SRI ADHIKARI BROTHERS TELEVISION NETWORK LIMITED

CHAIRMAN'S STATEMENT



Dear Members,

It gives me immense pleasure to interact with you once again through this foreword to the 10th Annual Report for the period ended 31st March, 2005.

Period in Retrospect

The Annual report covers a period of 18 months during which, your company has been in the process of undergoing structural changes, which has been reported from time to time. With approval of shareholders of the company through Postal ballot; the company has transferred the SAB TV brand along with approximately 20 percent of its content library & related assets collectively identified as an "Undertaking" to SET Satellite (Singapore) Pte. Ltd. (a group company of SONY, a fortune 500 company) for a consideration of US $13 Million. The said transfer is effective from 15th April 2005 and hence, will be reflected in the next financial year.

I take pleasure in informing you that apart from the above, your company has also entered into an agreement of content production & supply of Rs. 750 million with SET (India) Pvt. Ltd.

During the period under review, the Indian Television industry has witnessed a transformation powered by technological advancements, new delivery platforms, and increasing variations in content. Apart from General Entertainment, Reality shows, Business content, regional & Spiritual programs have gained prominence during the period.

The period witnessed a tremendous surge for demand of quality software across various genres with more than 300 channels being beamed over the Indian skies and many more expected to be launched. Your Company with more than a decade of proven performance in the general entertainment medium and with a road map to tap the other programming segments is well positioned to encash on the opportunity.

Way Forward

With the television industry booming & viewers being continuously exposed to foreign channels, the demand for technically superior content with new shows and formats are on the rise. The increasing number of programs on prime and non prime time & leveraging of content in library for export to Asian Diaspora abroad will fuel the content production sector

Your company will be concentrating on the area of its core competence since inception i.e. the production of television software.

With a vision of offering solutions under one roof, your company is planning to upgrade the production and post-production facilities and also planning to enter into new & promising segments like telefilms, animation etc. It plans to establish itself as a one-stop shop that can cater and provide solutions to all kinds of alternate media software demands of the market.

Your company being the only content production house to have hands on broadcasting experience seeks to firmly entrench and consolidate its position as a media conglomerate.

With Warm Regards,

Gautam Adhikari
Chairman

Place : Mumbai
Date : 2nd June,2005.

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SRI ADHIKARI BROTHERS TELEVISION NETWORK LIMITED

DIRECTORS' REPORT



Dear Members,

Your Directors have pleasure in presenting the 10th Annual Report together with the Audited Accounts of the Company for the financial period ended on 31st March, 2005.

In order to bring the last date for closure of the financial year in parlance with the Income tax year, your Company has changed the closing date of the accounting year from 30th September to 31st March. Therefore, the Accounts have been prepared and Audited for the period 1st October, 2003 to 31st March, 2005. The Company has obtained necessary permission from the Registrar of Companies, Maharashtra, for extending the period of financial year from 12 months to 18 months.

Financial Highlights **Rupees in million**

Particulars	For the period ended 31.03.2005 18 Months	For the period ended 30.09.2003 18 Months
Total Revenue from business	871.38	872.57
Operating Expenses	707.82	836.93
Earnings before finance charges, depreciation, tax & amortisation (EBIDTA)	**163.56**	**35.64**
Less: Finance charge	37.61	18.67
Earnings before depreciation, tax & amortisation (EBDTA)	**125.95**	**16.97**
Less: Depreciation	110.75	110.53
Earnings/(Loss) before Tax (EBTA)	**15.20**	**(93.56)**
Taxation : current tax	0.00	-
: deferred tax (Assets / Liabilities)	5.70	(33.35)
Profit / (Loss) After Tax (PAT)	**9.50**	**(60.21)**
Prior period adjustments	8.60	7.89
Profit / (Loss) after prior period	0.90	(68.10)
Profit / (Loss) b/f from previous year	(9.57)	58.53
Surplus / (Deficit) available for appropriation	**(8.67)**	**(9.57)**
Balance carried to Balance Sheet	**(8.67)**	**(9.57)**

The comments of the Board of Directors on the financial performance have been provided under the title Management Discussion and Analysis as an attachment to this report.

Dividend

Due to inadequate profits earned by the Company your Directors do not recommend any dividend.

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Warrant conversion

It had been reported in the Report of the Directors placed before you at the last Annual General Meeting that during the period under the review Warrant holders have exercised the option and had converted 612,500 warrants into 612,500 equity shares of Rs 10/- each at a premium of Rs. 153/- per share. Balance outstanding warrants of 1,746,500 have lapsed and the amount of Rs. 2.84 million received by the Company as part payment for the said warrants has been forfeited.

