

**9th Annual Report  
2003-2004**

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**Goldmines Media Limited**

**ANNUAL REPORT 2003-2004****Board of Directors :**

Mrs. Tabassum Govil (Chairperson)  
 Mr. Manish Shah (Managing Director)  
 Mrs. Ulka Shah (Whole-time Director)  
 Mr. Dinesh Gandhi  
 Mr. Rahul Merchant  
 Mr. Kunal Singh

**Company Secretary & President-Corporate Affairs :**

Mr. R. B. Uparkar

**Auditors :**

M/s Sanjay Raja Jain & Co.  
 Chartered Accountants  
 F-3, Dadar Manish A.C. Market,  
 Senapati Bapat Marg,  
 Dadar (West), Mumbai 400 028.

**Registered Office :**

Plot No. 45,  
 Ganpati Bhavan, 1st Floor,  
 M. G. Road, Goregaon (West),  
 Mumbai 400 062.  
 Tele. 2874 8995/9001  
 Fax 2876 7645

**Registrars & Transfer Agents :**

Bigshare Services Private Limited  
 E/2, Ansa Industrial Estate,  
 Saki Vihar Road, Saki Naka,  
 Andheri (East),  
 Mumbai 400 072  
 Tele 2847 3474, 2847 0652/53  
 Fax 2852 5207

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**Goldmines Media Limited****Notice to the Members**

**NOTICE** is hereby given that the Ninth Annual General Meeting of Goldmines Media Limited will be held on Friday, 10th December, 2004 at Keshav Gore Smarak Trust Hall, "Smriti", Aarey Road, Goregaon (West), Mumbai 400062 at 11.30 a.m. to transact the following business:

**Ordinary Business :**

1. To receive, consider and adopt the Balance Sheet as at 30th June, 2004 and the Profit and Loss Account for the 15 months year ended on that date and Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Dinesh Gandhi who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mrs. Ulka Shah who retires by rotation and, being eligible, offers herself for re-appointment.
4. To re-appoint M/s. Sanjay Raja Jain & Co., Chartered Accountants, the retiring Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration to be decided by the Board of Directors in consultation with the Auditors.

**Special Business :**

5. To consider and if, thought fit, to pass, with or without modification, the following resolution as **Special Resolution**:

**"RESOLVED THAT**, pursuant to the provisions contained in section 81(1-A) and all other applicable provisions, if any, of the Companies Act, 1956 (including the amendments thereto or re-enactment thereof), the relevant provisions of the Memorandum and Articles of Association of the Company and subject to the approval of Government of India, Securities and Exchange Board of India (SEBI), Stock Exchanges, Reserve Bank of India and other authorities, if any, to the extent required and subject to such conditions, as may be prescribed by them, while granting such approvals, consents, permissions and sanctions and subject to such terms, conditions and alterations, which the Board of Directors of the Company (hereinafter referred to as "the Board") be and is hereby authorised to accept, if it thinks fit in the interest of the Company, consent of the Company be and is hereby given to issue, offer and allot 10,00,000 equity shares of Rs. 10/- (Rupees Ten) each aggregating to Rs. 1,00,00,000/- (Rupees one crore only) to any persons or persons (including Foreign Institutional Investors, Financial Institutions, Non-Resident Indians, Other Corporate bodies, Mutual Funds etc.) whether or not shareholders of the Company and at such price and on such terms and conditions as the Board may in its absolute discretion decide.

**"RESOLVED FURTHER THAT** the equity shares so issued shall rank pari-passu with the existing equity shares of the Company.

**"RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue, allotment and utilisation of the proceeds and further to do all such acts, deeds, matters and things, and to finalise and execute all documents and writings as may be necessary, proper, desirable or expedient as it may deem fit."

6. To consider and if, thought fit, to pass, with or without modification, the following resolution as **Special Resolution**:

**"RESOLVED THAT** the equity shares of the Company be de-listed from The Hyderabad Stock Exchange Limited and The Stock Exchange, Ahmedabad, in accordance with the relevant laws, rules, regulations and guidelines (including any statutory modifications or enactments thereof for the time being in force and as may be enacted hereinafter) and subject to such approvals, permissions and sanctions as may be necessary and in compliance with such conditions and modifications as may be necessary for this purpose."

