

Independent Auditor's Report on the Financial results of Mukta Arts Limited pursuant to Clause 41 of Listing Agreement**To the Board of Directors of
Mukta Arts Limited**

We have audited the accompanying standalone annual financial results of Mukta Arts Limited ('the Company') for the year ended 31 March 2013, attached herewith, being submitted by the Company pursuant to the requirements of Clause 41 of the Listing Agreement except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been audited by us. Attention is drawn to the fact that the figures for the quarter ended 31 March 2013 and the corresponding quarter ended in the previous year as reported in these financial results are the balancing figures between audited figures in respect of the full financial year and the published year to date figures up to the end of the third quarter of the relevant financial year. Also, the figures up to the end of the third quarter had only been reviewed and not subjected to audit.

Management's Responsibility for the Financial Results

These standalone financial results have been prepared on the basis of the annual financial statements and reviewed quarterly financial results upto the end of the third quarter. Management is responsible for the preparation of these financial results that give a true and fair view of the net profit and other financial information in accordance with the recognition and measurement principles laid down in the Companies (Accounting Standards) Rules, 2006 as per Section 211(3C) of the Companies Act, 1956 and other accounting principles generally accepted in India and in compliance with Clause 41 of the Listing Agreement.

This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial results based on our audit of the annual financial results. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial results are free of material misstatement(s).

An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our qualified audit opinion.

Independent Auditor's Report on the Financial results of Mukta Arts Limited pursuant to Clause 41 of Listing Agreement (Continued)

Mukta Arts Limited

Basis for Qualified Opinion

- a. *As explained in Note 3 to these financial results, remuneration paid to the managing director of the Company for the year ended 31 March 2013 amounting to Rs 9,979,490 and for earlier financial years from 2005-06 to 2011-2012 aggregating to Rs 100,626,669, is in excess of the limits prescribed under Schedule XIII of the Companies Act, 1956. The Company made applications to the Central Government seeking post-facto approval for earlier years, which is awaited; application for the current year is proposed to be made. During the previous year, the Company had received approval for part of the excess remuneration paid (approval received for remuneration aggregating to Rs 25,200,000 for the financial years 2005-06, 2006-07 and 2007-08). The Company had made applications to authorities requesting reconsideration/ approval for the balance excess remuneration. Pending final communication from the authorities in this regard and application for the current year, no adjustment has been made in these financial results.*
- b. *As at 31 March 2013, the Company's investment in its subsidiary, Whistling Woods International Limited (WWI), a joint venture between the Company and Maharashtra Film, Stage and Cultural Development Corporation Limited ('MFSCDCL'), aggregates to Rs 369,997,000 (31 March 2012: Rs 369,997,000) and loans, advances and deposits include Rs 424,096,877 (31 March 2012: Rs 391,595,281) recoverable from WWI. As more fully explained in Note 2 to these financial results, through its order of 9 February 2012, the High Court of Judicature at Bombay ('High Court') has quashed the Joint Venture Agreement ('JVA') between the Company and MFSCDCL and passed consequential orders. WWI's petition for special leave to appeal filed with the Supreme Court of India has been dismissed. However, the Company and WWI have filed applications to review the said order with the High Court, which have not yet come up for hearing. During the year, the PWD Engineer has given his valuation report based on the Balance Sheet of WWI as at 31 March 2011. Further, MAL has made an application to the Government of Maharashtra in February 2013 to appoint expert valuers to determine the market price. Also, WWI's net worth stands fully eroded as at 31 March 2013 - management is currently evaluating plans for the future.*

Having regard to the circumstances explained above and pending final outcome of the matter under litigation, the Company has not made any adjustment to the carrying value of investments in and amounts due from WWI. Accordingly, the impact on the carrying value of investments, recoverability of loan and advances, profit for the year and consequentially on the dividend for the year is not determinable.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the matter referred to in paragraph (b) of the Basis for Qualified Opinion paragraph above, the outcome and consequent adjustment to these financial results of which cannot be presently determined, and subject to the matter referred to in paragraph (a) of the Basis for Qualified Opinion paragraph above, these financial results:

- (i) *are presented in accordance with the requirements of Clause 41 of the Listing Agreement in this regard; and*
- (ii) *give a true and fair view of the net profit and other financial information for the year ended 31 March 2013.*

Independent Auditor's Report on the Financial results of Mukta Arts Limited pursuant to Clause 41 of Listing Agreement (Continued)

Mukta Arts Limited

Report on other Legal and Regulatory Requirements

Further, we also report that we have, on the basis of books of account and other records and information and explanations given to us by the management, verified the number of shares as well as percentage of shareholdings in respect of aggregate amount of public shareholdings, as furnished by the Company in terms of Clause 35 of the Listing agreement and found the same to be correct.

For **BSR & Co.**
Chartered Accountants
Firm's Registration No: 101248W

B. H. Dhupelia

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
28 May 2013