

10th Annual Report 2008-2009

BABA ARTS LIMITED

ANNUAL REPORT 2008-2009

Board of Directors

Shri. Gordhan P. Tanwani
Chairman & Managing Director

Shri. Sanjiv Hinduja

Shri. Pravin Karia

Shri Santosh A Shah

Shri Rakesh Upadhyay
Executive Director
(up to 2nd February, 2009)

Company Secretary

Shri. N.H.Mankad

Statutory Auditors

Prakkash Muni & Associates
Chartered Accountants

Banker

Bank of India

Registered Office and Studio

3A, Valecha Chambers,
New Link Road,
Andheri (West),
Mumbai 400 053.
Phone : (022) 2673 3131 Fax : (022) 2673 3375
Email.: babaartslimited@yahoo.com

Registrars & Share Transfer Agents

Mondkar Computers Private Limited,
21, Shakil Niwas, Mahakali Caves Road,
Andheri (East), Mumbai 400 093
Phone : (022) 2836 6620 Fax : (022) 2821 1996
Email.: mcplrt@bom7.net.in

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BABA

NOTICE OF THE TENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Tenth Annual General Meeting of Baba Arts Limited will be held on Tuesday the 29th September, 2009 at 11.30 a.m. at Juhu Vile Parle Gymkhana Club, Old Squash Court, Ground Floor, Opp: Juhu Bus Depot, Juhu, Mumbai 400049 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2009 and the Profit & Loss Account of the Company for the year ended on that date together with the Directors' Report and the Report of the Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint Director in place of Shri Sanjiv Hinduja who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED that pursuant to the provisions of Sections 16, 94 and other applicable provisions, if any, of the Companies Act, 1956 and Article 9 of the Articles of Association of the Company and subject to such other approvals, consents, permissions and sanctions as may be necessary, the existing 7,50,00,000 (Seven Crore Fifty Lac) Equity Shares of Rs. 4/- (Rupees Four) each be sub-divided into 30,00,00,000 (Thirty Crore) Equity Shares of Re. 1/- (Rupee One) each and consequently the Authorised Share Capital of the Company of Rs.30,00,00,000 (Rupees Thirty Crore) would comprise 30,00,00,000 (Thirty Crore) Equity Shares of the face value of Re.1/- (Rupee One) each and Clause V in the Memorandum of Association of the Company would be accordingly altered."

RESOLVED FURTHER that pursuant to the sub-division of the Equity Shares of the Company, the 1,29,00,000 (One Crore Twenty Nine Lac) Issued, Subscribed, Called-up and paid by Equity shares of the face value of Rs.4/- (Rupees Four) each, shall stand sub-divided into 5,16,00,000 (Five Crore Sixteen Lac) Equity Shares of the face value of Re.1/- (Rupees One) each.

RESOLVED FURTHER that the Share Certificate in relation to such of the issued Equity Shares of the Company as are in physical form be cancelled and fresh certificates be issued in lieu thereof with regard to the sub-divided Equity Shares in accordance with the provisions of the Companies (Issue of Share Certificate) Rules, 1960 and in case of shareholders who hold the Equity Shares/ opt to receive the sub-divided Equity Shares in dematerialized form, the sub-divided Equity Shares shall be credited to the respective beneficiary accounts of the shareholders with their respective Depository Participants and the Company shall take such corporate action as may be necessary in relation to the existing Equity Shares.

RESOLVED FURTHER that for the purpose of giving effect to this Resolution and for removal of any doubts or difficulties, the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee or any person which the Board may nominate/ constitute to exercise its powers, including the powers conferred under this Resolution) be and is hereby authorised to do all acts, deeds, matters and things and to give, from time to time, such directions as may be necessary, expedient, usual or proper to give effect to this Resolution and to settle any question or doubt that may arise in relation thereto or as the Board in its absolute discretion may think fit and its decision shall be final and binding on all the members."

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

"RESOLVED THAT pursuant to the provisions of Section 16, 94 and other applicable provisions, if any of the Companies Act, 1956, Existing Clause V of the Memorandum of Association of the company be hereafter replaced by the following Clause V:

- V. The Authorised Share Capital of the company is Rs. 30,00,00,000 (Rupees Thirty Crore Only) divided into 30,00,00,000 (Thirty Crore) equity shares of Rs. 1/- (Rupee One) each, with power to increase or reduce capital of the company and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges and condition as may be determined and to vary, modify or abrogate, any such rights, privileges or condition in such manner as may be for the time being be provided by the Articles of Association of the company.

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The Company may, from time to time by passing such resolution as stipulated under the law, increase the Authorised Share Capital by such sum to be divided into shares of such amount as may be specified in the resolution subject to the provisions of Section 94 of the Companies Act, 1956."

By Order of the Board
For Baba Arts Limited

N. H. Mankad
Company Secretary

Regd. Office:

3A, Valecha Chambers,
New Link Road,
Andheri (West)
Mumbai 400053.

Date: 31st July, 2009

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE, INSTEAD OF HIMSELF / HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES TO BE VALID MUST BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE ANNUAL GENERAL MEETING. A PROXY SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING. BLANK PROXY FORM IS ENCLOSED.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Ordinary Resolution set out under item 5 of the notice to be transacted at the meeting is annexed hereto.
3. Copy of the Memorandum of Association incorporating the proposed alterations would be available for inspection of the members at the Registered Office of the Company on all working days of the Company till the date of the Annual General Meeting, between 11.00 a.m. and 1.00 p.m.
4. The Register of Members and Share Transfer Books of the Company will be closed from Thursday the 24th September, 2009 to Tuesday the 29th September, 2009 (both days inclusive).
5. Dividend on equity shares, if approved by the members in the 10th Annual General Meeting will be paid on or before 25th October, 2009 to those members whose names appear on the Register of Members or as beneficial owners with the depositories on 29th September, 2009.
6. Members are requested to:
 - a. Bring their copy of the Annual Report to the Annual General Meeting.
 - b. Bring the Attendance Slip sent herewith, duly filled in, for attending the meeting.
7. Brief profile of Directors seeking appointment as per Clause 49 of the Listing Agreement with the Stock Exchange is given in the Report on Corporate Governance.
8. Beneficial Owners holding shares in electronic/demat form are requested to notify any change in their address, bank account, mandate, etc. to their respective Depository Participant. Members holding shares in physical form are requested to notify any change in their address, bank account etc. to the Registrar and Share Transfer Agents, Mondkar Computers Pvt. Ltd.
9. Members desirous of getting any information about the accounts and operations of the Company are requested to write their queries to the Company at least seven days in advance of the meeting so that the information required can be made readily available at the meeting.
10. Pursuant to the provisions of Section 109A of the Companies Act, 1956, members are entitled to make a nomination in respect of the shares held by them. Members desirous of making nominations are requested to submit Form No. 2B (which may be obtained from the Company's Secretarial Department) duly filled in and signed by them to the company's Registrar & Share Transfer Agents in case of shares held in Physical Form and to the Depository Participants in case of shares held in electronic form. The nominee shall be a person in whom all rights of transfer and/ or amount payable in respect of the shares shall vest in the event of death of the member(s). A minor can be a nominee provided the name of



the Guardian is given in the Nomination Form. The facility of nomination is not available to non individual members such as Societies, Trusts, Bodies Corporate, Kartas of HUF and holders of Power of Attorneys. For further details, please contact the Company's Secretarial Department.

By Order of the Board
For Baba Arts Limited

N. H. Mankad
Company Secretary

Regd. Office:
3A, Valecha Chambers,
New Link Road,
Andheri (West)
Mumbai 400053.

Date: 31st July, 2009

PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 FOR SUB-DIVISION OF THE COMPANY'S EQUITY SHARES AND CONSEQUENTIAL ALTERATIONS IN ITS MEMORANDUM AND ARTICLES OF ASSOCIATION.

Item No. 5 & 6

The existing authorized share capital of the company is Rs.30,00,00,000 (Rupees Thirty Crore) divided into 7,50,00,000 (Seven Crore Fifty Lac) equity shares of Rs.4/-(Rupees Four) each. The present Issued,Subscribed, Called-up and paid up share capital of Rs. 5,16,00,000 (Rupees Five Crore Sixteen Lac Only) divided into 1,29,00,000 (One Crore Twenty Nine Lac) equity shares of Rs.4/-(Rupees Four) each.

It is proposed to re-organise the authorized share capital as well as issued , subscribed, called-up and paid up share capital of the company by sub-dividing the equity shares of the face value of Rs.4/-(Rupees Four) each into equity shares of Rs. 1/- (Rupees One) each.

Accordingly, the equity shares comprised in the authorised share capital of the company will be divided into 30,00,00,000 (Thirty Crore) equity shares of Rs.1/-(Rupee One) each. The issued , subscribed, called-up and paid up equity shares of the Company will also be sub-divided into 5,16,00,000 (Five Crore Sixteen Lac Only) equity shares of face value of Rs. 1/- (Rupee One) each.

The proposed sub-division of the equity shares into shares of smaller denomination, as aforesaid, would facilitate easy accessibility to the company's equity shares by investors and enhance the liquidity of the company's shares on the stock exchange.

Consequent to the sub-division of the shares, it is necessary to alter the capital clause in Memorandum of Association of the Company. Accordingly, resolution No. 5 is for sub division of shares and resolution no. 6 provides for amendment in clause V of the Memorandum of Association.

The date on which this sub-division would become effective, will be decided by the Board after obtaining the shareholders' approval, which will be notified through the Stock Exchange. Therefore the Board of Directors recommends the passing of the aforesaid resolutions at Item No. 5 and 6 as set out in the Notice.

A copy of Memorandum and Articles of Association of the Company incorporating the proposed alterations will be available for inspection by the members of the Company at the Registered office of the Company between 11 a.m and 1.00 p.m on all working days of the Company.

The Directors of the Company may be concerned or interested in passing the resolution only to the extent of shares held by them in the Company.

By Order of the Board
For Baba Arts Limited

N. H. Mankad
Company Secretary

Regd. Office:
3A, Valecha Chambers,
New Link Road,
Andheri (West)
Mumbai 400053.

Date: 31st July, 2009

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DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting their Tenth Annual Report together with the Audited Accounts for the year ended on 31st March, 2009.

FINANCIAL RESULTS

(Rs. Lacs.)

Particulars	March 31, 2009	March 31, 2008
Income from Operations	7754.72	3571.79
Other Income	11.24	8.50
Total Income	7765.96	3580.29
Total Expenditure	7264.33	3206.38
Profit /(Loss) before Finance Charges, Depreciation and Tax	501.63	373.91
Finance Charges	19.68	58.71
Profit /(Loss) before Depreciation and Tax	481.95	315.20
Depreciation	51.32	80.81
Profit /(Loss) before Tax	430.63	234.39
Provision for Tax		
- Current Tax	150.00	43.25
- Deferred Tax	1.20	(0.72)
- Fringe Benefit Tax	0.50	0.71
Mat Credit Entitlement	0.00	(42.22)
Net Profit /(Loss) for the Year	278.93	233.37
Prior Year Adjustments	-	2.08
Profit /(Loss) brought forward from previous year	531.89	352.28
Profit available for Appropriations	810.81	587.73
Appropriations		
Transfer to General Reserve	30.00	6.00
Proposed Dividend/ (Interim Dividend)	129.00	42.60
Tax on Dividend / (Interim Dividend)	21.92	7.24
Balance Profit /(Loss) carried forward to Balance Sheet	629.89	531.89

DIVIDEND

Your Directors are pleased to recommend a dividend of Re.1/-per Equity Share (i.e.25%) for the year ended on 31st March, 2009, involving a dividend pay out of Rs. 1,29,00,000/- plus dividend distribution tax of Rs. 21,92,355/-.

SHARE CAPITAL

During the year, the Company allotted 22,49,530 equity shares of Rs. 4/- each, for cash at premium of Rs. 40/- each to the holders of Optionally Fully Convertible Warrants upon exercise of the warrants, resulting in increase in paid up share capital of the Company by Rs. 89,98,120 and share premium account by Rs. 8,99,81,200. Out of total 50,00,000 Optionally Fully Convertible Warrants allotted by the Company, warrant holders holding 21,50,470 warrants did not exercise the option to convert the warrants in to shares before 25th August, 2008 being the last date for exercising their right of conversion and as such application money paid by them @ Rs. 4.40 per warrant aggregating to Rs. 94,62,068 has been forfeited by the Company.

The proceeds from issue and allotment of shares as above were utilized for meeting the expenses of production of animation film and normal working capital requirement of the business of the company.

REVIEW OF OPERATIONS

During the year under review, income from Post Production activity declined to Rs. 136.32 Lacs from Rs. 196.21 Lacs in the previous year. Income from trading in IPR of Films increased to Rs.7096.13 Lacs from Rs. 2795.50 Lacs in the previous year recording a growth of 153.84%. The Company earned income of Rs. 500.18 Lacs from release of its first composite animation film "My Friend Ganesha 2". Your Company earned Cash Profit of Rs. 481.95 Lacs vis-à-vis Cash Profit of Rs. 315.20 Lacs in the previous year. After providing for Depreciation of Rs. 51.32 Lacs, Current Tax of Rs. 150.00 Lacs, Fringe Benefit Tax of Rs. 0.50 Lacs and deferred tax of Rs. 1.20 Lacs the Net Profit After Tax for the year was Rs.278.93 Lacs as compared to Rs. 233.37 Lacs for the previous year.

DEPOSITS

Your Company has not invited / accepted any deposits from public within the meaning of Section 58A of the Companies Act, 1956.

CORPORATE GOVERNANCE

The Corporate Governance and Management's Discussion and Analysis Reports form an integral part of this report and are set out as separate Annexure to this Report. The Certificate from Auditors of the company certifying compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement is also annexed to the Report on Corporate Governance.

DIRECTORS

Shri. Rakesh Upadhyay, Executive Director resigned with effect from 2nd February 2009. Your Directors have placed on record their sincere appreciation for the valuable services rendered by him during his association with the company.

Shri. Sanjiv Hinduja, Director retires by rotation and being eligible offers himself for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2001, the Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) the accounting policies have been consistently applied and reasonable and prudent judgment and estimates have been made so as to give a true and fair view of the profit of the company for the year ended on 31st March, 2009 and the state of affairs of the company as at 31st March, 2009 as disclosed in the enclosed accounts;
- iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts have been prepared on a going concern basis.

RELATED PARTY TRANSACTIONS

In accordance with the Accounting Standard 18 prescribed by the Institute of Chartered Accountants of India, transactions with related parties have been disclosed separately and form a part of this report.

AUDITORS

The company's Auditors M/s. Prakash Muni & Associates, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting, and are eligible for reappointment. The company has received the certificate to this effect from the Auditors. Your Directors recommend their re-appointment.

SUBSIDIARY COMPANY

Mahadev Production Private Limited (MPPL) a subsidiary of the Company released its first Bhojpuri Film titled "Vijay Bihari Mafia" in the last quarter of the financial year under review. The film received encouraging response from the audience and MPPL has earned total income of Rs. 36.00 Lacs from release of the film in only Two Territories. The total earning from this film will emerge only after release of the film in other territories and exploitation of various other rights of the film.

The report and accounts of MPPL is annexed to this report along with the statement pursuant to Section 212 of the Companies Act, 1956.

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CONSOLIDATED FINANCIAL STATEMENTS AND CASH FLOW ANALYSIS

As stipulated by Clause 32 of the listing agreement with stock exchange, the consolidated financial statement have been prepared by the Company in accordance with the applicable accounting standards issued by the Institute of Chartered Accountants of India. The audited consolidated financial statements together with Auditor's Report form part of this Annual Report.

The consolidated net profit of the Company and its subsidiary amounted to Rs. 278.91 Lacs as against Rs. 278.92 Lacs for the Company on a stand alone basis. The consolidated Cash Flow statement for the year under review is annexed hereto.

PARTICULARS OF EMPLOYEES

There were no employees, covered under the purview of Section 217 (2A) of the Companies Act, 1956 and the Rules framed there under.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO.