**"RESOLVED FURTHER THAT** the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred by the Board), be and is hereby authorised to seek voluntary de-listing at such time, to take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to de-listing of the equity shares from the said two exchanges and to execute all such deeds, documents, writings as may be necessary,

desirable or expedient or as may be deemed fit and for this purpose to delegate the authority and the duty vested in it by virtue hereof to any other person whom the Board may consider suitable, to do the various acts, deeds and things required to be done in this behalf"

7. To consider and if, thought fit, to pass, with or without modification, the following resolution as **Special Resolution**:

**"RESOLVED THAT** in terms of applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force) and in accordance with the provisions of the Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges, where the shares of the Company are listed and subject to the consent of all concerned authorities, if any and to the extent necessary, and such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modification as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "The Board") to offer/ issue/ allot 8,30,900 Equity shares of Rs. 10/- each of the Company which were forfeited in terms of resolution passed by the Board to any person or persons, whether or not shareholders of the Company and at such price and on such terms and conditions as are in the best interest of the Company as the Board may in its absolute discretion decide.

**"RESOLVED FURTHER THAT** subject to the terms and conditions stated herein, the equity shares allotted pursuant to this resolution shall in all respects rank pari-passu inter-se as also with the other equity shares of the Company.

**"RESOLVED FURTHER THAT** the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary, proper or desirable to give effect to this resolution."

By Order of the Board

**Manish Shah**  
Managing Director

Place: Mumbai

Dated: 30th October, 2004

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#### Notes:

1. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of items 5 to 7 of the Notice as set out above, is annexed hereto
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY SHOULD, HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. The Register of Members and Share Transfer Books of the Company shall remain closed from Wednesday 1st December, 2004 to Friday 3rd December 2004 (both days inclusive).
4. Members seeking any information with regard to accounts of the Company are requested to send their queries so as to reach the registered office at least 10 days before the meeting to enable the management to keep the information ready.
5. As a measure of economy, copies of Annual Reports will not be distributed at the Annual General Meeting. Members are requested to bring their copies of Annual Report to the Meeting.

#### Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

##### Item No. 5

The authorised share capital of the Company is Rs. 11 crores consisting of 1,10,00,000 equity shares of Rs. 10/- each out of which issued and subscribed capital is 10 crores.

To augment resources for its projects, ongoing capital expenditure and other general corporate purposes, it is desirable to raise a finance by way of issue, offer and allotment of balance 10 lakhs equity shares aggregating to Rs. 1 crore in

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accordance with the provisions contained in Section 81(1-A) and all other applicable provisions of the Companies Act, 1956.

The members are well aware that the similar resolution was passed in the last Annual General meeting of the Company. However, the Company didn't feel any need to issue the shares during the year as there were enough internal accruals and the liquidity position of the Company was quite strong. However, the Board may consider the issuance of shares during the forthcoming year. As the similar resolution was passed almost a year ago, the Board thought it worthwhile to get the approval of the members to the resolution at ensuing Annual General meeting.

Your Directors recommend the resolution for approval of the members.

All the Directors of the Company may be deemed to be concerned or interested to the extent the equity shares that may be offered to them or to the companies in which they are interested.

**Item No. 6**

Presently, the equity shares of the Company are listed on the Stock Exchanges at Mumbai, Hyderabad and Ahmedabad. Consequent to the technological developments, the shares of the Company are traded all over India through on-line terminal provided by The Stock Exchange, Mumbai. There is minuscule trading of Company's shares on other stock exchanges. In view of this, it is proposed to de-list the Company share from The Hyderabad Stock Exchange Limited and The Stock Exchange, Ahmedabad. No inconvenience will be caused to the shareholders residing in the respective regions, since on-line terminals are provided by The Stock Exchange, Mumbai at these regions. Further, listing of the Company's shares in many stock exchanges, apart from not adding any value to the shareholders, often results in avoidable cost, administrative work, delay and inconvenience. A special resolution was passed at the last Annual General Meeting of the Company for de-listing of shares from Stock Exchanges at Ahmedabad and Hyderabad.

However, the Company could not initiate the process of de-listing during the last year. The Board expects the same to start during the current year. As the earlier resolution for de-listing was passed almost a year back, the Board thought it worthwhile to get a fresh resolution passed in the ensuing Annual General Meeting.

Your Directors recommend the resolution for your approval. None of the Directors of the Company is, in any way concerned or interested in the said resolution.

**Item No. 7**

The members will recall that on 9th July, 2001, the Board had forfeited 8,32,000 equity shares of Rs. 10/- each for non-payment of allotment money.

