

# Walker, Chandiook & Co

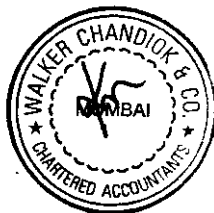
Engineering Centre, 6th Floor  
9 Matthew Road, Opera House  
Mumbai 400004  
India

## Auditors' Report

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To,  
**The Members of Cinemax Motion Pictures Limited**

1. We have audited the attached Balance Sheet of Cinemax Motion Pictures Limited (the 'Company'), as at 31 March 2009, and also the Profit and Loss Account and the Cash Flow Statement for the period ended on that date annexed thereto (collectively referred as the 'financial statements'). 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.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. 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 purposes of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. The financial statements dealt with by this report are in agreement with the books of account;
  - d. On the basis of written representations received from the directors, as on 31 March 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;



Chartered Accountants


Offices in Bangalore, Chennai, Gurgaon, Hyderabad, Mumbai, New Delhi and Pune

# Walker, Chandiook & Co

- e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act and the Rules framed there under and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:
- i) the Balance Sheet, of the state of affairs of the Company as at 31 March 2009;
  - ii) the Profit and Loss Account, of the loss for the period ended on that date; and
  - iii) the Cash Flow Statement, of the cash flows for the period ended on that date.



For Walker, Chandiook & Co  
Chartered Accountants



per **Khushroo B. Panthaky**  
Partner  
Membership No. F-42423

Mumbai

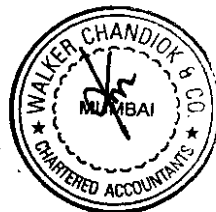
22 May 2009

# Walker, Chandiook & Co

## **Annexure to the Auditors' Report of even date to the members of Cinemax Motion Pictures Private Limited, on the financial statements for the period ended 31 March 2009**

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) In our opinion, the Company has not disposed off any fixed assets during the period.
- (ii) (a) The Company does not have any inventory. Accordingly, the provisions of clause 4(ii) of the Order are not applicable.
- (iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to (d) of the Order are not applicable.
- (e) The Company had taken loan from a company covered in the register maintained under section 301 of the Act. The maximum amount outstanding during the period was Rs. 114,539,316 and the period-end balance was Rs. 113,549,117.
- (f) In our opinion, the rate of interest and other terms and conditions for such loans are not, prima facie, prejudicial to the interest of the Company.
- (g) In respect of loans taken, repayment of the principal amount is as stipulated.
- (iv) Owing to the nature of its business, the Company does not maintain any physical inventories or sells any goods. Accordingly, clause 4(iv) of the Order with respect to purchase of inventories and sale of goods is not applicable. 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 fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the aforesaid internal control system.
- (v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.
- (b) In our opinion, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakhs in respect of any party during the period have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.



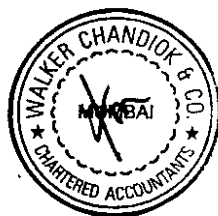
# Walker, Chandiook & Co

## Annexure to the Auditors' Report of even date to the members of Cinemax Motion Pictures Private Limited, on the financial statements for the period ended 31 March 2009

- (vi) The Company has not accepted any deposits from the public within the meaning of sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.
- (vii) The Company is neither listed nor had paid-up capital and reserves exceeding Rs 50 lakhs as at the commencement of the financial period. Further, the Company was incorporated on 22 April 2009. Accordingly, the provisions of clause 4(vii) of the Order, in relation to the internal audit system, are not applicable.
- (viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, in respect of Company's products. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.
- (ix) (a) Undisputed statutory dues including provident fund, employees state insurance, income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in few cases. Undisputed amounts payable in respect thereof, which were *outstanding as at the Balance Sheet date for a period of more than six months from the date they become payable* are as follows:

Nature of Statute	Nature of dues	Amount in Rs.	Period to which the amount relates	Due date	Date of Payment
Income Tax Act, 1961	Fringe benefits tax	700	2008-09	15 June 2008	-
		800	2008-09	15 September 2008	-

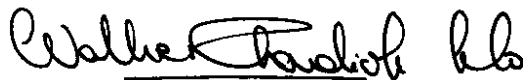
- (b) There are no dues in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company has been registered for a period of less than five years. Accordingly, the provisions of clause 4(x) of the Order are not applicable.
- (xi) In our opinion, the Company has not defaulted in repayment of dues to a financial institution or a bank or debenture holders during the period.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.