Conservation of Energy

Your Company's activities do not require substantial energy consumption. However, the company continues to lay emphasis on reducing energy consumption by constantly monitoring the consumption and taking steps to reduce wasteful use of energy.

Research & Development, Technology Absorption, Adoption and Innovation

The Company has not under taken any Research & Development Activity.

Foreign Exchange Earnings and Outgo

- | | | |
|------------------------------|---|------------------|
| a. Foreign Exchange Earnings | - | Rs. 4452.00 Lacs |
| b. Foreign Exchange Outgo | - | Rs. Nil |

ACKNOWLEDGEMENT

The Board wishes to thank all the company's customers, film producers, artists and technicians, satellite channels, company's bankers, who have extended their continued support to the Company.

Your Directors specially thank the shareholders of the Company for having reposed their confidence in the management of the Company and employees and technicians of the Company at all levels for their dedicated services to the Company and the contribution made by them towards the growth of the Company.

For and On behalf of the Board of Directors

Gordhan P Tanwani
Chairman & Managing Director

Place : Mumbai
Date : June 30th, 2009

MANAGEMENT DISCUSSION AND ANALYSIS**1. Industry Structure and Development**

Indian Media & Entertainment Industry registered a growth of about 12.4% during the year 2008, in the process earning revenue of INR 580 Billion. As per FICCI -KPMG report on Indian Media & Entertainment Industry for the year 2009, the Industry is poised to achieve a CAGR of 12.5 percent to reach size of INR 1052 Billion by the year 2013. However, the beginning of the current year has not been very encouraging on the back of global economic slowdown. Corporates have cut down heavily on their advertising spends, badly affecting the TV, Print and Outdoor Media. Decline in quality of content, IPL, followed by T20 World Cup and the dispute between exhibitors and multiplex owners on revenue sharing have further contributed to the worries of the industry. Long term prospects for the industry still remain positive and the industry is expected to be one of the fastest growing industries in Indian economy.

2. Outlook for Company**(i) Post Production**

The share of Post Production business in total revenue of the Company continues to decline both in absolute terms and in comparative terms. This trend is likely to continue as the Company does not consider this business to be its core business activity.

(ii) Trading in IPR of Films

In the recent times, the revenue of TV Channels is adversely affected due to cut down in ad spend by corporates. This has impacted the profitability of the TV Channels and as such the market environment has become highly competitive, putting pressure on the profit margin in the business of Trading in IPR of Films and also exposing the Company to the risk of losing money in Bad Debts. Your Company is following a cautious approach to insulate itself from the perils of uncertainties of business environment.

(iii) Film Production

The Company's first composite animation film "MY FRIEND GANESHA 2" was released during the year under review. The said film was made mainly for Satellite Channels and Home Video market. The Company earned gross revenue of little over Rs. 500 Lacs from exploitation of the said film and earned pre-tax profit of Rs. 188.96 Lacs.

The Company's second composite animation film "MY FRIEND GANESHA 3" is almost complete and is expected to be released shortly. Two more composite animation film projects are in different stages of production and at least one of them will be released during the year 2009-10.

Considering that cost of composite animation films is not very high as compared to the full fledged Hindi commercial films and the element of risk involved in making films specifically for TV Channels and Home Video audience is substantially low, for the time being, your company will be focusing in producing such films.

(iv) Home Entertainment

During the year 2008-09 the Company earned income of Rs. 22.08 Lacs from sale of VCD / DVDs of the popular stand up comedy show "The Great Indian Laughter Challenge". While the sales were not as per expectation of the Company, the Company expects steady stream of revenue from sale of VCD / DVD of this very popular show of STAR TV.

3. Opportunities, Threats and Challenges**(i) Opportunities:**

Even though the immediate outlook for the entire media and entertainment industry appears to be very bleak, there are opportunities to be tapped in every challenging scenario. The Company will be focusing on its core strengths to improve its operating margins.

(ii) Threats and Challenges:

High Cost of commercial films, decline in quality of content and resultant failure of the films at the box office adversely affect the value of films in the other part of value chain such as Cable Television, DVD, Home Video etc.

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The economic slow down has impacted the working of many TV Channels and some of them are facing severe liquidity crunch. The weaker TV Channels may be forced to close down sooner or later or may be taken over by the financially stronger TV Channels. Till such time the consolidation in the industry takes place, the uncertainty about viability of TV Channels will continue to hamper the growth prospects of the Company.

4. Internal Control System

The Company has adequate internal control system to ensure operational efficiency and compliance of laws and regulations. The internal control system is reviewed by the Audit Committee from time to time and its suggestions, if any, are implemented. The Company has appointed a qualified Chartered Accountant as Internal Auditor, who submits his report on a quarterly basis. Observations of Internal Auditor are noted and wherever necessary corrective steps are taken.

5. Financial Performance with respect to Operational Performance

(i) Sales

Income from post production activity declined to Rs. 136.32 Lacs from Rs. 196.21 Lacs in the previous year.

Income from Trading in IPR of Commercial Films increased substantially to Rs. 7096.13 Lacs from Rs. 2795.50 Lacs in the previous year.

Realization from Hindi Film was Rs. 500.18 Lacs and Income from sale of VCDs / DVDs was Rs. 22.08 Lacs.

(ii) Operating Profit, Finance Charges, Depreciation and Net Profit

The Company's Operating Profit during the year was higher at Rs. 501.63 Lacs against Operating Profit of Rs. 373.91 Lacs in the previous year. Finance Charges during the year were lower at Rs. 19.68 Lacs (Previous Year Rs. 58.71 Lacs). After providing for Depreciation of Rs. 51.32 Lacs (Previous Year Rs. 80.81 Lacs), and after providing for current taxation of Rs. 150.00 Lacs, fringe benefit tax of Rs. 0.50 Lacs, Deferred Tax Rs. 1.20 Lacs there was a Net Profit of Rs. 278.93 Lacs as against Net Profit of Rs. 233.37 Lacs in the previous year.

(iii) Capital Investment

During the year ended on 31st March, 2009 Capital Investment of Rs. 17.23 Lacs was made out of internal accruals.

(iv) Working Capital

The Company has been sanctioned working capital facility of Rs. 25 Lacs for its studio operations and Rs. 1000 Lacs for its business of trading in IPR of Commercial Films by Bank of India. As on 31st March, 2009 company had utilized only Rs. 20.36 Lacs out of the total sanctioned limit of Rs. 1025.00 Lacs.

6. Human Resources

The company has maintained peaceful and cordial relationship with the employees.

Cautionary Statement

Statements in this report on Management Discussion and Analysis describing the Company's objectives, estimates and expectations are "forward looking" statements. These statements are based on certain assumptions and expectations of future events. The actual results may differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting the Entertainment Industry, Changes in Government Regulations, tax regimes, economic developments within India and outside the country and other factors such as litigations and industrial relations. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Corporate Governance

The Company is complying with all the mandatory provisions on Corporate Governance as per the regulatory requirements. The Company's policy on Corporate Governance aims:

- To achieve Fairness, Transparency, Accountability and Responsibility in management of affairs of the Company.
- To establish adequate control system to enable the Company to generate confidence amongst its stake holders.
- To achieve business excellence and to maximize value for its stake holders.

2. Board of Directors

(i) Composition and Size of the Board

The Board consists of Four (4) members which include One (1) Executive Chairman & Managing Director, One (1) Non Independent & Non Executive Director, and Two (2) Non Executive Independent Directors. The Company did not have any pecuniary relationship or transactions with Non-Executive Directors.

(ii) & (iii) Attendance at Board Meetings/ AGM & other particulars

Membership and Attendance of each Director at the Board of Directors meetings and the last Annual General Meeting and the number of companies in which he is a Director / Member of the Committee is tabulated below :

Sr. No.	Name of the Director	Category	Designation	No. of Board Meetings attended	Attendance at The last AGM	No. of Directorship in other Public Limited Companies
1.	Shri. Gordhan P. Tanwani	P-ED	Chairman & Mg. Director	4	Yes	—
2.	Shri. Sanjiv Hinduja	I-NED	Director	4	Yes	—
3.	Shri. Pravin Karia	P-NED	Director	4	Yes	—
4.	Shri Santosh A. Shah	I-NED	Director	3	Yes	—
5.	Shri Rakesh Upadhyay**	I-ED	Executive Director	4	Yes	—

** Shri Rakesh Upadhyay resigned as Director w.e.f. 2nd February, 2009.

P - Promoter, ED - Executive Director, I - Independent Director, NED - Non Executive Director,

None of the Directors is Committee Member in any other company.

(iv) Board Meetings held during the year

The Board meets at least once a quarter to review the quarterly performance and the financial results. The Notice of the meeting is sent well in advance and detailed agenda alongwith other board papers are also sent to all the directors before the board meeting. The board meetings are generally held at the Registered Office of the Company at Mumbai.

During the year Four Board Meetings were held on 27th May, 2008, 31st July, 2008, 24th October, 2008, 30th January, 2009.

(v) Details of Director being appointed at the AGM

A brief resume of the Director being appointed at the AGM is as follows:

Name	Shri Sanjiv Hinduja
Date of Birth	09/06/1963
Date of Appointment	28/08/2003
Qualification	B.Com. A.C.A.
Experience in specific functional area	Accounts, Taxation and Audit
Directorships in other Companies	None
Chairman/ Member of the Committees of the Board of Directors of the Company	1. Member of the Audit Committee 2. Member of Investor Grievance / Share Transfer Committee
Chairman/ Member of the Committees of the Board of Directors of the other Companies in which he is a Director	None
No. of Shares of the Company held	1000

3. Audit Committee

(i) Terms of Reference

The Board of Directors has constituted an Audit Committee of Directors to exercise powers and discharge functions as stipulated in Section 292A of the Companies Act, 1956 and Clause 49 of the listing agreement with the stock exchange and other relevant statutory / regulatory provisions.

(ii) Composition

The Audit Committee consists of, Shri. Santosh A. Shah, Independent Non Executive Director, as Chairman of the Committee, Shri. Sanjiv Hinduja Independent Non Executive Director and Shri. Pravin Karia, Non Independent & Non-Executive Director as members.

(iii) Meetings & Attendance during the year

The Audit Committee met Four (4) times during the year. The date of the Audit Committee Meetings and attendance of the Committee Members at the said meetings is given in table below:

Name of the Members	Category	Meeting Held On			
		27/05/2008	31/07/2008	24/10/2008	15/01/2009
Shri. Santosh A Shah*	Chairman	Yes	Yes	Yes	Yes
Shri. Sanjiv Hinduja*	Member	Yes	Yes	Yes	Yes
Shri. Pravin Karia	Member	Yes	Yes	Yes	Yes

* Shri Santosh Shah was appointed as Chairman of the Audit Committee w.e.f. 24th October, 2008 in place of Shri Sanjiv Hinduja.

The Managing Director, Shri. Gordhan P. Tanwani is permanent invitee to the meetings of the Audit Committee. The meetings of the Audit Committee were also attended by the Statutory Auditors, Internal Auditors and senior management staff of the company whenever required to provide information and answer queries raised by the committee members. The Company Secretary acts as Secretary of the Audit Committee.

4. Remuneration Committee

(i) & (ii) The Company has not appointed remuneration committee.

(iii) Remuneration Policy

The decisions regarding remuneration of executive and non-executive directors is taken by the entire Board subject to statutory and regulatory compliances as may be necessary. The Company does not pay any remuneration to non-executive directors except sitting fees for attending Board / Committee meetings.

(iv) Details of Remuneration paid to the Directors**(a) Managing Director**

Shri. Gordhan P. Tanwani the present Managing Director of the Company has not taken any remuneration during the year 2008-09

Shri. Rakesh Upadhyay, who was the Executive Director of the Company up to 2nd February, 2009 also did not draw any remuneration during the year 2008-09.

(b) Non Executive Directors

The Non Executive Directors are not entitled to any remuneration except sitting fees for attending the meetings of the Board of Directors and Committees thereof. Total amount of sitting fees paid to the Non Executive Directors during the year was Rs. 1,70,000 /- only as per details given hereunder:

Shri. Pravin Karia	Rs. 60,000/-
Shri Santosh A. Shah	Rs. 50,000/-
Shri. Sanjiv Hinduja	Rs. 60,000/-

5. Investor Grievance Committee**(i) Composition**

The Company has an Investor Grievance Committee to look into various issues relating shareholders' complaints and their redressal. The following are the present members of the Committee :

Shri. Gordhan P. Tanwani	Chairman
Shri. Sanjiv Hinduja	Member
Shri. Santosh A. Shah	Member

All the investor complaints that are not settled by the Registrar and Transfer Agents and / or the Compliance Officer are required to be forwarded to this committee for final settlement. However, no complaint has so far been received by this committee.

(ii) Compliance Officer

Shri. N.H. Mankad, Company Secretary has been designated as the Compliance Officer.

(iii) to (v) Details of complaints

Details of Investors' complaints received and resolved during the year is as under:

No. of complaints pending at the beginning of the year	NIL
No. of complaints received during the year	1
No. of complaints resolved to the satisfaction of the shareholders	1
No. of Complaints pending at the end of the year	NIL
No. of Share Transfers pending at the end of the year	NIL

6. Code of Conduct and Ethics for Board of Directors and Senior Management

The Company has formulated and adopted a comprehensive Code of Conduct and Ethics applicable to all the Directors and Senior Management personnel of the Company. The Code has been circulated to all the Board Members and Senior Management personnel of the Company. A copy of the Code has been posted on the Company's website www.studiogalaxy.com.

All the Board Members and Senior Management personnel have affirmed compliance of the Code of Conduct. A declaration signed by the Chairman & Managing Director in this regard is given below:

DECLARATION PURSUANT TO CLAUSE 49 (D) (ii) OF THE LISTING AGREEMENT

I hereby confirm that all the Board Members and Senior Management Personnel of the Company have affirmed to the Board of Directors, their compliance with the Code of Conduct of the Company pursuant to Clause 49 (D) (ii) of the Listing Agreement for the financial year 2008-09.

Gordhan P. Tanwani

Chairman & Managing Director

7. Information on General Body Meetings

(i) The date, time and location where last Three (3) Annual General Meetings were held is as follows:

	Date	Time	Location
7th AGM	Wednesday 27th September, 2006	11.30 a.m.	Juhu Vile Parle Gymkhana Club, Party Hall, 2nd Floor, Juhu, Mumbai 400049
8th AGM	Thursday 27th September, 2007	11.30 a.m.	Juhu Vile Parle Gymkhana Club, Party Hall, 2nd Floor, Juhu, Mumbai 400049
9th AGM	Thursday 4th September, 2008	11.30 a.m.	Juhu Vile Parle Gymkhana Club, Party Hall, 2nd Floor, Juhu, Mumbai 400049

(ii), (iii) & (iv) **Special Resolution & Resolution by Postal Ballot**

At the 9th Annual General Meeting the Company did not pass any Special Resolution. The Company did not pass any resolution by Postal Ballot at the 9th Annual General Meeting.

(v) & (vi) At the 10th AGM it is proposed to pass Special Resolution in respect of stock split under section 16 & 94 of the Companies act, 1956 and it is not proposed to pass any Resolution through Postal Ballot.

8. Disclosures

(i) There are no material transactions with Directors or the Management or their subsidiaries and relatives that have potential conflict with the interest of the Company. The Register of Contracts detailing the transactions in which the Directors of the Company are interested is placed before the Board of Directors at its meetings pursuant to Section 301 of the Companies Act, 1956. All related party transactions have been disclosed in Note No.12(B) of Schedule 22 of the Annual Accounts.

During the last three years, there were no strictures or penalties imposed by SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the capital markets.

(ii) The Company has not adopted Whistle Blower Policy.

