films 'SWADES' and 'GIRNI'.

Thank you,

Mumbai, 24th August, 2005

MANMOHAN SHETTY
CHAIRMAN & MANAGING DIRECTOR