

Report

junction

ADLABS

A N N U A L R E P O R T

2006-07

BOARD OF DIRECTORS

Shri Manmohan Shetty
Chairman & Managing Director

Ms. Pooja Shetty
Wholetime Director

Shri Brijis Desai
Director

Shri Gautam Doshi
Director

Shri Karan Johar
Director

Shri Shripal Morakhia
(upto July 25, 2007)

Shri Amit Khanna
(w.e.f. April 26, 2007)

Shri Sujal Shah
(w.e.f. April 26, 2007)

Shri Pradeep Shah
(w.e.f. September 13, 2007)

Shri Anil Sekhri
(w.e.f. September 13, 2007)

Shri Darius Kakalia
(w.e.f. September 13, 2007)

Director

Director

Director

COMPANY SECRETARY

Ms. Kirti Desai

AUDITORS

BSR & Co. (A member of KPMG)

KPMG House

Kamala Mills Compound

448, Senapati Bapat Marg

Lower Parel, Mumbai 400 013

BANKERS

HDFC Bank Ltd

Bank of Baroda

SUBSIDIARIES

Synergy Adlabs Media Limited

(formerly known as

Synergy Communications Private Limited)

Mukta Adlabs Digital Exhibition Private Limited

Adlabs Distributors & Exhibitors Limited

Katch 22 Entertainment Private Limited

Adlabs Films (UK) Limited

Adlabs Films USA, Inc.

REGISTERED OFFICE

Adlabs Films Limited

Film City Complex

Goregaon (East)

Mumbai 400 065

Phone: (022) 2842 33 33/44 88

Fax: (022) 28422211/28431685

Email: info@adlabsfilms.com

Website: www.adlabsfilms.com

REGISTRAR & TRANSFER AGENTS

Intime Spectrum Registry Limited

C-13, Pannal Silk Mills

Compound, L.B.S Marg

Bhandup, Mumbai 400 078

Phone: (022) 25963838

Fax: (022) 2594 6969

CONTENTS

	Page No.
Notice of Annual General Meeting	2
Chairman's Statement	6
Directors' Report	7
Management Discussion and Analysis Report	12
Report on Corporate Governance	17
Practising Company Secretary's Certificate on Corporate Governance	27
Auditors' Report on Financial Statements	28
Balance Sheet	32
Profit and Loss Account	33
Cashflow Statement	34
Significant Accounting Policies	36
Schedules forming part of Balance Sheet and Profit and Loss Account	39
Notes to Accounts	48
Auditors' Report on Consolidated Financial Statements	62
Consolidated Balance Sheet	64
Consolidated Profit and Loss Account	65
Consolidated Cash Flow Statement	66
Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account	68
Notes on Consolidated Accounts	80
Statement of Interest in Subsidiaries	91

NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the Members of Adlabs Films Limited will be held on Thursday, the October 25, 2007 at 3.00 p.m at Rangsharda Natyamandir, K.C. Marg, Bandra Reclamation, Bandra (West), Mumbai 400050 to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as at June 30, 2007, the Profit and Loss Account for the fifteen months period ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in place of Ms. Pooja Shetty, who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint a Director in place of Shri. Gautam Doshi, who retires by rotation and being eligible offers himself for re-appointment
5. To appoint M/s. BSR & Co., Chartered Accountants as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration to be decided by the Board of Directors.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
 "RESOLVED that Shri Sujal Shah, who was appointed as an Additional Director with effect from April 26, 2007 on the Board of the Company in terms of Section 260 of the Companies Act, 1956 and Article 132 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, and in respect of whom a Notice has been received from a Member in writing, under Section 257 of the said Act, 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."
7. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
 "RESOLVED that Shri Amit Khanna, who was appointed as an Additional Director with effect from April 26, 2007 on the Board of the Company in terms of Section 260 of the Companies Act, 1956 and Article 132 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, and in respect of whom a Notice has been received from a Member in writing, under Section 257 of the said Act, 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."
8. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
 "RESOLVED that Shri Pradeep Shah, who was appointed as an Additional Director with effect from September 13, 2007 on the Board of the Company in terms of Section 260 of the Companies Act, 1956 and Article 132 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, and in respect of whom a Notice has been received from a Member in writing, under Section 257 of the said Act, 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."
9. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
 "RESOLVED that Shri Anil Sekhri, who was appointed as an Additional Director with effect from September 13, 2007 on the Board of the Company in terms of Section 260 of the Companies Act, 1956 and Article 132 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, and in respect of whom a Notice has been received from a Member in writing, under Section 257 of the said Act, 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."
10. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
 "RESOLVED that Shri Darius Kakalia, who was appointed as an Additional Director with effect from September 13, 2007 on the Board of the Company in terms of Section 260 of the Companies Act, 1956 and Article 132 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, and in respect of whom a Notice has been received from a Member in writing, under Section 257 of the said Act, 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."
11. 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 other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force) read with Schedule XIII to the said Act, consent of the Company be and is hereby accorded to the reappointment of Ms. Pooja Shetty as Wholtime Director of the Company from 1st April 2007 upto 31st March 2008 (both days inclusive) and payment of remuneration upon the terms, conditions and stipulations as is set forth in the Explanatory Statement forming part of the Notice to this Annual General Meeting."

12. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT in supersession of the resolution passed by the Members through Postal Ballot on January 12, 2006, the Board of Directors of the Company ("the Board") be and is hereby authorized in accordance with Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and the Articles of Association of the Company, to borrow any sums or sums of money from time to time at their discretion on such security and on such terms and conditions as the Board may deem fit, for the purpose of the business of the Company, which together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of Business) including rupee equivalent of Foreign Currency borrowings (such rupee equivalent being calculated at the exchange rate prevailing as on the date of the relevant foreign currency agreement) may exceed, at any time, the aggregate of the paid up capital of the Company and its free reserves (that is to say reserves not set apart for any specific purpose) by a sum not exceeding Rs. 5,000 crores (Rupees Five Thousand Crores only) and that the Board of Directors be and is hereby empowered and authorized to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as they may, in their absolute discretion, deem fit."

Registered Office

Film City Complex
Goregaon (East),
Mumbai 400 065

Mumbai,
September 13, 2007

By Order of the Board

Kirti Desai
Company Secretary

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 instrument appointing proxy to be effective should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting to be effective.
3. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the special business to be transacted at the Meeting is annexed hereto.
4. All documents referred in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days except Saturday between 11.00 a.m and 1.00 p.m upto the date of Annual General Meeting.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, October 23, 2007 to Thursday, October 25, 2007 (both days inclusive).
6. The dividend, on equity shares, as recommended by the Board of Directors, if declared at the meeting, will be paid on or before November 8, 2007, to those Members whose names appear on the Company's Register of Members after giving effect to all valid share transfers in physical form lodged with the Company as on Thursday, October 25, 2007 or in respect of shares held in electronic form to those Members whose names appear in the Statement of Beneficial Ownership furnished by the Depositories for this purpose.
7. Members are advised to avail of facility of Electronic Clearing Service (ECS) for receipt of dividends. The ECS facility is available at certain specified locations. Members holding shares in dematerialized mode are requested to contact their respective Depository Participant (DP) for availing ECS facility. Members holding shares in physical form and desirous of availing ECS facility are requested to write to the Company/Company's Registrar and Share Transfer Agents, Intime Spectrum Registry Limited.
8. 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 communication at their correct addresses.
9. 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.
10. 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.
11. Members/proxies should bring along with them the Annual Report copy at the time of attending the Meeting.
12. 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.

13. Re-appointment /Appointment of Directors : At the ensuing Annual General Meeting, Ms.Pooja Shetty and Shri.Gautam Doshi, Directors of the Company being longest in office retire by rotation and being eligible offer themselves for re-appointment. Shri Sujal Shah, Shri Amit Khanna, Shri Pradeep Shah, Shri Anil Sekhri and Shri Darius Kakalia, Additional Directors hold office upto the date of this Annual General Meeting and are proposed to be appointed as Directors under Section 257 of the Companies Act, 1956. The information or details pertaining to these Directors to be provided in terms of Clause 49 of the Listing Agreement is furnished in the Statement on the Corporate Governance published elsewhere in this Annual Report.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 setting out all the material facts relating to special business:-

Item no. 6 and 7

Shri Sujal Shah and Shri Amit Khanna were appointed as Additional Directors of the Company with effect from April 26, 2007 in accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 132 of the Articles of Association of the Company.

Pursuant to Section 260 of the Companies Act,1956, the above Directors hold office upto the date of the ensuing Annual General Meeting. The Company has received Notice(s) from a Member of the Company under Section 257 of the Companies Act, 1956, proposing their respective candidature for the office of the Director.