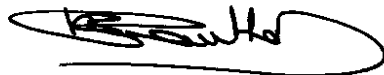
# Walker, Chandio & Co

## Annexure to the Auditors' Report of even date to the members of Cinemax Motion Pictures Private Limited, on the financial statements for the period ended 31 March 2009

- (xiii) The Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) In our opinion, the Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.
- (xvi) In our opinion, the Company did not have any terms loans outstanding during the period. Accordingly, the provisions of clause 4(xvi) of the Order are not applicable.
- (xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- (xix) The Company has neither issued nor had any outstanding debentures during the period. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by public issues during the period. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) In our opinion, no fraud on or by the Company has been noticed or reported during the period covered by our audit.



For Walker, Chandio & Co  
Chartered Accountants



per **Khushroo B. Panthaky**  
Partner  
Membership No. F-42423

Mumbai

22 May 2009

**CINEMAX MOTION PICTURES LIMITED**

**BALANCE SHEET AS AT 31 MARCH 2009**

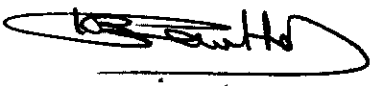
	SCHEDULE	As at 31 March 2009 Rs.
<b>Sources of Funds</b>		
<b>Shareholders' Funds</b>		
Capital	1	500,000
<b>Loan Fund</b>		
Unsecured Loans	2	84,900,000
<b>Total</b>		<b>85,400,000</b>
<b>Application of Funds</b>		
<b>Fixed Assets</b>		
Gross Block	3	69,388,493
Less: Depreciation		58,339,750
<b>Net Block</b>		<b>11,048,743</b>
<b>Deferred Tax Asset (Net)</b> (Refer Note 4(e) to Schedule 15)		4,026,663
<b>Current Assets, Loans and Advances</b>		
Sundry Debtors	4	3,553,037
Bank Balances	5	2,711,335
Loans and Advances	6	170,179,711
		<b>176,444,083</b>
<b>Less: Current Liabilities and Provisions</b>		
Liabilities	7	113,939,437
Provision	8	4,500
		<b>113,943,937</b>
<b>Net Current Assets</b>		<b>62,500,146</b>
<b>Miscellaneous Expenditure</b> (To the extent not written off or adjusted)	9	-
<b>Profit and Loss Account</b>		7,824,448
<b>Total</b>		<b>85,400,000</b>

Notes to and forming part of the financial statements

15

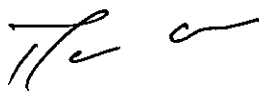
As per our report of even date attached

For Walker, Chandiok & Co  
Chartered Accountants

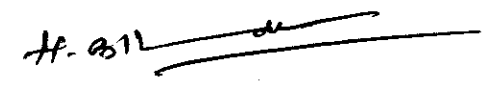
  
Khushroo B. Panthaky  
Partner  
Membership No.F-42423

Place: Mumbai  
Date: 22 MAY 2009

For and on behalf of Board of Directors

  
Rasesh B. Kanakia  
Director

Place : Mumbai  
Date : 22 May 2009

  
Himanshu B. Kanakia  
Director

**CINEMAX MOTION PICTURES LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2009**

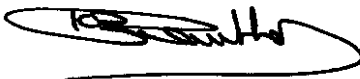
	SCHEDULE	Period ended 31 March 2009 Rs.
<b>Income</b>		
Operating Income	10	66,035,862
<b>Total</b>		<b>66,035,862</b>
<b>Expenditure</b>		
Operating Expenses	11	14,611,762
Employee Costs	12	3,121,195
Administrative, Marketing and Other Costs	13	1,808,935
<b>Total</b>		<b>19,541,892</b>
<b>Profit before interest, depreciation and amortisation</b>		<b>46,493,970</b>
Interest	14	831
Depreciation / Amortisation		58,339,750
<b>Total</b>		<b>58,340,581</b>
<b>Loss before taxes</b>		<b>11,846,611</b>
<b>Less : Provision for Taxation</b>		
- Deferred Tax Credit		(4,026,663)
- Fringe Benefits Tax		4,500
<b>Loss after taxes carried to the Balance Sheet</b>		<b>7,824,448</b>
<b>Basic and Diluted Earning Per Share of face value of Rs.10 each</b> (Refer Note 4(d) to Schedule 15)		
- Basic		(156.49)
- Diluted		(156.49)