Directors

In accordance with the Articles of Association of the Company Mr. Anand Pandit, Director of the Company is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Directors' Responsibility Statement

Pursuant to the provisions 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 have been followed and no material departures have 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 affairs of the Company as at 31st March, 2005 and of the profit of the Company for the period ended on that date;

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.

Sale of SAB TV brand and related assets

After due deliberation on the Company's future strategies the management found it prudent to concentrate on content production business for higher return on investment and betterment of shareholders value. Therefore, your Company has hived off SAB TV brand along with part content from library and other related assets.

Awards

During the period under review SAB TV continued to win various coveted awards. It won three Apsara Awards, four RAPA Awards, three Indian Telly Awards and four Hero Honda ITA Awards. Our flagship programme 'Office Office' increased its award tally to 31 as on the date of the report.

Media software

The Company has around 5200 hours of television content in library as on date of this report. Your Company will continue to explore revenue opportunities by leverage of the content in the library.

Auditors

M/s. A. R. Sodha & Co., Chartered Accountants, Mumbai are the Statutory Auditors of the Company. The Auditors hold the office till the conclusion of ensuing 10th Annual General Meeting. The Company has received a letter from them to the effect that they are willing to continue as Auditors, if re-appointed and that their re-appointment could be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956. The Board recommends the re-appointment of M/s. A. R. Sodha & Co., Chartered Accountants as Statutory Auditors.

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Public Deposits

The total Fixed Deposits from the public outstanding as on 31st March,2005 amounted to Rs. 9.84 million. The Company has not accepted any fresh deposits from the public during the period under review.

Compliance of Section 217 of the Companies Act, 1956

The provisions of Section 217 (1) (e) of the Companies Act, 1956 read together with Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988, regarding conservation of energy and technology absorption are not applicable to the Company.

The particulars of Foreign Exchange earnings and outgo for the period under review are annexed to this report.

The particulars of employees, as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of the employees) Rules, 1975 is forming part of the report of Directors, for the period under review are annexed to this report.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange(s), the following have been made a part of the Annual Report and are attached to this report :

- Management Discussion and Analysis.
- Corporate Governance Report.
- Auditors' certificate regarding compliance of conditions of Corporate Governance.

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Subsidiary Company

As required under Section 212 of the Companies Act, 1956, the Audited Statement of Accounts for the year ended on 31st March, 2005 of Westwind Realtors Private Limited together with the reports of the Directors' and Auditors' and the Compliance Certificate issued by a Practicing Company Secretary is annexed.

Appreciation

The Directors place on record their appreciation for the valuable support and co-operation extended to the Company by advertisers, producers, artists, Company's bankers, shareholders, creditors, employees of the Company and various government agencies.

For & on behalf of the Board of Directors

Place : Mumbai
Date : 2nd June, 2005

Gautam Adhikari
Chairman

Markand Adhikari
Vice Chairman & Managing Director

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ANNEXURE TO DIRECTORS' REPORT

A) Foreign Exchange Earnings and Outgo:

	18 Months ended 31.03.2005 (Rs. in million)	18 Months ended 30.09.2003 (Rs. in million)
Foreign Exchange earned	11.44	1.95
Foreign Exchange used	0.68	15.61

B) Statement of particulars of Employees pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of the Employees) Rules, 1975 and forming part of the Directors' Report for the period ended 31st March, 2005.

Name	Age	Designation	Remuneration (for the period of 18 months) Rupees	Qualification	Experience (Years)	Commencement of Employment	Previous Employment
1	2	3	4	5	6	7	8
Mr. Markand Adhikari	47	Vice Chairman & Managing Director	6,300,000	B.A.	23	20-12-1994	N.A
Ms. Kanta Advani	45	President (Sales)	4,651,506	B.A., DMM, DMS	23	03-04-2003	Zee Telefilms Ltd.

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NOTES

1. Gross remuneration includes salary, arrears of salary, special allowance, house rent allowance or the actual rent paid by the Company or the Municipal rateable value in the case of free unfurnished quarters of the Company, transport allowance, employers contribution to provident fund, reimbursement of medical expenses, leave travel assistance, leave encashment, perquisites in respect of free use of the Company's vehicle etc. as applicable.
2. The employees are also entitled to gratuity, in addition to the above remuneration.
3. Experience includes number of years in service both within the Company and elsewhere, wherever applicable.
4. Mr. Markand Adhikari is relative of Mr. Gautam Adhikari, Chairman of the Company.