Keeping in view the experience and qualification of the aforesaid persons, your Directors considered it to be in the interest of the Company, if they are appointed as Directors of the Company, liable to retire by rotation as per the provisions of the Companies Act, 1956.

The Directors recommend the Resolution to the Members for their acceptance.

The aforesaid Directors may be deemed to be concerned or interested in the resolution relating to their respective appointments.

None of the other Directors of the Company are in any way interested.

Item no. 8, 9, 10

Shri Pradeep Shah, Shri. Anil Sekhri and Shri Darius Kakalia were appointed as Additional Directors of the Company with effect from September 13, 2007 in accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 132 of the Articles of Association of the Company.

Pursuant to Section 260 of the Companies Act,1956, the above Directors hold office upto the date of the ensuing Annual General Meeting. The Company has received Notice(s) from a Member of the Company under Section 257 of the Companies Act, 1956, proposing their respective candidature for the office of the Director.

Keeping in view the experience and qualification of the aforesaid persons, your Directors considered it to be in the interest of the Company, if they are appointed as Directors of the Company, liable to retire by rotation as per the provisions of the Companies Act, 1956.

The Directors recommend the Resolution to the Members for their acceptance.

The aforesaid Directors may be deemed to be concerned or interested in the resolution relating to their respective appointments.

None of the other Directors of the Company are in any way interested.

Item no. 11

The Board of Directors of the Company at their meeting held on April 26, 2007 have on recommendation of the Remuneration Committee and subject to approval of Members decided to renew the service period of Ms. Pooja Shetty with effect from April 1, 2007 to March 31, 2008 (both days inclusive). The draft supplementary agreement proposed to be entered into between Ms. Pooja Shetty and the Company records the terms and conditions of appointment of Ms.Pooja Shetty by way of salary, perquisites and allowances as under:

1 Salary:

Rs.1,50,000 (Rupees One Lac Fifty Thousand) 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 upto 50% of the salary set out in (1) above.

- ii Leave Travel Concession: Ms. Shetty shall be entitled to the payment of Leave Travel Concession once in a year as per Rules of the Company.

- iii Club Fees : Membership Fees of One Club including admission fees and expenses.
- iv Medical Reimbursement : Reimbursement of medical expenses (including hospitalization) actually incurred by herself.
- v Leave and Leave Encashment : Leave with pay or encashment thereof 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 Ms. Shetty.
- vii Telephone : Company shall provide a telephone at her residence for use on Company's business. The rent, call charges for business and other outgoings in respect thereof as also in respect of the mobile used by her for office calls shall be paid by the Company, personal long distance calls shall be billed by the Company to Ms. Shetty.
- viii) 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 Ms. 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 Ms. Pooja Shetty together with the remuneration payable by the Company to its Managing Director and the other Wholetime Director shall not exceed 11% of the net profits computed in the manner provided in Sections 349 and 350 of 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 Ms. 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 Directors recommend the Resolution to the Members for their acceptance.

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

The draft Agreement proposed to be entered into between Ms. Pooja Shetty and the Company are available for inspection by Members of the Company 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.12

In terms of the provisions of sections 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Company, cannot except with the consent of the Company in general meeting, borrow moneys, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of aggregate of the paid up capital and its free reserves that is to say reserves not set apart for any specific purpose.

Keeping in view the Company's expanding business and its growth plans, it is deemed desirable to enhance the Company's borrowing limits from existing Rs. 1,000 crores (Rupees One Thousand Crores only) to Rs. 5,000 crores (Rupees Five Thousand Crores only).

The Directors recommend the Resolution to the Members for their acceptance.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

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

By Order of the Board

Kirti Desai
Company Secretary

Mumbai,
September 13, 2007

CHAIRMAN'S STATEMENT

Dear Shareholders,

We made many promises last year – some may say, extremely ambitious ones. One year down the line, however, I am pleased to report that we have delivered on our promises and achieved a dominant position in all business segments.

From 40 screens in seven cities across India at this time last year, we have – as on date - become the largest cinemas chain in India with 105 screens across 32 cities. Our aim is to be present in all significant film territories that contribute over 80% to domestic box-office collections.

In movie production, our tie-ups with well-regarded producers/directors such as Vipul Shah and Ram Gopal Varma have borne fruit with successful releases like Namaste London and Nishabd. We also made our first foray into the regional film industry with the Tamil film Kireedam through a co-production with veteran production house Sujatha Cine Arts. We are shortly launching our first home production Johnny Gaddaar. Our co-production agreement with Hyde Park Entertainment (promoted by Ashok Amritraj) is progressing well and our first Hollywood production Asylum is expected to be released in a few months.