Out of these 8,32,000 shares, the Board revoked the forfeiture of 1,100 shares during the year 2002-2003 as it was noticed that the Company had received the money in respect of said 1,100 shares.

As per the articles of Association of the Company, the shares so forfeited may be sold, re-allotted, re-issued or otherwise disposed off on such terms and in such manner as the Board of Directors thinks fit. However, the Listing Agreements with the Stock Exchanges provide that a listed Company in the first instance should offer all shares (including forfeited shares) and securities to be issued pro-rata to the equity shareholders of the Company unless the shareholders in a general meeting decide otherwise.

The consent of the shareholders is being sought to enable the Company to re-issue forfeited shares in the manner set out in the resolution in item no. 7 of the Notice pursuant to provisions of the Listing Agreements with the various Stock Exchanges where the shares of the Company are listed.

The said resolution is an enabling resolution conferring authority on the Board to cover all contingencies and corporate requirements. The similar resolution was passed in 7th and 8th Annual General Meetings of the Company. However, the Board has not re-issued the shares. Considering the expansion programme of the Company, the Board may be required to re-issue the shares during the forthcoming year itself. As a period of one year has passed since the passing of earlier resolution, the Board, at the instance of the Stock Exchange, Mumbai is seeking a fresh approval of the members at ensuing Annual General meeting.

Your Directors recommend the resolution for approval of the members.

All the Directors of the Company may be deemed to be concerned or interested to the extent the equity shares that may be offered to them or to the companies in which they are interested.

## Directors Report

Your Directors have pleasure in presenting their Ninth Annual Report together with the Audited Accounts of the Company for the 15 months year ended on 30th June, 2004.

### Financial Results

(Amount in Rs.)

|  | For the 15 months<br>year ended on<br>30th June, 2004 | For the 18 months<br>year ended on<br>31st March, 2003 |
|--|---|--|
| Gross Income                                     | 5,47,08,596   | 69,16,646  |
| Expenditure                                      | 5,32,99,977   | 1,22,02,917  |
| Profit before Taxation & Depreciation            | 14,08,619   | (52,86,271)  |
| Depreciation                                     | 5,36,197  | 9,87,254   |
| Profit / (Loss) before tax                       | 8,72,422  | (62,73,525)  |
| Provision for Taxation                           | Nil   | Nil  |
| Profit / (Loss) after tax                        | 8,72,422  | (62,73,525)  |
| Profit / (Loss) brought forward from last year   | (2,28,32,458)   | (1,65,58,933)  |
| Profit / (Loss) carried forward to Balance Sheet | (2,19,60,036)   | (2,28,32,458)  |

The Company made a great turnaround during the current year. The gross income rose from Rs.69.16 lakhs in the previous year (of 18 months duration) to Rs.537.11 lakhs in the current year (of 15 months duration), thereby registering 832% increase on annualized basis. Against a loss of Rs.62.74 lakhs in previous year, the Company made a net profit of Rs.8.72 lakhs. (A detailed analysis of financial results has been made in "Management Discussion & Analysis Report" which is annexed hereto.)

### Change of Financial Year

The previous financial year of the Company ended on 31st March, 2003. The Board of Directors extended the period of financial year 2003-2004 from 12 months to 15 months so as to end on 30th June 2004 in view of some structural changes. The Company has taken over controlling interest in Goldmines Telefilms Private Limited during the period under review and the Board thought it desirable to reflect the same in Accounts under review. This has caused delay in presenting financial reports to you.

### Management Discussion and Analysis

In accordance with the Listing Agreement entered into with stock exchanges, the Management Discussion and Analysis Report is annexed hereto and forms part of this report.

### Fixed Deposits

The Company has not accepted any deposits from the Public within the meaning of Section 58A of the Companies Act, 1956 during the period under review.

### Forfeiture of Shares

As members are aware, the Board of Directors had forfeited 8,32,000 equity shares of the Company on 9th July, 2001 for non-payment of allotment money. Out of these 8,32,000 shares, the Board revoked the forfeiture of 1,100 shares during the year 2001-2003. The Board will re-issue the forfeited shares at appropriate time in future.

### Directors

Mr. A.M. Topiwala resigned from the Board during the year due to pre-occupation. The Board places on record its sincere appreciation of the valuable services rendered by him during his tenure as Director of the Company.