For & on behalf of the Board of Directors

Place : Mumbai
Date : 2nd June, 2005

Gautam Adhikari
Chairman

Markand Adhikari
Vice Chairman & Managing Director

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MANAGEMENT DISCUSSION AND ANALYSIS

Members and Investors are cautioned that the Management Discussion and Analysis presented herein below, contains the Company's objectives, projections, estimations and expectations, which may be forward looking statements within the meaning of applicable Securities Laws and Regulations. Actual results could differ materially from those expressed or implied. The important factors, which could have an impact on the Company's operations, include economic conditions, changes in Government Regulations, Tax Laws and other incidental factors.

A. The Structure

During the period under review, the Company continued to be in media business & operated through its two strategic business units. The first being the content management and sponsored slot business unit and the other being the 24-hour Hindi entertainment channel SAB TV. The Company also leveraged the value of it's expensed out content from library by sub-licensing of the same, to broadcasters and operators outside India. The Company has invested in to equity of Middlesex Broadcasting Corporation Limited wherein the Channel MATV and SAB TV were operated and broadcast in United Kingdom.

As has been informed under the Report of the Board of Directors, your Company has sold SAB TV Brand and other related assets together with approximately 20 % content in library. The sale has been effected from 15th April, 2005. The Company has discontinued its broadcasting operations since then. However, the Company has entered into another revenue stream that is commissioned software business. The Company has secured a contract from SET (India) Pvt. Ltd. to supply content worth 750 million. Your company will continue to explore the commissioned software business from other main stream and regional channels.

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B. Financials

1. Share Capital

As on 31st March, 2005 the Authorised Share Capital of the Company stood at Rs. 150 million divided into 15 million equity shares of Rs. 10/- each. The paid up equity capital of the Company stood at Rs. 92,835,000 comprised of 9,283,500 equity shares of Rs. 10/- each.

2. Reserves and Surplus

The total Reserves and Surplus as at 31st March, 2005 amounted to Rs. 896.10 million as against Rs. 798.97 million of the previous period ended 30th September, 2003. The Reserves and Surplus includes Capital Reserves of Rs. 28.46 million being the amount received against the warrants which have been forfeited during the year. The general reserves stood at Rs. 225.11 million. The Share premium reserves amounted to Rs. 642.52 million as against Rs. 548.81 million of the previous period ended 30th September, 2003.

3. Secured Loans

During the period under review, the Company continued to avail of term lending and working capital finance from Punjab National Bank. The total secured loans from the bankers stood at Rs. 163.62 million as at 31st March, 2005. Secured loans being the hire purchase finance for assets stood at Rs. 2.10 million as at 31st March, 2005.

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4. Unsecured Loans

The total unsecured loans as at 31st March, 2005 stood at Rs. 109.84 million of which Rs. 9.84 million were fixed deposits from general public.

5. Fixed Assets

During the period under review, the Company purchased/acquired assets to the tune of Rs. 5.95 million. The Company has written off Goodwill and Media Rights to the tune of Rs. 25.04 million.

6. Investments

The Company has effected the scheme of takeover of channel SAB TV from its wholly owned subsidiary SABe TV Limited with approval of the Reserve Bank of India during the period under review. Realisation from the liquidation of Companies investments in the capital of SABe TV Limited was adjusted against amount payable to SABe TV Limited on various accounts. During the period under review, the total investment in Middlesex Broadcasting Corporation Limited stood at Rs. 49.79 million.

7. Net Current Assets

The net current assets as at 31st March, 2005 stood at Rs. 543.83 million.

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8. Revenues

The total revenues amounted to Rs. 871.38 million for the period ended 31st March, 2005 as against Rs. 872.57 million of the previous period, Rs. 495.83 million from production house segment, Rs. 369.89 million from broadcasting segment, Rs. 5.66 million from other sources.

9. Operating Expenses

During the period under review the total operating expenses amounted to Rs 709.84 million as against Rs 835.95 million for the period ended 30th September, 2003.

10. Finance Charges

Financial charges include interest on the loans and bank finance, bank charges, interest on public deposits, guarantee and LC commission etc. Total finance costs for the period under review amounted to Rs. 37.61 million as against Rs. 18.67 million for the period ended 30th September, 2003.

11. Depreciation

The provision for the depreciation as at 31st March, 2005 worked out to Rs. 110.74 million as against Rs. 110.53 million for the previous period ended 30th September, 2003.

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C. Critical Accounting Policies

1. Revenue Recognition

The company earns revenue from the following streams:

a) Advertising revenue from channel SAB TV, sponsored slots on Doordarshan and other private channels :

Advertising revenue is recognized net of agency commission when the related advertisement or the commercial appears on the concerned channel.

b) Revenue from sub licensing of content to private networks in various countries or local sale of content :

Revenue from sale of content is recognized when the relevant program is delivered to the buyers and all the significant risks and rewards of telecasting rights of the program are transferred to the buyers.