Through our established distribution offices in the US and UK we have released 40 films till date. We have also begun distribution of films in the domestic market earlier this year and have had successful releases such as Spider-Man 3, Black Friday, Bheja Fry, Guru and Aap Ka Surroor.

Our first 3D animation film, Sultan - The Warrior, produced jointly with Ocher Studios, featuring Indian superstar Rajnikanth is in production. We have added a second animation project to our slate, a film co-produced with India's premier kids apparel brand Gini & Jony which is currently in the pre-production phase.

As you are aware, we have acquired majority stake in Siddhartha Basu's Synergy Communications, a television production house which will cater to the demand for quality software arising from exponential growth in broadcasting.

The market for film processing has been quite steady in the current year, with the advent of additional screens across the country and buoyant demand for Indian movies. The facility in Chennai – added last year - has already garnered a 20% market share. We are now also in Kolkata to cater to the Eastern market and operations have been encouraging.

As per our plan to become a larger Services company, the company has commenced its Broadcast Equipment Rental business for providing quality equipment and is in the process of setting up a state-of-the-art Digital Lab for providing high-end services like film digitisation, digital intermediate, restoration among other processes.

We have been following the developments in Digital Cinema Initiative (DCI) closely and have actively tested these standards successfully in our cinema chain. We aim to roll out the same shortly.

I am also pleased to inform shareholders that Adlabs has been awarded a Letter of Intent (LOI) by the Maharashtra Government for three studios within Film City. We intend to commence development shortly for creation of world class shooting facilities within the heart of the Indian film industry.

As a member of the Reliance – Anil Dhirubhai Ambani Group, Adlabs will always strive for excellence, and we deeply value your support.

Thanking you,

Manmohan Shetty
Chairman & Managing Director

Mumbai, September 21, 2007



DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Twentieth Annual Report and the Audited Accounts of the Company for the fifteen month period ended June 30, 2007.

Financial Results:

(Rs. in thousands)

Particulars	15 month period ended 30 th June 2007	12 month period ended 31 st March 2006
Gross income		
Film Processing and Traded Goods	954,167	657,703
Theatre Operations	873,606	252,795
Film Distribution	1,362,552	53,119
Film production	10,527	91,012
Other Income	737,682	49,903
Total	3,938,534	1,104,532
Expenditure	1,922,936	620,528
Profit Before Depreciation, Interest & Tax	67,510	288,706
Interest	44,171	8,873
Depreciation	929,873	88,776
Profit Before Tax	1,041,554	386,355
Tax	187,234	123,297
Short provision for tax in respect of earlier years	968	-
Profit After Tax	853,352	263,058
Loss after tax for the period from 1st April, 2005 to 31st March, 2006 in incorporated pursuant to Scheme of Amalgamation and arrangement	(19,519)	-
Balance brought forward from previous year	247,458	112,911
Total	1,081,291	375,969
Appropriations		
General Reserve	85,400	26,400
Proposed Dividend	99,502	89,552
Dividend Tax	16,910	12,559
Balance carried forward	879,479	247,458
Total	1,081,291	375,969

Results of Operations

The financial results covered and forming part of this report include 15 month period from April 1, 2006 to June 30, 2007 since the accounting year of the Company has been extended from erstwhile accounting year, 1st April - 31st March to 1st April - 30th June 2007 to account for transactions of 15 months.

As such the accounts during 2007 shall not be strictly comparable with that of the previous year/s.

The total Income from operations of the Company for the period ended June 30, 2007 (15 months) was higher at Rs. 3,938,534 thousands recording an increase of 256% over the previous year (12 months). The income from film processing for the period was at Rs. 954,167 thousands, an increase of 45% over the previous year.

Income from exhibition rose by 245% to Rs. 873,606 thousands.

The contribution of film production and distribution to the total income was Rs. 1,373,079 thousands an increase of 852%. The overall net profit of the company rose by 224% to Rs. 853,352 thousands during the 15 month period ended June 30, 2007.

Profit for the Company was higher, amongst other reasons, due to excellent box office performance of the films co-produced, some super-hit movies distributed and commencement of new cinema properties across the country.

