

**RELIANCE**

MediaWorks

**Annual Report  
2010-11**



**Dhirubhai H. Ambani**  
(28th December, 1932 - 6th July, 2002)  
Reliance Group - Founder and Visionary

**Board Of Directors**

Shri Gautam Doshi  
 Shri Amit Khanna  
 Shri Sujal Shah  
 Shri Anil Sekhri  
 Shri Prasoon Joshi  
 Shri Ajay Prasad

**Company Secretary and Manager**

Shri Ashish Agarwal

**Auditors**

M/s. Chaturvedi & Shah  
 M/s. B S R & Co.

**Registered Office**

Film City Complex  
 Goregaon (East)  
 Mumbai - 400 065  
 Maharashtra, India

**Registrar and Transfer Agent**

**Link Intime India Private Limited**

C - 13, Pannalal Silk Mills Compound  
 L.B.S Marg, Bhandup (W)  
 Mumbai - 400 078  
 Maharashtra, India  
 Website : [www.linkintime.co.in](http://www.linkintime.co.in)

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**Important Communication to Members**

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their email addresses, so far, are requested to register their email addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register the same with Link Intime India Private Limited.

**24<sup>th</sup> Annual General Meeting on Thursday, September 29, 2011 at 12.00 noon or soon after conclusion of the AGM of Reliance Broadcast Network Limited convened on the same day, whichever is later, at Reliance Energy Management Institute, 19 Aarey Colony, Jogeshwari Vikhroli Link Road, Opp. SEEPZ, Mumbai 400 065**

The Annual Report can be accessed at [www.reliancemediaworks.com](http://www.reliancemediaworks.com)

# Reliance MediaWorks Limited

## Notice

Notice is hereby given that the 24<sup>th</sup> Annual General Meeting of the Members of **Reliance MediaWorks Limited** will be held on Thursday, September 29, 2011 at 12.00 noon or soon after conclusion of the Annual General Meeting of Reliance Broadcast Network Limited convened on the same day, whichever is later, at Reliance Energy Management Institute, 19 Aarey Colony, Jogeshwari Vikhroli Link Road, Opp. SEEPZ, Mumbai 400 065 to transact the following business:

### Ordinary Business:

1. To consider and adopt the audited Balance Sheet as at March 31, 2011, Profit and Loss Account for the financial year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Sujal Shah, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Amit Khanna, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and in this regard, to consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT M/s. Chaturvedi & Shah, Chartered Accountants (Firm Registration No.101720W) and M/s. B S R & Co., Chartered Accountants (Firm Registration No. 101248W), be and are hereby appointed as the Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, on such remuneration as shall be fixed by the Board of Directors."

### Special Business:

5. **Issue of equity shares to the Qualified Institutional Buyers**

To consider and, if thought fit, to pass with or without modification(s) the following Resolution as a **Special Resolution**:

- a) "RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions of the Companies Act, 1956 (Act) (including any statutory modification or re-enactment thereof, for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company, the Listing Agreements entered into with the Stock Exchanges and subject to the provisions of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("SEBI ICDR"), the provisions of the Foreign Exchange Management Act, 1999 and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, applicable rules, regulations, guidelines or laws and/or any approval, consent, permission or sanction of the Central Government, Reserve Bank of India and any other appropriate authorities, institutions or bodies (hereinafter collectively referred to as the "appropriate authorities"), and subject to such

conditions as may be prescribed by any one of them while granting any such approval, consent, permission and/or sanction (hereinafter referred to as the "requisite approvals"), which may be agreed to by the Board of Directors of the Company (hereinafter called the "Board" which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by this resolution), the Board be and is hereby authorised to issue, offer and allot equity shares/fully convertible debentures/partly convertible debentures/non convertible debentures with warrants/ any other securities (other than warrants), which are convertible into or exchangeable with equity shares on such date as may be determined by the Board but not later than 60 months from the date of allotment (collectively referred to as "QIP Securities"), to the Qualified Institutional Buyers (QIBs) as per the SEBI ICDR, whether or not such QIBs are Members of the Company, on the basis of placement document(s), at such time or times in one or more tranche or tranches, at par or at such price or prices, and on such terms and conditions and in such manner as the Board may, in its absolute discretion determine, in consultation with the Lead Managers, Advisors or other intermediaries, provided however that the aggregate amount raised by issue of QIP Securities as above shall not exceed ₹ 500 crore.