Notes to and forming part of the financial statements

15

As per our report of even date attached

For Walker, Chandiook & Co  
Chartered Accountants



**Khushroo B. Panthaky**  
Partner  
Membership No.F-42423

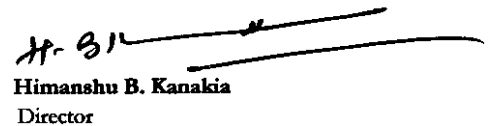
Place: Mumbai  
Date: 22 MAY 2009

For and on behalf of Board of Directors



**Rasesh B. Kanakia**  
Director

Place : Mumbai  
Date : 22 May 2009



**Himanshu B. Kanakia**  
Director

**CINEMAX MOTION PICTURES LIMITED**

**CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2009**

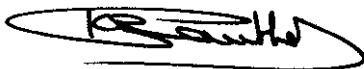
	Period ended 31 March 2009 Rs.
<b>Cash Flow from Operating Activities</b>	
Profit before taxes	(11,846,611)
<b>Adjustments for :</b>	
Depreciation / Amortisation	58,339,750
Interest expense	831
Miscellaneous expenditure to the extent written off	57,000
<b>Operating Profit before working capital changes</b>	<b>46,550,970</b>
<b>Adjustments for :</b>	
<b>Increase / (Decrease) in working capital</b>	
Sundry Debtors	(3,553,037)
Loans and Advances	(170,009,761)
Liabilities	113,939,437
<b>Net Changes in working capital</b>	<b>(59,623,361)</b>
Direct taxes paid	(169,950)
<b>Net Cash generated from / (used in) operation (A)</b>	<b>(13,242,341)</b>
<b>Cash flow from Investing Activities</b>	
Purchase of fixed assets	(69,388,493)
<b>Net Cash generated from / (used in) investing activities (B)</b>	<b>(69,388,493)</b>
<b>Cash flow from financing activities</b>	
Issue of Equity Shares	500,000
Preliminary expenses incurred	(57,000)
Interest paid	(831)
Unsecured loan taken	84,900,000
<b>Net Cash generated from / (used in) financing activities (C)</b>	<b>85,342,169</b>
<b>Net increase in Cash and Cash Equivalents (A+B+C)</b>	<b>2,711,335</b>
Cash and Cash Equivalents at the beginning of the period	-
Cash and Cash Equivalents at the end of the period	2,711,335
Net increase as disclosed above	<b>2,711,335</b>

Notes:

1. The Cash Flow Statement has been prepared under indirect method as set out in Accounting Standard 3, 'Cash Flow Statement' as notified under the Companies Act, 1956.

As per our report of even date attached

For Walker, Chandio & Co  
Chartered Accountants

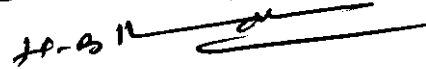


**Khushroo B. Panthaky**  
Partner  
Membership No. F-42423

For and on behalf of the Board of Directors



**Rasesh B. Kanakia**  
Director



**Himanshu B. Kanakia**  
Director

Place : Mumbai  
Date : 22 MAY 2009

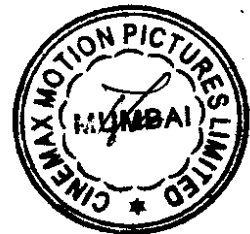
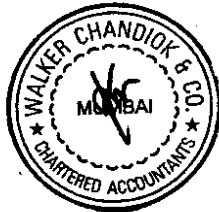
Place : Mumbai  
Date : 22 May 2009

**CINEMAX MOTION PICTURES LIMITED**

**SCHEDULES "1" to "14" ANNEXED TO AND FORMING PART OF THE BALANCE SHEET  
AS AT AND THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2009**

<b>SCHEDULE 1: CAPITAL</b>	<b>As at 31 March 2009 Rs.</b>
<b>Authorised :</b> 150,000 Equity shares of Rs. 10 each	1,500,000
	<b>1,500,000</b>
<b>Issued, Subscribed and Paid up :</b> <b>Equity Shares</b> 50,000 Equity Shares of Rs. 10 each fully paid-up (All the above shares are held by Cinemax India Limited, the holding Company)	500,000
<b>Total</b>	<b>500,000</b>