(iii) **Compliance with Non-Mandatory requirements**

The status of compliance in respect of non-mandatory requirements of Clause 49 of Listing Agreement is as follows:

- a) **Maintenance of the Chairman's Office:** The Company has an Executive Chairman and the office provided to him is also used by him in his capacity as Chairman of the Board. No separate office is maintained for the Non - Executive Chairman of the Audit Committee but secretarial and other assistance is provided to him, whenever needed, in performance of his duties.
- b) **Tenure of Independent Directors:** No specific tenure has been specified for the Independent Directors.
- c) **Shareholders rights:** Unaudited quarterly financial results were published in Free Press Journal & Navshakti, Mumbai. All the results were posted on website of the company www.studiogalaxy.com.

- d) **Remuneration Committee:** The Company has not set up a separate Remuneration Committee.
- e) **Audit Qualification:** So far there have been no qualifications by the Auditors in their report on the Accounts of the Company. The Company shall endeavor to continue to have unqualified financial statements.
- f) **Training of Board of Directors:** The Directors of the Company are persons from Business and Profession with experience in corporate sector. They are being kept posted with various statutory and regulatory changes which are applicable to the Company.
- g) **Mechanism for Evaluating Non - Executive Board Members:** Non Executive Members of the Board are highly qualified and there is no need for their evaluation
- h) **Whistle Blower Policy:** The Company has so far not framed a formal whistle blower policy. However, the employees of the Company have free access to the Board of Directors, Audit Committee and Senior Management personnel to report their concerns about unethical behavior, fraud or violation of statutory requirements, with assurance from the management to protect the employees from victimization in case they report any such unethical or fraudulent behavior.

(vi) Shareholding of the Non - Executive Directors in the Company

Sr.No.	Name of the Non - Executive Director	No. of Shares Held
1.	Shri. Sanjiv Hinduja	1,000
2.	Shri. Pravin Karia	1,000

9. Means of Communication

1. Quarterly Results were published in The Free Press Journal & Nav Shakti, Mumbai. The same also include official Company Press Release. The quarterly results are also posted on the Company's website www.studiogalaxy.com.
2. The Company has not made any presentations to Analysts or Institutional Investors.
3. Management Discussion & Analysis is a part of this Annual Report.

10. General Shareholder Information

(i) to (vi) AGM & Other Related Information	
10th AGM Date, Time and Venue	29th September, 2009 at 11.30 a.m. at Juhu Vile Parle Gymkhana Club, Old Squash Court, Ground Floor, Opp. Juhu Bus Depot, Juhu, Mumbai - 400 049
Financial Calendar	2009-10
Results for Quarter ending 30th June, 2009	Last week of July, 2009
Results for Quarter ending 30th September, 2009	Last week of October, 2009
Results for Quarter ending 31st December, 2009	Last week of January, 2010
Results for Quarter ending 31st March, 2010	Last week of April, 2010
AGM for the year ending 31st March, 2010	Before 30th September, 2010
Book Closure	Thursday, 24th September, 2009 to Tuesday, 29th September, 2009 (both days inclusive)
Dividend Payment	The Board of Directors has declared dividend @ Rs.1/- per share for the year 2008-09 which will be payable on or before 25th October, 2009.
Listing on Stock Exchanges	Bombay Stock Exchange Limited, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001 Stock Code: 532380
Payment of Listing Fees	Listing fee for the year 2009-10 has been paid to the Bombay Stock Exchange Ltd., Mumbai
Demat ISIN for NSDL & CDSL	INE893A01028

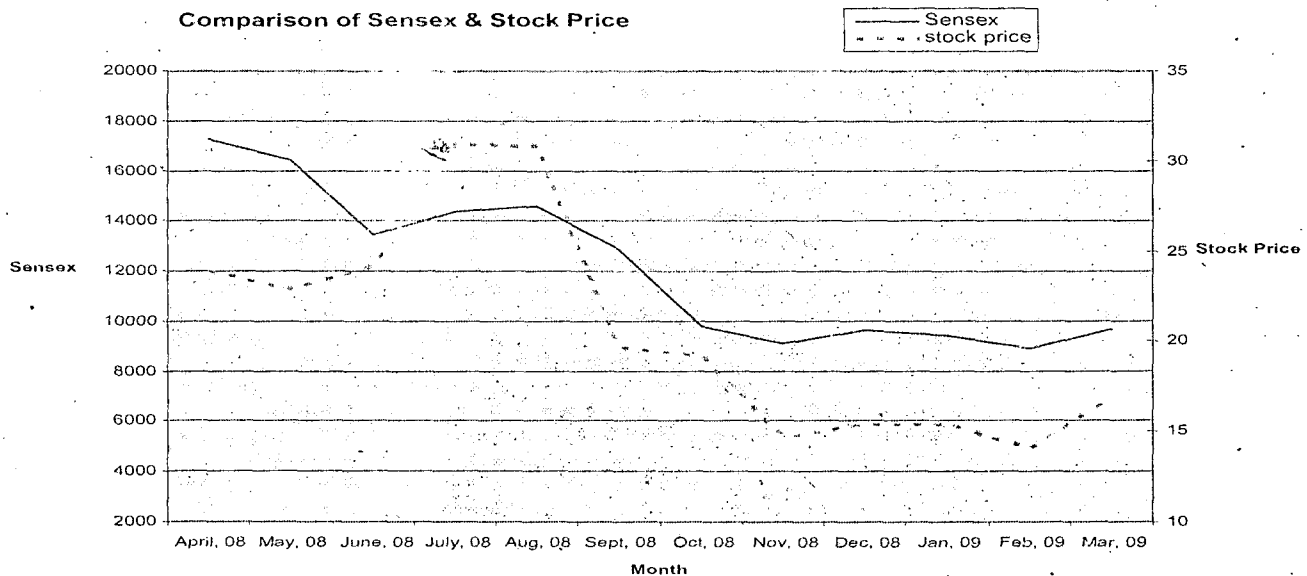
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(vii) Market Information

Monthly high and low quotations of Company's equity shares traded on Bombay Stock Exchange Limited during the year 2008-09 are as follows:

Month	Share Price (Rs.)		BSE Sensex		
	High	Low	High	Low	Close
2008					
April	26.00	20.50	17480.74	15297.96	17287.31
May	24.35	20.00	17735.70	16196.02	16415.57
June	33.30	21.30	16632.72	13405.54	13461.60
July	33.50	23.15	15130.09	12514.02	14355.75
August	37.50	27.05	15579.78	14002.43	14564.53
September	31.05	19.50	15107.01	12153.55	12860.43
October	20.50	10.45	13203.86	7697.39	9788.06
November	20.00	14.15	10945.41	8316.39	9092.72
December	17.21	14.05	10188.54	8467.43	9647.31
2009					
January	18.70	14.00	10469.72	8631.60	9424.24
February	18.40	13.85	9724.87	8619.22	8891.61
March	17.00	11.02	10127.09	8047.17	9708.50

(viii) Performance of Company's Share Price in comparison with BSE Sensex



(ix) Name & Address of the Registrar and Share Transfer Agent

MONDKAR COMPUTERS PRIVATE LIMITED
 21, Shakil Niwas, Mahakali Caves Road,
 Andheri (East)
 Mumbai 400093
 Tel: (022) 2836 6620 Fax: (022) 28211996
 E-mail: mcplrt@bom7.net.in

(x) Share Transfer System

Share Transfer is normally effected within a maximum period of 15 Days from the date of receipt, if all the documents are complete in all respect. The Board of Directors have delegated the powers for approving Share Transfers to the Company Secretary up to 2500 Equity Share per Transfer and to the Managing Director for approving share transfers of more than 2500 Equity Shares per Transfer. Share Transfers are approved by The Company Secretary / The Managing Director on receipt of the report of the Registrar & Share Transfer Agent.

(xi) (1) Distribution of Shareholding as on 31st March, 2009

Range of Holding	No. of Share Holders	% to Total Share Holders	Shareholdings	Share Amount (Rs.)	% to Total Share Capital
1 - 5000	2031	85.70	556434	2225736	4.31
5001 - 10000	124	5.23	235632	942528	1.83
10001 - 20000	91	3.84	340053	1360212	2.64
20001 - 30000	24	1.01	154052	616208	1.19
30001 - 40000	26	1.10	239627	958508	1.86
40001 - 50000	12	0.50	135492	541968	1.05
50001- 100000	18	0.76	358942	1435768	2.78
100001 and above	44	1.86	10879768	43519072	84.34
TOTAL	2370	100.00	12900000	51600000	100.00

(xi) (2) Categories of Shareholders as on 31st March, 2009

Sr. No.	Category of Members	No. of Shares Held	% to Total Capital
1.	Promoters **	6650530	51.55
2.	Independent Directors	2000	0.01
3.	Indian Public	5718782	44.33
4.	Private Corporate Bodies	318364	2.47
5.	NRIs/OCBs	27783	0.22
6.	Others (Clearing Members)	182541	1.42
	TOTAL	12900000	100.00

** For the purpose of SEBI (Substantial Acquisition of Shares & Takeover) Regulation 1997, the following persons are to be considered as Promoters/ Persons Acting in Concert (PAC) with promoters.

Sr. No.	Name of the Person	Category	Relationship with Promoter	Shareholding as on 31.03.2009
1.	Shri. Gordhan P. Tanwani	Promoter	—	5449530
2.	Smt. Jyoti G. Tanwani	PAC	Wife	400000
3.	Shri. Nikhil G. Tanwani	PAC	Son of Promoter	Nil
4.	Master. Rahul G. Tanwani	PAC	Son of Promoter	Nil
5.	Gordhan P. Tanwani - HUF	PAC	HUF of Promoter	Nil
6.	Bhagwati Holdings Pvt. Ltd	PAC	Group Company	Nil
7.	Shri. Raju P. Tanwani	PAC	Brother of Promoter	400000
8.	Smt. Joshna R Tanwani	PAC	Wife of Promoter's Brother	400000
9.	Shri Pravin Karia	PAC	Non Independent Director	1000

(xii) Dematerialisation of Shares and Liquidity

The trading in Company's Shares is compulsory in Demat Segment only through the two Depositories NSDL and CDSL. The status of dematerialisation as on 31st March, 2009 was as under:

Particulars	No. of Shares	% to Capital	No. of Accounts / Folios
NSDL	10896244	84.47	1426
CDSL	1944515	15.07	743
Total Shares Under Demat	12840759	99.54	2169
Physical	59241	0.46	201
Total Capital	12900000	100.00	2370

All the demat requests have been approved within 21 Days.

(xiii) Outstanding ADRs/ GDRs/Warrants or any Convertible Instruments

There are no instruments outstanding which are convertible in to equity shares of the Company.

(xiv) Plant Locations

The Company's Post Production Studio is located at:

3A, Valecha Chambers,
New Link Road,
Andheri (West),
Mumbai 400053

(xv) Address for Correspondence

Investors may address correspondence to:

Shri. N.H.Mankad
Company Secretary & Compliance Officer
Baba Arts Limited
3A, Valecha Chambers,
New Link Road,
Andheri (West)
Mumbai 400053
Phone: 022 2673 3131
Fax: 022 2673 3375
E-mail: babaartslimited@yahoo.com

Shri., Ravi Utekar
General Manager
Mondkar Computers Pvt. Ltd.
21, Shakil Niwas,
Mahakali Caves Road,
Andheri (East)
Mumbai 400093
Phone: 2836 6620
Fax: 28211996
E-mail: mcplrt@bom7.net.in

Risk Management

An analysis of the Company's risk profile has been made and presented to the Board of Directors of the Company. The Company will be undertaking regular review of the risk profile of the Company and keep the Board of Directors adequately informed about the risk profile and the measures identified to mitigate such risks.

Auditors' Certificate on Corporate Governance

Certificate regarding compliance of conditions of Corporate Governance, as stipulated in the listing agreement with the stock exchange, received from M/s. Prakkash Muni & Associates, Statutory Auditors of the Company, is annexed to this report. The said certificate will also be sent to the stock exchange along with the annual return to be filed by the Company.

For Baba Arts Limited

Gordhan P Tanwani
Chairman & Mg. Director

Place: Mumbai
Date: June 30, 2009

CERTIFICATE**TO THE MEMBERS OF BABA ARTS LIMITED**

We have examined the compliance of the conditions of Corporate Governance by Baba Arts Limited for the year ended 31st March, 2009, as stipulated in Clause 49 of the Listing agreement of the said company with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we state that no investor grievance is pending against the Company as per records maintained by the Investor Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For Prakash Muni & Associates

Prakash Muni

Proprietor

Membership No.: 30544

Place : Mumbai

Date : June 30, 2009

AUDITOR'S REPORT

TO,
THE SHAREHOLDERS OF
BABA ARTS LIMITED.

1. I have audited the attached Balance Sheet of **BABA ARTS LIMITED** as at 31st March, 2009 and the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. My responsibility is to express an opinion on these financial statements based on my audit.
2. I conducted my audit in accordance with auditing standards generally accepted in India. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. I believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, I enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. On the basis of written representations received from the directors, as on 31st March, 2009, and taken on record by the Board of Directors, I report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
5. Further to my comments in the Annexure referred to in paragraph 3 & 4 above, I report that:
 - (i) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of my audit;
 - (ii) In my opinion, proper books of account as required by law have been kept by the Company so far as appears from my examination of those books;
 - (iii) The Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In my opinion, the Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) In my opinion and to the best of my information and according to the explanations given to me, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009;
 - (b) In the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For PRAKKASH MUNI & ASSOCIATES

Chartered Accountants

PRAKKASH R. MUNI

Proprietor

Membership No.: 30544

Place: Mumbai

Date: June 30, 2009

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. With consideration to significant additions from time to time such records are being updated periodically.
- (b) All the assets have not been physically verified by the management during the year but there is a regular program of verification, which in my opinion, is reasonable having regard to the size of the Company and nature of its assets. According to the information and explanation given to me no material discrepancies were noticed on such verification.
- (c) During the year the Company has not disposed of a substantial part of its fixed assets and the going concern status of the Company is not affected.
- (ii) The inventory has been physically verified during the year by the management. In my opinion, the frequency of verification is reasonable.
- (iii) The procedures of physical verification of inventories followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (iv) (a) In my opinion and according to the information and explanations given to me, the Company has not granted any Secured & Unsecured Loans to companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) The following are the particulars of loans taken by the company from companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956:

Sr. No.	Nature of Transaction	Amount		Outstanding as on 31.03.2009
		Key Management Personal	Other Related Parties	
1.	Intercompany Loan/ Deposit Recd			
	Opening Balance	-	-	-
	(+) Received during the year	-	3,10,00,000	-
	(-) Paid during the year	-	3,10,00,000	-
	Closing Balance	-	-	-

- (v) In my opinion the rate of interest and other terms and conditions on which loans have been taken from the Companies, firms or other parties listed in the Register maintained under 301 are not prima facie prejudicial to the interest of the Company.
- (vi) The Company is regular in repaying the principal amount as stipulated and has been regular in the payment of interest.
- (vii) In my opinion and according to the information and explanations given to me, the internal control procedures, commensurate with the size of the Company and the nature of its business, with regard to purchases of inventories and fixed assets and with regard to the sale of goods and services, are adequate.
- (viii) There is no overdue amount of loans taken from or granted to companies, firms or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956.
- (ix) In my opinion and according to the information and explanation given to me, the Company has not entered into any transactions except as (iv) (b) above, made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 and exceeding the value of five lakh rupees in respect of any party during the year.
- (x) In my opinion and according to the information and explanations given to me, the Company has not accepted deposits from the public during the year covered by my audit report.
- (xi) In my opinion and according to information and explanation given to me, the Company has an internal audit system commensurate with the size and nature of its business.
- (xii) To the best of my knowledge and according to the information and explanations given to me, the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956, for any of the products of the Company.

