

11th Annual Report  
2005 - 2006

*The power of imagination  
makes us infinite*



**SRI ADHIKARI BROTHERS  
TELEVISION NETWORK LTD.**



# SRI ADHIKARI BROTHERS TELEVISION NETWORK LTD.

## 11<sup>TH</sup> ANNUAL REPORT 2005-2006

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### GENERAL INFORMATION

#### BOARD OF DIRECTORS

**Gautam Adhikari**  
*Chairman*

**Markand Adhikari**  
*Vice-Chairman &  
Managing Director*

**Anand Pandit**  
*Director*

**Arun Khakhar**  
*Director*

**M. K. Aggarwal**  
*Director (w.e.f. 31.03.2006)*

**D. C. Anjaria**  
*Director (Up to 28.01.2006)*

**COMPANY SECRETARY**  
Swati Gothoskar

**AUDITORS**  
A. R. Sodha & Co.,  
Chartered Accountants

**INTERNAL AUDITORS**  
Khakhar & Co.,  
Chartered Accountants

#### REGISTERED OFFICE

6<sup>th</sup> Floor, Adhikari Chambers,  
Oberoi Complex, New Link Road,  
Andheri (West), Mumbai - 400 053.

#### REGISTRAR & SHARE TRANSFER AGENT

Sharex Dynamic (India) Pvt. Ltd.  
17/B, Dena Bank Building,  
2<sup>nd</sup> Floor, Horniman Circle, Fort,  
Mumbai- 400 001.

#### BANKERS

Punjab National Bank  
Brady house, Fort,  
Mumbai - 400 001.



## CHAIRMAN'S STATEMENT



**Dear Members,**

It gives me immense pleasure to interact with you once again through this foreword to the 11<sup>th</sup> Annual Report for the year ended on 31<sup>st</sup> March, 2006.

### **Year in Retrospect**

During Financial year 2005-06, after having hived off SAB TV to SET Satellite (Singapore) Pte Ltd, the Company is focusing on its area of distinctive competence i.e; content production.

The Company is strategically looking to leverage the benefits of economies of scale in content production by going in for a volume-based approach. Simultaneously, it is also aiming to go in for technological upgradation and creation of a quality content bank. The Company expects to see accelerated results of the same in the coming years.

While the Company has been producing television programs for satellite channels in India, It has also been able to successfully leverage its library by entering into strategic alliances with broadcasters internationally. The Company is looking forward to duplicating its model in various other countries.

The Indian television market is on the threshold of a major technological change. New distribution technologies such as digital cable, DTH & IPTV are planning to hit the market soon & broadcasters and cable operators are voluntarily opting for addressable cable systems.

On the content side, the trend of interactive and niche programming gained further impetus. Apart from general entertainment, reality shows, business content, regional & spiritual programs have gained prominence over the period.

With over 300 channels being witnessed over the Indian skies and a belief that there is still room for more augurs well for the content production industry. The belief is based on the fact that television as a medium has immense potential to reach a larger number of people, which no other medium can match. The recent news that the government plans to pass a law that at least 15% of the programming content of all foreign channels broadcasted in India has to be produced locally is also a positive indicator for the content production segment. Your Company with more than a decade of proven performance in the general entertainment medium and with a road map to tap the other programming segments is well positioned to encash the opportunity.

### **Way Forward**

An increasing sophisticated Indian audience now exposed to international fare, benchmarks television entertainment with the best when it comes to quality and entertainment. Capturing the mood of the viewers, sports and Hindi film channels have gained viewer ship, but have to spend heavily in order to acquire prime properties. The success of quality programming in certain segments indicates the potential for entertainment channels to move up the value chain. Technology is only a platform provider; it is the content, which is the key differentiator.

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

Your Company being amongst the select few content production houses to have hands on broadcasting experience seeks to firmly entrench and consolidate its position as a media conglomerate.

With Warm Regards,

**Gautam Adhikari**  
Chairman

Date : 29<sup>th</sup> August, 2006  
Place : Mumbai



## D I R E C T O R S ' R E P O R T



**Dear Members,**

Your Directors have pleasure in presenting the 11<sup>th</sup> Annual Report together with the Audited Accounts of the Company for the financial year ended on 31<sup>st</sup> March 2006.

The performance of the Company for the year under consideration is for 12 months whereas previous year figures represent performance of the Company for the period of 18 months. Accordingly, the figures of the previous period are not comparable with those of current year.

### Financial Highlights

(Rs. in Millions)

Particulars	For the year ended 31.03.2006 12 Months	For the period ended 31.03.2005 18 Months
Total Revenue from business	380.51	871.38
<b>Earnings before finance charges, Depreciation &amp; Tax</b>	<b>92.31</b>	<b>163.56</b>
Less: Finance charge	3.5	37.61
<b>Earnings before depreciation, tax &amp; amortisation (EBDTA)</b>	<b>88.81</b>	<b>125.95</b>
Less: Depreciation	15.92	110.75
<b>Earnings/(Loss) before Tax (EBTA)</b>	<b>72.89</b>	<b>15.20</b>
<b>Taxation</b> : current tax	6.13	-
: deferred tax (Assets)	13.45	5.70
: fringe benefit tax	0.50	-
<b>Profit / (Loss) After Tax (PAT)</b>	<b>52.80</b>	<b>9.50</b>
Prior period adjustments	-	8.60
<b>Profit / (Loss) after prior period adj.</b>	<b>52.80</b>	<b>0.90</b>
<b>Profit b/f from previous year</b>	<b>(8.67)</b>	<b>(9.57)</b>
<b>Surplus / (Deficit) available for appropriation</b>	<b>44.13</b>	<b>(8.67)</b>
Less: Proposed Dividend	5.57	-
Less: Tax on Proposed Dividend	0.78	-
<b>Balance carried to Balance Sheet</b>	<b>37.78</b>	<b>(8.67)</b>

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

The Company has received an approval from Ministry of Company Affairs (vide letter No. 47/226/2006-CL-III dt. 20<sup>th</sup> June, 2006) u/s 212 of the Companies Act, 1956 for exemption from attaching the annual accounts of the subsidiary companies viz. (1) Westwind Realtors Private Limited (2) Sri Adhikari Brothers News and Television Network Limited (Now known as Broadcast Initiatives Limited), for the financial year ended 31<sup>st</sup> March, 2006; subject to the disclosure of the information in aggregate for each subsidiary.



# SRI ADHIKARI BROTHERS TELEVISION NETWORK LTD.

The major relevant financials of the above-referred subsidiaries are as follows:

(Rs. in Million)

Particulars	Broadcast Initiatives Ltd* (Consolidated)	Westwind Realtors Private Ltd.
Capital	100.00	10.00
Share Application Money	70.00	0.00
Reserves	0.00	(0.04)
Total Assets	437.39	50.50
Total Liabilities	267.39	40.54
Details of Investment	-	0.00
Turnover	-	0.02
Profit before Taxation	-	(0.03)
Provision for Taxation	-	0.00
Profit after Taxation	-	(0.03)
Proposed Dividend	-	0.00

\*Formerly known as Sri Adhikari Brothers News & Television Network Limited.

(Note: Further the necessary parameters are disclosed in Notes to Accounts as part of this Annual Report)

The Annual Reports of the above-referred subsidiaries will be made available to the Shareholders on request and will also be kept for inspection by any shareholder at the Registered Office of the Company and the concerned subsidiaries during the office hours on all working days.

Registered Office of Broadcast Initiatives Limited : Adhikari Chambers, Oberoi Complex,  
New Link Road, Andheri (West),  
Mumbai- 400 053.

Registered Office of Westwind Realtors Pvt. Ltd. : Adhikari Chambers, Oberoi Complex,  
New Link Road, Andheri (West),  
Mumbai- 400 053.

## Dividend

Your directors are pleased to recommend a dividend @ 6% (i.e. Rs. 0.12 per Share) for the financial year ended on 31<sup>st</sup> March, 2006 subject to the approval of Shareholders at the Annual General Meeting. The outgo on account of this dividend will absorb Rs. 6.35 millions (including dividend tax payable of Rs. 0.78 millions).

The dividend, if approved, shall be payable to the shareholders registered in the books of the Company and the beneficial owners as per details furnished by the depositories as on 28th September, 2006.

## Listing of Equity Shares on Stock Exchanges issued on preferential basis

During the year under review, the Company has received Listing approvals for 43,67,500 Equity Shares of Rs. 2/- each issued upon conversion of warrants issued on preferential basis from BSE and NSE. Accordingly, the existing paid-up capital of the Company consisting of 4,64,17,500 Equity Shares of Rs. 2/- each are listed on both the Exchanges.

## Directors

In accordance with the Articles of Association of the Company Mr. Gautam Adhikari, Non-Executive Chairman of the Company is retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. During the year under review, Mr. D. C. Anjaria, Independent Director of the company has resigned from directorship of the Company w.e.f. 28th January, 2006 on personal grounds.



The Board placed on record its appreciation for the valuable services rendered by Mr. D.C. Anjaria during his tenure as a director of the Company. Further Mr. M.K. Aggarwal was appointed as an additional Non-executive Independent Director of the Company w.e.f. 31<sup>st</sup> March, 2006. The Company has received a notice pursuant to Section 257 of the Companies Act, 1956 proposing candidature of Mr. M.K. Aggarwal as director of the Company.

## **Directors' Responsibility Statement**

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

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same.
- b) that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2006 and of the profit of the Company for the year ended on that date.
- c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company for preventing and detecting fraud and other irregularities.
- d) that they have prepared the annual accounts on going concern basis.

## **Auditors**

M/s A. R. Sodha & Co., Chartered Accountants, Mumbai are the Statutory Auditors of the Company. The Auditors hold the office till the conclusion of ensuing 11<sup>th</sup> Annual General Meeting. The Company has received a letter from them to the effect that they are willing to continue as Auditors and that if re-appointed their re- appointment would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956. The Board recommends the re-appointment of M/s A. R. Sodha & Co., Chartered Accountants, as Statutory Auditors.

## **Public Deposits**

The total Fixed Deposits from the Public outstanding as on 31<sup>st</sup> March, 2006 amounted to Rs. 8.79 Millions. The Company has not accepted any fresh deposits from the Public during the year under review.

## **Compliance of Section 217 of The Companies Act, 1956**

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

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

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

## **Corporate governance**

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

- Management Discussion and Analysis
- Corporate Governance Report
- Auditors certificate regarding compliance of conditions of Corporate Governance
- Declaration on Compliance with Code of Conduct

## **Outlook**

The Indian television market is on the threshold of a major technological change. New distribution technologies



such as digital cable, DTH & IPTV are planning to hit the market soon & broadcasters and cable operators are voluntarily opting for addressable cable systems.