- b) RESOLVED FURTHER THAT the relevant date for the determination of applicable price for the issue of the QIP Securities shall be the date on which the Board of the Company decide to open the proposed issue, or the date on which the holder of the securities which are convertible into or exchangeable with equity shares at a later date becomes entitled to apply for the said shares, as the case may be ("Relevant Date").
- c) RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of any Securities referred to in paragraph (a) above or as may be necessary in accordance with the terms of the offering, all such shares being pari passu with the then existing shares of the Company in all respects, as may be provided under the terms of the issue and in the offering document.
- d) RESOLVED FURTHER THAT such of these QIP Securities to be issued as are not subscribed may be disposed of by the Board to such persons and in such manner and on such terms as the Board in its absolute discretion thinks fit in accordance with the provisions of law.
- e) RESOLVED FURTHER THAT the issue to the holders of the Securities with equity shares underlying such securities shall be inter alia, subject to suitable adjustment in the number of shares, the price and the time period etc., in the event of any change in the equity capital structure of the Company consequent upon any

**Notice**

merger, amalgamation, takeover or any other re-organisation or restructuring in the Company.

- f) RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of QIP Securities or instruments representing the same, as described in paragraph (a) above, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may at its absolute discretion, deem necessary or desirable for such purpose, including without limitation the entering into of underwriting, marketing and institution/trustees/ agents and similar agreements/and to remunerate the Managers, underwriters and all other agencies/ intermediaries by way of commission, brokerage, fees and the like as may be involved or connected in such offerings of Securities, with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit.
- g) RESOLVED FURTHER THAT for the purpose aforesaid, the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of QIP Securities and utilisation of the issue proceeds including but without limitation to the creation of such mortgage/ hypothecation/ charge on the Company's assets under Section 293(1)(a) of the said act in respect of the aforesaid QIP Securities either on pari passu basis or otherwise or in the borrowing of loans as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.
- h) RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or any other Officer(s)/Authorised Representative(s) of the Company to give effect to the aforesaid resolution."

**6. Appointment of Manager**

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

"RESOLVED THAT in accordance with the provisions of Section 198, 269, 387 and all other applicable provisions, if any, read with Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), and subject to all such sanctions, as may be necessary, the consent of the Company be and is hereby accorded to the appointment of Ms. Madhulika Singh as the Manager of the Company, for a period commencing from May 28, 2011 to June 30, 2011 on the terms and conditions including remuneration set out in the Agreement entered into between the Company and Ms. Madhulika Singh, which is hereby specifically sanctioned.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

**7. Appointment of Manager**

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

"RESOLVED THAT in accordance with the provisions of Section 198, 269, 387 and all other applicable provisions, if any, read with Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), and subject to all such sanctions, as may be necessary, the consent of the Company be and is hereby accorded to the appointment of Shri Ashish Agarwal as the Manager of the Company for a period of 5 (five) years commencing from July 1, 2011 on the terms and conditions including remuneration set out in the Agreement entered into between the Company and Shri Ashish Agarwal, which is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to as "Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers including powers conferred by this resolution) to alter and vary the terms and conditions including remuneration of the said appointment and/or agreement, as may be agreed to between the Board and Shri Ashish Agarwal, so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the currency of tenure of Shri Ashish Agarwal, as Manager, the remuneration and perquisites set out as aforesaid be paid or granted to him as minimum remuneration and perquisites provided that the total remuneration by way of salary, perquisites and other allowances shall not exceed the applicable ceiling limit in terms of Schedule XIII to the said Act as may be amended from time to time or any equivalent statutory re-enactment thereof for the time being in force.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

**By Order of the Board of Directors**

**Amit Khanna  
Director**

Registered Office:  
Film City Complex  
Goregaon (East)  
Mumbai 400 065  
July 11, 2011