<b>SCHEDULE 2: UNSECURED LOANS</b>	<b>As at 31 March 2009 Rs.</b>
<b>Short term loan</b> From Directors (Repayable on demand)	84,900,000
<b>Total</b>	<b>84,900,000</b>

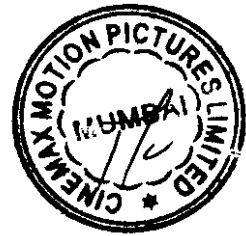


CINEMAX MOTION PICTURES LIMITED

SCHEDULE FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2009

SCHEDULE 3: FIXED ASSETS

Particulars	GROSS BLOCK		DEPRECIATION			NET BLOCK
	Additions during the period	Deletion / Adjustment	As at 31 March 2009	For the period	Deletion / Adjustment	As at 31 March 2009
Plant & Machinery	277,829	-	277,829	15,987	-	261,842
Furniture, Fixtures & Office Equipments	800,664	-	800,664	64,728	-	735,936
Computers (including Computer Software)	60,000	-	60,000	9,035	-	50,965
Distribution Rights	68,250,000	-	68,250,000	58,250,000	-	10,000,000
<b>TOTAL</b>	<b>69,388,493</b>	<b>-</b>	<b>69,388,493</b>	<b>58,339,750</b>	<b>-</b>	<b>11,048,743</b>

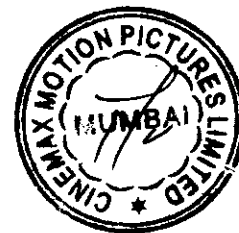
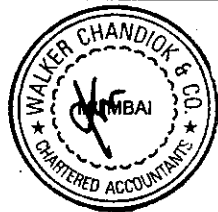


**SCHEDULES "1" to "14" ANNEXED TO AND FORMING PART OF THE BALANCE SHEET  
AS AT AND THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2009**

<b>SCHEDULE 4: SUNDRY DEBTORS</b>	<b>As at 31 March 2009 Rs.</b>
(Unsecured, considered good)	
<u>Debts outstanding for a period exceeding six months</u>	
- Considered Good	-
<u>Other Debts</u>	
- Considered Good	3,553,037
- Considered doubtful	-
<b>Total</b>	<b>3,553,037</b>

<b>SCHEDULE 5: BANK BALANCES</b>	<b>As at 31 March 2009 Rs.</b>
<u>Balance with Scheduled banks</u>	
- in Current Accounts	2,711,335
<b>Total</b>	<b>2,711,335</b>

<b>SCHEDULE 6: LOANS AND ADVANCES</b>	<b>As at 31 March 2009 Rs.</b>
(Unsecured, considered good)	
Advance recoverable in cash or in kind or for value to be received	9,761
Advances to Creditors	170,000,000
Advance Tax	169,950
<b>Total</b>	<b>170,179,711</b>



**CINEMAX MOTION PICTURES LIMITED**

**SCHEDULES "1" to "14" ANNEXED TO AND FORMING PART OF THE BALANCE SHEET  
AS AT AND THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2009**

	As at 31 March 2009 Rs.
<b>SCHEDULE 7: LIABILITIES</b>	
Advance from Holding Company #	113,549,117
Sundry Creditors	
-Due to Micro, Small and Medium enterprises	-
-Due to Others	127,109
Other Liabilities	263,211
<b>Total</b>	<b>113,939,437</b>

# includes amount outstanding to Company under the same management

-Cinemax India Limited

113,549,117

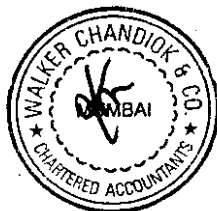
Maximum balance outstanding during the year

-Cinemax India Limited

114,539,316

	As at 31 March 2009 Rs.
<b>SCHEDULE 8: PROVISION</b>	
Provision for Fringe Benefits Tax	4,500
<b>Total</b>	<b>4,500</b>

	As at 31 March 2009 Rs.
<b>SCHEDULE 9: MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)</b>	
Opening Balance	-
Add: Incurred during the year	57,000
	57,000
Less : Written off during the year	57,000
<b>Total</b>	<b>-</b>