On the content side, the trend of interactive and niche programming gained further impetus. Apart from general entertainment, reality shows, business content, regional & spiritual programs have gained prominence during the period.

Your Company is strategically looking to leverage the benefits of economies of scale in content production by going in for a volume-based approach. Simultaneously it is also aiming to go in for technological upgradation and creation of a quality content bank. The year forward would be looked upon as the year of consolidation, exploration & expansion. Your Company with more than a decade of proven performance in the general entertainment medium and with a road map to tap the other programming segments is well positioned to encash on the opportunity.

### **Exports**

Your company successfully leverages the value locked in the expensed out content lying in the library by export of the content broadcasting rights on defined usage basis to the broadcasters and operators abroad. The company expects good revenues from the same due to sizeable increase in demand.

### **Appreciation**

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

### **For & On Behalf of the Board of Directors**

Place : Mumbai  
Date : 29<sup>th</sup> August, 2006

**Gautam Adhikari**  
Chairman

**Markand Adhikari**  
Vice Chairman & Managing Director



## ANNEXURE TO DIRECTORS' REPORT

### A) Foreign Exchange Earnings and Outgo:

	12 Months ended 31.03.2006 (Rs. in Millions)	18 Months ended 31.03.2005 (Rs. in Millions)
Foreign Exchange earned	570.34	11.44
Foreign Exchange used	0.16	0.68

### B) Statement of particulars of Employees pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of the Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March 2006.

Name	Age	Designation	Remuneration Rs.	Qualification	Experience (Years)	Commencement of Employment	Previous Employment
Mr. Markand Adhikari	48	Vice Chairman & Managing Director	42,00,000/-	B.A.	24	20-12-1994	N.A.

#### NOTES

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

#### For & On Behalf of the Board of Directors

Place : Mumbai  
Date : 29<sup>th</sup> August, 2006

**Gautam Adhikari**  
Chairman

**Markand Adhikari**  
Vice Chairman & Managing Director



## MANAGEMENT DISCUSSION AND ANALYSIS

### A. Company Overview

Post having off SAB TV on 15<sup>th</sup> April, 2005 to SET Satellite Singapore Pte. Ltd, the management is focussing on its area of distinctive competence i.e. content production. Therefore, for most part of the year under review the Company operated through one strategic business unit. The Company also leveraged the value of it's expensed out content from library by sub-licensing the same on limited usage basis to broadcasters and operators outside India. Apart from producing programs on a commissioned basis for broadcasters, the Company has also entered into a long-term revenue sharing agreement with broadcasters internationally.

### B. Industry Overview

The Indian television market is on the threshold of a major technological change. New distribution technologies such as digital cable, DTH & IPTV are planning to hit the market soon & broadcasters and cable operators are voluntarily opting for addressable cable systems.

On the content side, the trend of interactive and niche programming gained further impetus. Apart from general entertainment, reality shows, business content, regional & spiritual programs have gained prominence during the Year.

Industry sources project growth in TV software segment to be INR 16000 million by year 2010 from INR 7000 million in the year 2005, there by forecasting a growth rate of more than 200 % .

### C. Opportunities and Threats

#### Opportunities :

**Explosive increase in demand for content :** With new distribution platforms like DTH, IPTV and Mobile technology and over 100 channels launches expected in the next three years, the content production industry is likely to see significant demand for quality content companies.

**Mobile Revolution :** India is currently witnessing a mobile revolution & along with other means, the demand for tailor made content for displays is gaining pace.

**Post Production :** India's post production industry is projected to double upto US\$ 227 million by 2007. With so much content required to keep the broadcast wheel turning, the post production industry has a lot of opportunities of growth in digital special effects and other post production facilities.

**Global Outsourcing Hub :** The industry estimates predict that one of the biggest leap (from US\$ 17.4 million to US\$ 91 million) is going to happen from international companies outsourcing post production facilities to India & from mainstream movies.

#### Threats :

**One program Wonders :** The television industry currently witnesses a lot of one program wonders (small content production houses), which has intensified competition in this sector.

**Changing Audience tastes :** The fragmentation of viewership with so many new entrants coming into the broadcasting business, the risk of changing audience tastes and the ability of the content production houses to match up & adapt to the changing times always poses an element of risk.

**Technological Obsolescence :** Dynamic technological changes taking place in the sector poses an element of risk of technological obsolescence.

### D. Financials

#### 1. Share Capital

The nominal value of Equity shares of Rs.10/- each has been sub-divided into Rs.2/- per share w.e.f. 7<sup>th</sup> December, 2005 vide a special resolution passed at an Extra-Ordinary General meeting of the Company. Accordingly, the Equity shares of the Company of nominal value of Rs. 2/- per share stand



listed with the Stock Exchanges w.e.f 30<sup>th</sup> December, 2005. The Authorized Share Capital of the Company as on 31<sup>st</sup> March, 2006 stands at Rs.150 million divided into 75 million equity shares of Rs. 2/- each. The paid up equity capital of the Company stands at Rs. 92.83 million comprising of 46.418 million equity shares of Rs. 2/- each, as on 31<sup>st</sup> March, 2006.

## 2. Reserves And Surplus

The total reserves and surplus as at 31<sup>st</sup> March, 2006 amounted to Rs. 933.88 million as against Rs. 896.10 million as on 31<sup>st</sup> March, 2005. The reserves include Capital Reserves of Rs. 28.46 million, General Reserves of Rs.225.11 million, Security Premium Reserves of Rs.642.52 million & surplus in Profit & Loss account of Rs. 37.78 million.

## 3. Secured Loans

During the year under review, the Company has repaid entire cash credit facility & term loan. Secured loans outstanding on 31<sup>st</sup> March, 2006 represent bill discounting facility of Rs. 20.75 million & vehicle finance of Rs. 4.11 million.

## 4. Unsecured Loans

The total unsecured loans as at 31<sup>st</sup> March, 2006 stood at Rs. 49.23 million comprising of Rs. 8.79 million being fixed deposit from general public & short term bank loan of Rs. 40.44 million.

## 5. Fixed Assets

Total addition of Rs. 422.84 million in the gross block includes capitalization of program rights of Rs. 397.18 million. Carrying value of SAB TV channel was deducted from Business and Commercial Rights post sale of channel to SET Satellite Singapore Pte. Ltd.

## 6. Investments

Company has invested the surplus fund of Rs. 243.80 million in Inter Corporate Deposits.

## 7. Net Current Assets

The net current assets as at 31<sup>st</sup> March, 2006, stood at Rs. 204.80 million.

## 8. Revenues

The total revenues amounted to Rs 380.51 million for the year ended 31<sup>st</sup> March 2006 as against Rs. 871.38 million of the 18 month period ended on 31<sup>st</sup> March, 2005.

## 9. Operating Expenses

During the year under review the total operating expenses amounted to Rs 321.07 million as against Rs. 709.84 million for the 18 months period ended on 31<sup>st</sup> March, 2005.

## 10. Finance charges

Finance charges include interest on the loans & interest on public deposits. Total finance cost for the year under review amounted to Rs. 3.50 million as against Rs. 37.61 million for the 18 month period ended on 31<sup>st</sup> March, 2005.

## 11. Depreciation

The provision for depreciation for the year worked out to Rs.15.92 million as against Rs. 110.75 million for the 18 months period ended on 31<sup>st</sup> March, 2005.

## E. Critical accounting policies

The principles of revenue recognition are as under:

Advertisement revenue, calculated net of agency commission is recognized on accrual basis when the respective advertisement or commercial appears on the concerned channel.

Revenue from sale of program contents / rights, income is recognized when the relevant program is delivered to and accepted by the buyers and all the significant risks and rewards of telecasting rights / license of the program has been transferred to the buyer.



In respect of Interest Income, it is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

## **F. Internal controls and adequacy of those controls**

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

## **G. Human resource**

Human capital is a very important asset in a media company. Over the years the Company has built up a strong human resource structure, which has enabled the Company to progress rapidly. The Company has a strong qualified team of professionals. The employees on roll in the Company as on 31<sup>st</sup> March, 2006 were 83 as compared to 103 as on 31<sup>st</sup> March, 2005.

## **H. Business risks**

### **1. Revenue risks**

The Company earns revenue by selling commissioned programs or telecast rights to various broadcasters and satellite networks.

The sustainability of the programs are mainly dependable on the concept, content & the technical expertise. Apart from this, Television rating points (TRP's) is one of the key indicators, which decide the popularity, as well as the sustainability of the program.

Management continuously monitors the performance and makes efforts to arrest decline or adverse output on any of these factors.

### **2. Regulatory issues**

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

## **I. Outlook**

### **Content Production**

The growth of the Television industry is primarily linked to the overall growth of the economy. A projected GDP growth rate of 8 to 9% has seen a robust growth and a good amount of FDI investments coming into the media sector. The emergence of niche channels, which is commanding their share of increasing viewer ship spells good time ahead for content production industry. The proposed government directive to locally produce atleast 15% of the total programming of all foreign channels telecasted in India also augurs well for the industry.

The management expects the television software segment to grow at a compounded rate of 16% for the next five years. The increasing number of channels and the consequent increases in the content spectrum will primarily fuel this segment.

## **J. Exports**

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

## **K. Cautionary Statement**

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward- looking statement" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions, changes in the Government regulations, tax laws and other statutes and other incidental factors.



## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

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

### 2. BOARD OF DIRECTORS

#### a) Composition

The Board of Directors provides strategic direction and thrust to the operations of the Company. The Board of Directors of the Company has an optimum combination of executive and non-executive directors. The present Board comprises of one executive director and Four non-executive directors. The number of non-executive independent directors is more than 50% of the total strength of the Board. None of the Non-executive directors is entitled to any remuneration except sitting fees.

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

#### b) Board Procedure

The agenda is prepared in consultation with the Chairman of the Board and the Chairmen of the other committees. The agenda for the meetings of the board and its committees, together with the appropriate supporting documents, are circulated well in advance of the meeting.

Matters discussed at Board meetings generally relate to Company's Business or otherwise their continuity, quarterly results of the Company, review of the reports of the Audit Committee and compliance with their recommendation(s), suggestion(s), non compliance of any regulation, statutory or listing requirements etc.

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

#### Attendance at Board Meetings

During the year under review, the Board of Directors met seven times viz. 2<sup>nd</sup> June 2005, 26<sup>th</sup> July 2005, 30<sup>th</sup> July 2005, 19<sup>th</sup> August 2005, 29<sup>th</sup> October 2005, 28<sup>th</sup> January 2006 and 31<sup>st</sup> March 2006. The gap between two Board meetings did not exceed four months.

