11th Annual Report

2005-2006

Goldmines Media Limited

Board of Directors :

Mr. Manish Shah (*Managing Director*)

Mrs. Ulka Shah (*Whole-time Director*)

Mr. Kunal Singh

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
Email : goldminesmedia@hotmail.com

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
Email : bigshare@bom7.vsnl.net.in

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Notice to the Members

NOTICE is hereby given that the Eleventh Annual General Meeting of Goldmines Media Limited will be held on Friday, 22nd December, 2006 at Keshav Gore Smarak Trust Hall, "Smriti", Aarey Road, Goregaon (West), Mumbai 400062 at 12.00 noon to transact the following business:

Ordinary Business :

1. To receive, consider and adopt the Balance Sheet as at 30th June, 2006 and the Profit and Loss Account for the year ended on that date and Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Manish Shah who retires by rotation and, being eligible, offers himself for re-appointment.
3. 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 :

4. To consider and if thought fit, to pass, with or without modification, the following resolution as **SPECIAL RESOLUTION:**

   RESOLVED THAT subject to approval of Central Government / Registrar of Companies under section 21 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification (s) or re-enactment (s) thereof for the time being in force) the name of the Company be changed from **GOLDMINES MEDIA LIMITED** to **UNIVERSAL ARTS LIMITED.**

   FURTHER RESOLVED THAT the existing name of the Company be changed or substituted accordingly at all places wherever appears in Memorandum and Articles of Association of the Company and in all other records of the Company by the New Name.

   FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to execute and tender all such applications, confirmations, certifications for obtaining approval to Change of Name from Registrar of Companies, Mumbai and to do all such acts, deeds, matters and things as may be deemed necessary to expedite in this regards.

By Order of the Board

Manish Shah
Managing Director

Place: Mumbai
Dated: 27th October, 2006

Notes:

1. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of item no. 4 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 Wenesday 20th December, 2006 to Friday 22nd December 2006 (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. 4

Earlier the Company was engaged in TV serials only and now besides being engaged in TV serials, the Company has diversified into buying the Sattelite rights, Video rights, Negative rights, Cable & Doordarshan rights and marketing the same all over the world. Hence in order to ensure the name to reflect the diversified activities and global identity in operation, the present name is desired.

Furthermore the name UNIVERSAL ARTS LIMITED is made available to the Company by Registrar of Companies, Mumbai vide its letter dated 26th October, 2006

Pursuant to section 21 and other applicable provisions, if any, of the Companies Act, 1956, the aforesaid Change of name needs the consent of the Shareholders in General Meeting to be accorded by passing Special Resolution. Hence the Board of Directors recommends this resolution for your approval.

None of the Directors shall be deemed to be concerned or interested in passing of this resolution.

Directors' Report

Your Directors have pleasure in presenting their Eleventh Annual Report together with the Audited Accounts of the Company for the year ended on 30th June, 2006.

Financial Results

(Amount in Rs.)

	For year ended on 30th June, 2006	For the year ended on 30th June, 2005
Gross Income	**4,87,61,349**	12,35,20,446
Expenditure	**5,15,65,744**	10,89,08,721
Profit before Taxation & Depreciation	**(28,04,395)**	1,46,11,725
Depreciation	**2,83,225**	2,82,612
Profit / (Loss) before tax	**(30,87,620)**	1,43,29,113
Provision for Taxation & Fringe Benefit Tax	**(3,08,093)**	9,36,890
Profit / (Loss) after tax	**(27,79,527)**	1,33,92,223
Profit / (Loss) brought forward from last year	**(85,67,813)**	(2,19,60,036)
Profit / (Loss) carried forward to Balance Sheet	**(1,13,47,340)**	(85,67,813)

Your Company was not able to continue to move upwards during the current year due to entry of Big Corporates in the market. The gross income has fallen from 1235.20 lakhs in the previous year to Rs. 487.61 lakhs in the current year, thereby registering a decrease of 60% on annualized basis. As compared to a profit before tax of Rs. 143.29 lakhs in the previous year, the company has reported a loss of Rs. 30.87 lakhs in the current year. (A detailed analysis of financial results has been made in "Management Discussion & Analysis Report" which is annexed hereto.)

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.

De-listing of shares from Ahmedabad Stock Exchange

In terms of the resolution passed by Members in 9th Annual General Meeting, the Equity Shares of the Company have been delisted from Ahmedabad Stock Exchange w.e.f. 11th October, 2005 and the de-listing process in respect of Hyderabad Stock Exchange Limited is in progress.

Directors

Mr. Manish Shah will retire by rotation and being eligible, has offered himself for re-appointment at the ensuing Annual General Meeting. Your Directors recommend his re-appointment as Director.