# Reliance MediaWorks Limited

## Notes:

1. **A member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote on a poll, instead of himself / herself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the Meeting.**
2. Corporate Members are requested to send a duly certified copy of the Board Resolution authorising their representative(s) to attend and vote on their behalf at the Meeting.
3. Members/Proxies should fill in the Attendance Slip for attending the meeting and bring their Attendance Slip.
4. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. Members who hold shares in electronic form are requested to write their DP ID and Client ID numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting to facilitate identification of membership at the Meeting.
6. Relevant documents referred in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days, except Saturdays between 11.00 a.m. and 1.00 p.m. upto the date of Meeting.
7. Members holding shares in physical form are requested to advise any change of address immediately to the Company/Registrar and Transfer Agents, Link Intime India Private Limited.
8. The Company's Register of Members and the Transfer Books will remain closed from September 21, 2011 to September 29, 2011 (both days inclusive).
9. Non-resident Indian members are requested to inform Link Intime India Private Limited immediately on:
  - a. the change in the residential status on return to India for permanent settlement.
  - b. the particulars of the bank accounts maintained in India with complete name, branch, account type, account number and address of the bank, if not furnished earlier.
10. Re-appointment of Directors: At the ensuing Meeting, Shri Sujal Shah and Shri Amit Khanna, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment. The details pertaining to Shri Sujal Shah and Shri Amit Khanna required to be provided pursuant to the requirements of Clause 49 of the listing agreement are furnished in the statements on Corporate Governance forming part of this Annual Report.
11. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company. The nomination form can be downloaded from the Company's website [www.reliancemediaworks.com](http://www.reliancemediaworks.com) under the section 'Investor Relations'.
12. Pursuant to the provisions of section 205(A) of the Companies Act, 1956, the declared dividend which remained unclaimed for a period of 7 years has been transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the said Act.
13. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company / Registrars and Transfer Agents, Link Intime India Private Limited.
14. Members are advised to refer to the section titled "Investor Information" provided in this Annual Report.
15. Members are requested to fill in and send the Feedback Form provided in the 'Investor Desk' section on the Company's website [www.reliancemediaworks.com](http://www.reliancemediaworks.com) to aid the Company in its constant endeavour to enhance the standards of service to investors.
16. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the special business to be transacted at the Meeting is annexed hereto.
17. Green initiative in Corporate Governance: The Ministry of Corporate Affairs (MCA) has vide its circular dated April 29, 2011 stated that service of notice / documents including Annual Report to the members can be made by e-mail. To support this green initiative of the MCA, members who have not yet registered their email addresses are requested to do so (i) in respect of the electronic holdings through their concerned depository participants and (ii) in respect of the physical holdings to Link Intime India Private Limited.

## Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 to the accompanying Notice dated July 11, 2011.

### Item No. 5 Issue of equity shares to the Qualified Institutional Buyers

The Company, in order to enhance its global competitiveness and the ability to compete with the peer group in domestic and international markets, needs to strengthen its financial position and net worth by augmenting long term resources.

For the above purposes as also for meeting the requirements for general corporate purposes, as may be decided by the Board from time to time, it is proposed to seek the enabling authorisation of the Members of the Company in favour

of the Board of Directors ("Board"), without the need of any further approval from the Members, to undertake the Qualified Institutional Placement ("QIP") with the Qualified Institutional Buyers ("QIB"), in accordance with the provisions of Chapter VIII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time ("SEBI ICDR"), as set out in the resolution at Item No. 5 of the accompanying Notice.

In view of the above, the Board may, in one or more tranches, issue and allot equity shares / fully convertible debentures /

## Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 to the accompanying Notice dated July 11, 2011.

partly convertible debentures / non convertible debentures with warrants / any other securities, which are convertible into or exchangeable with equity shares on such date(s) as may be determined by the Board but not later than 60 months from the date of allotment (collectively referred to as "QIP Securities"). The QIP Securities proposed to be issued by the Board shall be subject to the provisions of the SEBI ICDR including the pricing, which will not be less than the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchanges during the two weeks preceding the Relevant Date. The Relevant Date for the determination of applicable price for the issue of the QIP Securities shall be the date of allotment of the QIP Securities by the Board pursuant to the applications received by the Company.