The attendance record of the directors at each Board Meeting and the last Annual General Meeting held :

Name	Category	Attendance at Board Meetings		Directorship in other Companies	Membership/ Chairmanship Committees in other Companies			Attendance at A.G.M. held on 30 <sup>th</sup> June 2005
		Held	Attended		Director	Chairman	Member	
Gautam Adhikari	Promoter and Chairman	7	7	5	-	-	Yes	
Markand Adhikari	Promoter, Vice Chairman & Managing Director	7	7	5	-	-	Yes	
Arun Khakhar	Independent non executive Director	7	7	1	-	-	Yes	



(Cont.....)

Anand Pandit	Independent non executive Director	7	7	14	-	1	Yes
D.C Anjaria*	Independent non executive Director	7	4	6	-	-	No
M.K. Aggarwal**	Independent non executive Director	7	-	1	-	1	N.A.

\* Mr. D.C. Anjaria has resigned from the Directorship of the Company w.e.f. 28<sup>th</sup> January, 2006.

\*\* Mr. M. K. Aggarwal was appointed as an Additional Director of the Company w.e.f. 31<sup>st</sup> March, 2006.

### **Additional Information on Directors being appointed / re-appointed at the Annual General Meeting : -**

At the ensuing Annual General Meeting Mr. Gautam Adhikari, retires by rotation and being eligible, offers himself for re-appointment.

Mr. M.K. Aggarwal was appointed as an Additional Director w.e.f. 31<sup>st</sup> March, 2006 by the Board of Directors and holds office upto the date of ensuing Annual General Meeting.

### **Brief profiles of directors being appointed/ re-appointed at ensuing AGM:**

#### **(a) Mr. Gautam Adhikari**

**Age :** 55 years

**Educational Qualification :** Graduation in Commercial Arts from J. J. School of Arts, Mumbai

**Experience :** He is associated with the Company since incorporation. His name is listed in the Limca Book of records in the year 1999 as having directed maximum number of episodes of television programmes. He has directed more than 1500 episodes of popular television programs.

He is currently creative head of the group & personally supervises the content format & offers creative insights.

#### **(b) Mr. M.K. Aggarwal**

**Age :** 69 years

**Educational Qualification :** M.Com, LL.B

**Experience :** Mr. M. K. Aggarwal is having a wide experience of 38 years with State Bank of India, India's Premier Commercial Bank. He has worked as Chief Executive Officer (M.D.) of State Bank of Hyderabad, the largest subsidiary of State Bank of India and 5th best-rated Public Sector Bank. He also has wide experience in the field of Management Audit, planning, operation, inspection etc. He has handled various key assignments in development banking, planning, FOREX management etc.

### **3. CODE OF CONDUCT:**

The Board of Directors has laid down a Code of Conduct for all Board members and senior management of the Company which is widely circulated amongst the members of the Board and Senior Management Personnel. The members of the Board and Senior Management Personnel have affirmed compliance to the said Code of Conduct in writing. The Code of Conduct has been posted on the Company's website, [www.adhikaribrothers.com](http://www.adhikaribrothers.com)



#### 4. AUDIT COMMITTEE

The Committee comprises solely of independent and non-executive directors having financial background and knowledge in the business of the Company. The Committee comprises of Mr. Arun Khakhar (Chairman of the Committee), Mr. Anand Pandit and Mr. M. K. Aggarwal. The Company Secretary, Ms. Swati Gothoskar is Secretary to the Committee.

Consequent to the resignation of Mr. D. C. Anjaria from the office of Director of the Company w.e.f. 28<sup>th</sup> January, 2006, he also ceased to be the member of the Audit Committee. Further, Mr. M. K. Aggarwal was appointed as the Additional Director as well as the member of Audit Committee w.e.f. 31<sup>st</sup> March, 2006.

The Audit Committee met four times during the year under review and the number of meetings attended by each member during the year ended 31<sup>st</sup> March, 2006 are as follows:

Name of the member	Designation	No. of Meetings attended
Mr. Arun Khakhar	Chairman	4
Mr. Anand Pandit	Member	4
Mr. D.C Anjaria	Member (upto 28.01.2006)	2
Mr. M. K. Aggarwal	Member (w.e.f. 31.03.2006)	N.A.

The terms of reference of the Committee are wide. Besides having access to all the required information from within the Company, the Committee acts as a link between the Statutory and Internal Auditors and the Board of Directors of the Company. The brief description of terms of reference is as follows:

- Reviewing quarterly, half yearly and annual financial statements before submission to the Board.
- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment/removal of Statutory auditors, fixation of audit fees and also approval of payments for any other services.
- Review the quarterly, half yearly and annual financial statements with the primary focus on accounting policies and practices, compliances with accounting standards and with the Stock Exchanges and legal requirements concerning the financial statements.
- Reviewing with Statutory and Internal auditors adequacy of the internal control systems.
- Discussing with Internal and Statutory auditors of any significant findings and follow-up thereon and reviewing the reports furnished by them.
- Reviewing the Company's financial and risk management policies.
- Compliance with the Stock Exchanges and legal requirements concerning financial statements.
- Any related party transaction i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.

#### 5. REMUNERATION COMMITTEE

The Remuneration Committee comprises of three Non-Executive Independent Directors. The Company Secretary, Ms. Swati Gothoskar is the Secretary of the Committee.

The broad terms of reference of the Remuneration Committee are to recommend the Company's policy on Remuneration Packages for the Managing Director / Executive Director, reviewing the structures, design and implementation of remuneration policy in respect of key management personnel.



# SRI ADHIKARI BROTHERS TELEVISION NETWORK LTD.

The composition of the Remuneration Committee is as follows:

Mr. Anand Pandit	Chairman
Mr. Arun Khakhar	Member
Mr. D. C. Anjaria	Member (Upto 28.01.2006)
Mr. M. K. Aggarwal	Member (w.e.f. 31.03.2006)

One Remuneration Committee Meeting was held on 19<sup>th</sup> August, 2005 to consider Re-appointment and terms of re-appointment of Mr. Markand Adhikari as Vice-Chairman & Managing Director.

Only sitting fees is payable to the members on the Board. However, the Board members have decided to waive off sitting fees.

Details of Remuneration paid to Directors during the year-ended 31<sup>st</sup> March, 2006

(Amount in Rupees)

Name	Salary	Perquisites or Allowances	Stock Option
Gautam Adhikari – Chairman	Nil	12,000/- p.a.	Nil
Markand Adhikari – Vice Chairman & Managing Director	41,88,000/- p.a.	12,000/- p.a.	Nil

## 6. INVESTORS' GRIEVANCE COMMITTEE

The Company's Investor's grievance committee functions under the Chairmanship of Mr. Arun Khakhar and other members of the Committee are Mr. Anand Pandit and Mr. M. K. Aggarwal. The Company Secretary, Ms. Swati Gothoskar is the Secretary of the Committee. Mr. D .C. Anjaria ceased to be a member of the Committee w.e.f. 28<sup>th</sup> January 2006 consequent to his resignation from the Directorship of the Company.

Ms. Swati Gothoskar was appointed as the Company Secretary and Compliance Officer of the Company consequent to the resignation of Mr. Kaustubh Natu as Company Secretary.

The Committee meets as and when required, to deal with the matters relating to monitoring and redressal of complaints from shareholders relating to transfer, non receipt of Annual Report, dividend declared etc.

The Committee held 4 meetings during the year under review on 2<sup>nd</sup> June, 2005, 30<sup>th</sup> July, 2005, 29<sup>th</sup> October, 2005 and 28<sup>th</sup> January, 2006. The Company has not received any letters / complaints from the investors during the year under review.

## 7. SHARE TRANSFER COMMITTEE

The Share Transfer Committee is empowered to consider and approve the physical transfer, transmission, transposition, issue of duplicate certificates, consolidation / split renewal of share certificates etc. The Share Transfer Committee Meetings were held Fourteen times during the year ended on 31<sup>st</sup> March, 2006. The Committee comprised of the following members:

Name of the Members	Designation	No of Meetings attended
Mr. Gautam Adhikari	Chairman	14
Mr. Markand Adhikari	Member	14

## 8. SUBSIDIARY COMPANIES:

The Company has two subsidiary companies viz. 1) Westwind Realtors Private Limited and 2) Broadcast Initiatives



Limited (Formerly known as Sri Adhikari Brothers News and Television Network Limited); however none of them fall under the norms prescribed in Clause 49 of the Listing Agreement for "Material non-listed Indian Subsidiary".

## 9. GENERAL BODY MEETINGS

Location, time and date where last three Annual General Meetings were held are given below :

Financial Year ended on	AGM	Date	Time	Location of the meeting
31 <sup>st</sup> March, 2002	AGM	30.12.2002	12.00 p.m.	Anand Hall, Gandhigram Road, Near Harekrishna Temple, Juhu, Mumbai 400 049.
30 <sup>th</sup> September, 2003 (18 Months)	AGM	31.3.2004	10.00 a.m.	Anand Hall, Gandhigram Road, Near Harekrishna Temple, Juhu, Mumbai 400 049.
31 <sup>st</sup> March, 2005 (18 Months)	AGM	30.06.2005	11.00 a.m.	Anand Hall, Gandhigram Road, Near Harekrishna Temple, Juhu, Mumbai 400 049

- a) There was sub-division of nominal value of Equity Shares of the Company from Rs. 10/- to Rs. 2/- per share vide a Special Resolution passed at an Extra-ordinary General Meeting held on 7<sup>th</sup> December, 2005. Special Resolutions were passed at an Extra-ordinary General Meeting held on 19<sup>th</sup> August, 2005 for:
- (i) raising funds by issue / offer and allotment of the securities including Equity Shares / GDRs / ADRs / FCCBs / Warrants / Bonds or any other financial instruments.
  - (ii) issue of warrants, convertible into Equity Shares, on preferential basis to promoters.
- b) Whether any Special Resolutions were passed last year through postal ballot- No.
- c) Whether any Special Resolutions is proposed to be passed through postal ballot- No.

## 10. DISCLOSURES

### a) Related Party Transactions

Transactions, with related parties are disclosed in Note No. 4 of Schedule 16 to the Financial Statements in the Annual Report. However, these transactions are not likely to have any conflicts with the Company's interest. The Audit Committee has reviewed these transactions as mandatorily reviewed under Clause 49 of the listing agreement.

### b) Disclosure of Accounting treatment

In the preparation of the financial statements, the Company has followed the accounting standards issued by the Institute of Chartered Accountants of India to the extent applicable.

### c) Disclosure of Risk management

The Company has initiated the risk assessment and minimization procedure.

### d) Compliance by the Company

The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital market during the last three years. No penalties or strictures have been imposed on the Company by the Stock Exchanges, SEBI or other Statutory Authorities.

### e) Whistle Blower Policy

Though there is no formal Whistle-blower policy, the Company takes cognizance of complaints made and suggestions given by the employees. Even anonymous complaints are looked into and whenever necessary, suitable corrective steps are taken.