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- (xiii) (a) According to the information and explanations provided to me, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance fund, income tax, sales tax, custom duty, excise duty, and other material statutory dues, applicable to it.
- (b) According to the information and explanation given to me, there are no dues of sales tax, wealth tax, service tax, custom duty, excise duty, cess which have not been deposited as at March 31, 2009 on account of any dispute.
- (c) According to the information and explanation given to me, no undisputed amount payable in respect of income tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2009 for a period of more than six months from the date they became payable.
- (d) According to the information and explanation given to me, there were no statutory dues which were not deposited on account of disputes.
- (xiv) The Company has not incurred any cash losses during the financial year covered by my audit and in the immediately preceding financial year.
- (xv) In my opinion and according to the information and explanation given to me, the Company has not defaulted in the repayment of its dues to a bank.
- (xvi) According to the information and explanations given to me, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4 (xii) of the order are not applicable to the company.
- (xvii) In my opinion and according to the information and explanations given to me, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4 (xiii) of the Order are not applicable to the Company.
- (xviii) According to the information and explanations given to me, the Company is not dealing in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order are not applicable to the Company.
- (xix) In my opinion, and according to the information and explanations given to me, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xx) According to the information and explanations given to me, the Company has not raised any term loans during the year. There was no term loan outstanding at the beginning of the year.
- (xxi) Based on my examination of the Balance Sheet of the Company as at 31st March 2009, I find that the Company as on that date had long term sources of funds amounting to Rs 10,84,41,388 . The long term application of fund was Rs 15,40,061. The Company has not utilized any short term funds for long terms purposes.
- (xxii) According to the information and explanations given to me, the Company has allotted 21,49,530 shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 against exercise of the Optionally Fully Convertible Warrants (OFCWs).
- (xxiii) According to the information and explanations given to me, the Company has not issued any secured debentures during the period covered by our report. Accordingly, the provisions of clause 4 (xix) of the Order are not applicable to the Company.
- (xxiv) During the period covered by my audit report, the Company has not raised any money by public issues.
- (xxv) To the best of my knowledge and belief and according to the information and explanations given to me, no material fraud on or by the Company has been noticed or reported during the year.

For PRAKKASH MUNI & ASSOCIATES
Chartered Accountants

PRAKKASH R. MUNI
Proprietor
Membership No.: 30544

Place: Mumbai
Date: 30th June, 2009

**BALANCE SHEET AS AT MARCH 31, 2009**

Particulars	Schedule No.	As At March 31, 2009 Amount Rs.	As At March 31, 2008 Amount Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	51,600,000	42,601,880
Optionally Fully Convertible Warrants (See Note No. B-6 of Schedule No. 22)		-	19,360,000
Reserves & Surplus	2	192,032,821	79,789,373
Loan Funds			
Secured Loans	3	2,036,011	6,578,312
Unsecured Loans	4	-	14,190,969
Deferred Tax Liability		48,246	-
TOTAL		245,717,078	162,520,534
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	104,892,728	125,202,667
Less : Depreciation		67,350,778	84,147,268
Net Block		37,541,950	41,055,399
Investments	6	53,500	53,500
Deferred Tax Asset		-	71,897
Current Assets, Loans & Advances			
Inventories	7	106,998,044	37,696,445
Sundry Debtors	8	125,320,588	93,582,843
Cash & Bank Balances	9	3,844,213	4,847,919
Loans & Advances	10	78,112,931	45,827,567
Sub Total (A)		314,275,776	181,954,774
Less : Current Liabilities & Provisions			
Current liabilities	11	71,335,167	51,115,829
Provisions	12	34,818,981	9,499,207
Sub Total (B)		106,154,148	60,615,036
Net Current Assets (A) - (B)		208,121,628	121,339,738
TOTAL		245,717,078	162,520,534
Accounting Policies and Notes to Accounts	22		

As per our report of even date attached
For **Prakash Muni & Associates**
Chartered Accountants

Prakash Muni
Proprietor
Membership No.:30544

Place : Mumbai
Date : June 30, 2009

For and on behalf of the Board

Gordhan P. Tanwani
Chairman & Managing Director

Sanjiv Hinduja
Director

Santosh A. Shah
Director

Pravin Karia
Director

N.H.Mankad
Company Secretary

Place : Mumbai
Date : June 30, 2009

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PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Schedule No.	Year Ended March 31, 2009 Amount Rs.	Year Ended March 31, 2008 Amount Rs.
INCOME			
Sales	13	775,471,592	357,179,222
Other Income	14	1,236,109	850,016
		776,707,701	358,029,238
EXPENDITURE			
Cost of IPR of Films	15	679,813,991	247,591,689
Operating Expenses	16	5,921,937	6,664,824
Cost of Production/ Distribution of Films	17	25,667,002	53,175,864
Staff Costs	18	2,339,229	4,996,530
Administration & Other Expenses	19	9,370,054	6,446,307
Selling Expenses	20	3,432,791	1,763,368
		726,545,004	320,638,582
Profit/ (Loss) before Interest,		50,162,697	37,390,656
Depreciation and Tax			
Finance Charges	21	1,968,012	5,870,480
Profit/ (Loss) before Depreciation and Tax		48,194,685	31,520,176
Depreciation		5,132,009	8,081,404
Profit/ (Loss) after Depreciation but before Tax		43,062,676	23,438,772
Provision for Tax		15,000,000	4,325,000
Fringe Benefit Tax		50,000	70,500
Deferred Tax		120,143	(71,897)
MAT Credit Entitlement		-	(4,222,155)
Profit/ (Loss) after Tax		27,892,533	23,337,324
Prior year provision for MVAT		-	(334,615)
Prior period income tax adjustments		-	542,996
Sub Total		27,892,533	23,545,705
Balance of Profit brought forward		53,189,373	35,227,876
Profit available for Appropriation		81,081,906	58,773,581
Transferred to General Reserve		3,000,000	600,000
Proposed Dividend (Pr. Yr. Interim Dividend)		12,900,000	4,260,188
Tax on Dividend		2,192,355	724,019
Balance of Profit carried forward		62,989,551	53,189,373
Basis Earning Per Share		2.29	2.27
Diluted Earning Per Share (See Note No. B-13 of Schedule No. 22)		2.29	2.17
Face Value of Rs.4/- per share			
Accounting Policies and Notes to Accounts	22		

As per our report of even date attached
For Prakash Muni & Associates
Chartered Accountants

For and on behalf of the Board

Gordhan P. Tanwani
Chairman & Managing Director

Sanjiv Hinduja
Director

Santosh A. Shah
Director

Pravin Karia
Director

N.H.Mankad
Company Secretary

Prakash Muni
Proprietor
 Membership No.:30544

Place : Mumbai
 Date : June 30, 2009

Place : Mumbai
 Date : June 30, 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

	April 1, 2008 - March 31, 2009 Amount Rs.	April 1, 2007 - March 31, 2008 Amount Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit / (Loss) before Tax and Extraordinary items	43,062,676	23,438,771
Adjustment for :		
Depreciation	5,132,009	8,081,404
Interest Income	(491,644)	(17,453)
Dividend Income	(375)	-
Interest Paid	1,968,012	5,870,480
Profit/(Loss) on Sale of Fixed Assets	(300,337)	480,533
	<u>6,307,664</u>	<u>14,414,965</u>
	49,370,341	37,853,736
Operating profit before working capital changes		
Adjustment for :		
Sundry Debtors	(31,737,746)	(33,476,027)
Inventory	(69,301,599)	30,039,369
Other loans & Advances	(548,018)	(1,908,921)
Current Liabilities & Provisions	20,219,339	(15,043,348)
	<u>(81,368,024)</u>	<u>(20,388,987)</u>
Cash generated from operations	(31,997,684)	17,464,749
Taxes paid	(31,737,345)	(15,069,973)
Fringe Benefit Tax Paid	(65,900)	
Income Tax provision no longer required	193,527	
Fringe Benefit Tax provision no longer required	34,000	
	<u>(63,573,401)</u>	<u>2,394,776</u>
Prior Period Items		544,465
NET CASH FLOW OPERATING ACTIVITIES	(63,573,401)	1,850,311
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,723,223)	(1,757,713)
Sales of Fixed Assets	405,000	1,923,077
Interest Received	491,644	17,453
Investments in Mahadev Production Pvt. Ltd.	-	(51,000)
Dividend Received	375	-
NET CASH FLOW FROM INVESTING ACTIVITIES	(826,204)	131,817

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	April 1, 2008 - March 31, 2009 Amount Rs.	April 1, 2007 - March 31, 2008 Amount Rs.
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from Issue of Shares	8,998,120	2,400,000
Receipt of Securities Premium	89,981,200	24,000,000
Conversion of OFCW to Equity Share Capital	(9,897,932)	(2,640,000)
Short term borrowings from bank	(4,534,778)	(6,054,758)
Unsecured Loans Paid	(14,154,173)	(16,115,681)
Interest Paid	(2,012,331)	(5,862,956)
Dividend Paid (Incl. of Tax)	(4,984,207)	-
NET CASH FLOW FROM FINANCING ACTIVITIES	63,395,899	(4,273,395)
Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C)	(1,003,706)	(2,291,268)
Cash and Cash equivalents at beginning of the year	4,847,919	7,139,187
Cash and Cash equivalents at end of the year	3,844,213	4,847,919
Net Increase/ (Decrease)	(1,003,706)	(2,291,268)

Note:

- 1 The above cash flow statement has been prepared under the indirect method as set out in Accordance Standard - 3 issued by the Institute of Chartered Accountants of India.
- 2 Cash and cash equivalents consists of Cash on hand and Balance with Bank.
- 3 Previous year's figures have been regrouped/rearranged wherever necessary.

As per our report of even date attached
For Prakkash Muni & Associates
Chartered Accountants

Prakkash Muni
Proprietor
 Membership No.:30544

Place : Mumbai
 Date : June 30, 2009

For and on behalf of the Board

Gordhan P. Tanwani
Chairman & Managing Director

Sanjiv Hinduja
Director

Santosh A. Shah
Director

Pravin Karia
Director

N.H.Mankad
Company Secretary

Place : Mumbai
 Date : June 30, 2009

SCHEDULES TO BALANCE SHEET

	As At March 31, 2009 Amount Rs.	As At March 31, 2008 Amount Rs.
SCHEDULE : 1		
SHARE CAPITAL		
Authorised		
7,50,00,000 Equity Shares of Rs. 4/- each (Previous year 7,50,00,000 Equity Shares of Rs. 4/- each)	300,000,000	300,000,000
Issued, Subscribed & Paid Up		
1,29,00,000 (previous year 1,06,50,470) Equity Shares of Rs. 4/- each fully paid up	51,600,000	42,601,880
Note : The paid up value per share was reduced from Rs. 10/- to Rs. 4/- pursuant to Reduction of Capital approved by the members in their EGM held on 9th November 2004 and confirmed by the Bombay High Court vide its order dated 11th February, 2005		
	<u>51,600,000</u>	<u>42,601,880</u>
SCHEDULE : 2	As at 31.03.08	As at 31.03.09
RESERVES & SURPLUS	Additions/(Ded.) during the year	
Capital Reserves (See Note No. 6 Schedule No. 22B)	9,462,068	9,462,068
Securities Premium Account	24,000,000	113,981,200
General Reserve	2,600,000	5,600,000
Profit & Loss Account	53,189,373	62,989,553
	<u>79,789,373</u>	<u>192,032,821</u>
SCHEDULE : 3		
SECURED LOANS		
From a Scheduled Bank		
- Cash Credit (Refer note 1 below)	2,036,011	6,570,789
- Interest accrued and due	-	7,523
	<u>2,036,011</u>	<u>6,578,312</u>
Note 1 : The Cash Credit facility is secured by hypothecation of book debts in respect of sale of IPR of films, equitable mortgage of company's office premises, & Personal Guarantee of Managing Director.		
SCHEDULE : 4		
UNSECURED LOANS		
From a Scheduled Bank	-	14,154,173
- Interest accrued and due	-	36,796
From Others		
- Intercorporate Loans		
Includes Rs. NIL (Rs. NIL) Max. Amt O/s.		
Rs.2,55,00,000/- (previous year Rs. 1,75,00,000/-) from companies in which a director is interested		
	<u>-</u>	<u>14,190,969</u>

SCHEDULES TO BALANCE SHEET
SCHEDULE 5 - FIXED ASSETS

(Amount Rs.)

ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.08	Additions during the Year	Deductions during the Year	As at 31.03.09	Up to 31.03.2008	For the Year	Deductions during the Year	Total Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
OFFICE PREMISES	21,010,971	-	-	21,010,971	2,568,119	342,480	-	2,910,599	18,100,372	18,442,852
PLANT & MACHINERY :	94,290,450	1,579,307	21,850,000	74,019,757	77,508,980	4,205,948	21,850,000	59,864,928	14,154,829	16,781,469
FURNITURE & FIXTURES	7,056,781	29,250	-	7,086,031	3,174,500	447,728	-	3,622,228	3,463,803	3,882,281
OFFICE EQUIPMENTS:	2,844,465	114,665	183,162	2,775,968	895,669	135,856	78,499	953,026	1,822,942	1,948,797
TOTAL	125,202,667	1,723,222	22,033,162	104,892,727	84,147,268	5,132,011	21,928,499	67,350,780	37,541,947	41,055,399
Previous Year	128,493,821	1,757,713	5,048,866	125,202,667	78,711,119	8,081,404	2,645,256	84,147,268	41,055,399	49,782,702

SCHEDULES TO BALANCE SHEET

	As At March 31, 2009 Amount Rs.	As At March 31, 2008 Amount Rs.
SCHEDULE : 6		
INVESTMENTS (At Cost)		
Unquoted - Long Term (Non Trade)		
Punjab & Maharashtra Co - Op Bank Ltd.		
100 Equity Shares (Previous Year 100 Shares) of Rs. 25/- each fully paid up	2,500	2,500
Investments in Subsidiary company		
5100 Equity shares of Rs. 10/- each fully paid up in Mahadev Production Pvt. Ltd.	51,000	51,000
	53,500	53,500
SCHEDULE : 7		
INVENTORIES		
(Valued as stated in shedule 22A-5(a)(b) & (c)		
Intellectual Property Rights of Films	97,900,338	28,418,805
Under Production Films	9,097,706	9,277,640
	106,998,044	37,696,445
SCHEDULE : 8		
SUNDRY DEBTORS - Unsecured		
Debts outstanding for a period exceeding six months :		
- considered good*	52,594,209	60,451,516
- considered doubtful	-	-
* Rs. 20535113/- is due as per agreed terms of payment	52,594,209	60,451,516
Others debts :		
- considered good	72,726,380	33,131,327
	125,320,589	93,582,843
Note : includes debts due by director Rs. Nil,(Nil) (Maximum amt due during the year Rs. Nil (Nil)).& due by a company in which a director is interested Rs. Nil(Nil))		
SCHEDULE : 9		
CASH & BANK BALANCES		
Cash on hand	121,217	373,252
Balances with Scheduled banks -		
- In Current Account	1,222,996	1,974,667
(Includes Rs.2,38,509.00 in Unpaid Dividend Account)		
- In Fixed Deposit (Margin against Bank Guarantee)	2,500,000	2,500,000
	3,844,213	4,847,919

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SCHEDULES TO BALANCE SHEET

	As At March 31, 2009 Amount Rs.	As At March 31, 2008 Amount Rs.
SCHEDULE : 10		
LOANS AND ADVANCES - Unsecured, Considered Good		
Advance recoverable in cash or kind or for value to be received (includes Rs 50,00,000 (Pr. Yr.Rs. 7,00,000/-) due from subsidiary company)	9,251,629	19,324,852
Other Advances	302,566	-
Deposits	819,406	311,934
Service Tax - Receivable	27,105	18,532
Income Tax	48,782,940	17,045,595
Fringe Benefit Tax	221,900	190,000
Advance Tax	6,383,925	6,572,155
Prepaid Expenses	8,435	16,711
Vat Receivable	12,315,025	2,347,788
	78,112,931	45,827,567
SCHEDULE : 11		
CURRENT LIABILITIES		
Sundry Creditors	64,378,806	49,959,028
Outstanding Expenses	537,752	326,960
Statutory Liability	502,116	725,089
Advance from Customers	5,677,984	6,292
Unpaid Dividend	238,509	98,460
	71,335,167	51,115,829
SCHEDULE : 12		
PROVISIONS		
Income Tax	19,325,000	4,325,000
Fringe Benefit Tax	206,000	190,000
Proposed Dividend	12,900,000	4,260,188
Gratuity	195,626	-
Tax on Dividend	2,192,355	724,019
	34,818,981	9,499,207