Dividend

Your Directors have recommended a dividend of 50% (Rs. 2.50 per Equity Share) for the fifteen month period ended June 30, 2007 and hereby seek your approval for the same. The total outgo on account of dividend to be paid to shareholders will be Rs. 1164.12 lakh (inclusive of Corporate Tax on Dividend) as against Rs. 1021.11 lakh in the previous year.

Business Review

The last year has been a landmark one for Adlabs with the Company achieving a dominant position in all business segments. Key milestones have been:

- Growth of over 256% in Total Income and over 224% in PAT respectively
- Becoming the first cinema chain in India to cross 100 screens
- Commencing domestic and international film distribution businesses
- Entering into television content production and acquisition of majority controlling stake in Synergy Communications, a leading and reputed player in television content headed by Mr. Siddhartha Basu.

From 40 screens in seven cities across India at this time last year, the Company has – as on date – become the largest cinemas chain in India with 105 screens across 32 cities and the momentum is expected to continue. Among the notable launches this year was the landmark property Metro Adlabs in South Mumbai. Adlabs' aim is to be present in all significant film territories that contribute over 80% to domestic box office collections by not only setting up cinemas in malls but also taking over existing properties, renovating and operating them.

In movie production, the Company's tie-ups with well-regarded producers/directors such as Vipul Shah and Ram Gopal Varma have borne fruit with successful releases like *Namaste London* and *Nishabd*. The Company also made its first foray into the regional film industry with the Tamil film *Kireedam* through a co-production with veteran production house Sujatha Cine Arts. During the year, several reputed film-makers have been commissioned and, over the next few months, a slew of releases such as Ram Gopal Varma's *Sarkaraj*, Harry Baweja's *Love Story 2050*, Prakash Jha's *Dil Dosti etc* and *Khoya Khoya Chand*, Vipul Shah's *Singh is King*, Milan Luthria's *Revolver* and the Company's first home production Johnny Gaddaar directed by Sriram Raghavan will be presented.

Your Company also entered into a tie-up with Ashok Amritraj's Hyde Park International and the first release *Asylum* is expected shortly.

Adlabs' first 3D animation film *Sultan - The Warrior*, jointly produced by Ocher Studios features Indian superstar Rajnikanth in a lead role. After the record-breaking success of *Sivaji*, Rajnikanth's huge fan base around the world is keenly looking forward to his next release. The period action adventure film is currently in production using a mix of Indian and foreign talent with studios in India and Europe and is sure to set new benchmarks in Indian animation when it releases end 2008.

South Asian audiences in international markets have a strong affinity to Indian movies and the Company has established offices in the US and UK to cater to this demand. During the year, Adlabs emerged as one of the largest international distributors of Bollywood content by distributing more than 20 films including Rakesh Roshan's *Krrish*, Shirish Kunder's *Jaan-E-Mann*, J.P Dutta's *Umrao Jaan* and Ravi Chopra's *Baabul*.

Adlabs also entered into the domestic distribution business in January 2007 by distributing Mani Ratnam's *Guru*. The Company has established its own distribution offices in key territories of Mumbai, Delhi UP and East Punjab which constitute more than 60% of all-India business for Hindi films. Aided by meticulous selection of films from the perspective of diverse genres and scale of release (*Guru*, *Black Friday*, *Spider-Man 3*, *Bheja Fry* and *Aap Ka Suroor*), Adlabs has built a significant presence with good brand and consumer mind space in the domestic film distribution business.

Television is one of the fastest growing entertainment mediums today. Recognising this, the Company has acquired majority stake in Siddhartha Basu's Synergy Communications. This year saw the successful launch of *Kaun Banega Crorepati 3* and very soon *Jhalak Dikhlai Jaa* in its second season.

The market for film processing has been quite steady in the current year, with the advent of additional screens across the country and buoyant demand for Indian movies. The processing lab at Mumbai has been upgraded with the introduction of international best practices and the facility in Chennai – added last year – has already garnered a 20% market share. The new laboratory in Kolkata to cater to the Eastern market has been opened and operations have been encouraging.

New Initiatives

The Company has added another animation project to its slate, a film co-produced with India's premier kids apparel brand *Gini & Jony* which is currently in the pre-production phase and will be ready for release by the end of 2008. The tie-up with an apparel brand will give the Company the added advantage of their retail business network which will aid in marketing and exploiting merchandising rights.

The processing lab is an integral element of the Company's Services business which aims to provide a complete range of high-quality services to Indian film-makers. The Company has commenced its Broadcast Equipment Rental business for providing quality equipment for live shows, reality shows and game shows, among other segments.