### f) Code of conduct

The Company has laid down a code of conduct for the Directors, Senior Management and Employees of



the Company. The code has been posted on the website of the Company. A declaration to the effect that the Directors and Senior Managerial personnel have adhered to the same, signed by the Vice-Chairman & Managing Director of the Company, forms part of this report, which along with the Auditors' Certificate on compliance of clause 49 of the Listing Agreement by the Company is annexed to this report.

**g) Review of Directors' Responsibility Statement**

The Board in its report has confirmed that the annual accounts for the year ended 31<sup>st</sup> March, 2006 have been prepared as per applicable accounting standards and policies and that sufficient care has been taken for maintaining adequate accounting records.

**h) CEO / CFO Certification**

In terms of the requirements of Clause 49(v) of the Listing Agreement, the CEO and CFO have submitted necessary certificate to the Board at its meeting held on 29<sup>th</sup> August, 2006 stating the particulars specified under the said clause.

## 11. MEANS OF COMMUNICATION

- a) At present half yearly report on accounts is not being sent to each household of shareholders.
- b) The quarterly, half-yearly and annual financial results are published in The Financial Express, Dainik Sagar, The Economic Times, Maharashtra Times and Mumbai Lakshadeep.
- c) The Company has its own website [www.adhikaribrothers.com](http://www.adhikaribrothers.com) and has been uploading financial results and quarterly shareholding pattern along with other relevant information useful to investors on the website.
- d) At present the Company does not make presentation to Institutional Investors and Analysts.
- e) The Management Discussion and Analysis is given separately in this Annual Report.

## 12. GENERAL INFORMATION FOR SHAREHOLDERS

- a) **Date Time and Venue of Annual General Meeting** : **Date** : 28<sup>th</sup> September, 2006  
**Time** : 11 a.m.  
**Venue** : Anand Hall, Gandhigram Road,  
Near Harekrishna Temple, Juhu, Mumbai – 400 049.
- b) **Financial Calendar (2006- 2007)** : i) First Quarter Results - Upto the end of July, 2006  
ii) Second Quarter Results - Upto the end of October, 2006  
iii) Third Quarter Results - Upto the end of January, 2007  
iv) Fourth Quarter Results - Upto the end of April, 2007
- c) **Date of Book Closure** : 22<sup>nd</sup> September, 2006 to 28<sup>th</sup> September, 2006 (Both days Inclusive)
- d) **Dividend payment date** : On or after 28<sup>th</sup> September 2006
- e) **Listing on Stock Exchanges** : 1. National Stock Exchange of India Ltd.  
2. Bombay Stock Exchange Limited.  
The Company has paid the Listing fees for the year 2006–2007.
- f) **Stock Code Symbol** : NSE : SRIADIKARI, BSE : 530943
- g) **Demat ISIN Number For CDSL and NSDL** : \*INE416A01028

\*NSDL and CDSL have activated new ISIN number after sub-division of nominal value of Equity Shares from Rs. 10/- per share to Rs. 2/- per share.



## h) Market Price Data:

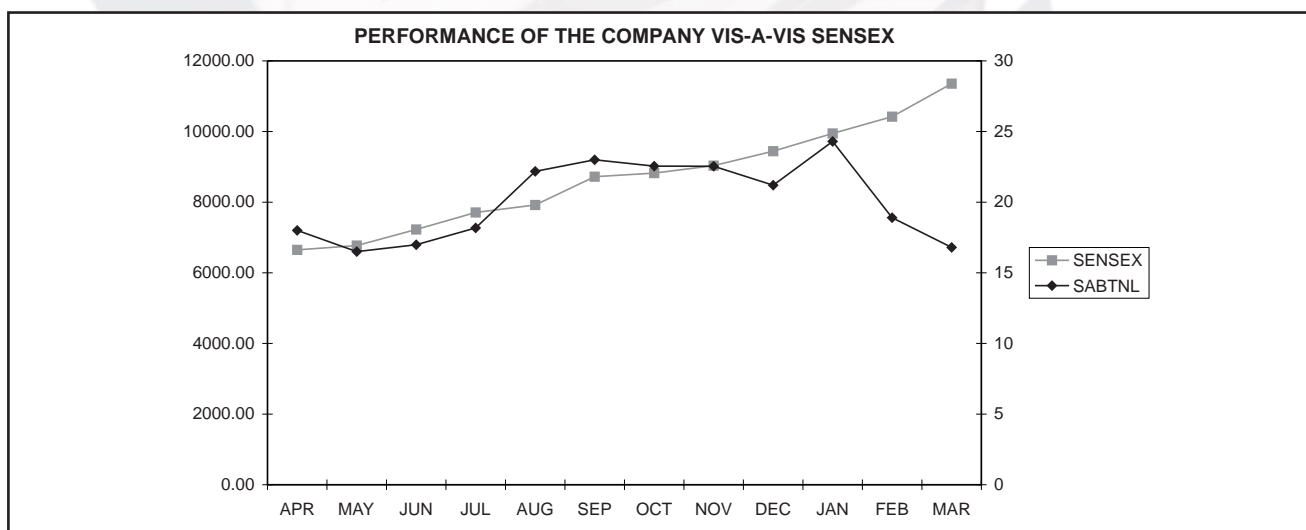
The monthly high and low quotations of shares traded on the National Stock Exchange of India Ltd. and the Bombay Stock Exchange Limited, Mumbai at the end of each month in last financial year are as follows:

Month	National Stock Exchange of India Ltd.		Bombay Stock Exchange Limited	
	Price (Rs.)		Price (Rs.)	
	High	Low	High	Low
Apr'05	81.00	73.70	90.00	73.00
May'05	73.75	72.20	82.50	70.25
June'05	81.70	75.30	84.95	72.00
July'05	86.65	83.55	90.90	77.55
Aug'05	104.10	99.10	110.90	81.90
Sep'05	96.00	91.05	115.00	90.20
Oct'05	98.00	95.00	112.75	88.55
Nov'05	102.20	99.00	112.70	95.30
Dec'05	21.65	20.75	106.00	20.80
Jan'06	19.80	18.50	24.30	18.50
Feb'06	16.85	16.45	18.90	15.50
Mar'06	15.25	14.80	16.80	13.05

Note: The Nominal value of Equity Share of Rs. 10/- each has been sub-divided into Rs. 2/- per share w.e.f. 7<sup>th</sup> December, 2005. Accordingly, the Equity Shares of the Company are listed with the Stock Exchanges with new nominal value of Rs. 2/- each w.e.f. 30<sup>th</sup> December, 2005.

## i) Performance in comparison to SENSEX

The Chart below depicts the performance of the Company's Shares at BSE as compared to SENSEX for the financial year 2005-06.



Note: 1) Indicates Monthly closing positions.  
2) Share Price adjusted to reflect sub-division of shares during the year.



# SRI ADHIKARI BROTHERS TELEVISION NETWORK LTD.

**j) Registrar and Share Transfer Agents:**

Sharex Dynamic (India) Pvt. Ltd., 17/B, Dena Bank Building, 2<sup>nd</sup> Floor, Horniman Circle, Fort, Mumbai – 400 001.

**k) Share Transfer System:**

All shares sent or transferred in physical form are registered by the Registrar and Share Transfer Agents within 30 days of the lodgment, if documents are found in order. Shares under objection are returned within two weeks. All requests for dematerialization of shares processed and the confirmation is given to the respective depositories i.e National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) within 15 days.

**l) Category wise distribution of equity shareholding as at 31<sup>st</sup> March, 2006:**

	Category	*No. Of Shares Held	Percentage of Shareholding (%)
<b>A.</b>	<b>Promoter's holding</b>		
	1 Promoters		
	- Indian Promoters	20,709,285	44.62
	- Foreign Promoters	-	-
	2 Persons acting in Concert	-	-
	<b>Sub-Total</b>	20,709,285	44.62
<b>B.</b>	<b>Non-Promoter Holding</b>		
	3 <b>Institutional Investors</b>		
	a. Mutual Funds and UTI	1,435,285	3.09
	b. Bank, Financial Institutions, Insurance Companies (Central/State Gov. Institutions/ Non-government Institutions)	1,306,345	2.81
	c. FIs	6,000	0.01
	<b>Sub-Total</b>	2,747,630	5.91
	4 <b>Others</b>		
	a. Private Corporate Bodies	5,908,217	12.73
	b. Indian Public	16,695,495	35.97
	c. NRIs/OCBs	132,276	0.29
	d. Any Other (Transit Account)	224,597	0.48
	<b>Sub-Total</b>	22,960,585	49.47
	<b>GRAND TOTAL</b>	<b>46,417,500</b>	<b>100.00</b>

\* The nominal value of Equity Shares of Rs. 10/- each has been sub divided to Rs. 2/- per share vide Special Resolution passed at an Extra-ordinary General Meeting held on 7<sup>th</sup> December, 2005.



**m) Distribution of shareholding as on 31<sup>st</sup> March, 2006:**

Number of Equity shares held	Number of shareholders	% of total number of shareholders	Total Number of Shares	% of Total Number of Shares
1 to 100	2384	17.26	137039	0.30
101 to 200	1261	9.13	203597	0.44
201 to 500	5542	40.13	2306535	4.97
501 to 1000	1989	14.40	1782418	3.84
1001 to 5000	2156	15.61	5219324	11.24
5001 to 10000	240	1.74	1834571	3.95
10001 to 100000	216	1.56	5596009	12.06
100001 and above	24	0.17	29338007	63.20
<b>Total</b>	<b>13812</b>	<b>100.00</b>	<b>46417500</b>	<b>100.00</b>

**n) Dematerialization of shares and Liquidity:**

About 99.08% of the shares have been dematerialized as on 31<sup>st</sup> March, 2006. The Equity shares of the Company are traded on Bombay Stock Exchange Limited and the National Stock Exchange of India Ltd.

**o) Outstanding ADRs, GDRs, Warrants or any convertible instruments, conversion date and impact on Equity.**

The Company has not issued any ADRs, GDRs. / Warrants or any convertible instrument.

**p) Address for Investor Correspondence:**

For any assistance regarding dematerialization of shares, share transfers, transmissions, change of address, non-receipt of dividend or any other query relating to shares, please write to:

**Sharex Dynamic (India) Pvt. Ltd.,**

17/B, Dena Bank Building,  
2<sup>nd</sup> Floor, Horniman Circle  
Fort, Mumbai – 400 001  
Tel. No.: 91-022-2270 2485, 2264 1376  
Fax No.: 91-022-2264 1349  
E-mail : sharexindia@vsnl.com

**For general correspondence:**

Company Secretary  
Adhikari Chambers, Oberoi Complex,  
New Link Road, Andheri (West), Mumbai – 400 053  
Email : cs@adhikaribrothers.com  
Tel. No.: 91-022-2639 5400  
Fax No.: 91-022-2635 0996

**q) Electronic Clearing Services:**

The Company avails ECS facility for distribution of dividend in the metropolitan cities.