**CINEMAX MOTION PICTURES LIMITED**

**SCHEDULES "1" to "14" ANNEXED TO AND FORMING PART OF THE BALANCE SHEET  
AS AT AND THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2009**

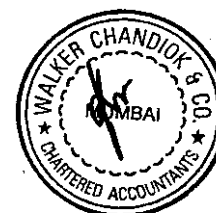
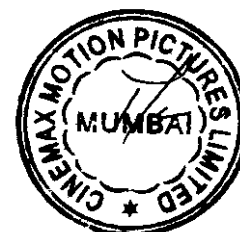
<b>SCHEDULE 10: OPERATING INCOME</b>	<b>Period ended 31 March 2009 Rs.</b>
<b>Income from Distribution</b>	
Sale of Distribution Rights	15,705,000
Commission Income	3,014,919
Distribution Income	47,315,943
<b>Total</b>	<b>66,035,862</b>

<b>SCHEDULE 11: OPERATING EXPENSES</b>	<b>Period ended 31 March 2009 Rs.</b>
Cost of Distribution Rights	12,356,792
Power and Fuel	254,970
Rental Expenses	2,000,000
<b>Total</b>	<b>14,611,762</b>

<b>SCHEDULE 12: EMPLOYEE COSTS</b>	<b>Period ended 31 March 2009 Rs.</b>
Salaries, Wages and Bonus	3,085,697
Staff Welfare	35,498
<b>Total</b>	<b>3,121,195</b>

<b>SCHEDULE 13: ADMINISTRATIVE, MARKETING AND OTHER COSTS</b>	<b>Period ended 31 March 2009 Rs.</b>
Communication Expenses	26,986
Repairs and Maintenance	
-Building	112,309
-Cleaning Charges	86,460
-Others	18,004
	216,773
Legal and Professional Fees	320,740
Auditors' Remuneration	218,540
Printing and Stationery	200,083
Advertising and Publicity	592,488
Marketing and Sales Promotion	739
Travelling and Conveyance	47,563
Miscellaneous Expenses	185,023
<b>Total</b>	<b>1,808,935</b>

<b>SCHEDULE 14: INTEREST AND FINANCE CHARGES</b>	<b>Period ended 31 March 2009 Rs.</b>
<b>Interest</b>	
-On Others	831
<b>Total</b>	<b>831</b>



# CINEMAX MOTION PICTURES LIMITED

## SCHEDULES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2009

### SCHEDULE 15

#### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 1. Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the applicable Accounting Standards and Accounting Rules as notified under the Companies Act, 1956.

All figures are presented in Indian Rupees.

#### 2. Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities, revenue and expenses and disclosure of contingent liabilities. The estimates and assumptions used in accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### 3. Significant accounting policies

##### a. Revenue recognition:

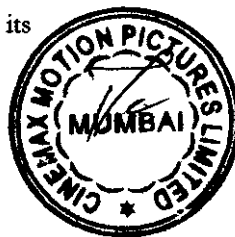
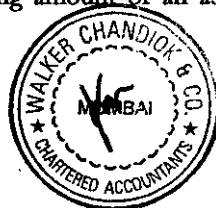
- i. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured.
- ii. In case of distribution of films on commission basis, revenue is recognized inclusive of share of sub-distributor. Overflow from the distributors is accounted for as and when due.

##### b. Fixed assets and Depreciation:

- i. Fixed assets, both tangible and intangible are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction. Interest on borrowings to finance acquisition of fixed assets during construction period is capitalised.
- ii. Depreciation on Fixed assets is provided on the straight-line method at the rates specified under Schedule XIV of the Companies Act, 1956, except for intangible assets.
- iii. Computer software is amortised over its individual useful life on a straight line basis.
- iv. Individual items of Fixed Assets capitalised during the period and costing up to Rupees five thousand are fully depreciated in the first year.
- v. Film rights are amortised as a group or individually, using the film forecast method. Under this method, costs are amortised in the proportion of gross revenues realised, bear to management's estimate of the total gross revenues expected to be received. If estimates of the total revenues and other events or changes in circumstances indicate that the realisable value of a film right is less than its unamortised cost, a loss is recognised for the excess of unamortised cost over the film right's realisable value.