For the reasons aforesaid, an enabling resolution is therefore proposed to be passed to give adequate flexibility and discretion to the Board to finalise the terms of the issue. The QIP Securities issued pursuant to the offering would be listed on the Indian stock exchanges.

The proposed issue of QIP Securities as above may be made in one or more tranches such that the aggregate amount raised by issue of QIP Securities shall not exceed ₹ 500 crore.

The QIP Securities issued pursuant to the offer, if necessary, may be secured by way of mortgage / hypothecation on the Company's assets as may be finalized by the Board in consultation with the Security Holders / Trustees in favour of Security Holders / Trustees for the holders of the said securities. The security that may have to be created for the purposes of this issue, as above may come within the purview of Section 293(1)(a) of the Companies Act, 1956. Necessary approval has already been accorded by Members of the Company for creation of such Security(s) by passing of resolution through postal ballot on January 12, 2006.

Section 81(1A) of the Companies Act, 1956 and Listing Agreement entered into with the Stock Exchanges, provide, inter alia, that where it is proposed to increase the subscribed share capital of the Company by allotment of further shares, such further shares shall be offered to the persons, who on the date of the offer are holders of the equity shares of the Company, in proportion to the capital paid-up on those shares as of that date unless the Members decide otherwise. The Special Resolution seeks the consent and authorisation of the Members to the Board of Directors to offer and issue the QIP Securities, in consultation with the Lead Managers, Legal Advisors and other intermediaries to offer and issue the QIP Securities to any persons, whether or not they are members of the Company.

The Board of Directors accordingly recommends the special resolution set out at Item No. 5 of the accompanying Notice for the approval of the Members.

None of the Directors and Manager of the Company is, in any way, deemed to be concerned or interested in the said resolution, except to the extent of their shareholding in the Company.

### Item No. 6 Appointment of Manager

The Remuneration Committee and the Board of Directors of the Company on May 28, 2011, have, subject to the approval of the Members in general meeting and the Central Government, if required, appointed Ms. Madhulika Singh as the Manager of the Company for a period of 1 (one) year commencing from May 28, 2011 on the remuneration determined by the Remuneration Committee/ Board of Directors. Ms. Madhulika Singh, aged 28 years, is commerce

and law graduate and member of the Institute of Company Secretaries of India. She has 5 years of experience in corporate secretarial & legal functions.

Ms. Madhulika Singh has resigned from the services of Manager of the Company w.e.f. June 30, 2011. Ms. Madhulika Singh fulfilled the conditions for eligibility contained in Part I of Schedule XIII to the Companies Act, 1956 and the gross remuneration of ₹ 0.81 lakh (Rupees eighty one thousand only) paid to her, during the period of her service as Manager of the Company, was within the limits specified under Schedule XIII of the Companies Act, 1956.

The Agreement entered into between the Company and Ms. Madhulika Singh is available for inspection at the Registered Office of the Company on all working days except Saturdays between 11.00 a.m. and 1.00 p.m. upto the date of meeting.

The Board of Directors accordingly recommends the resolution set out at Item no. 6 of the accompanying Notice for the approval of the members.

Ms. Madhulika Singh may be deemed to be concerned or interested in the resolution. None of the Directors of the Company is, in any way, concerned or interested in the said resolution

### Item No. 7 Appointment of Manager

Pursuant to Ms. Madhulika Singh's resignation as Manager of the Company, the Remuneration Committee and the Board of Directors of the Company on July 1, 2011, have, subject to the approval of the Members in general meeting and the Central Government, if required, appointed Shri Ashish Agarwal as the Manager of the Company for a period of 5 (five) years commencing from July 1, 2011 on the remuneration determined by the Remuneration Committee/ Board of Directors. Shri Ashish Agarwal, aged 37 years, is commerce and law graduate and member of the Institute of Company Secretaries of India. He has over 13 years of experience in corporate secretarial, legal, and managerial functions. He is also appointed as Company Secretary and Compliance Officer of the Company w.e.f. July 1, 2011.