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 for the year ended on 30th June 2006 and of the profit of the Company for that year;

(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

A report of the Corporate Governance is annexed hereto and forms part of this Report. A certificate from the Auditors of the Company regarding the compliance of conditions of Corporate Governance is attached to this Report.

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 not earned any foreign exchange, however the Company has incurred Rs. 75,72,000/- in foreign exchnage (USD 1,82,739.24) in respect of one time telecast rights of Films during the year.

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

A statement pursuant to Section 212 of the Companies Act, 1956 relating to Company's subsidiary 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, 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)
Chairman cum Managing Director

Place: Mumbai
Date: 27th October, 2006

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 2005 too. The total size of the industry at present is about Rs.300 billion and is expected to grow to Rs.595 billion by 2010. The size of Indian television market was Rs.155 billion in 2005 and is expected to touch a figure of Rs.371 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 55 million households while average number channels increased to about 160. C&S, which was initially an urban phenomenon, began to penetrate rural areas. This is because the rural market for colour television is progressing rapidly. Of 250 lakhs households that brought television sets in India during last four years, 190 lakhs (77%) are in rural areas.

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 has got corporatised with the advent of big corporates like Ashtavinayak, Adlabs, Reliance, PVR, INOX, Yashraj, UTV, etc. The average cost of the movie has gone up from 8 crores to 15 crores. This has resulted in the small producers and majority of established banners going out of business. Initially, if the cost of movie was 10 crores the producers had to organize only 2 crores and the balance was paid by the distributors or credit given by stars and technicians. But with the advent of corporates a 10 crore movie requires 8 crores from the producer since corporate make payment to the stars upfront eg.:- Adlabs signing Hrithik Roshan for 3 film contract by making entire payment upfront. Adlabs signing Akshay Kumar for undisclosed sum with majority of payment upfront. The fragmented film industry is seeing consolidation. In 1990's there were 100 producers accounting for 80% of the films in terms of box-office collection. But by 2010 only 10 producers will account for 80% of the films in terms of box-office collection.

The Indian film industry was worth an estimated Rs.65 billion in 2005 and is expected to reach at about Rs.143 billion by 2010. The industry is going through a radical change with advent of multiplexes.

Thus rise in multiplexes has been the largest single factor in the growth of the film sector. It is expected that over the next few years there will be significant rise in the number of multiplexes. Considering that ARPU (Average Realisation Per Unit) in the multiplexes is several times than in single screen, this is likely to impact the film industry in a very positive manner.

Opportunities and Threats

Opportunities

The revenue for Hindi Movies has increased ten folds in last five years.

Many new rights like Broad-band, Internet Protocol Television, Ring tones etc have started generating revenues.

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.

Emergence of international audiences and NRI's as a strong and lucrative market for feature films.

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 Films. 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 still continues. 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.

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 rates in TV industry.

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.

With the entry of Big Corporate like UTV, Asthavinayak, Sony Pictures, Reliance, Aditya Birla Group, the competition would increase and thereby increasing the cost of negative rights, satellite rights, video rights etc.

With the entry of Corporate sector, the small producers will cease to exist and thereby the company may find it difficult to get good quality of negative for future business.

To save cost, most of the Channels still look for a re-run of movies from their library which may affect the market for new acquisitions of films.

Segment-wise or Product-wise performance

Purchasing rights of films

The Company is pioneer in acquiring negative rights (i.e. absolute rights) of films for a period of 99 years. Negative rights gives absolute monopoly to the Company in the matter of exploitation of all rights such as theatrical rights, video rights, satellite rights, cable TV rights, overseas rights, doordarshan rights, Pay TV rights, video on demand rights, ship borne rights, airborne rights, mobile telephony rights, internet rights etc. The Company buys negative rights of films produced in Hindi, Marathi, Gujarati, Bengali and Assamese languages and sells them on a piecemeal basis to various media organizations for a period of 5 years at a time.

The Company sells the satellite rights to channels such as Star, Zee, Sony, Sahara, ETV etc. and video rights to video companies such as Time, Bombino etc. The Company offers movies to Doordarshan for one time single telecast. The overseas rights are sold country wise to various buyers.

The rights are initially sold at close to cost or with a small profit margin for a period of 5 years. As a result, the rights for balance 94 years appear in the books of the Company at zero cost. When the rights are sold again, the entire income generating therefrom would translate into profit. This stream would continue till the time the rights stay with the Company i.e. for a period of 99 years.

Future Outlook

With the entry of Big Corporate like UTV, Ashtavinayak, Sony Pictures, Reliance, Aditya Birla Group, the competition would increase ass thereby increasing the cost of negative rights, satellite rights, video rights, etc. This would result in requirement of huge amount of capital to survive in this business. With a small capital and negative reserves the going for the company appears to be tough.