##### c. Impairment of Assets:

In accordance with Accounting Standard (AS) 28 on 'Impairment of Assets' as notified under the Companies Act, 1956, the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of the assets (or where applicable, that of the cash generating unit to which the asset belongs) is estimated as the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its



## CINEMAX MOTION PICTURES LIMITED

### SCHEDULES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2009

#### SCHEDULE 15

#### NOTES TO FINANCIAL STATEMENTS

recoverable amount. Impairment loss is recognised in the Profit and Loss Account or against revaluation surplus where applicable.

#### d. Borrowing Costs:

Borrowing costs incurred on constructing or acquiring a qualifying asset are capitalised as cost of that asset/project until it is ready for its intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue and recognised as an expense in the Profit and Loss account.

#### e. Retirement benefits:

- i. All short term employee benefits are accounted on undiscounted basis during the accounting period based on services rendered by employees.
- ii. The Company contributes to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952 that is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which the employee renders services.
- iii. The Company's liability towards gratuity and compensated absences being defined benefit plans is accounted for on the basis of an independent actuarial valuation done at the year end and actuarial gains/losses are charged to the Profit and Loss Account.

#### f. Taxes on income

##### Current Tax:

Current tax is computed and provided for in accordance with the applicable provisions of the Income Tax Act, 1961.

##### Deferred Tax:

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 recognised only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognizes unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

##### Fringe Benefits Tax:

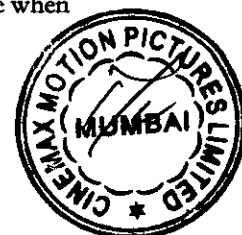
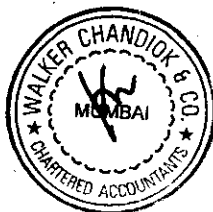
Provision for Fringe Benefits Tax (FBT) has been recognised on the basis of interpretation of the relevant provisions of the Income Tax Act, 1961.

#### g. Leases:

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account.

#### h. Provisions and contingencies:

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources embodying economic benefits and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when



# CINEMAX MOTION PICTURES LIMITED

## SCHEDULES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2009 SCHEDULE 15 NOTES TO FINANCIAL STATEMENTS

there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

### i. Service Tax:

Service tax collected is considered as a liability against which service tax paid for eligible input services, to the extent claimable, is adjusted and the net liability is remitted to the appropriate authority as stipulated. Unutilized credits, if any, are carried forward under "Advances recoverable in cash or kind, or for value to be received" for adjustments in subsequent periods. Service tax paid for eligible input services not recoverable by way of credits, if any, are recognised in the revenue account as an expense.

## 4. Notes to Accounts

### a) Segment reporting AS-17:

#### Primary segment information:

As the Company's business activity falls within a single primary business segment viz., Distribution and production, the disclosure requirements of AS-17 "Segment Reporting", to the extent it relates to disclosure of primary segment information is not applicable.

#### Secondary segment information:

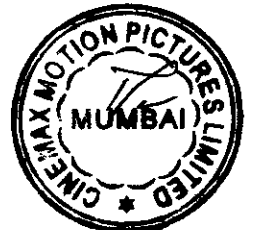
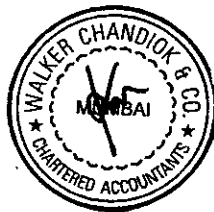
The Company does not have geographical distribution of revenue and therefore the secondary segment reporting based on geographical location of its customers is also not applicable to the Company.

### b) Disclosure of Related Party Transactions under AS-18:

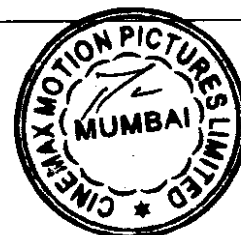
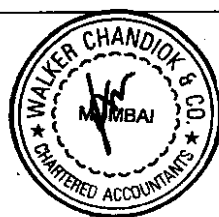
In accordance with the disclosure requirements of Accounting Standard (AS)-18 "Related party Disclosures" the details of related party transactions are given below:

#### i. List of related parties:

Nature of relationship	Name of related parties
Holding Company	1. Cinemax India Limited
Fellow Subsidiaries	1. Vista Entertainment Private Limited 2. Growel Entertainment Private Limited
Entity under common control or significant influence	1. Nikmo Finance Private Limited
Key Management Personnel	1. Mr. Rasesh B Kanakia 2. Mr. Himanshu B Kanakia
Relative of Key Management Personnel	1. Mrs. Rupal Kanakia