## DECLARATION

To the best of my knowledge and belief and on the basis of declarations given to me, I hereby affirm that all the Board members and the Senior management personnel have fully complied with the provisions of the Code of Conduct as laid down by the Company for Directors and Senior Management Personnel during the financial year ended on 31<sup>st</sup> March, 2006.

**For Sri Adhikari Brothers Television Network Limited**

**Markand Adhikari**

Vice-Chairman & Managing Director

Place : Mumbai

Date : 29<sup>th</sup> August, 2006



## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the members of  
SRI ADHIKARI BROTHERS TELEVISION NETWORK LIMITED

We have examined the records concerning Compliance of the conditions of Corporate Governance by **SRI ADHIKARI BROTHERS TELEVISION NETWORK LIMITED** for the year ended 31<sup>st</sup> March, 2006 as stipulated in clause 49 of the Listing Agreement entered into with the Stock Exchanges (BSE, NSE).

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

On the basis of relevant records and documents maintained and furnished to us & the information and explanations given to us by the Company's management, to the best of our knowledge and belief, we certify that the Company has complied with the conditions of corporate governance, as stipulated in Clause 49 of the said Listing Agreement.

On the basis of records maintained by the Registrar and Share Transfer Agent of the Company which were furnished before us and the minutes of meetings of the Investors' Grievance Committee of the Company, we state that, there were no investor grievances remaining unattended/ pending against the Company for a period exceeding one month.

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

For **A. R. Sodha & Co.**  
Chartered Accountants

**A.R Sodha**  
Partner  
M.No. 31878

Date : 29<sup>th</sup> August, 2006  
Place : Mumbai



## AUDITORS' REPORT

To,

The Members of **Sri Adhikari Brothers Television Network Ltd.**

We have audited the attached Balance Sheet of **Sri Adhikari Brothers Television Network Ltd.** as at 31<sup>st</sup> March 2006, and also the Profit and Loss Account, Cash Flow Statement for the year ended on that date annexed thereto. 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 conducted our audit in accordance with auditing standards generally accepted in India. These 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 management as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the Paragraph 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, 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 accounts as required by law have been kept by the Company so far as appears from our examination of those books;
- c) The Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this is in agreement with the books of accounts;
- d) In our opinion, the Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report is in compliance with the Accounting standard referred to in Section 211 (3C) of the Companies Act, 1956;
- e) On the basis of written representations received from the Directors, as on 31<sup>st</sup> March, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2006 from being appointed as a Director 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 explanations given to us, the said accounts together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and gives true and fair view in conformity with the accounting principles generally accepted in India:
  - I. In the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2006
  - II. In the case of Profit and Loss Account, of the Profit for the year ended on that date and
  - III. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For A. R. SODHA & Co.**  
Chartered Accountants

**A. R. Sodha**  
Partner  
M. No. 31878  
Mumbai, 29<sup>th</sup> August 2006



## ANNEXURE TO AUDITORS' REPORT

### Referred to in Paragraph 3 of our Report of even date,

On the basis of such checks as we considered appropriate and in terms of information and explanations given to us, we state that:

1. a. The Company has generally maintained proper records of fixed assets showing particulars, including quantitative details and situation of fixed assets.  
b. We are informed that, the tangible fixed assets have been physically verified by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable with regard to the size of the Company and nature of assets. According to information and explanations given to us by the management, no material discrepancy was noticed on such verification.  
c. During the year the Company has disposed off substantial part of its fixed asset that is Business & Commercial Rights. According to information & explanations given to us and documents furnished before us, we are of the opinion that the said sale of business and commercial right will not affect the ability of the Company to continue as going concern.
2. a. Physical verification of inventory has been conducted at reasonable intervals by the management.  
b. The procedures as informed & explained to us, of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
c. The Company is generally maintaining proper records of inventory shown in the balance sheet and no discrepancy noticed on physical verification between the physical stocks and the book records.
3. a. According to the information and explanations given to us and on the basis of records furnished before us, the Company has granted interest free unsecured loans amounting to Rs.38.20 millions to one company covered in the register maintained under section 301 of the Companies Act, 1956. The balance of the said loan as on 31<sup>st</sup> March, 2006 is Nil.  
b. According to information & explanation given to us, we are of the opinion that the terms of the said loan were not prima facie prejudicial to the interest of the Company.  
c. The loan given to such party was repayable on demand and there was no re payment schedule.  
d. As the aforesaid loan was repayable on demand, the question of overdue amount with regards to Principal & Interest does not arise.  
e. According to the information and explanation given to us and on the basis of records furnished before us, in respect of interest free unsecured loan amounting to Rs.20.42 millions taken during the year from one company covered in the register maintained under section 301 of the Companies Act, 1956. The balance of the said loan as on 31<sup>st</sup> March, 2006 is Nil.  
f. According to information & explanations given to us, we are of the opinion that the terms of the said loan were not prima facie prejudicial to the interest of the Company.  
g. As the aforesaid loan was repayable on demand and therefore the question of overdue amount with regards to Principal & Interest does not arise.
4. According to the information & explanation given to us, in our opinion there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed Assets and sale of goods & services. On the basis of our examination of books and records of the Company, neither we have come across nor have we been informed of any continuing failure to correct major weakness in the aforesaid internal control system.
5. a. In our opinion and according to the information and explanation given to us, the particulars of contract or arrangements that were required to be entered in the register maintained under Section 301 of the Companies Act 1956 have been so entered in the said register.  
b. In respect of transactions entered exceeding the value of five lacs in the register maintained in pursuance of Section 301 of the Companies Act 1956, according to information and explanation given to us, the transactions made pursuance of such contracts or arrangements have been made at prices which are *prima-facie* reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanation given to us, the Company has complied with the provisions of Section 58A or any other relevant provisions of the Companies Act, 1956 and with the Companies (Acceptance of Deposits) Rules, 1975 and the directives issued by the Reserve Bank of India, where applicable, with regard to the deposit accepted from the public, Since the Company has not defaulted in repayment of deposits, compliance with Section 58AA does not arise. We are informed that the no order has been passed by



the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.

7. On broadly reviewing the internal audit reports furnished to us & information & explanation given to us by the management, we are of the opinion that the Internal Audit is commensurate with the size of the Company and the nature of the business.
8. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 in respect of the products dealt with by the Company.
9.
  - a. According to the information and explanations given to us and records examined by us, the Company is generally regular in depositing undisputed Statutory dues including provident fund, investor education & protection fund, employees state insurance, income tax, wealth tax, service tax, sales tax, custom duty & cess and other statutory dues applicable to it with the appropriate authorities except delays in few cases. There are no outstanding dues for more than six months at the year end except Fringe Benefit Tax amounting to Rs.0.50 millions & Service Tax of Rs.4.56 millions that have been subsequently paid.
  - b. According to the information and explanation given to us, there are no dues of Provident fund, Investor Education and Protection Fund, Employees State Insurance, sales tax, Income tax, custom duty, service tax, excise duty & cess and other statutory dues, which have not been deposited on account of any dispute pending before various authorities.
10. The Company has no accumulated losses & has not incurred cash losses in the financial year under audit & in the immediately preceding financial year.
11. According to the records made available to us and information and explanations given to us by the management, in our opinion, the Company has not defaulted in repayment of dues to banks or financial institutions.
12. According to the information and explanations to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not chit fund, nidhi, mutual fund, and societies accordingly clause 4(xiii) of Companies (Auditor's Report) Order, 2003 is not applicable.
14. In our opinion the Company is not dealing or trading in shares, securities, debentures and other investment. Therefore the provision of clause 4(xiv) of the Companies (Auditor's Report) order, 2003 are not applicable to the Company.
15. According to the information and explanation given to us and the records of the Company examined by us, the Company has given guarantee for loans taken by others from banks. The terms and conditions of such guarantees are *prima facie* not prejudicial to the interest of the Company.
16. In our opinion and according to information and explanation given to us, during the year under audit the Company has not obtained any term loan.
17. According to the information and explanations given to us and overall examination of records furnished before us, loans raised on short term basis have not, *prima facie*, been used for long term purpose.
18. During the year, the Company has not made preferential allotment of shares to Parties covered in the Register maintained under Sec 301 of the Companies Act, 1956.
19. During the year, the Company has not issued any debentures.
20. The Company has not raised any money by public issue during the year under audit.
21. During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India and according to the information and explanation given to us, we have neither come across any instance of fraud on or by the Company noticed or reported during the year nor we have been informed of such instances by the management.

**For A. R. SODHA & Co.**  
Chartered Accountants

**A. R. Sodha**  
Partner  
M. No. 31878  
Mumbai, 29<sup>th</sup> August 2006



# SRI ADHIKARI BROTHERS TELEVISION NETWORK LTD.

## BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2006

	Schedule	AS AT 31.03.2006 Rupees	AS AT 31.03.2005 Rupees
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	92,835,000	92,835,000
Reserves and Surplus	2	933,882,800	896,105,006
		<b>1,026,717,800</b>	<b>988,940,006</b>
<b>Loan Funds</b>			
Secured Loans	3	24,858,379	165,729,222
Unsecured Loans	4	49,231,230	109,841,000
		<b>74,089,609</b>	<b>275,570,222</b>
<b>Deferred Tax Liability</b>		<b>50,640,360</b>	<b>103,215,895</b>
<b>TOTAL</b>		<b>1,151,447,769</b>	<b>1,367,726,123</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	658,790,600	854,299,439
Less : Depreciation		79,328,512	266,763,370
Net Block		579,462,088	587,536,069
Capital Work in Progress		38,100,000	70,834,376
		<b>617,562,088</b>	<b>658,370,445</b>
<b>Investments</b>	6	<b>293,604,803</b>	<b>49,799,803</b>
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	7	40,635,834	7,767,355
Program Rights		-	233,921,598
Sundry Debtors		116,335,910	312,999,109
Cash & Bank Balances		69,188,164	17,032,372
Loans & Advances		69,227,455	58,297,213
		<b>295,387,363</b>	<b>630,017,647</b>
<b>Less : Current Liabilities &amp; Provisions</b>	8	<b>74,031,346</b>	<b>79,753,270</b>
Current Liabilities		16,551,810	6,433,274
Provisions		90,583,156	86,186,544
<b>Net Current Assets</b>		<b>204,804,207</b>	<b>543,831,103</b>
<b>Deferred Tax Asset</b>		<b>17,149,424</b>	<b>83,179,851</b>
<b>Profit &amp; Loss A/c</b>		-	8,672,694
<b>Miscellaneous Expenditure</b>	9	<b>18,327,247</b>	<b>23,872,227</b>
(To the extent not written off or adjusted)			
<b>TOTAL</b>		<b>1,151,447,769</b>	<b>1,367,726,123</b>
<b>Notes to Accounts</b>	16		

The Schedules referred to above and notes attached thereto form an integral part of the Balance Sheet.