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	April 1, 2008 to March 31, 2009 Amount Rs.	April 1, 2007 to March 31, 2008 Amount Rs.
SCHEDULE : 13		
SALES		
Post Production Activities	13,631,602	19,620,975
Realisation from Film Release	50,017,699	53,494,494
Sale of IPR Local	264,413,484	77,549,927
Sale of IPR Export	445,200,000	202,000,000
Realisation from sale of VCD / DVD	2,208,807	4,513,826
	775,471,592	357,179,222

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	April 1, 2008 to March 31, 2009 Amount Rs.	April 1, 2007 to March 31, 2008 Amount Rs.
SCHEDULE : 14		
OTHER INCOME		
Discount Received	-	119,027
Profit on sale of Fixed Assets	400,000	-
Misc Income	185,631	713,536
Credit Balance Written Back	160,274	-
Dividend Income	375	-
Interest Received (TDS Rs.93,090/- Pr. Yr. Rs. Nil)	489,829	17,453
	<u>1,236,109</u>	<u>850,016</u>
SCHEDULE : 15		
COST OF IPR OF FILMS		
Opening Stock	28,418,806	22,282,004
Add : Purchases	749,295,523	253,728,491
	<u>777,714,329</u>	<u>276,010,495</u>
Less :Closing Stock (As taken, valued & certified by Mgmt)	97,900,338	28,418,805
	<u>679,813,991</u>	<u>247,591,690</u>
SCHEDULE : 16		
OPERATING EXPENSES		
Electricity Expenses	1,195,884	752,305
Professional/ Technical Fees	2,341,647	3,450,010
Registration Charges	-	152,000
Studio Consumables	-	-
Opening Stock	-	12,480
Add : Purchase	-	286,238
Less : Closing Stock (As taken, valued & certified by the Mgmt)	-	-
	<u>298,718</u>	<u>298,718</u>
Post Production Studio Operating Expenses	653,142	377,264
Subtitling Transalation & Spotting Charges	135,488	717,104
Censor Charges	55,300	98,480
VCD /DVD Production Expenses	1,540,476	818,943
	<u>5,921,937</u>	<u>6,664,824</u>
SCHEDULE : 17		
COST OF PRODUCTION/ DISTRIBUTION OF FILMS		
Artists	2,023,800	18,250,000
Technicians	3,011,500	-
Production & Post Production Expenses	15,737,749	21,786,849
Distribution Expenses	-	500,416
Advertising & Publicity	4,893,953	12,638,599
	<u>25,667,002</u>	<u>53,175,864</u>

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SCHEDULES TO PROFIT AND LOSS ACCOUNT

	April 1, 2008 to March 31, 2009 Amount Rs.	April 1, 2007 to March 31, 2008 Amount Rs.
SCHEDULE : 18		
STAFF COSTS		
Salaries, Wages & Allowances	1,867,059	4,492,407
Contribution to Provident Fund	-	7,020
Staff Welfare	472,170	497,103
	<u>2,339,229</u>	<u>4,996,530</u>
SCHEDULE : 19		
ADMINISTRATION AND OTHER EXPENSES		
Administration Expenses		
Communication Expenses	239,177	332,937
Business Promotion	81,415	70,219
Food & Refreshment	40,697	47,868
Insurance Expenses	16,440	22,058
Office Expenses	1,332,850	1,107,122
Postage & Telegram	59,543	37,951
Printing & Stationery	135,077	101,872
Rent	541,090	375,000
Amount Written Off	4,998,148	-
Auditors' Remuneration -		
Statutory Audit Fees	67,416	60,000
Tax Audit Fees	<u>22,472</u>	<u>20,000</u>
Legal & Professional Fees	89,888	80,000
Loss on sale of Fixed Asset	401,726	2,029,396
Rates & Taxes	99,663	480,533
Rent	10,625	80,153
Repairs & Maintenance		
- Building	698,320	464,668
- Plant & Machinery	112,894	214,358
- Others	225,373	247,215
Travelling & Conveyance	287,127	754,957
	<u>9,370,054</u>	<u>6,446,308</u>
SCHEDULE : 20		
Selling Expenses		
Advertisement	159,029	1,159,293
Commission on Sales	1,930,468	12,000
Donation	15,000	25,000
Other Selling Expenses	29,844	162,667
Bad Debts & Sundry Balance Written Off	1,030,020	93,718
IPR Selling Expenses	268,240	310,690
Discount Allowed	190	-
	<u>3,432,791</u>	<u>1,763,368</u>
SCHEDULE : 21		
FINANCE CHARGES		
Interest on Other Loans	1,089,370	791,413
[Inclues Rs. Nil/-(Pr. Year Rs. 309205/-) paid to Mg. Director and Rs.1089370/-(P Y Rs. 481663/-) paid to companies in which the Mg. Director is interested]		
Bank Charges	361,073	149,051
Interest On CC	517,569	4,929,836
	<u>1,968,012</u>	<u>5,870,300</u>

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**SCHEDULE: 22****ACCOUNTING POLICIES AND NOTES TO ACCOUNTS****A. SIGNIFICANT ACCOUNTING POLICIES****1. (a) Basis of Accounting**

The Financial statements are prepared under historical cost convention on an accrual basis of accounting in accordance with the generally accepted accounting principles, on going concern basis, and in line with accounting standards issued by the Institute of Chartered Accountants of India, as applicable, and the provisions of the Companies Act, 1956

- (b) The Preparation of financial statements in conformity with GAAP (Generally Accepted Accounting Policies) requires that the Management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the assumptions relating to contingent liabilities as on the date of financial statements. Examples of such estimates include the useful life of tangible and intangible fixed assets, provision for doubtful debts / advances, future obligation in respect of retirement benefit plans, etc. Difference, if any, between the actual results and estimates is recognized in the period in which the results are known.

2. Revenue Recognition

- a. Revenue from Post Production activities is based on machine hours spent and is net of service tax.
- b. Revenue from trading in satellite rights is recognized on its sales or on exploitation contract.
- c. Revenue is recognized to the extent it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured.
- d. The Company deals in Intellectual Property Rights (IPR) of films, in case of sale of IPR of films, receipts/ income (including interest on advance payments made) to the company are subject to certain conditions, eventualities and uncertainties.
- e. The receipts/ income (including interest on advance payments made) are deemed to accrue as and when events take place or conditions are fulfilled or uncertainties are removed. Accordingly such income (including interest on advance payment made) is accounted only after the events take place or conditions are fulfilled or uncertainties are removed. This is in accordance with Accounting Standard in respect of recognition of revenue and prudential norms.
- f. In respect of cinematic content produced / acquired, income is recognised on the following basis
 - i. In respect of cinematic content, which is not complete i.e. under production, no income is recognised.
 - ii. In respect of cinematic content, which is complete but not released, income is recognised as - so much of the estimated income on release as bears to the whole of the estimated income the same proportion as the actual recoveries / realisations / confirmed contracts bears to the total expected realisation.
 - iii. In respect of cinematic content completed and released during the year, income is recognised on release delivery of release prints except income, if any, already recognised as per clause f (ii).
 - iv. In respect of cinematic content, which is complete but not released, income from streams other than theatrical release is recognised on the basis of contracts / deal memo and delivery of Digi Betas.

3. Fixed Assets

Fixed assets are stated at cost less Depreciation. Cost comprises of purchase-price, allocated pre - operative costs and any attributable cost of bringing the asset to its working condition for its intended use.

4. Depreciation

- a. Depreciation on fixed assets is provided on Straight Line Method at the rate prescribed in Schedule XIV of the Companies Act, 1956 over the estimated useful life as estimated by the Management.
- b. Depreciation is charged on a pro - rata basis for assets purchased/ sold during the year (from the date on which it is 'Put to Use').
- c. Depreciation on impaired assets is provided by adjusting the depreciation charge in the remaining periods so as to allocate the revised carrying amount of the asset over its remaining useful life. The recoverable amount is measured at the higher of the net selling price and value in use; determined by present value of estimated cash flows.

5. Inventories

a. Consumables

Consumables are valued at lower of cost and market value.

b. Intellectual Property Rights (Copy Rights)

IPR of films are valued at lower of cost or net realizable value as certified by the Management.

c. Under Production Films

Cost of films are valued at actual cost incurred/ accrued which includes amount paid, bills settled and advance paid for which the bills are awaited.

In case of films which are released during the year, the realization from the sale of rights are reduced from the cost of production and the balance cost if any, is carried forward.

6. Taxation

a. Current tax : Provision for current tax for the year has been made after considering deduction/ allowances/ claims admissible to the company under the Income Tax Act, 1961.

b. Deferred Tax : Deferred tax is recognized on timing differences, being difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

c. It is measured using relevant enacted tax rates.

d. Deferred tax assets arising from temporary timing differences are recognized to the extent there is reasonable certainty that the assets can be realized in future.

e. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized if there is virtual certainty that there will be sufficient future taxable income available to realize such losses.

f. Major components of deferred tax arising on a account of timing difference are :

	As at March 31, 2009
Liabilities :	
Depreciation as per Companies Act, 1956	5132009
Depreciation as per Income Tax Act, 1961	5273951
Deferred Tax Liability as on 31st March, 2009 due to timing difference\	48246
Assets :	
Opening Deferred Tax Asset	71897
Closing Deferred Tax Asset	Nil
Net Deferred Tax Asset	(71897)
Deferred Tax Liability Charged to P& L Account	120143

7. Foreign Currency Transactions

a. Transactions in Foreign Currency are recorded at the rate prevailing on the date when the amount is received or remitted.

b. Foreign currency assets and liabilities are converted into rupee at the exchange rate prevailing on the balance sheet date; gains/ losses are reflected in the profit and loss account.

c. Exchange difference on account of acquisition of fixed assets is adjusted to carrying cost of fixed assets.

8. Investments

Investments are considered as Long Term and are accordingly stated at cost less provision, if any, for permanent diminution in value of such investments.

9. Miscellaneous Expenditure

The share issue expenses and expenses in connection with the formation of the company were treated as preliminary expenses, amortized over a period of five years.

10. Employee Benefits

Contributions to Provident Fund and Family Pension Fund are provided on accrual basis and charged to revenue. The Company has provided for Gratuity Liability based on actuarial valuation.

B. NOTES TO ACCOUNTS

1. Contingent Liability

a) Guarantee issued by the bank on behalf of the Company in respect of legal suit filed against the company Rs. 25,00,000 (Previous Year Rs. 25,00,000).

2. Remuneration to Chairman, Managing Director & Executive Director:

	Year Ended March 31, 2009 Rs.	Year Ended March 31, 2008 Rs.
Managerial Remuneration	Nil	15,00,000
Monetary Value of Perquisites	Nil	Nil

3. Additional Information

Information under Para 4 D of part II to Schedule VI of the Companies Act, 1956.

	Year Ended March 31, 2009 Rs.	Year Ended March 31, 2008 Rs.
Earning in Foreign Currency		
- For Services	Nil	Nil
- For IPR of Films	44,52,00,000	34,27,00,000
Expenditure in Foreign Currency	Nil	Nil

4. Auditors Remuneration

	Year Ended March 31, 2009 (Amount Rs.)	Year Ended March 31, 2008 (Amount Rs.)
Audit Fees (Excluding Service Tax)	60,000	60,000
Tax Audit Fees (Excluding Service Tax)	20,000	20,000

5. The Company has sent memorandum to suppliers covered under The Micro, Small and Medium Enterprises Development Act, 2006. No replies have been received from them till date.
6. During the year, 22,49,530 warrants, out of 50,00,000 warrants issued during 2007-08 were converted into equity shares of Rs.4/- each upon payment of Rs. 39.60/- per warrant. As a result share capital has increased by Rs.89,98,120/- and share premium account has increased by Rs. 8,99,81,200/-. The balance of Rs 94,62,068, received as application money for 21,50,470 warrants stands forfeited.
7. In the opinion of the Board and to the best of their knowledge and belief, the value on realization of the Current Assets, Loans & Advances in the ordinary course of the business will not be less than the value stated in the Balance Sheet and provision for all known liabilities are adequate and not in excess of the amount reasonably required to be provided.

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8. Balances in respect of the Debtors, Creditors, Advances and Deposits are subject to confirmation.
9. Other requirements of Para 3 & 4 of Part II of Schedule VI to the Companies Act, 1956 are not applicable to the Company.
10. The company does not have policy of leave encashment. The provision for gratuity has been done on the basis of actuarial report received.

11. Earning Per Share

Earning Per Share		Year Ended 31st March, 2009	Year Ended 31st March, 2008
Basic EPS :			
Net Profit (Loss) after Tax for the year	A	Rs. 27892533	Rs.2,33,37,324
Weighted Average No. of Shares	B	12189229	10291566
Basic Earning Per Share	C (A/B)	2.29	2.27
Diluted EPS :			
Weighted Average No. of Shares at the beginning of the year	D	12189229	10291566
Possible Dilution		Nil	Nil
Adjusted Weighted Average No. of Shares allotted against Conversion of OFCW	E	Nil	475890
Total Weighted Average No. of Shares	F (D+E)	12189229	10767456
Diluted Earning Per Share	G (A/F)	2.29	2.17

12. Related Party Disclosure as per Accounting Standard (AS) 18

A. List of related parties.

- a. Key Management Personnel
 - (i) Shri. Gordhan P. Tanwani - Chairman & Managing Director.
- b. Subsidiary Companies :
 - (i) Mahadev Production Pvt. Ltd.
- c. Other related parties (companies in which director or their relatives have significant influence)
 - (i) Bhagwati Media Pvt. Ltd. (Formerly - Baba Entertainments Pvt. Ltd.)
 - (ii) Larry's Electronics Pvt Ltd.
 - (iii) Silgate Solutions Ltd.
 - (iv) Bhagwati Holdings Pvt. Ltd.
 - (v) M/s. Baba Films
 - (vi) M/s. Baba Developers
 - (vii) M/s. Super Plast
 - (viii) M/s. Baba Digital
 - (ix) M/s. Om Enterprises

B. Details of transaction with related parties

Sr. No.	Nature of Transaction	Amount			Outstanding as on 31.03.2009
		Key Management Personal	Subsidiary	Other Related Parties	
1.	Interest Paid/ Provided (Gross)	Nil	10,89,370	-	
2.	Loans or Advances Given				
	Opening Balance	-	7,00,000	-	-
	(+) Repaid during the year	-	36,33,241	-	-
	(-) Given during the year	-	79,33,241	-	-
	Closing Balance	-	50,00,000	-	50,00,000
3.	Intercorporate Loan/ Deposit Recd				
	Opening Balance	-	-	Nil	-
	(+) Received during the year	-	-	3,10,00,000	-
	(-) Paid during the year	-	-	3,10,00,000	-
	Closing Balance	-	-	Nil	-

13. Segment Information

The Company is at present engaged in main business segments of Post Production, Trading in IPR of Films & Film Production in Hindi & Tamil.

These Business Segments have been identified in line with Accounting Standard (AS) - 17 "Segment Reporting"

Segment revenue results include amounts identifiable to each segment. Other unallocable expenditure includes revenues and expenditure, which are not directly identifiable to the individual segment as well as expenses, which relate to the Company as a whole.