The remuneration payable to and the terms of appointment of Shri Ashish Agarwal as Manager of the Company during the tenure of his appointment will comprise of salary, allowances and the other perquisites, the aggregate monetary value of such salary, allowances and perquisites, being limited to ₹ 24 lakh (Rupees twenty four lakh only) per annum plus discretionary Bonus not exceeding in any year the annual remuneration for that year with an equivalent increment as may be decided by the Remuneration Committee/ Board from time to time .

The perquisites and allowances payable to Shri Ashish Agarwal will include Company owned / Leased Accommodation (furnished or otherwise) or House Rent allowance in lieu thereof, house maintenance allowance together with reimbursement of expenses and/or allowances for utilization of gas, electricity, water, furnishing and repairs, medical reimbursements, leave travel concession for self and his family including dependants; medical insurance and such other perquisites and / or allowances within the amount specified above. The said perquisites and allowances shall be evaluated, wherever applicable, as per the Income tax Act, 1961 or any Rules made there-under (including any statutory modification(s) or re-enactment thereof, for the time being in force). However Company's contribution to Provident Fund, Superannuation or Annuity Fund to the extent these singly or together are not taxable under the

# Reliance MediaWorks Limited

## Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 to the accompanying Notice dated July 11, 2011.

Income tax Act, 1961 and Gratuity payable and encashment of leave at the end of the tenure, as per the rules of the Company, shall not be included in the computation of limits for the remuneration.

The terms and conditions set-out for appointment and payment of remuneration herein and/or in the agreement may be altered and varied from time to time by the Board/ Remuneration Committee as it may, at its discretion, deem fit within the overall ceiling fixed herein.

The Board/ Remuneration Committee is entitled to revise the salary, allowances and perquisites payable to the Manager of the Company at any time, such that the overall remuneration payable shall not exceed the limits specified in the Schedule XIII to the Companies Act, 1956. In the event of loss or inadequacy of profit in any financial year during the currency of the tenure of Shri Ashish Agarwal, as Manager, the remuneration and perquisites provided that the total remuneration by way of salary, perquisites and other allowances shall not exceed the applicable ceiling limit in terms of Schedule XIII to the said Act as may be amended from time to time or any equivalent statutory re-enactment thereof for the time being in force.

Shri Ashish Agarwal fulfills the conditions for eligibility contained in Part I of Schedule XIII to the Companies Act, 1956. The terms and conditions of appointment and payment of remuneration are set out in the Agreement entered into between the Company and Shri Ashish Agarwal.

Either party may terminate the aforesaid Agreement by giving one month prior notice of termination in writing to the other party.

The Agreement entered into between the Company and Shri Ashish Agarwal is available for inspection at the Registered Office of the Company on all working days except Saturdays between 11.00 a.m. and 1.00 p.m. upto the date of meeting.

The Board of Directors accordingly recommends the resolution set out at Item no. 7 of the accompanying Notice for the approval of the members.

Shri Ashish Agarwal, Manager may be deemed to be concerned or interested in the resolution. None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

**By Order of the Board of Directors**

**Amit Khanna  
Director**

Registered Office:  
Film City Complex  
Goregaon (East)  
Mumbai 400 065  
July 11, 2011

**Directors' Report**

**Dear Shareowners,**

Your Directors present the 24<sup>th</sup> Annual Report and the audited accounts of the Company for the financial year ("FY") ended March 31, 2011.

**Financial Results**

The standalone performance of the Company for the financial year ended March 31, 2011 is summarised below:

(₹ in million)

| Particulars  | Financial year ended March 31, 2011 | Financial year ended March 31, 2010 |
|--|-------------------------------------|-------------------------------------|
| <b>Gross income</b>                                |                                     |                                     |
| Film production services                           | 1,461.26                            | 1,122.10                            |
| Theatrical exhibition                              | 3,338.02                            | 3,063.90                            |
| Film production, distribution and related services | 67.64                               | 369.20                              |
| Other income                                       | 561.82                              | 307.32                              |
| <b>Total</b>                                       | <b>5,428.74</b>                     | <b>4,862.52</b>                     |
| <b>Less: Expenditure</b>                           | <b>5,492.60</b>                     | <b>4,002.76</b>                     |
| Profit before depreciation, interest & tax         | (63.86)                             | 859.76                              |
| Less: Interest                                     | 1,824.57                            | 1,302.47                            |
| Less: Depreciation                                 | 673.51                              | 608.74                              |
| <b>(Loss) before tax</b>                           | <b>(2,561.94)</b>                   | <b>(1,051.45)</b>                   |
| Tax expenses                                       | 0.16                                | 7.75                                |
| <b>(Loss) after tax</b>                            | <b>(2,562.10)</b>                   | <b>(1,043.70)</b>                   |
| Balance brought forward from previous year         | (1,287.35)                          | (243.65)                            |
| <b>Total</b>                                       | <b>(3,849.45)</b>                   | <b>(1,287.35)</b>                   |
| <b>Appropriations</b>                              |                                     |                                     |
| General reserve                                    | -                                   | -                                   |
| Proposed dividend                                  | -                                   | -                                   |
| Dividend tax                                       | -                                   | -                                   |
| Balance carried forward                            | (3,849.45)                          | (1,287.35)                          |
| <b>Total</b>                                       | <b>(3,849.45)</b>                   | <b>(1,287.35)</b>                   |

**Financial Performance**

During the year under review, your Company has earned income of ₹ 5,428.74 million against ₹ 4,862.52 million in the previous year. The overall net loss of the Company was ₹ 2,562.10 million compared to ₹ 1,043.70 million in the previous year. The loss is primarily on account of expenses related to interest and finance charge, scaling up, expansion and stabilization of various businesses.

**Dividend**

Your Directors have not recommended any dividend on equity shares for the year under review.

**Review of Operations**

During the year under review, the Company has maintained to maintain its leadership position in the existing business segments, i.e. domestic exhibition, film processing,

organized sector for equipment rental business & television content production.

The Company has expanded the domestic cinema network by adding 5 new cinemas across 3 new cities, taking the total count to 104 cinemas across 80 cities.

In the services segment, the Company has launched the 1st phase of the studio, located at Filmcity, Mumbai, with 3 sound stages, which will support Film, Television and Commercial production.

During the year, the Company has also commenced its BPO operations & has expanded its services offerings for international clients to include VFX and 3D conversion.

In exhibition business total admits have increased from 33.1 million last year to 36.3 million in FY 2011. Total prints processed in the processing lab have increased by 8 per cent to 27253 prints. Total number of movies processed in DI has increased from 46 in FY 2010 to 66 in FY 2011.

Backed by the Group strength, the Company has seen strong growth in terms of canvas and scale of operations.

**Redemption of Zero Coupon Foreign Currency Convertible Bonds (FCCBs)**

On January 25, 2011, the Company had redeemed all outstanding FCCBs as per the terms and conditions of the issue of 84,000 Zero Coupon Foreign Currency Convertible Bonds on due date.

**Management Discussion and Analysis**

The Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the listing agreement with the Stock Exchanges in India is presented in a separate section forming part of the Annual Report.

The Company has entered into various long term contracts for exhibition and film and media services. Some of these contracts have been completely serviced in FY 2011. Others have been partially serviced in FY 2011 and would spill over in the next Financial Year also. While benefits from such contracts will accrue in the future years, their progress is periodically reviewed.

**Subsidiary Companies**

During the year under review, Adlabs Digital Media USA LLC and Adlabs Heritage LLC, ceased to be the subsidiaries of the Company. Sri Ramakrishna Theatre Limited also ceased to be subsidiary of the Company w.e.f. May 27, 2011.

As per the approval granted by the Ministry of Corporate Affairs vide Circular No. 02/2011 dated February 8, 2011, copies of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Auditors of the subsidiary companies are not being attached to the Balance Sheet of the Company. The financial information of the subsidiary companies as required by the above circular is disclosed under the heading 'Financial Information of Subsidiary Companies', which forms part of the Annual Report.