Mrs. Ulka Shah and Mr. Dinesh Gandhi will retire by rotation and being eligible, have offered themselves for re-appointment at the ensuing Annual General Meeting. Your Directors recommend their re-appointment as Directors.

### Directors Responsibility Statement

Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- (i) In the preparation of these annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) The accounting policies have been consistently applied and reasonable and prudent judgements and estimates have been made, so as to give a true and fair view of the state of affairs of the Company at the end of the 15 months financial year ended on 30th June 2004 and of the profit of the Company for that year;



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- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) These annual accounts have been prepared on a going concern basis.

### **Auditors**

M/s. Sanjay Raja Jain & Co., Chartered Accountants, the auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment as the Auditors of the Company. A certificate from the Auditors has been received to the effect that their appointment, if made, would be within limits prescribed under Section 224(1B) of the Companies Act, 1956.

### **Auditors Report**

The Auditors Report to the Shareholders does not contain any adverse qualifications.

### **Internal Control System**

The Company maintains adequate internal control systems, which provide, among other things, reasonable assurance of recording the transaction of its operations in all material respects and of providing protection against significant misuse or loss of Company's assets. The Company is now in the process of setting up Internal Audit System.

### **Corporate Governance**

Pursuant to clause 49 of the listing agreement entered with the Stock Exchanges, the Company has complied with the provisions of Corporate Governance and a report on Corporate Governance is annexed hereto and forms part of this report. A certificate from the auditors of the Company regarding compliance of conditions of Corporate Governance is attached to this Report.

In future, the Company intends to implement the non-mandatory recommendations, as prescribed in Code of Corporate Governance.

### **Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo**

The Company is not strictly engaged in the manufacturing activity; as such particulars relating to conservation of energy and technology absorption are not applicable. However, in the editing facilities, offices etc., adequate measures are being taken to conserve energy as far as possible.

As far as foreign exchange earning and outgo is concerned, the Company has neither earned nor used any foreign exchange during the period under review.

### **Particulars of Employees**

There is no employee covered pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended. Hence, no particulars are given.

### **Subsidiary Companies**

The Company has acquired the 62.10% controlling interest in Goldmines Telefilms Private Limited by acquiring 31,050 shares at total price of Rs. 4,57,75,000/-, thereby making it subsidiary of the Company.

The Mima Technical Consultancy Services Private Limited ceased to be the subsidiary of the Company.

A statement pursuant to Section 212 of the Companies Act, 1956 relating to Company's subsidiaries is attached to the Balance Sheet.

### **Consolidated Financial Statements**

Your Directors have pleasure in attaching the Consolidated Financial Statements prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India, in this regard.

### **Acknowledgments**

Your Directors wish to place on record their appreciation and acknowledge with gratitude the support and co-operation extended by the Bankers, shareholders, Registrar & Transfer Agents, the artists and technicians associated with the Company's programmes, media and channels, whose continued support has been a source of strength to the Company. Your Directors also place on record their appreciation for the dedicated and sincere services rendered by the employees of the Company.

For and on behalf of the Board

(Manish Shah)  
Managing Director

Place: Mumbai

Date: 30th October, 2004

## Management Discussion and Analysis Report

### Industry Structure and Development

The Indian Entertainment industry (consisting of television, cinema, music, radio and live entertainment) continued to grow during the year 2003 too. The total size of the industry at present is about Rs. 190 billion and is expected to grow to Rs. 420 billion by 2007. The size of Indian television market was Rs. 129 billion in 2003 and is expected to touch a figure of 290 billion by 2007.

The television software segment, which provides content to broadcaster, accounted for about 13 percent of the entertainment industry and about 20 per cent of the Indian television industry. The same is expected to grow at the rate of about 17% per year.

Cable and satellite (C&S) penetration reached about 40 million households while average number of channels increased to about 100. C&S, which was initially an urban phenomenon, began to penetrate rural areas.

A growth of about 12 percent was noticed in Television Advertisement revenue.

The Government of India amended Cable Network (Regulation) Act, 1995 in January 2003 whereby it was mandatory to view pay channels only via set top box. However, the failures of the CAS scheme and the repeated delays in the rollout of DTH have affected the sentiments of the industry in general.

The Indian film industry was worth an estimated Rs.4,500 crores in 2003 and is expected reach at about Rs.10,000 crores by 2008. The industry is going through a radical change with advent of multiplexes.