(Rs. In Lacs)

Sr.No.	Particulars	Year Ended 31.03.2009	Year Ended 31.03.2008
1.	Segment Revenue (Net Sales)		
	a) Production/ Post Production Activities	136.32	196.21
	b) IPR of Films	7118.22	2,792.34
	c) Production of Hindi Films	500.18	534.94
	d) Production of Tamil Films	-	48.29
	Total Net Income From Operations	7754.72	3,571.79
2.	Segment Results - Profit before tax & Interest		
	a) Production/ Post Production Activities	34.58	46.54
	b) IPR of Films	254.54	307.97
	c) Production of Hindi Films	188.77	(33.82)
	d) Production of Tamil Films	(2.84)	5.82
	Total	475.05	326.51
	Less : Interest Expenses	19.68	58.70
	Other (Unallocable Income - Unallocable Exp)	24.75	33.41
	Total Profit Before Tax	430.62	234.39
3.	Capital Employed (Segmental Assets - Segmental Liabilities)		
	a) Production/ Post Production Activities	76.47	294.52
	b) IPR of Films	1858.98	848.91
	c) Production of Hindi Films	73.76	(34.61)
	d) Production of Tamil Films	153.23	153.02
	Add : Unallocated Net Assets	273.88	155.67
	Total Capital Employed	2436.33	1,417.51

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14. Previous year's figures have been regrouped/ rearranged wherever considered necessary.

15. The Schedules and the notes referred to above form an integral part of Balance Sheet and Profit & Loss Account.

As per our report of even date attached
For Prakash Muni & Associates
Chartered Accountants

For and on behalf of the Board

Prakash Muni
Proprietor
Membership No.:30544

Gordhan P. Tanwani
Chairman & Managing Director

Sanjiv Hinduja
Director

Santosh A. Shah
Director

Pravin Karia
Director

N.H.Mankad
Company Secretary

Place : Mumbai
Date : June 30, 2009

Place : Mumbai
Date : June 30, 2009

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**I Registration Details**

Registration No.	119,177	State Code	11
Balance Sheet Date	31.03.2009		

II Capital raised during the year (Amount in Rs.'000)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Preferential Issue	(34,362)

III Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)

Total Liabilities	245,717	Total Assets	245,717
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Sources of Funds

Paid up Capital	51,600	Reserves & Surplus	192,033
OFCW	-	Secured Loans	2,036
Unsecured Loans	-		

Application of Funds

Net Fixed Assets	37,542	Investments	54
Net Current Assets	208,122	Misc. Expenditure	-
Deferred Tax Asset	(48)		

IV Performance of Company (Amount in Rs. '000)

Turnover	776,708	Total Expenditure	733,645
(Includes Other Income)			
Profit/ Loss Before Tax	43,063	Profit/ Loss After Tax	27,893
Earnings Per Share in Rs.	2.29	Dividend Rate %	25%

IV Generic Names of Three Principal Products/ Services of Company

(as per monetary terms)

(i) Item Code No. (ITC Code)	8,524
Product Description	Audio and Software
(ii) Item Code No. (ITC Code)	NA
Product Description	Trading in IPR of Films

As per our report of even date attached
For Prakash Muni & Associates
 Chartered Accountants

For and on behalf of the Board

Prakash Muni
 Proprietor
 Membership No.:30544

Gordhan P. Tanwani
 Chairman & Managing Director

Sanjiv Hinduja
 Director

Santosh A. Shah
 Director

Pravin Karia
 Director

N.H.Mankad
 Company Secretary

Place : Mumbai
 Date : June 30, 2009

Place : Mumbai
 Date : June 30, 2009

BABA ARTS LIMITED

Statement relating to subsidiary Company pursuant to Section 212 of the Companies Act, 1956.

1. Name of Subsidiary	Mahadev Production Pvt. Ltd.
2. The Financial Year of the subsidiary company year ended on	31.03.2009
3. Holding Company	Baba Arts Limited
4. Extent of Holding Company's interest	51%
5. Face Value per equity share	Rs. 10/-
6. No. of equity shares held by the holding company and / or its subsidiaries	5100
7. The net aggregate amount of Profit (Loss) of the subsidiary so far as it concerns the members of the holding Company and is dealt with in accounts of holding company	
(i) For the financial year ended on 31st March, 2009 (Amt in Rupees)	Nil
(ii) For the previous financial year of the subsidiary since it became subsidiary (Amt. in Rupees)	Nil
8. The net aggregate amount of Profit (Loss) of the subsidiary so far as it concerns the members of the holding Company and is NOT dealt with in accounts of holding company	
(i) For the financial year ended on 31st March, 2009 (Amt in Rupees)	(1453)
(ii) For the previous financial year of the subsidiary since it became subsidiary (Amt. in Rupees)	Nil

Place: Mumbai

Date: June 30, 2009

BABA

AUDITORS' REPORT ON CONSOLIDATED BALANCE SHEET

TO,
THE SHAREHOLDERS OF
BABA ARTS LIMITED.
MUMBAI

1. I have audited the attached consolidated financial statements of BABA ARTS LIMITED and its subsidiary for the year ended 31st March, 2009.
2. I have conducted my audit in accordance with auditing standards generally accepted in India. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.
3. I report that the Consolidated Financial Statements has been prepared by the Company in accordance with the requirement of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of chartered Accountants of India and on the separate audited Financial Statements of Baba Arts Limited and its subsidiary.
4. On the basis of information and explanation given to me and on the consideration of separate audit report on individual financial statements of Baba Arts Limited and its subsidiary, I am of the opinion that:
 - a) The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Baba Arts Limited and its subsidiary as at 31st March 2009.
 - b) The Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operation of Baba Arts Limited and its subsidiary for the year ended 31st March 2009: and
 - c) The Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flow of Baba Arts Limited and its subsidiary as at 31st March 2009.

For PRAKKASH MUNI & ASSOCIATES
Chartered Accountants

PRAKKASH R. MUNI
Proprietor
Membership No.: 30544

Place: Mumbai
Date: June 30, 2009

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CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2009

Particulars	Schedule No.	As At March 31, 2009 Amount Rs.	As At March 31, 2008 Amount Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	51,600,000	42,601,880
Optionally Fully Convertible Warrants		-	19,360,000
Reserves & Surplus	2	192,031,368	79,789,373
Minority Interest		49,000	49,000
Loan Funds			
Secured Loans	3	2,036,011	6,578,312
Unsecured Loans	4	-	14,190,969
Deferred Tax Liability		48,246	
TOTAL		245,764,625	162,569,534
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	104,892,728	125,202,667
Less : Depreciation		67,350,778	84,147,268
Net Block		37,541,950	41,055,399
Investments	6	2,500	2,500
Deferred Tax Asset		-	71,897
Current Assets, Loans & Advances			
Inventories	7	112,698,330	38,111,232
Sundry Debtors	8	125,331,588	93,582,843
Cash & Bank Balances	9	4,233,804	5,242,720
Loans & Advances	10	73,112,931	45,127,567
Sub Total (A)		315,376,653	182,064,362
Less : Current Liabilities & Provisions			
Current liabilities	11	72,343,310	51,132,683
Provisions	12	34,818,981	9,499,207
Sub Total (B)		107,162,291	60,631,890
Net Current Assets (A) - (B)		208,214,362	121,432,472
Miscellaneous Expenditure		5,813	7,266
TOTAL		245,764,625	162,569,534
Accounting Policies and Notes to Accounts	22		

As per our report of even date attached
For Prakash Muni & Associates
Chartered Accountants

Prakash Muni
Proprietor
 Membership No.:30544

Place : Mumbai
 Date : June 30, 2009

For and on behalf of the Board

Gordhan P. Tanwani
Chairman & Managing Director

Sanjiv Hinduja
Director

Santosh A. Shah
Director

Pravin Karia
Director

N.H.Mankad
Company Secretary

Place : Mumbai
 Date : June 30, 2009

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Schedule No.	Year Ended March 31, 2009 Amount Rs.	Year Ended March 31, 2008 Amount Rs.
INCOME			
Sales	13	779,071,592	357,179,222
Other Income	14	1,236,109	850,016
		<u>780,307,701</u>	<u>358,029,238</u>
EXPENDITURE			
Cost of IPR of Films	15	679,813,991	247,591,690
Operating Expenses	16	5,921,937	6,664,824
Cost of Production/ Distribution of Films	17	29,267,002	53,175,864
Staff Costs	18	2,339,229	4,996,530
Administration & Other Expenses	19	9,370,054	6,446,307
Selling Expenses	20	3,432,791	1,763,368
Premilienary Expenses written off		1,453	-
		<u>730,146,457</u>	<u>320,638,582</u>
Profit/ (Loss) before Interest, Depreciation and Tax		<u>50,161,244</u>	<u>37,390,656</u>
Finance Charges	21	1,968,012	5,870,480
Profit/ (Loss) before Depreciation and Tax Depreciation		<u>48,193,232</u>	<u>31,520,175</u>
		<u>5,132,009</u>	<u>8,081,403</u>
Profit/ (Loss) after Depreciation but before Tax		<u>43,061,223</u>	<u>23,438,772</u>
Provision for Tax		15,000,000	4,325,000
Fringe Benefit Tax		50,000	70,500
Deferred Tax		120,143	(71,897)
MAT Credit Entitlement		-	(4,222,155)
Profit/ (Loss) after Tax		<u>27,891,080</u>	<u>23,337,324</u>
Prior year provision for MVAT		-	(334,615)
Prior period income tax adjustments		-	542,996
Sub Total		<u>27,891,080</u>	<u>23,545,705</u>
Balance of Profit brought forward		<u>53,189,373</u>	<u>35,227,876</u>
Profit available for Appropriation		<u>81,080,454</u>	<u>58,773,581</u>
Transferred to General Reserve		3,000,000	600,000
Proposed Dividend (Pr. Yr. Interim Dividend)		12,900,000	4,260,188
Tax on Dividend		2,192,355	724,019
Balance of Profit carried forward		<u>62,988,099</u>	<u>53,189,373</u>
Basis Earning Per Share		2.29	2.27
Diluted Earning Per Share		2.29	2.17
Face Value of Rs.4/- per share			
Accounting Policies and Notes to Accounts	22		

As per our report of even date attached
For Prakash Muni & Associates
Chartered Accountants

Prakash Muni
Proprietor
 Membership No.:30544

Place : Mumbai
 Date : June 30, 2009

For and on behalf of the Board

Gordhan P. Tanwani
Chairman & Managing Director

Sanjiv Hinduja
Director

Santosh A. Shah
Director

Pravin Karia
Director

N.H.Mankad
Company Secretary

Place : Mumbai
 Date : June 30, 2009

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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

	April 1, 2008 - March 31, 2009 Amount Rs.	April 1, 2007 - March 31, 2008 Amount Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit / (Loss) before Tax and Extraordinary items	43,061,223	23,438,771
Adjustment for :		
Depreciation	5,132,009	8,081,403
Interest Income	(675,460)	(17,453)
Dividend Income	(375)	-
Interest Paid	1,968,012	5,870,480
Preliminary Expenses Written Off	1,453	-
Profit/(Loss) on Sale of Fixed Assets	(300,337)	480,533
	6,125,302	14,414,964
	49,186,525	37,853,735
Operating profit before working capital changes		
Adjustment for :		
Sundry Debtors	(31,748,747)	(33,476,027)
Inventory	(74,587,098)	29,624,522
Other loans & Advances	3,751,982	(1,208,921)
Current Liabilities & Provisions	21,210,628	(15,026,493)
	(81,373,235)	(20,086,919)
Cash generated from operations	(32,186,710)	17,766,815
Taxes paid	(31,737,345)	(15,069,973)
Fring Benefit Tax paid	(65,900)	-
Income Tax provision no longer required	193,526	-
Fringe Benefit Tax provision no longer required	34,000	-
	(63,762,429)	2,696,842
Prior Period Items	-	544,465
NET CASH FLOW OPERATING ACTIVITIES	(63,762,429)	2,152,377
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,723,222)	(1,757,713)
Sales of Fixed Assets	405,000	1,923,077
Interest Received	675,460	17,453
Dividend Received	375	-
NET CASH FLOW FROM INVESTING ACTIVITIES	(642,387)	182,817

	April 1, 2008 - March 31, 2009 Amount Rs.	April 1, 2007 - March 31, 2008 Amount Rs.
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from Issue of Shares to Minorities	-	49,000
Proceeds from Issue of Shares	8,998,120	2,400,000
Receipt of Securities Premium	89,981,200	24,000,000
Conversion of OFCW to Equity Share Capital	(9,897,932)	(2,640,000)
Repayment of short term borrowings	(4,534,778)	(6,054,758)
Unsecured Loan Paid	(14,154,173)	(16,115,681)
Interest Paid	(2,012,331)	(5,862,956)
Preliminary Expenses Paid		(7,266)
Dividend Paid (Incl. of Tax)	(4,984,207)	-
NET CASH FLOW FROM FINANCING ACTIVITIES	63,395,899	(4,231,662)
Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C)	(1,008,917)	(1,896,467)
Cash and Cash equivalents at beginning of the year	5,242,720	7,139,187
Cash and Cash equivalents at end of the year	4,233,804	5,242,720
Net Increase/ (Decrease)	(1,008,917)	(1,896,467)

Note:

- 1 The above cash flow statement has been prepared under the indirect method as set out in Accordance Standard - 3 issued by the Institute of Chartered Accountants of India.
- 2 Cash and cash equivalents consists of Cash on hand and Balance with Bank.
- 3 Previous year's figures have been regrouped/rearranged wherever necessary.

As per our report of even date attached
For Prakash Muni & Associates
Chartered Accountants

Prakash Muni
Proprietor
Membership No.:30544

Place : Mumbai
Date : June 30, 2009

For and on behalf of the Board

Gordhan P. Tanwani
Chairman & Managing Director

Sanjiv Hinduja
Director

Santosh A. Shah
Director

Pravin Karia
Director

N.H.Mankad
Company Secretary

Place : Mumbai
Date : June 30, 2009

ANNUAL REPORT 2008-2009

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

	As At March 31, 2009 Amount Rs.	As At March 31, 2008 Amount Rs.
SCHEDULE : 1		
SHARE CAPITAL		
Authorised		
7,50,00,000 Equity Shares of Rs. 4/- each (Previous year 7,50,00,000 Equity Shares of Rs. 4/- each)	300,000,000	300,000,000
Issued, Subscribed & Paid Up		
1,06,50,470 (previous year 1,00,50,470) Equity Shares of Rs. 4/- each fully paid up (Previous Years Rs. 4/- each)	51,600,000	42,601,880
<p>Note : The paid up value per share was reduced from Rs. 10/- to Rs. 4/- pursuant to Reduction of Capital approved by the members in their EGM held on 9th November 2004 and confirmed by the Bombay High Court vide its order dated 11th February, 2005</p>		
	<u>51,600,000</u>	<u>42,601,880</u>
SCHEDULE : 2		
RESERVES & SURPLUS		
	As at 31.03.08	As at 31.03.09
Capital Reserves (See Shedule 22B - Note 6)		
Securities Premium Account	24,000,000	113,981,200
General Reserve	2,600,000	5,600,000
Profit & Loss Account	53,189,373	62,988,100
	<u>79,789,373</u>	<u>192,031,368</u>
	Additions/(Ded.) during the year	
	9,462,068	9,462,068
	89,981,200	113,981,200
	3,000,000	5,600,000
	9,798,727	62,988,100
	<u>112,241,995</u>	<u>192,031,368</u>
SCHEDULE : 3		
SECURED LOANS		
From a Scheduled Bank		
- Cash Credit (Refer note 1 below)	2,036,011	6,570,789
- Interest accrued and due	-	7,523
	<u>2,036,011</u>	<u>6,578,312</u>
<p>Note 1 : The Cash Credit facility is secured by hypothecation of book debts in respect of sale of IPR of films , equitable mortgage of company's office premises, & Personal Guarantee of Managing Director.</p>		
SCHEDULE : 4		
UNSECURED LOANS		
From a Scheduled Bank		14,154,173
- Interest accrued and due		36,796
From Others		
- Intercorporate Loans		
Includes Rs. NIL (Rs. NIL) Max-Amt O/s.		
Rs.2,55,00,000/- from companies in which a director is interested (P.Y. 1,75,00,000/-)		
		<u>14,190,969</u>

SCHEDULES TO CONSOLIDATED BALANCE SHEET

SCHEDULE 5 - FIXED ASSETS

(Amount Rs.)

ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.08	Additions during the Year	Deductions during the Year	As at 31.03.09	Up to 31.03.2008	For the Year	Deductions during the Year	Total Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
OFFICE PREMISES	21,010,971	-	-	21,010,971	2,568,119	342,480	-	2,910,599	18,100,372	18,442,852
PLANT & MACHINERY	94,290,450	1,579,307	21,850,000	74,019,757	77,508,980	4,205,948	21,850,000	59,864,928	14,154,829	16,781,469
FURNITURE & FIXTURES	7,056,781	29,250	-	7,086,031	3,174,500	447,728	-	3,622,228	3,463,803	3,882,281
OFFICE EQUIPMENTS:	2,844,465	114,665	183,162	2,775,968	895,669	135,856	78,499	953,026	1,822,942	1,948,797
TOTAL	125,202,667	1,723,222	22,033,162	104,892,727	84,147,268	5,132,011	21,928,499	67,350,780	37,541,947	41,055,399
Previous Year	128,493,821	1,757,713	5,048,866	125,202,667	78,711,119	8,081,404	2,545,256	84,147,268	41,055,399	49,782,702

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SCHEDULES TO CONSOLIDATED BALANCE SHEET

	As At March 31, 2009 Amount Rs.	AsAt March 31, 2008 Amount Rs.
SCHEDULE : 6		
INVESTMENTS (At Cost)		
Unquoted - Long Term (Non Trade)		
Punjab & Maharashtra Co - Op Bank Ltd.		
100 Shares of Rs. 25/- each fully paid up (Previous Year 100 Shares)	2,500	2,500
	2,500	2,500
SCHEDULE : 7		
INVENTORIES		
(Valued as stated in shedule 22A-5(a)(b) & (c)		
Intellectual Property Rights of Films	103,600,624	28,418,805
Under Production Films	9,097,706	9,692,427
	112,698,330	38,111,232
SCHEDULE : 8		
SUNDRY DEBTORS - Unsecured		
Debts outstanding for a period exceeding six months :		
- considered good*	52,594,209	60,451,516
- considered doubtful		
* Rs. 20535113/- is due as per agreed terms of payment		
	52,594,209	60,451,516
Others debts :		
- considered good	72,737,380	33,131,327
	125,331,589	93,582,843
<p>Note : Includes debts due by director Rs. Nil,(Nil) (Maximum amt due during the year Rs. Nil (Nil)) & due by a company in which a director is interested Rs. Nil(Nil))</p>		
SCHEDULE : 9		
CASH & BANK BALANCES		
Cash on hand	142,153	389,986
Balances with Scheduled banks -		
- In Current Account	1,591,651	2,352,734
(Includes Rs. 91790/- in Unpaid Dividend Account)		
- In Fixed Deposit (Margin against Bank Guarantee)	2,500,000	2,500,000
	4,233,804	5,242,720

SCHEDULES TO CONSOLIDATED BALANCE SHEET

	As At March 31, 2009 Amount Rs.	As At March 31, 2008 Amount Rs.
SCHEDULE : 10		
LOANS AND ADVANCES - Unsecured, Considered Good		
Advance recoverable in cash or kind or for value to be received (includes Rs 50,00,000 (Pr. Yr.Rs. 7,00,000/-) due from subsidiary company)	4,251,629	18,624,852
Other Advances	302,566	-
Deposits	819,406	311,934
Service Tax Receivable	27,105	18,532
Tax Deducted at source	48,782,940	17,045,595
Fringe Benefit Tax Paid	221,900	190,000
Advance Tax	6,383,925	6,572,155
Prepaid Expenses	8,435	16,711
Vat Receivable	12,315,025	2,347,788
	<u>73,112,931</u>	<u>45,127,567</u>

SCHEDULE : 11

CURRENT LIABILITIES

Sundry Creditors	65,314,291	49,975,882
Outstanding Expenses	537,752	326,960
Statutory Liability	574,774	725,089
Advance from Customers	5,677,984	6,292
Unpaid Dividend	238,509	98,460
	<u>72,343,310</u>	<u>51,132,683</u>

SCHEDULE : 12

PROVISIONS

Income Tax	19,325,000	4,325,000
Fringe Benefit Tax	206,000	190,000
Proposed Dividend	12,900,000	4,260,188
Gratuity	195,626	-
Tax on Dividend	2,192,355	724,019
	<u>34,818,981</u>	<u>9,499,207</u>

SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT

	April 1, 2008 to March 31, 2009 Amount Rs.	April 1, 2007 to March 31, 2008 Amount Rs.
SCHEDULE : 13		
SALES		
Post Production Activities	13,631,602	19,620,975
Realisation from Film Release	53,617,699	53,494,494
Sale of IPR Local	264,413,484	77,549,927
Sale of IPR Export	445,200,000	202,000,000
Realisation from sale of VCD / DVD	2,208,807	4,513,826
	<u>779,071,592</u>	<u>357,179,222</u>

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SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT

	April 1, 2008 to March 31, 2009 Amount Rs.	April 1, 2007 to March 31, 2008 Amount Rs.
SCHEDULE : 14		
OTHER INCOME		
Discount Received	-	119,027
Profit on sale of Fixed Assets	400,000	713,536
Misc Income	185,631	-
Credit Balance Written Back	160,274	-
Dividend Income	375	-
Interest Received (TDS Rs.93,090/- Pr. Yr. Rs. Nil)	489,829	-
	<u>1,236,109</u>	<u>832,563</u>
SCHEDULE : 15		
COST OF IPR OF FILMS		
Opening Stock	28,418,806	22,282,004
Add : Purchases	749,295,523	253,728,491
	<u>777,714,329</u>	<u>276,010,495</u>
Less :Closing Stock (As taken, valued & certified by Mgmt)	97,900,338	28,418,805
	<u>679,813,991</u>	<u>247,591,690</u>
SCHEDULE : 16		
OPERATING EXPENSES		
Electricity Expenses	1,195,884	752,305
Professional/ Technical Fees	23,41,647	34,50,010
Registration Charges	-	152,000
Studio Consumables	-	-
Opening Stock	-	12,480
Add : Purchase	-	286,238
Less : Closing Stock (As taken, valued & certified by the Mgmt)	-	-
	<u>653,142</u>	<u>298,718</u>
Post Production Studio Operating Expenses	653,142	377,264
Subtitling Transalation & Spotting Charges	135,488	717,104
Censor Charges	55,300	98,480
VCD /DVD Production Expenses	1,540,476	818,943
	<u>5,921,937</u>	<u>6,664,824</u>
SCHEDULE : 17		
COST OF PRODUCTION/ DISTRIBUTION OF FILMS		
Artists	3,703,400	18,250,000
Technicians	4,981,050	-
Production & Post Production Expenses	15,737,749	-
Advertising & Publicity	10,545,089	21,786,849
	<u>(5,700,286)</u>	<u>500,416</u>
Less : Closing Stock	(5,700,286)	-
Cost of Production	<u>29,267,002</u>	<u>40,537,265</u>

SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT

	April 1, 2008 to March 31, 2009 Amount Rs.	April 1, 2007 to March 31, 2008 Amount Rs.
SCHEDULE : 18		
STAFF COSTS		
Salaries, Wages & Allowances	1,867,059	4,492,407
Contribution to Provident Fund	-	7,020
Staff Welfare	472,170	497,103
	<u>2,339,229</u>	<u>4,996,530</u>
SCHEDULE : 19		
ADMINISTRATION AND OTHER EXPENSES		
Administration Expenses		
Communication Expenses	239,177	332,937
Business Promotion	81,415	70,219
Consultancy Charges	30,337	525,800
Food & Refreshment	40,697	47,868
Insurance Expenses	16,440	22,058
Office Expenses	1,332,850	1,107,122
Postage & Telegram	59,543	37,951
Printing & Stationery	135,077	101,872
Rent	541,090	375,000
Web Designing & Registration Charges	4,998,148	-
Advance Payment W/Off		
Auditors' Remuneration -		
Statutory Audit Fees	67,416	60,000
Tax Audit Fees	<u>22,472</u>	<u>20,000</u>
Legal & Professional Fees	89,888	80,000
Loss on sale of Fixed Asset	371,389	1,503,596
Rates & Taxes	99,663	480,533
	10,625	80,153
Repairs & Maintenance		
- Building	698,320	464,668
- Plant & Machinery	112,894	214,358
- Others	225,373	247,215
Travelling & Conveyance	287,127	754,957
	<u>9,370,054</u>	<u>6,446,308</u>
SCHEDULE : 20		
Selling Expenses		
Advertisement	159,029	1,159,293
Commission on Sales	1,930,468	12,000
Donation	15,000	25,000
Other Selling Expenses	29,844	162,667
Bad Debts & Sundry Balance Written Off	1,030,020	93,718
IPR Selling Expenses	268,240	310,690
Discount Allowed	190	-
	<u>3,432,791</u>	<u>1,763,368</u>
SCHEDULE : 21		
FINANCE CHARGES		
Interest On Other Loans	1,089,370	791,413
[Inclues Rs. Nil (Pr. Year Rs.309205/-) paid to Mg. Director and Rs. 1089370/-) (Pr. Year Rs. 481663/-) paid to companies in which the Mg. Director is interested]		
Bank Charges	361,073	149,051
Interest On CC	517,569	27,207
	<u>1,968,012</u>	<u>5,870,480</u>

SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE: 22

ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. Significant Accounting Policies :

1. Most of the accounting policies of holding company and that of its subsidiaries are similar. The accounting policies followed by the holding company are disclosed in its standalone financial statements annexed in the annual report.
2. List of Subsidiary Company

Name of the Company	Extent of Holding (%)
Mahadev Production Pvt. Ltd.	51%

B. Principle of consolidation :

1. The consolidated financial statements of Baba Arts Limited and its subsidiary , are prepared under the historical cost convention in accordance with Generally Accepted Accounting Principle in India and Accounting Standard 21 on Consolidation of Financial Statements ; issued by ICAI to the extent possible in the same format as adopted by holding company for separate financial statements .
2. The financial statement of the company and its subsidiary are combined on a line to line basis by adding together the book values of like items of assets and liabilities after fully eliminating intra - group balances and transactions in accordance with Accounting Standard - 21
3. Minority interest's share of net assets of consolidated subsidiary is identified and presented in consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.

As per our report of even date attached
For Prakash Muni & Associates
Chartered Accountants

Prakash Muni
Proprietor
 Membership No.:30544

Place : Mumbai
 Date : June 30, 2009

For and on behalf of the Board

Gordhan P. Tanwani
Chairman & Managing Director

Sanjiv Hinduja
Director

Santosh A. Shah
Director

Pravin Karia
Director

N.H.Mankad
Company Secretary

Place : Mumbai
 Date : June 30, 2009



NOTICE OF THE SECOND ANNUAL GENERAL MEETING

NOTICE is hereby given that the Second Annual General Meeting of **MAHADEV PRODUCTION PRIVATE LIMITED** will be held on Wednesday the 30th September, 2009 at 11.00 a.m. at the Registered Office of the Company at Bungalow No. 122, MHADA, SVP Nagar, Andheri (West), Mumbai 400053 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2009 together with the Directors' Report and the Report of the Auditors thereon.
2. To appoint Auditors and to fix their remuneration.

By Order of the Board
For Mahadev Productions Private Limited

Ajhai Acharya
Director

Regd. Office:

Bungalow No. 122,
MHADA, SVP Nagar
Andheri (West)
Mumbai 400053.

Date: June 30, 2009

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE, INSTEAD OF HIMSELF / HERSELF AND A PROXY MUST BE A MEMBER OF THE COMPANY. PROXIES TO BE VALID MUST BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE ANNUAL GENERAL MEETING. A PROXY SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING. BLANK PROXY FORM IS ENCLOSED.

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting their Second Annual Report together with the Audited Accounts for the year ended on 31st March, 2009.

OPERATIONS

During the year under review, your company earned income of Rs. 36.00 Lacs from partial release of its first Bhojpuri Film "Vijay Bihari Mafia". The company was still to release the said film in few other territories and also the Company expects to exploit other rights in respect of the said film such as Satellite Rights, Home Video Rights etc., the company has written off the cost of the film only to the extent of realization received during the current year and the balance cost of the film is carried forward as stock on hand. The Company has incurred a loss of Rs. 1453/- during the year on account of write off of preliminary and preoperative expenses.

DIVIDEND

Your board of directors have not recommended any dividend on equity shares for the year under review.

HOLDING COMPANY

Your Company is a subsidiary company of Baba Arts Limited which owns 51% of the paid up capital of the Company.

DEPOSITS

Your Company has not invited / accepted any deposits from public within the meaning of Section 58A of the Companies Act, 1956.

DIRECTORS

The Directors of the Company have confirmed that they are not disqualified to act as Directors of the Company pursuant to Section 274(1)(g) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2001, the Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) the accounting policies have been consistently applied and reasonable and prudent judgment and estimates have been made so as to give a true and fair view of the state of affairs of the company as at 31st March, 2009 and of the loss incurred during the year ended on 31st March, 2009 as disclosed in the enclosed accounts;
- iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts have been prepared on a going concern basis.

AUDITORS

The company's Auditors M/s. Prakash Muni & Associates, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting, and are eligible for reappointment. The company has received the certificate to this effect from the Auditors. Your Directors recommend their re-appointment.

PARTICULARS OF EMPLOYEES

There were no employees, covered under the purview of Section 217 (2A) of the Companies Act, 1956 and the Rules framed there under.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO.

Conservation of Energy

Your Company's activities do not require substantial energy consumption.
Research & Development, Technology Absorption, Adoption and Innovation
The Company has not under taken any Research & Development Activity.

Foreign Exchange Earnings and Outgo

- a. Foreign Exchange Earnings - Nil
- b. Foreign Exchange Outgo - Nil

ACKNOWLEDGEMENT

The Board wishes to thank all the artists and technicians, have extended their support to the Company.

For and On behalf of the Board of Directors

Ajhai Acharya
Director

Ravi Kishan Shukla
Director

Place : Mumbai
Date : June 30, 2009



AUDITOR'S REPORT

To,
The Members of
MAHADEV PRODUCTION PRIVATE LIMITED,
Mumbai - 400 052

Dear Sirs,

We have audited the attached Balance Sheet of MAHADEV PRODUCTION PRIVATE LIMITED, as at 31st March, 2009. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of the books.
- (c) The Balance Sheet and the Profit and Loss account dealt with by this report are agreement with the books of account;
- (d) In our opinion, the Balance Sheet and the Profit and Loss account complies with the Mandatory Accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable.
- (e) On the basis of the written representations received from the directors as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009, from the being appointed as directors in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- (f) In our opinion and to the best of our information and according to the explanation given to us, the said Accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - (i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2009.
 - (ii) In the case of profit and Loss account, of the Loss for the year ended on that date.