2. Programme Cost

The cost of production of programmes including the cost of acquired programmes is fully expensed in the year of telecast.

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D. Internal Controls and Adequacy of those Controls

The Company has customized accounting packages, which has built in security, which prohibits deletions and overwriting once accounting entry is passed. The company has introduced checks at various levels to monitor the expenses. The Company has appointed a Chartered Accountant firm as an Internal Auditors. The Internal Auditors periodically review the transactions and also review the efficiency of existing controls.

E. Human Resource

Human capital is a very important asset in a media Company. Over the years the Company has built up a strong human resource structure, which has enabled the Company to progress rapidly. The Company has a strong qualified team of professionals.

F. Business Risks

1. Revenue Risks

The Company earns advertising revenue by selling of free commercial time on its sponsored slots on terrestrial and private satellite networks and also on its own channel SAB TV. The advertisement revenue depends upon the reach of the platform, popularity of the content, channel's share in the viewing universe and channel mapping and distribution. Any slide on these factors has an adverse impact on the revenues of any broadcaster.

The management is fully aware of the impact of these factors on the revenue opportunity. Management continuously monitors the performance and makes efforts to arrest decline or adverse output on any of these factors. It is quite evident that the Company has continued to do well on sponsored slots and

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has improved the revenue collections from SAB TV even though marginally. It will not be out of context to state that the Company has sold SAB TV brand and has exited the broadcasting business for the time being.

2. Channel Distribution Risks

Better the reach and better the visibility, better will be the performance and better will be the revenue opportunity is the mantra of the current broadcasting. For the success of a satellite channel its distribution through cable networks is a crucial factor.

The Company has distributed the channel SAB TV extensively. The channel has built up a reach of 30 million homes thru MSO's and Cable Networks. The Company has long-term arrangements with MSO's and Cable Operators for the placement of the channel on Prime Band or on the colour Band. It will not be out of context to state that the Company has sold SAB TV brand and has exited the broadcasting business for the time being.

3. Regulatory Issues

The business may have a positive or a negative impact on the revenues in future due to the changes in the regulatory frame work and tax laws as compared with the current scenario.

G. Outlook

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As you are aware during the current year the Company will concentrate on its core strength that is content production business. The Company has already secured production contract from Set (India) Pvt. Limited for the channel SAB TV to the tune of Rs. 750 million and the Company expects to produce around 500 hours of content for the said channel during the current year. Further Company will explore opportunity to supply the content to other mainstream channels like ZEE TV, Sahara TV, STAR TV etc. and also for regional and nitch channels.

The growth of the Television industry is primarily linked to the overall growth of the economy. A robust growth has seen a number of new entrants in this segment resulting in higher investments in programming. The management expects the television software segment to grow at a compounded rate of 16% for the next five years. The increasing number of channels and the consequent increases in the content spectrum will primarily fuel this segment. The management is bullish on content production segment and expects substantial rise in top line and bottom line.

Exports

Your Company successfully leverages the value locked in the expensed out content lying in the library by export of the content Broadcasters rights on defined usage basis to the Broadcasters and operators abroad. The Company is exploring export opportunities in other countries. The management expects sizeable revenues in the form of exports in the future.

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SRI ADHIKARI BROTHERS TELEVISION NETWORK LIMITED

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company is committed to benchmarking itself with the best in all areas including Corporate Governance. The Company's Philosophy of Corporate Governance is aimed at strengthening the confidence among shareholders, customers, employees and ensuring a long – term relationship of trust by maintaining transparency and disclosures. The Company believes in maintaining highest standards of quality and ethical conduct, in all the activities of the Company.

A report on the implementation of the Code of Corporate Governance as per Clause 49 of the Listing Agreement is given below:

2. BOARD OF DIRECTORS

Composition and Category of Directors:

The Board of Directors of the Company has an optimum combination of executive and non-executive Directors. The present Board comprises of two executive Directors and three non-executive Directors. The number of non-executive Directors are more than 50% of the total strength of the Board.

None of the Directors on the Board is a member of more than 10 Committees and the Chairman of more than 5 Committees, across all Companies in which they are Directors.

Except, the Chairman and Vice Chairman and Managing Director, all other Directors are liable to retire by rotation.

During the period ended on 31st March, 2005, 15 meetings of the Board of Directors were held on the following dates:

1	15th November, 2003	9	28th May, 2004
2	29th November, 2003	10	31st July, 2004
3	30th January, 2004	11	15th September, 2004
4	4th February, 2004	12	30th October, 2004
5	11th February, 2004	13	21st December, 2004
6	28th February, 2004	14	22nd January, 2005
7	26th March, 2004	15	12th March, 2005
8	30th April, 2004		

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