### Opportunities and Threats

#### **Opportunities**

It is hoped that DTH and CAS becomes operational during next few years. These systems will end the monopoly of Cable Operators and shift the power to consumers.

International markets will continue to offer potential for niche programming and repeat telecasts.

Emergence of international audiences and NRI's as a strong and lucrative market are looking for Indian Television Serials.

Television enjoys the highest reach across the people all over India. It has direct, day-to-day and continuous mass appeal when compared with newspapers, radio or cinema. There still exists a vast potential for reaching cable television.

The access of cable and satellite channels into television households is currently 21 percent compared to 43 per cent of all Indian households having television sets- a considerable room for growth within India's existing market.

The international markets represent a large untapped market for the Indian soap. India is in a position to capture the attention of a large Indian population across UK, UAE, South Africa and US.

#### **Threats**

However, we perceive certain threats as follows:

The economic / industrial recession which had affected most of the industries in the country is continuing. The power sector is the most affected one, and more than 50% of Indian population still goes without electricity for major part of the day. That may affect the viewership of TV programs.

To save cost, most of the Channels still look for a re-run of old programmes which may affect the market for new programmes.

The possibility of a shake up in the Cable and Satellite Channels will result in stiff competition between the existing content providers. A delay in introduction of CAS and DTH had negative effects on the industry. The freeze on rates imposed through a TRAI notification may affect growth of broadcasters and cable operator's revenue. This may reduce the profitability and hence the growth rate in TV industry and ultimately, the margins of producers and content suppliers of TV programmes.

The media industry may feel a positive or negative impact in future due to the changes in the regulatory framework and tax laws as compared with the current scenario.



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### Segment-wise or Product-wise performance

The Company had a vision to establish itself into three main areas – television software, Internet and stage shows.

As explained in the last Annual Report, the boom witnessed in the dot-com and the Internet business during the year 1999-2000 was not sustainable during the year 2001-03 and onwards and therefore, the Management decided to put a freeze on further investment. Similarly, the popularity of stage show 'Tabassum Hit Parade' reduced drastically and the Company could not earn any revenue on this account since last two years.

#### **Serials**

The Company had made a modest beginning in software business during the year 2000-01. Its weekly comedy serial "Hansa- Chakaftu" on Alpha Marathi, went on to become one of the top weekly serial on Alpha Marathi.

The Company began diversifying its channel profile during the year. It produced serials for ETV Marathi (Ka Kaa Ki Koo), and Zee TV (Kabhie Kabhie). At present, two Hindi serials namely "Khabdoo Bigdoo" and "Aati Kya Khandala" are being shown on Channel "Hangama" of UTV. One more Hindi serial titled "Nawab Siraj Dawla" is shortly expected on DD-1.

The tri-weekly serial "Kabhie Kabhie" was based on short stories written by eminent writers. Each story consisted of three episodes of one-hour duration. Each story was very engrossing and had a definite ending. The viewers, already fed up by long never-ending serials of no story line at all, quickly gave whole some response. The leading roles were performed by well-known artists (Bhagyashri Patwardhan, Ayesha Zulka, Varsha Usgaonkar, Rohit Kapoor to name a few) and it had a prime time slot of 8.00 p.m. from Thursday to Saturday.

The Company has planned some more serials for near future. It has submitted proposals to satellite channels.

#### **Hiring out Equipment**

The Company has its own EDIT V6 Real Time Non Linear Editing Systems. Edit 6 includes innovative new tools and many important new features that combined to provide a creative professional editing and compositing solution. The EDIT System is being used by the Company for editing the serials of other production houses as well as its own serials.

#### **Purchasing rights of films**

The Company has entered into lucrative market of acquiring the film rights. Till date, the Company has acquired rights (which includes negative rights, Satellite rights, Overseas Rights, DD rights, Cable TV rights etc.) of about 90 feature films in various regional languages (such as Marathi, Gujarati, Assamese etc.) and of about 250 Hindi feature films. The films purchased covers a wide range of films starting from old classics of 50's to yesterday's super hit "Pinjar".

Out of the films so acquired, the Company has sold rights of about 150 films to various parties. The clients of the Company includes – (i) Doordarshan as well as satellite channels such as Zee TV, Sony, ETV, Sahara etc. and (ii) Ultra Distributors Pvt. Ltd.