For PRAKKASH MUNI & ASSOCIATES
Chartered Accountants

PRAKKASH R. MUNI
Proprietor
Membership No.: 30544

Place: Mumbai
Date: 30th June, 2009

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BALANCE SHEET AS AT MARCH 31, 2009

Particulars	Schedule No.	As At March 31, 2009 Amount Rs.	AsAt March 31, 2008 Amount Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	100,000	100,000
Loan Funds			
Unsecured Loans	2	5,000,000	700,000
TOTAL		5,100,000	800,000
APPLICATION OF FUNDS			
Current Assets, Loans & Advances			
Inventories	3	5,700,286	414,787
Sundry Debtors	4	11,000	-
Cash & Bank Balances	5	389,591	394,801
Sub Total (A)		6,100,877	809,588
Less : Current Liabilities & Provisions			
Current liabilities	6	1,008,143	16,854
Sub Total (B)		1,008,143	16,854
Net Current Assets (A) - (B)		5,092,734	792,734
Miscellaneous Expenditure	7	5,813	7,266
Profit & Loss A/c		1,453	-
TOTAL		5,100,000	800,000
Accounting Policies and Notes to Accounts	10		

As per our report of even date attached
For Prakash Muni & Associates
Chartered Accountants

Prakash Muni
Proprietor
 Membership No.30544

Place : Mumbai
 Date: 30th June 2009

For and on behalf of the Board

Ajhai Acharya
Director

Ravi Krishan Shukla
Director

Place : Mumbai
 Date: 30th June 2009



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Schedule No.	Year Ended 31.03.2009 Amount Rs.
INCOME		
Sales	8	3,600,000
		<u>3,600,000</u>
EXPENDITURE		
Cost of Production/ Distribution of Films	9	3,600,000
Preliminary Expenses Written off		1,453
		<u>3,601,453</u>
Profit/ (Loss) before Interest, Depreciation and Tax		(1,453)
Finance Charges		-
		<u>(1,453)</u>
Profit/ (Loss) before Depreciation and Tax		(1,453)
Depreciation		-
		<u>(1,453)</u>
Profit/ (Loss) before Tax		(1,453)
Provision for Tax		-
Fringe Benefit Tax		-
Deferred Tax		-
MAT Credit Entitlement		-
		<u>(1,453)</u>
Profit/ (Loss) after Tax		(1,453)
Balance of Profit brought forward		-
		<u>(1,453)</u>
Profit available for Appropriation		(1,453)
Balance carried forward		(1,453)
		<u>(0.15)</u>
Basis Earning Per Share		(0.15)
Diluted Earning Per Share (See Note B 10 of Schedule 10)		(0.15)
Face Value of Rs.10/- per share		(0.15)
Accounting Policies and Notes to Accounts	10	

As per our report of even date attached
For Prakash Muni & Associates
Chartered Accountants

Prakash Muni
Proprietor
Membership No.30544

Place : Mumbai
Date: 30th June 2009

For and on behalf of the Board

Ajhai Acharya
Director

Ravi Krishan Shukla
Director

Place : Mumbai
Date: 30th June 2009

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BALANCE SHEET SCHEDULE

	March 31, 2009 Amount Rs.	March 31, 2008 Amount Rs.
SCHEDULE : 1		
SHARE CAPITAL		
Authorised		
10,000 Equity Shares of Rs.10/- each	100,000	100,000
Issued, Subscribed & Paid Up Capital		
10,000 Equity Shares of Rs.10/- each fully paid up.	100,000	100,000
	100,000	100,000
SCHEDULE : 2		
UNSECURED LOANS		
From Holding Company	5,000,000	700,000
	5,000,000	700,000
SCHEDULE : 3		
INVENTORIES		
Under Production Films	5,700,286	414,787
	5,700,286	414,787
SCHEDULE : 4		
SUNDRY DEBTORS - Unsecured		
Debts outstanding for a period exceeding six months :		
- considered good	-	-
- considered doubtful	-	-
Others debts :		
- considered good	11,000	-
	11,000	-
SCHEDULE : 5		
CASH & BANK BALANCES		
Cash on hand	20,936	16,734
Balances with Scheduled banks - - In Current Account	368,655	378,067
	389,591	394,801

BABA

BALANCE SHEET SCHEDULE

	March 31, 2009 Amount Rs.	March 31, 2008 Amount Rs.
SCHEDULE : 6		
CURRENT LIABILITIES		
Sundry Creditors	935,485	16,854
statutory Liabilities	72,658	-
	<u>1,008,143</u>	<u>16,854</u>
SCHEDULE : 7		
Miscellaneous Expenditure		
Preliminary Expenses to the extent not written off Profit & Loss Account	7,266 (1,453)	7,266 -
	<u>5,813</u>	<u>7,266</u>

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	April 1, 2008 to March 31, 2009 Amount Rs.
SCHEDULE : 8	
SALES	
Realisation from Film Release	3,600,000
	<u>3,600,000</u>
SCHEDULE : 9	
COST OF PRODUCTION/ DISTRIBUTION OF FILMS	
Artists	1,679,600
Technicians	1,969,550
Production Expenses	5,651,136
	<u>9,300,286</u>
Less: Closing Stock	5,700,286
COST OF PRODUCTION	<u>3,600,000</u>

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE: 10

ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The Financial statements are prepared under historical cost convention on an accrual basis of accounting in accordance with the generally accepted accounting principles, on going concern basis, and in line with accounting standards issued by the Institute of Chartered Accountants of India, as applicable, and the provisions of the Companies Act, 1956.

The Preparation of financial statements in conformity with GAAP (Generally Accepted Accounting Policies) requires that the Management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the assumptions relating to contingent liabilities as on the date of financial statements. Examples of such estimates include the useful life of tangible and intangible fixed assets, provision for doubtful debts / advances, future obligation in respect of retirement benefit plans, etc. Difference, if any, between the actual results and estimates is recognized in the period in which the results are known

2. Revenue Recognition

- a. The receipts/ income (including interest on advance payments made) are deemed to accrue as and when events take place or conditions are fulfilled or uncertainties are removed. Accordingly such income (including interest on advance payment made) is accounted only after the events take place or conditions are fulfilled or uncertainties are removed. This is in accordance with Accounting Standard in respect of recognition of revenue and prudential norms.
- b. In respect of cinematic content produced / acquired, income is recognised on the following basis
 - i. In respect of cinematic content, which is not complete i.e. under production, no income is recognised.
 - ii. In respect of cinematic content, which is complete but not released, income is recognised as - so much of the estimated income on release as bears to the whole of the estimated income the same proportion as the actual recoveries / realisations / confirmed contracts bears to the total expected realisation.
 - iii. In respect of cinematic content completed and released during the year, income is recognised on release delivery of release prints except income, if any, already recognised as per clause b (ii).
 - iv. In respect of cinematic content, which is complete but not released, income from streams other than theatrical release is recognised on the basis of contracts / deal memo and delivery of Digi Betas.

3. Fixed Assets

Fixed assets are stated at cost less Depreciation. Cost comprises of purchase price, allocated pre - operative costs and any attributable cost of bringing the asset to its working condition for its intended use.

4. Depreciation

- a. Depreciation on fixed assets is provided on Straight Line Method at the rate prescribed in Schedule XIV of the Companies Act, 1956 over the estimated useful life as estimated by the Management.
- b. Depreciation is charged on a pro - rata basis for assets purchased/ sold during the year (from the date on which it is 'Put to Use').
- c. Depreciation on impaired assets is provided by adjusting the depreciation charge in the remaining periods so as to allocate the revised carrying amount of the asset over its remaining useful life. The recoverable amount is measured at the higher of the net selling price and value in use; determined by present value of estimated cash flows.

5. Inventories

a. Consumables

Consumables are valued at lower of cost and market value.

b. Under Production Films

Cost of films are valued at actual cost incurred/ accrued which includes amount paid, bills settled and advance paid for which the bills are awaited.

In case of films which are released during the year, the realization from the sale of rights are reduced from the cost of production and the balance cost if any, is carried forward.

6. Taxation

- a. Current tax : Provision for current tax for the year has been made after considering deduction/ allowances/ claims admissible to the company under the Income Tax Act, 1961.
- b. Deferred Tax : Deferred tax is recognized on timing differences, being difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
- c. It is measured using relevant enacted tax rates.
- d. Deferred tax assets arising from temporary timing differences are recognized to the extent there is reasonable certainty that the assets can be realized in future.
- e. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized if there is virtual certainty that there will be sufficient future taxable income available to realize such losses.

7. Foreign Currency Transactions

- a. Transactions in Foreign Currency are recorded at the rate prevailing on the date when the amount is received or remitted.
- b. Foreign currency assets and liabilities are converted into rupee at the exchange rate prevailing on the balance sheet date; gains/ losses are reflected in the profit and loss account.
- c. Exchange difference on account of acquisition of fixed assets is adjusted to carrying cost of fixed assets.

8. Investments

Investments are considered as Long Term and are accordingly stated at cost less provision, if any, for permanent diminution in value of such investments.

9. Miscellaneous Expenditure

The share issue expenses and expenses in connection with the formation of the company were treated as preliminary expenses, amortized over a period of five years.

B. NOTES TO ACCOUNTS

1. Contingent Liability - NIL
2. Remuneration to Chairman, Managing Director & Executive Director:

	Year Ended March 31, 2009 Rs.	Year Ended March 31, 2008 Rs.
Managerial Remuneration	Nil	Nil
Monetary Value of Perquisites	Nil	Nil

3. Additional Information

Information under Para 4 D of part II to Schedule VI of the Companies Act, 1956.

	Year Ended March 31, 2009 Rs.	Year Ended March 31, 2008 Rs.
Earning in Foreign Currency		
- For Services	Nil	Nil
- For IPR of Films	Nil	Nil
Expenditure in Foreign Currency	Nil	Nil

4. Auditors Remuneration

	Year Ended March 31, 2009 (Amount Rs.)	Year Ended March 31, 2008 (Amount Rs.)
Audit Fees (Excluding Service Tax)	15,000	15,000

5. The Company is in the process of identifying suppliers covered under The Micro, Small and Medium Enterprises Development Act, 2006 and hence the information required as per section 22 of the said Act are not furnished.

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6. In the opinion of the Board and to the best of their knowledge and belief, the value on realization of the Current Assets, Loans & Advances in the ordinary course of the business will not be less than the value stated in the Balance Sheet and provision for all known liabilities are adequate and not in excess of the amount reasonably required to be provided.
7. Balance in respect of the Debtors, Creditors, Advances and Deposits are subject to confirmation.
8. Other requirements of Para 3 & 4 of Part II of Schedule VI to the Companies Act, 1956 are not applicable to the Company.
9. The company has not provided for gratuity and leave encashment as it does not have any employee as on date.
10. Earning Per Share

Earning Per Share		Year Ended 31st March, 2009	Year Ended 31st March, 2008
Basic EPS :			
Net Profit (Loss) after Tax for the year	A	(1453)	Nil
Denominator for Basic Earning Per Share		10000	
Weighted Average No. of Shares	B	10000	Nil
Basic Earning Per Share	C (A/B)	(0.15)	Nil

11. Related Party Disclosure as per Accounting Standard (AS) 18

A. List of related parties.

- a. Key Management Personnel
 - (i) Shri Ravi Kishan Shukla.
 - (ii) Shri Ajhai Acharya
- b. Holding Companies :
Baba Arts Limited

B. Details of transaction with related parties

Sr. No.	Nature of Transaction	Amount		Outstanding as on 31.03.2009
		Key Management Personal	Holding Company	
1.	Professional Charges Paid	10,00,000	-	-
2.	Loans or Advances Recd			
	Opening Balance	-	7,00,000	-
	(+) Repaid during the year	-	36,33,241	-
	(-) Given during the year	-	79,33,241	-
	Closing Balance	-	50,00,000	50,00,000

12. Previous year's figures have been regrouped/ rearranged wherever considered necessary.
13. The Schedules and the notes referred to above form an integral part of Balance Sheet and Profit & Loss Account.

As per our report of even date attached
For Prakash Muni & Associates
 Chartered Accountants

Prakash Muni
 Proprietor
 Membership No.:30544

Place : Mumbai
 Date : June 30, 2009

For and on behalf of the Board

Ravi Kishan Shukla
 Director

Ajhai Acharya
 Director

Place : Mumbai
 Date : June 30, 2009

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No.	175,699	State Code	11
Balance Sheet Date	31.03.2009		

II Capital raised during the year (Amount in Rs. '000)

Public Issue	Nil	Allotment to subscribers	100.00
Bonus Issue	Nil	Preferential Issue	-

III Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)

Total Liabilities	5,100	Total Assets	5,100
-------------------	-------	--------------	-------

Sources of Funds

Paid up Capital	100	Reserves & Surplus	-
Unsecured Loans	5,000	Secured Loans	-

Application of Funds

Net Fixed Assets	-	Investments	-
Net Current Assets	5,093	Misc. Expenditure	7

IV Performance of Company (Amount in Rs. '000)

Turnover	3,600	Total Expenditure	3601
(Includes Other Income)			
Profit/ Loss Before Tax	01	Profit/ Loss After Tax	01
Earnings Per Share in Rs.	-	Dividend Rate %	0%

V Generic Names of Three Principal Products/ Services of Company

(as per monetary terms)

(i) Item Code No. (ITC Code) N.A.

Product Description Film Production and Distribution

As per our report of even date attached

For and on behalf of the Board

For Prakkash Muni & Associates

Chartered Accountants

Prakkash Muni

Proprietor

Membership No.30544

Ravi Kishan Shukla

Director

Ajhai Acharya

Director

Place : Mumbai

Date : 30th June 2009

Place : Mumbai

Date : 30th June 2009

ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORM

To,
 Baba Arts Limited
 C/O. Mondkar Computershare Pvt.Ltd
 21, Shakil Niwas, Off. Mahakali Caves Road,
 Andheri (East), Mumbai - 400 093

Dear Sir,

FORM FOR ELECTRONIC CLEARING SERVICES FOR PAYMENT OF DIVIDEND

Please fill in the information in CAPITAL LETTERS in ENGLISH only.

For shares held in Physical Form

Folio No.

For shares held in Electronic Form

DP Id

Client Id

FOR OFFICE USE ONLY
ECS Ref. No. <input style="width: 80%;" type="text"/>

Name of Sole/ First Holder	<input style="width: 95%;" type="text"/>
Bank Name	<input style="width: 95%;" type="text"/>
Branch Name	<input style="width: 95%;" type="text"/>
Branch Code	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <p style="font-size: small; margin-top: 5px;">(9 Digit Code Number appearing on the MICR Band of the Cheque supplied by the Bank). Please attach a Xerox copy of a Cheque or a blank Cheque of your bank duly cancelled for ensuring accuracy of the banks name, branch name and code number.</p>

Account Type [please Tick (✓) wherever applicable]	<input type="checkbox"/> Savings <input type="checkbox"/> Current <input type="checkbox"/> Cash Credit
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A/C. No.(as appearing in the Cheque book)	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
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Effective date of this mandate	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
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I, hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reason of incompleteness or incorrectness of information supplied as above, the Company/ Karvy Computershare Pvt. Ltd will not be held responsible. I agree to avail the ECS facility provided by RBI, as and when implemented by RBI/ Gandhi Special Tubes Ltd..

I further undertake to inform the Company any change in my Bank/branch and account number.

Date: _____ (Signature of Sole/First Holder)

- Notes:**
1. Whenever the Shares in the given folio are dematerialized, then this ECS mandate form stands rescinded.
 2. For Shares held in dematerialized mode ECS Mandate is required to be filed with the Depository Participant in their prescribed form.



BABA ARTS LIMITED

Registered Office : 3A, Valecha Chambers, New Link Road, Andheri (West), Mumbai - 400 053.

PROXY

Reg. Folio No.

No. of Shares held

I/We

.....of.....

.....Being a Member/ Members of BABAARTS LIMITED

hereby appointof.....or

failing him.....of.....as

my/ our proxy to vote for me/ us on my behalf at the TENTH ANNUAL GENERAL MEETING of the Company to be held on Tuesday the 29th September, 2009 and at any adjournment thereof.

Signed this day of, 2009

Signature

Affix
Rupee. 1
Revenue
Stamp

Note : This form duly completed and signed must be deposited at the Registered office of the Company not less than 48 hours before the Meeting.



BABA ARTS LIMITED

Registered Office : 3A, Valecha Chambers, New Link Road, Andheri (West), Mumbai - 400 053.

ATTENDANCE

(To be handed over at the entrance of the Meeting Hall)

Tenth Annual General Meeting - 29th September, 2009

I hereby record my presence at the TENTH ANNUAL GENERAL MEETING of the company held at Juhu Vile Parle Gymkhana Club, Party Hall, 2nd Floor, Opp. Juhu Bus Depot, Juhu, Mumbai 400 049 on Tuesday the 29th September, 2009, at 11.30 a.m.

Full name of Member (IN BLOCK LETTERS).....

Reg. Folio No./ Demat ID.....

No. of shares held.....

Full name of Proxy (IN BLOCK LETTERS)
.....
.....

Member's / Proxy Signature

BABA

BOOK - POST

To

If undelivered, please return to :

BABA ARTS LIMITED

3A, Valecha Chambers,

New Link Road, Andheri (West),

Mumbai - 400 053.