With the entry of corporate sector, the small producers will cease to exist and thereby the company may find it difficult to get good quality of negative for future business. This may adversely affect the growth of your company in future. The big corporates have much better access to satellite channels, thereby affecting the business of your company. UTV, Sony and Reliance have their own video brands, which would make acquisition of video rights of majority of new films difficult in future. To save cost, mot of the Channels still look for re-run of movies from their library, which may effect the market for new acquisition of films.

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

At the Last Annual General Meeting of the Company, the Board of Directors were confident that the Company would do better and better in the years to come. But due to the entry of big corporates like Ashtavinayak UTV, Reliance, Adlabs, Sony Pictures, the business in which your Company is into has become more capital intense. It has become difficult to operate in the said industry with small corpus.

The acquisition cost of negatives, satellite rights, video rights has gone up many fold due to severe and intense competition. With the advent of Moser Bear India Ltd. in the video market, most of the video companies would become extinct. With the advent of corporates in the production of films, there won't be many negatives available for acquisition in future. Your Board of Directors see difficult and tough times ahead for the company in years to come. The same fact is reflected in the financial results for the current year.

The gross income has fallen from 1235.20 lakhs in the previous year to Rs. 487.61 lakhs in the current year, thereby registering a decrease of 60% on annualized basis. As compared to a profit before tax of Rs. 143.29 lakhs in the previous year, the company has reported a loss of Rs. 30.87 lakhs in the current year. The company do not expect to better its performance in terms of gross income or profit before tax in the current year. Your company expects the current year to be as bad as compared to the previous year.

The loss would have been less but for Rs. 26.51 lakhs as production expenses written off and Rs. 0.15 lakhs as public issue expenses written off. This write off is not operating expenses in real terms.

It has always been the policy of the Company to control and reduce the expenditure to the extent possible. 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 is exploring various options/means to come out of this intense and competitive arena where it finds itself.

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.

Report on Corporate Governance

This report on Corporate Governance forms part of the Directors' Report. This section besides being in compliance of the mandatory listing agreement requirement gives an insight into the process of functioning of the Company.

Company's Philosophy on Code of Corporate Governance

- To adopt internal and external measures to increase the level of transparency and accountability.
- To demonstrate to stakeholders that the Company is following right governance practices.
- To lead the Company towards high growth path of higher profits and revenue.
- To respect the laws of the land and rights of stakeholders and to get respect from all concerned.
- To uphold at all times fundamental values of accountability, probity and transparency in all areas of its operations and business practices.

Board of Directors

The Board of Company consists of eminent persons with considerable professional experience and expertise in the field of media, law, finance, accounts etc.

The strength of the Board of Directors of the Company as on 30th June 2006 is 3.

The Composition of Board of Directors is as follows:

Name of Directors	Designation	Category
Mr. Manish Shah	Managing Director	Executive
Mrs. Ulka Shah	Wholetime Director	Executive
Mr. Kunal Singh	Director	Independent

During the year, 10 Board meetings were held and the requisite quorum was present at all Board meetings. Mr. Manish Shah, Mrs. Ulka Shah and Mr. Kunal Singh has attended all the Board Meetings. There is no gap of four months between any two meetings. None of the Directors is a member in more than 10 committees or acts as a Chairman in more than five committees across all companies in which he is a Director.

The Last Annual General Meeting was held on 23rd December, 2005 and Mr. Manish Shah and Mrs. Ulka Shah the Board of Directors of the Company attended the said Annual General Meeting.

Audit Committee

The Audit Committee consist of the following Two Directors during the year.

a) Mrs. Ulka Shah Executive

b) Mr. Kunal Singh Independent

The Terms of reference of Audit Committee are set out in accordance with the requirement of SEBI and section 292A of the Companies Act, 1956 and includes overseeing the Company's financial reporting process, recommending the appointment and removal of external auditors, reviewing with management the annual financial statements, financial and risk management policies, adequacy of internal control system and internal audit functions.

During the financial year under review, No Audit Committee Meeting were held due to lack of Quorum.

The Statutory Auditors are the permanent invitees to the Audit Committee Meeting.

Remuneration Policy and Details of Remuneration paid

The Company does not have a Remuneration Committee. The remuneration payable to Managing Director and Whole-time Directors is decided by the Board of Directors, subject to the approval of members.

Details of remuneration paid/ payable to the Directors for the year ended on 30th June 2006 is as follows:

Executive Directors (Amount in Rs.)

Name	Position held during the year	Salary & Allowances	Perquisites	Total Remuneration
Mrs. Ulka Shah	Director	2,80,000/-	-	2,80,000/-

No remuneration was paid to other Executive Directors and Non-executive Directors.