As per our report of even date

For & on behalf of the Board

For A. R. Sodha & Co.  
Chartered Accountants

Gautam Adhikari  
Chairman

A. R. Sodha  
Partner  
M. No. 31878  
Mumbai : 29<sup>th</sup> August, 2006

Swati Gothoskar  
Company Secretary  
Mumbai : 29<sup>th</sup> August, 2006

Markand Adhikari  
Vice Chairman & Managing Director



## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006

	Schedule	12 Month Ended 31.03.2006 Rupees	18 Month Ended 31.03.2005 Rupees
<b>INCOME</b>			
Sales		377,066,376	865,724,715
Other Income	10	3,449,220	5,660,033
Increase/(Decrease) in Inventory	11	32,868,479	2,026,781
		<u>413,384,075</u>	<u>873,411,529</u>
<b>EXPENDITURE</b>			
Production & Telecast Expenses	12	264,774,127	523,396,247
Administrative Expenses	13	46,536,426	122,118,288
Selling & Distribution Expenses	14	4,212,825	55,602,405
Miscellaneous Expenses Written Off		5,544,980	8,728,547
		<u>321,068,358</u>	<u>709,845,487</u>
<b>PROFIT BEFORE FINANCE CHARGES, DEPRECIATION &amp; TAX</b>		<b>92,315,717</b>	163,566,042
Finance Charges	15	3,504,276	37,611,574
<b>PROFIT BEFORE DEPRECIATION &amp; TAX</b>		<b>88,811,441</b>	125,954,468
Depreciation	5	15,921,692	110,749,369
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>72,889,749</b>	15,205,099
Current Tax		6,133,672	-
Deferred Tax		13,454,892	5,707,894
Fringe Benefit Tax		499,391	-
<b>PROFIT/(LOSS) AFTER TAX</b>		<b>52,801,794</b>	9,497,205
Prior Period Adjustment		-	8,596,926
<b>PROFIT/(LOSS) AFTER PRIOR PERIOD ADJUSTMENT</b>		<b>52,801,794</b>	900,279
Profit/ Loss brought forward from previous year		(8,672,694)	(9,572,973)
Surplus Available For Appropriation		<u>44,129,100</u>	<u>(8,672,694)</u>
<b>APPROPRIATIONS</b>			
Proposed Dividend		5,570,100	-
Dividend Distribution Tax on Dividend		781,206	-
Balance Carried To Balance Sheet		37,777,794	(8,672,694)
		<u>44,129,100</u>	<u>(8,672,694)</u>
Basic & Diluted Earning Per Share (Face Value Rs.2 per share) (See Note 6 of schedule 16)		1.14	0.02

### Notes to Accounts

16

The Schedules referred to above and notes attached thereto form an integral part of the Balance Sheet.

### As per our report of even date

### For & on behalf of the Board

**For A. R. Sodha & Co.**  
Chartered Accountants

**A. R. Sodha**  
Partner  
M. No. 31878  
Mumbai : 29<sup>th</sup> August, 2006

**Swati Gothoskar**  
Company Secretary

Mumbai : 29<sup>th</sup> August, 2006

**Gautam Adhikari**  
Chairman

**Markand Adhikari**  
Vice Chairman & Managing Director



# SRI ADHIKARI BROTHERS TELEVISION NETWORK LTD.

## CASH FLOW STATEMENT ANNEXED TO THE FINANCIAL STATEMENTS AS AT 31st MARCH, 2006

Rs. In Millions

PARTICULARS	12 Months Ended 31.03.2006	18 Months Ended 31.03.2005
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit / (Loss) before Tax and Extraordinary items	<b>72.89</b>	<b>15.21</b>
<b>Adjustments for :</b>		
Depreciation	15.92	110.75
Interest income	(2.53)	(1.53)
Profit from Partnership Business	-	(0.04)
Loss on Sale of Fixed Assets	0.04	0.05
Preliminary / Share Issue Expenses written off	5.55	8.73
Interest expense	3.50	37.61
Credit balances written back	-	(0.04)
Foreign Exchange Rate Fluctuation	-	(1.50)
<b>Operating profit before working capital changes</b>	<b>95.38</b>	<b>169.23</b>
<b>Adjustments for :</b>		
Trade and other receivables	191.01	(163.08)
Inventories	(32.87)	11.51
Trade payable and provisions	(8.59)	(175.24)
<b>Cash generated from operations</b>	<b>244.93</b>	<b>(157.58)</b>
Direct taxes paid	(5.28)	7.32
<b>Cash flow before prior period items</b>	<b>239.65</b>	<b>(150.26)</b>
<b>Net cash from operating activities</b>	<b>239.65</b>	<b>(150.26)</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(156.18)	(76.79)
Sale of Fixed Assets	414.95	0.06
Purchase of Investments	(243.81)	(16.08)
Sale of Investment	-	59.45
Interest received	2.53	1.79
<b>Net cash from investing activities</b>	<b>17.49</b>	<b>(31.58)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipt on Issue of Shares	-	6.13
Conversion of Warrant Deposits into shares	-	(9.98)
Security Premium on issue of shares	-	93.71
Repayment of Long Term Borrowings (Net)	(140.87)	-
Proceeds from long term borrowings (Net)	-	18.33
Proceeds from Short term borrowings	-	100.00
Repayment of Short Term Borrowings	(59.56)	-
Cash Credit Facility	-	17.18
Proceeds of Vehicle Loan (Net)	-	0.09
Repayment of Public Fixed Deposits	(1.05)	(1.39)
Proceeds from Public Fixed Deposits	-	2.78
Interest paid	(3.50)	(37.11)
<b>Net cash used in financing activities</b>	<b>(204.98)</b>	<b>189.74</b>
Net decrease in cash and cash equivalents (A+B+C)	52.16	7.90
Opening balance of cash and cash equivalents	17.03	9.13
<b>Closing balance of cash and cash equivalents</b>	<b>69.19</b>	<b>17.03</b>

**Notes:**

- The Cash Flow Statement has been prepared as per Indirect Method.
- Cash & cash equivalent represent cash & bank balance (including fixed deposit with bank).

As per our report of even date

For & on behalf of the Board

For A. R. Sodha & Co.  
Chartered Accountants

A. R. Sodha  
Partner  
M. No. 31878

Mumbai : 29<sup>th</sup> August, 2006

Swati Gothoskar  
Company Secretary

Mumbai : 29<sup>th</sup> August, 2006

Gautam Adhikari  
Chairman

Markand Adhikari  
Vice Chairman & Managing Director



## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	AS AT 31.03.2006 Rupees	AS AT 31.03.2005 Rupees
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
75,000,000 Equity Shares of Rs. 2/- each (PY. 15,000,000 Equity Shares of Rs. 10/- each)	<u>150,000,000</u>	<u>150,000,000</u>
<b>Issued, Subscribed &amp; Paid-up</b>		
46,417,500 Equity Shares of Rs. 2/- each fully paid-up (PY 9,283,500 Equity Shares of Rs.10/-each fully paid-up)	<u>92,835,000</u>	<u>92,835,000</u>
	<u>92,835,000</u>	<u>92,835,000</u>
<b>SCHEDULE 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
A) Capital Reserve		
Opening Balance	28,467,950	-
Add:- Addition during the year	-	28,467,950
Closing Balance	28,467,950	28,467,950
B) General Reserves		
Opening Balance	225,110,695	250,157,333
Less: Impairment of Goodwill & Media Rights	-	(25,046,638)
Closing Balance	225,110,695	225,110,695
C) Securities Premium Account		
Opening Balance	642,526,361	548,813,861
Add:- Addition during the year	-	93,712,500
Closing Balance	642,526,361	642,526,361
D) Surplus in Profit & Loss Account	37,777,794	-
<b>TOTAL</b>	<u>933,882,800</u>	<u>896,105,006</u>
<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b>		
From Scheduled Bank		
Cash Credit Facility	-	95,292,027
Term Loan	-	68,333,338
Other Facilities (Charge over receivables)	20,747,498	-
Vehicle Loans (Against hypothecation of Vehicles) (Installments due within a year Rs.1,209,789/- (PY Rs.1,251,540))	4,110,881	2,103,857
	<u>24,858,379</u>	<u>165,729,222</u>
<b>SCHEDULE 4</b>		
<b>UNSECURED LOANS</b>		
Fixed Deposits from General Public	8,795,000	9,841,000
Short Term Loan From Bank	40,436,230	100,000,000
	<u>49,231,230</u>	<u>109,841,000</u>



**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS**

SCHEDULE 5 FIXED ASSETS	(Amount in Rs.)										
	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01.04.2005	Additions	Deductions	As at 31.03.2006	As at 01.04.2005	For the Year	Adjust- ments	As at 31.03.2006	As at 31.03.2006	As at 31.03.2005
Business & Commercial Rights	617,472,000	397,178,457	617,472,000	<b>397,178,457</b>	200,466,937	2,646,372	203,004,493	<b>108,816</b>	<b>397,069,641</b>	417,005,063	
Land & Building	95,765,325	-	-	<b>95,765,325</b>	7,968,168	1,560,975	-	<b>9,529,143</b>	<b>86,236,182</b>	87,797,157	
Plant & Machinery	88,140,612	6,614,364	-	<b>94,754,976</b>	33,557,763	6,045,150	-	<b>39,602,913</b>	<b>55,152,063</b>	54,582,849	
Sets	-	11,584,600	-	<b>11,584,600</b>	-	269,365	-	<b>269,365</b>	<b>11,315,235</b>	-	
Furniture & Fixtures	28,832,170	687,042	-	<b>29,519,212</b>	9,996,258	1,838,409	-	<b>11,834,667</b>	<b>17,684,545</b>	18,835,912	
Vehicles	12,170,842	4,563,343	874,923	<b>15,859,262</b>	5,643,378	1,494,236	352,057	<b>6,785,557</b>	<b>9,073,705</b>	6,527,464	
Computers	11,918,490	2,210,278	-	<b>14,128,768</b>	9,130,866	2,067,185	-	<b>11,198,051</b>	<b>2,930,717</b>	2,787,624	
<b>TOTAL</b>	<b>854,299,439</b>	<b>422,838,084</b>	<b>618,346,923</b>	<b>658,790,600</b>	<b>266,763,370</b>	<b>15,921,692</b>	<b>203,356,550</b>	<b>79,328,512</b>	<b>579,462,088</b>	<b>587,536,069</b>	
Capital W.I.P	70,834,376	38,100,000	70,834,376	<b>38,100,000</b>	-	-	-	-	<b>38,100,000</b>	70,834,376	
Previous Year	873,580,747	5,959,954	25,241,262	854,299,439	156,107,728	110,749,369	93,727	266,763,370	587,536,069	-	



## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	AS AT 31.03.2006 Rupees	AS AT 31.03.2005 Rupees
<b>SCHEDULE 6</b>		
<b>INVESTMENTS</b>		
<b>Unquoted</b>		
Middlesex Broadcasting Corporation Limited 83,335 (PY.83,335) Equity Shares of ₹ 1 each	49,797,589	49,797,589
Shares Application Money	2,214	2,214
Inter Corporate Deposits (Unquoted)	243,805,000	-
	<u>293,604,803</u>	<u>49,799,803.00</u>
<b>SCHEDULE 7</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Inventories</b>		
Program Episodes	40,635,834	7,767,355
	<u>40,635,834</u>	<u>7,767,355</u>
<b>Program Rights</b>	-	233,921,598
	-	<u>233,921,598</u>
<b>Sundry Debtors</b> (Unsecured, Considered good)		
Outstanding for more than six months	26,183,294	107,749,510
Other Debts	90,152,616	205,249,599
	<u>116,335,910</u>	<u>312,999,109</u>
<b>Cash &amp; Bank Balances</b>		
Cash on Hand	1,374,184	3,486,556
Balance with Scheduled Banks in		
Current Accounts	66,481,895	12,213,731
Fixed Deposits	1,332,085	1,332,085
	<u>69,188,164</u>	<u>17,032,372</u>
<b>Loans, Advances &amp; Deposits</b> (Unsecured, Considered good)		
Recoverable in cash or kind for the value to be received -	69,227,455	58,297,213
	<u>69,227,455</u>	<u>58,297,213</u>



## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	AS AT 31.03.2006 Rupees	AS AT 31.03.2005 Rupees
<b>SCHEDULE 8</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors	72,149,369	77,912,992
Interest on F.D. Accrued but not due	985,251	735,832
* Unclaimed Dividend	896,726	1,104,446
* kept in a separate Bank A/c	<u>74,031,346</u>	<u>79,753,270</u>
<b>Provisions</b>		
For Expenses	3,567,441	6,433,274
For Taxation	6,633,063	-
Proposed Dividend	5,570,100	-
Dividend Distribution Tax	781,206	-
	<u>16,551,810</u>	<u>6,433,274</u>
<b>SCHEDULE 9</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
<b>Preliminary Expenses &amp; Share Issue Expenses</b>		
Opening Balance	23,872,227	32,600,774
Less : Written off during the year	5,544,980	8,728,547
	<u>18,327,247</u>	<u>23,872,227</u>
<b>SCHEDULE 10</b>		
<b>OTHER INCOME</b>		
Interest Income	2,528,328	1,528,644
Exchange Rate Difference	-	1,503,886
Sundry Balances Written Back.	278,076	38,487
Miscellaneous Income	642,816	2,589,016
	<u>3,449,220</u>	<u>5,660,033</u>
<b>SCHEDULE 11</b>		
<b>INCREASE/(DECREASE) IN INVENTORIES</b>		
Opening Balance	7,767,355	5,740,574
Closing Balance	40,635,834	7,767,355
Increase/ (Decrease) in Inventories	<u>32,868,479</u>	<u>2,026,781</u>



## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	AS AT 31.03.2006 Rupees	AS AT 31.03.2005 Rupees
<b>SCHEDULE 12</b>		
<b>PRODUCTION &amp; TELECASTING EXPENSES</b>		
Programme Purchase Cost	78,373,398	179,046,514
Remuneration to Artists & Technicians	89,280,306	109,544,805
Shooting Charges	46,204,805	35,933,621
Location & Equipment Hire Charges	38,199,711	68,235,760
Technical Charges	5,567,644	3,297,398
Cassette Purchase	5,501,624	10,796,158
Telecasting Expenses	1,646,639	116,541,991
	<u>264,774,127</u>	<u>523,396,247</u>
<b>SCHEDULE 13</b>		
<b>ADMINISTRATIVE &amp; OTHER EXPENSES</b>		
Salaries, Allowances etc.	13,273,897	33,021,770
Contribution To Provident Fund & Others Fund	1,163,489	2,338,635
Staff Welfare Expenses	1,028,813	2,995,833
Electricity Charges	1,419,171	4,659,890
Communication Expenses	1,707,676	7,606,457
Insurance Charges	314,750	1,000,541
Rent, Rates & Taxes	1,027,463	7,011,688
Repairs & Maintenance	2,299,962	5,928,473
Traveling & Conveyance	2,603,097	12,248,380
Legal & Professional Charges	13,467,095	25,741,072
Printing & Stationery	466,446	1,684,841
Membership & Subscription	48,473	4,336,290
General Expenses	2,985,226	6,744,418
Audit Fees	500,000	500,000
Loss on Sale of Asset	42,868	-
Director Remuneration	4,188,000	6,300,000
	<u>46,536,426</u>	<u>122,118,288</u>
<b>SCHEDULE 14</b>		
<b>SELLING &amp; DISTRIBUTION EXPENSES</b>		
Business Promotion Expenses	1,667,219	2,550,563
Advertising & Marketing Expenses	1,913,282	31,010,066
Distribution Expenses	632,324	22,041,776
	<u>4,212,825</u>	<u>55,602,405</u>
<b>SCHEDULE 15</b>		
<b>FINANCE CHARGES</b>		
Bank Interest	1,893,699	33,626,178
Interest on Fixed Deposits (General Public)	968,575	1,542,020
Others	642,002	2,443,376
	<u>3,504,276</u>	<u>37,611,574</u>



## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

### SCHEDULE 16

#### ACCOUNTING POLICIES & NOTES TO ACCOUNTS

##### 1. SIGNIFICANT ACCOUNTING POLICIES:

###### a) Basis for preparation of Financial Statements:

The financial statements have been prepared under the historical cost convention ignoring changes, if any, in the purchasing power of money and on accounting principles of going concern. All income and expenditure having a material bearing on the financial statements are recognized on accrual basis.

The preparation of financial statements in conformity with Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such expenses include the useful lives of fixed assets, provision for doubtful debts/advances etc. Actual results could differ from those estimates.

###### b) Revenue Recognition:

The principles of revenue recognition are as under:

- In respect of advertisement revenue, income net of agency commission is recognized on accrual basis when the respective advertisement or commercial appears on the concerned channel.
- In respect of sale of program contents / rights, income is recognized when the relevant program is delivered to and accepted by the buyers and all the significant risks and rewards of telecasting rights / license of the program has been transferred to the buyer.
- In respect of Interest Income, it is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

###### c) Fixed Assets:

- Fixed Assets are stated at cost of acquisition as reduced by accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.
- The company has converted programme rights acquired from inventory to fixed assets and accordingly pro-rata depreciation has been provided on the same.

###### d) Depreciation:

- Depreciation has been provided on Straight Line Method on Pro Rata basis at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

###### e) Inventories:

- Unutilised Cassettes and Tapes are charged off fully in the year of purchase.
- Inventories are valued at lower of cost or net realizable value. The cost of each episode of a program is determined on the basis of weighted average method.
- Where the carrying amount of inventory exceeds recoverable amount in the ordinary course of business or where the management does not anticipate any future economic benefits flowing from it, appropriate expense / loss has been provided for.

###### f) Investments:

- Investments that are not readily realisable or intended to be held for more than a year are classified as Long-term investments. The Long Term Investments are carried at cost of acquisition. Provision for diminution in value is made if the decline in the value is other than temporary in the opinion of the management.
- Investment in shares of a company, the holding of which is directly related to the right to hold the investment property and the legal title to it, is classified as Land & Building and carried at its Investment value and other ancillary cost attributable to it.



## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

### g) Foreign Currency Transaction:

- Initial Recognition

Foreign currency transactions are recorded in the reporting currency i.e. rupee value, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

- Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

### h) Retirement Benefits:

- A retirement benefit in the form of Provident Fund is charged to the Profit & Loss Account of the year when the contributions to the respective funds are due.
- Gratuity liability under the Payment of Gratuity Act is accrued and provided for on the basis of an actuarial valuation made at the end of each financial year.
- Liability in respect of Leave encashment is provided for as per company's scheme and charged on Profit & Loss account.

### i) Taxes on Income:

- Tax expense comprises both current and deferred taxes. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date.
- Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits.

### j) Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

### k) Provisions

A provision is recognized when the company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

## NOTES TO ACCOUNTS

### 2. CHANGE OF FINANCIAL YEAR:

The Performance of the Company for the year under consideration is for 12 months where as previous year figures represent performance of the Company for the Period of 18 months on extension of Financial Year with permission of Registrar of Companies, Maharashtra. Accordingly, the Figures for both the years are not comparable.

### 3. SEGMENT REPORTING :

On Sale of Broadcasting Division SAB TV to SET Satellite (Singapore) Pte Ltd, the Company is now operating in a single segment viz Content production. Hence no Segment Reporting under Accounting Standard-17 has been made.



## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

### 4. RELATED PARTIES DISCLOSURES :

#### (a) List of Related Parties & Relationship :

NAME OF THE RELATED PARTY	NATURE OF RELATIONSHIP
Westwind Realtors Pvt. Ltd.	Subsidiary Company
Broadcast Initiatives Ltd.	Board Controlled Subsidiary Company
Middlesex Broadcasting Corporation Ltd.	Joint Venture
<b>Key Management Personnel</b>	
Gautam Adhikari	Chairman
Markand Adhikari	Vice Chairman & Managing Director
<b>Others</b>	
Sri Adhikari Brothers Media Ltd.	Fellow subsidiary
Heeren Adhikari	Relative of Key Management Personnel
Kanchan Adhikari	"
Urvee Adhikari	"

#### (b) Transactions with Related Parties:

(Amount in Rs. Million)

Transactions	Sub-sidiaries	Joint Venture	Key Management Personnel	Others	Relatives of Key management personnel	Total
Revenue	-	-	-	57.34	-	57.34
Rendering of Services	0.02	-	15.51	-	1.89	17.42
Balance in Share Capital	-	49.79	-	-	-	49.79
Outstanding balance included in current assets.	-	-	-	57.34	-	57.34
Outstanding balance included in current liabilities	0.60	-	1.78	-	2.93	5.31
Guarantee Given	131.50	-	-	-	-	131.50
Guarantee Taken	-	-	40.00	-	-	40.00

### 5. SUB-DIVISION OF SHARE CAPITAL:

The Nominal value of Equity Share of Rs. 10/- each has been sub-divided into Rs. 2/- per share w.e.f. 7<sup>th</sup> December, 2005. Accordingly, the Equity Shares of the Company stand listed with the Stock Exchanges with new nominal value of Rs. 2/- each w.e.f. 30<sup>th</sup> December, 2005.



## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

### 6. EARNING PER SHARE:

Particulars	31 <sup>st</sup> March 2006	31 <sup>st</sup> March 2005
Profit / (Loss) after Tax(Rupees)	52,801,794	900,279
Weighted average Number of Shares outstanding during the year (Face Value Rs. 2 per share)	46,417,500	45,712,060
<b>Basic Earning Per share (Rupees)</b>	<b>1.14</b>	<b>0.02</b>

### 7. CONSOLIDATION OF FINANCIAL STATEMENTS:

Considering the overall facts and object of Accounting Standard 21 on Consolidation of Financial Statements issued by the Institute of Chartered Accountants of India and taking into account the materiality of transactions, the company has not consolidated the Financial Statements of Westwind Realtors Pvt. Ltd.

SABe TV Ltd, a WOS of a company is in the process of voluntary winding up and it is not carrying on any operating activity, Residual value of the investment in the WOS is fully adjusted in the Previous year against the amount payable to the WOS. Accordingly, company has not consolidated Financial Statements of SABe TV Ltd.

In respect of Broadcast Initiatives Ltd (BIL), formerly known as Sri Adhikari Brothers News & Television Network Ltd. company was having temporary control over the board of BIL and accordingly, it is not considered for the purpose of Consolidation.

As the company has not consolidated financial statement as required by Accounting Standard 21, the Company has not done proportionate consolidation of Joint-venture as required under Accounting Standard-27.

### 8. DEFERRED TAX LIABILITY / ASSETS:

The Company has accounted for Deferred Tax in accordance with Accounting Standard – 22 "Accounting for Taxes on Income" issued by The Institute of Chartered Accountants of India. Accordingly, the components of deferred tax assets/liability as at 31st March 2006 are as follows.

(Rs.in Millions)

Deferred Tax Liability:	As at 31.03.2006	As at 31.03.2005
Depreciation & Miscellaneous Expenditure	50.64	103.21
<b>Total Deferred Tax Liability</b>	<b>50.64</b>	<b>103.21</b>
<b>Deferred Tax Asset:</b>		
Carried forward Losses & Unabsorbed Depreciation	17.14	83.18
<b>Total Deferred Tax Asset</b>	<b>17.14</b>	<b>83.18</b>

### 9. SALE OF SAB TV CHANNEL AND RELATED ASSETS:

As per agreement with SET Satellite (Singapore) Pte.Ltd. (SET), executed on 15<sup>th</sup> March, 2005, the company has transferred SABTV Channel alongwith certain programming hours to SET w.e.f. 15<sup>th</sup> April, 2005 for a total consideration of US\$ 13 Million (Rs. 567 Millions).



## SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

### 10. INTEREST IN JOINT VENTURE:

The company has a 50% interest in the assets, liabilities, expenses and output of Middlesex Broadcasting Corporation Limited (MBCL), incorporated in United Kingdom .

The company's share of the assets, liabilities, income and expenditure of the jointly controlled entity as at 31<sup>st</sup> March, 2006 are as under.

(Rs. in Millions)

	<b>31<sup>st</sup> March 2006 (Provisional &amp; Unaudited)</b>
<b>Particulars</b>	<b>Middlesex Broadcasting Corporation Ltd.</b>
Fixed Assets	3.52
Current Assets	22.57
Current Liabilities	17.00
Unsecured Loans	1.38
Revenue	24.86
Other Expenses	25.25

The investment of the Company in Middlesex Broadcasting Corporation Ltd. (MBCL) is Rs.49.80 millions (Previous Year 49.80 millions).The network of MBCL has been partly eroded and diminution in value of investment has not been provided for as management considers it as long term and strategic investment.

### 11. CONTINGENT LIABILITIES:

(Rs. in Millions)

<b>PARTICULARS</b>	<b>As at 31.03.2006</b>	<b>As at 31.03.2005</b>
Claims against the Company not acknowledged as Debt	20.00	20.00
Corporate guarantee given by company and First charge over its block of assets in respect of loan taken by its subsidiary.	131.50	-



**12. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3, 4C & 4D OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956.**

Particulars	12 Months Ended 31.03.2006		18 Months Ended 31.03.2005	
	Quantity (Nos.)	Rs. in Million	Quantity (Nos.)	Rs. in Million
(a) Raw material (cassettes) consumed	7722	5.51	16756	10.76
(b) Value of imported & indigenous Raw material (cassettes) consumed:	<b>Rs. in Million</b>	<b>%</b>	<b>Rs. in Million</b>	<b>%</b>
(I) Imported	-	-	-	-
(II) Indigenous	5.51	100	10.76	100
			<b>10.76</b>	<b>100</b>
(Rs. in Millions)				
(c) Value of imports calculated on C.I.F basis		<b>12 Months Ended 31.03.2006</b>	18 Months Ended 31.03.2005	
(ii) Capital Goods		0.87	-	
(d) Expenditure in foreign currency				
(i) Travelling		0.04	0.68	
(ii) Exchange Loss		0.12	-	
(e) Earning in foreign exchange:				
(i) Export of Television Programmes on F.O.B basis		1.29	9.96	
(ii) Exchange Gain		-	1.48	
(iii) Sale of SAB TV Channel, related Assets & others		569.05	-	
(f) Directors Remuneration				
a) Salaries		4.19	6.30	
b) Perquisites		0.01	0.00	
Computation of net profit under Section 349 of the Companies Act, 1956 is not furnished as no commission is payable/paid to the Managing Director.				
(g) Payment To Auditors(Excluding Service Tax)				
a) Audit fees		0.40	0.50	
b) Tax Audit fees		0.10	0.10	
c) Other Services(Including Reimbursement of expenses )		0.06	0.40	

**13. CAPITAL COMMITMENTS:**

Middlesex Broadcasting Corporation Ltd. in which the company has 50% interest had committed for the production of an animation film for television broadcasting for a cost of GBP of 100,000 of which GBP 85,000 had been advanced as on balance sheet date.

**14. DETAILS OF SMALL SCALE INDUSTRIES:**

The company has requested suppliers to give information about the applicability of small-scale industrial undertaking definition to them as per clause (i) of sub section (3) of Industrial Development & Regulation Act,



# SRI ADHIKARI BROTHERS TELEVISION NETWORK LTD.

1951. In the absence of this information, company is unable to provide details in schedule 8 " Current Liabilities & Provision" regarding the dues to small scale industries.

## 15. DEBTORS/CREDITORS/ADVANCES:

During the period, confirmation letters have been issued, of which few confirmations have been received till date. Hence, balances of Sundry Debtors, Sundry Creditors, Loans & Advances receivable /payable are taken as per books and are subject to confirmation and reconciliation, if any.

16. Figures of previous year have been regrouped, rearranged and recasted wherever considered necessary.

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### As per our report of even date

**For A. R. Sodha & Co.**  
Chartered Accountants

**A. R. Sodha**  
Partner  
M. No. 31878

Mumbai : 29<sup>th</sup> August, 2006

### For & on behalf of the Board

**Gautam Adhikari**  
Chairman

**Swati Gothoskar**  
Company Secretary

**Markand Adhikari**  
Vice Chairman & Managing Director

Mumbai : 29<sup>th</sup> August, 2006



## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Name of the Subsidiary Company	Westwind Realtors Private Limited
1. Financial Year of the Subsidiary ended on	March 31, 2006
2. Shares of the Subsidiary Company held on the above date	
i) Equity Shares	7,74,600 Equity shares of Rs. 10/- each
ii) Preference Shares	—
iii) Extent of Holding (%)	77.46%
3. Net aggregate amount of profit / Loss of Subsidiary for the above financial year so far as they concern members of the Company	
i) Dealt with in the Accounts of the Company	—
ii) Not Dealt with in the Accounts of the Company	Loss of Rs. 30,608/-
4. Net Aggregate amount of Profit / Loss for previous financial year of the subsidiary as far as it concerns members of the Company	
i) Dealt with in the Accounts of the Company	—
ii) Not Dealt with in the Accounts of the Company	Loss of Rs. 3,273/-
5. a) Changes in the holding Company's interest in the subsidiary between the end of the financial year of the subsidiary and the end of the holding company's financial year	There is no difference in the end of the Financial Year of the two companies, hence no change in interest.
b) Material changes which have occurred between the end of the aforesaid Financial year of the subsidiary and the end of the holding Company's Financial year in respect of :	There is no difference in the end of the Financial Year of the two companies, hence no material change.
i) The Subsidiary's fixed assets	
ii) Its Investments	
iii) Moneys lent by the subsidiary Company	
iv) The moneys borrowed by it for any purpose other than that of meeting current liabilities No money borrowed during the year other than for meeting current liabilities of the Company.	

**Note: The above statement does not contain the details related to "Broadcast Initiatives Limited" (Formerly known as Sri Adhikari Brothers News and Television Network Limited) as the said company is the subsidiary pertaining to provisions of Section 4(1)(a) of the Companies Act, 1956 and there are no figures of Profit and Loss A/c to be dealt with in the financial Statements of the Company.**

**For and on behalf of the Board**

**Gautam Adhikari**  
Chairman

**Markand Adhikari**  
Vice Chairman & Managing Director

**Swati Gothoskar**  
Company Secretary

Place : Mumbai  
Date : 29<sup>th</sup> August, 2006



## STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

### BALANCESHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

#### I Registration Details

Registration No.  State Code

Balance Sheet Date

#### II Capital raised during the year (Rs.in Thousand)

Public Issue  Right Issue

Bonus Issue

Private Placement

#### III Position of Mobilisation and Deployment of Funds (Rs.in Thousand)

Total Liabilities  Total Assets

Source of Funds

Paid up Capital  Reserve & Surplus

Secured Loans  Unsecured Loans

Deferred Tax Liability

#### Application of Funds

Net Fixed Assets  Investments

Net Current Assets  Misc. Expenditure

Deferred Tax Assets

#### IV Performance of Company (Rs.in Thousand)

Turnover  Total Expenditure

Profit/(Loss) before Tax  Profit/(Loss) after Tax

Earning per Share (Rs.)  Dividend Rate %

#### V Generic Names of Three Principal Product/Services of Company

(as per Monetary terms)

Product Description :

Items code No.(ITC Code) NOT ALLOTTED

#### FOR AND ON BEHALF OF THE BOARD

**Gautam Adhikari**  
Chairman

**Markand Adhikari**  
Vice Chairman & Managing Director

Mumbai, 29<sup>th</sup> August, 2006

**Swati Gothoskar**  
Company Secretary

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*The power of imagination  
makes us infinite*



**SRI ADHIKARI BROTHERS  
TELEVISION NETWORK LTD.**