#### **Production of feature films**

Of late, the Company has entered into the business of making feature films. To begin with, the Company has joined hands with one M/s: Gems Movies for production of Hindi feature film "Tezaab". The film is in final stages of Completion and is likely to be released within a period of next three months.

#### **Future Outlook**

In spite of certain negative factors, the entertainment media sector has high potential for growth when compared with other sectors. Television has emerged as most effective mass communication medium. With increase in households having Cable TV's, advertisers are resorting to Television advertising for promoting their products. New televisions channels are being launched which has widened the market for television software as well as for feature films.

The phenomenal growth of private television channels has widened the market for television entertainment software. Television has emerged as most effective mass communication medium and therefore, its growth rate is higher than any other media. As the television is cheapest form of entertainment, the time spent in watching it continues to go on increasing.

With 15% of the world's population being in, or having originated from the Indian sub-continent, this opportunity for re-exploitation has high potential at a very low incremental cost. The export potential of Indian language programming is estimated at Rs. 5,800 crores by 2005.

As the media industry expands, it is inevitable that the bigger channels and larger houses will seek to acquire the better software/ content providers in a bid to secure their programming. Innovative attempts to attract and lock in viewers would include content sharing, advertising and financial alliances with other media such as print etc.

The Indian film industry is going at the rate of 18 per cent per annum. There will be scope for film producers as well as distributors.

In view of these factors, the Directors are optimistic of further improvement in the company's performance.

#### **Internal Control System and their adequacy**

The Company maintains adequate internal control systems, which provide, among other things, reasonable assurance of recording the transaction of its operations in all material respects and of providing protection against significant misuse or loss of company's assets.

#### **Discussion on financial performance with respect to operational performance**

The Board of Directors has done what was promised at the last Annual General Meeting. From a loss of Rs.62.74 lakhs during the previous year (of 18 months duration), the Company registered a profit of Rs 8.72 lakhs during the current year, which was of 15 months duration.

The gross income rose from Rs.69.16 lakhs in the previous year (of 18 months duration) to Rs.537.11 lakhs in the current year (of 15 months duration), thereby registering 832% increase on annualized basis.

The Company started new line of activity i.e. trading in films. In the first year itself, this has brought revenue of Rs.129.10 lakhs. The income from serials increased from Rs.19.84 lakhs in the previous year to Rs. 194.81 lakhs in current year, the increase being about 11 times on annualized basis. Thus, the Company's performance was absolutely stupendous on both the fronts. The Directors are quite confident of sustaining the upward trend on these fronts.

It could be seen that the profit would have been more but for Rs.8.14 lakhs as public issue expenses write off. This write-off is not operating expense in real terms.

The Company took a number of steps to control and reduce the expenditure. As you already know, Mr. Manish Shah had taken the assignment of Managing Director in March 2003 without any remuneration. In spite of turning the Company profit-making within a span of just one year, he has not claimed any remuneration. Similarly, no director has claimed any sitting fees / out of pocket expenses for attending board/ committee meetings. As a cost cutting measure, the strength of employees was kept to the bare minimum.

The Company continued to keep strict control over the expenses. That's why in spite of 832% increase in income, the Salary, Administrative and other expenses have actually decreased from Rs.45.12 lakhs to Rs.36.45 lakhs (about 4% on annualized basis).

As said elsewhere, three more serials of the Company would be going on air very shortly. The Company has sent some more concepts to the Channels and is quite hopeful of getting favourable results.

The boom, which was noticed in Mutual Fund market during last two years slowed down considerably during the year. Therefore the Company redeemed all its investment in Mutual Funds and used the same in productive activities of serials making and film trading. The Company earned the income Rs.15.14 lakhs (Rs.1.57 lakhs in previous year) from Mutual Fund during the year.

As mentioned in the Directors Report, Company acquired 62.10% controlling interest in Goldmines Telefilms Private Limited (GTPL) during the year. The existing infrastructure of GTPL, the experience of GTPL in every aspect of serial making and its well established systems would be a major asset to your Company.

Taking the above factors into consideration, your Directors expect a much-improved performance of the Company during the coming year.

#### **Material Development in Human/ Industrial Relations Front**

The Company believes that the manpower is the primary and most valuable resource to the growth of the organisation. Therefore, the Company is in the process of recruiting competent key managerial personnel in the field of editing, recording, production, post-production etc. The media industry is highly dependent on individual creative talent and the Company will make all the efforts to attract and retain the best and creative talent in the industry.