Nature of Transaction	Holding Company	Fellow Subsidiary Companies	Entities under common control or significant Influence	Key management personnel	Relatives of key management personnel
<b>Advances given/ payment made (Interest free)</b>					
Cinemax India Limited	178,110,000				
Rasesh Kanakia				23,100,000	
Himanshu Kanakia				18,100,000	
Vista Entertainment Private Limited		2,000,000			
Rupal Kanakia					2,000,000
<b>Advances received/ payment received (Interest free)</b>					
Cinemax India Limited.	295,316,801				
Himanshu Kanakia				63,050,000	
Rasesh Kanakia				63,050,000	
Vista Entertainment Private Limited		2,000,000			
<b>Expenses incurred and recovered</b>					
Cinemax India Limited	1,441,004				
<b>Expenses reimbursed</b>					
Cinemax India Limited	530,675				
<b>Asset received (at cost)</b>					
Cinemax India Limited	739,238				
<b>Distribution income</b>					
Cinemax India Limited	3,486,593				
<b>Rent paid</b>					
Rupal Kanakia					2,000,000
<b>Balances outstanding as on 31 March 2009</b>					



**CINEMAX MOTION PICTURES LIMITED**

**SCHEDULES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2009  
SCHEDULE 15  
NOTES TO FINANCIAL STATEMENTS**

Nature of Transaction	Holding Company	Fellow Subsidiary Companies	Entities under common control or significant Influence	Key management personnel	Relatives of key management personnel
<b>Debit Balance</b>					
Cinemax India Limited	113,549,117				
<b>Credit Balances</b>					
Himanshu Kanakia				44,950,000	
Rasesh Kanakia				39,950,000	

**c) Operating Lease:**

The Company is obligated under non-cancelable lease for the office which is renewable on a periodic basis.

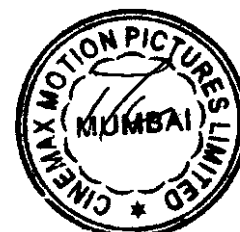
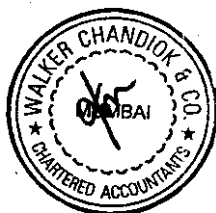
Particulars	Period ended 31 March 2009
Lease rental payment for the period *	2,000,000
<b>Total</b>	<b>2,000,000</b>

\* Debited under the head 'Rental Expenses' of Schedule 10 'Operating expenses'

**d) Earnings per Share (EPS):**

The basic earnings per equity share are computed by dividing the net profit attributable to the equity shareholders for the period by the weighted average number of equity shares outstanding during the reporting period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of equity shares, which may be issued on the conversion of all dilutive potential shares, unless the results would be anti dilutive. The EPS is calculated as under:

Particulars	Period ended 31 March 2009
Net loss after tax	(7,824,448)
Weighted Average Number of shares	50,000
Earning per share	
- Basic	(156.49)
- Diluted	(156.49)
Face value per share	10



between taxable income and accounting income are as follows:

Particulars	As at 31 March 2009
<b>(a) Liability</b>	
- Book and tax depreciation	3,431,930
Total deferred tax liability (A)	3,431,930
<b>(b) Assets</b>	
- Business loss	7,458,593
Total deferred tax assets (B)	7,458,593
<b>Deferred Tax Asset (Net) (A)-(B)</b>	<b>4,026,663</b>

f) **Auditors' Remuneration :**

Particulars	Period ended 31 March 2009
Audit fees (inclusive of service tax)	218,540
<b>Total</b>	<b>218,540</b>

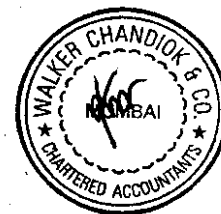
- g) Based on the available information with the management, the Company does not owe any sum to a small scale Industrial undertaking as defined in clause (j) to section 3 of the Industries (Development and Regulation) Act, 1951.
- h) The current assets, loans, and advances are stated at the value, which in the opinion of the management, are realisable in the ordinary course of the business. Current liabilities and provisions are stated at the value payable in the ordinary course of the business.
- i) The Company was incorporated on 22 April 2008. As such, previous figures have not been given.

**Signatures to Schedule 1 to 15**

For and on behalf of the Board of Directors

  
Rasesh B. Kanakia  
Director

  
Himanshu B. Kanakia  
Director



Place : Mumbai  
Date : 22 May 2009