The Company will make available hard copies of Annual Accounts of the subsidiary companies and related detailed information to the members of the Company seeking the same.

## Directors' Report

The annual accounts of the subsidiary companies will also be kept for inspection by any shareholders at the Registered Office of the Company and that of respective subsidiary companies.

Further, pursuant to Accounting Standard (AS)-21 prescribed under Companies (Accounting Standards) Rules, 2006 and the Listing Agreement as prescribed by the Securities and Exchange Board of India, Consolidated Financial Statements presented by the Company include financial information of subsidiary companies, which forms part of the Annual Report.

### Directors

In terms of the provisions of the Companies Act, 1956, Shri Sujal Shah and Shri Amit Khanna, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

A brief resume of the Directors retiring by rotation at the ensuing Annual General Meeting, nature of their expertise in specific functional areas and names of Companies in which they hold directorship and / or membership / chairmanships of Committees of the Board, as stipulated under Clause 49 of the listing agreement with the Stock Exchanges in India, is given in the section of Corporate Governance forming part of this Annual Report.

### Directors' Responsibility Statement

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

- i. in the preparation of the annual accounts for the financial year ended March 31, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. the Directors had 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 March 31, 2011 and of the loss of the Company for the year under review;
- iii. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. the Directors had prepared the accounts for the financial year ended March 31, 2011 on a "going concern" basis.

### Group

Pursuant to an intimation received from the Promoters, the names of the Promoters and entities comprising 'Group' as defined under the Monopolies and Restrictive Trade Practices Act, 1969 are disclosed in the Annual Report for the purpose of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

### Consolidated Financial Statements

The Audited Consolidated Financial Statements, based on the financial statements received from subsidiaries,

joint venture and associates, as approved by their respective Board of Directors have been prepared in accordance with Accounting Standard (AS) - 21 on 'Consolidated Financial Statements' read with Accounting Standard (AS) - 23 on 'Accounting for Investments in Associates' and Accounting Standard (AS) - 27 on 'Financial Reporting for Interest in Joint Ventures', notified under Section 211(3C) of the Companies Act, 1956 read with Companies (Accounting Standards) Rules, 2006, as applicable.

### Auditors and Auditors' Report

M/s. B S R & Co., Chartered Accountants and M/s. Chaturvedi and Shah, Chartered Accountants, the Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received letters from M/s. B S R & Co., Chartered Accountants and M/s. Chaturvedi & Shah, Chartered Accountants, to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such appointment within the meaning of Section 226 of the Companies Act, 1956.

The observations and comments given by Auditors in their report read together with notes to Accounts are self explanatory and hence do not call for any further comments under Section 217 of the Companies Act, 1956.

### Particulars of Employees

In terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and the Companies (Particulars of Employees) Amendment Rules, 2011, the names and other particulars of employees are set out in the Annexure to the Directors' Report. However, having regard to the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

### Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars as required to be disclosed pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, are given in the Annexure - A forming part of this Report.

### Corporate Governance

The Company has adopted "Reliance Group-Corporate Governance Policies and Code of Conduct" which has set out the systems, process and policies conforming to international standards. The report on Corporate Governance as stipulated under Clause 49 of the listing agreement with the Stock Exchanges, forms part of the Annual Report.

A Certificate from the Practicing Company Secretary, conforming compliance with conditions of Corporate

**Directors' Report**

Governance as stipulated under the aforesaid Clause 49, is attached to this Report.

**Acknowledgements**

Your Directors would like to express their sincere appreciation for the co-operation and assistance received from shareholders, bankers, regulatory bodies and other business constituents during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the commitment displayed by all executives,

officers and staff, resulting in the successful performance of the Company during the year.

**For and on behalf of the Board of Directors**

**Amit Khanna**  
Director

**Sujal Shah**  
Director

Mumbai  
July 11, 2011

**Annexure -A**

**Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

Your Company being a Film and Media Exhibition and Service Company does not involve in any manufacturing activity, hence the provisions of the Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are not applicable.

However, the information as applicable is given hereunder:

- (a) Conservation of Energy:** Company is making all efforts to conserve energy. The Company monitors energy costs and periodically reviews the consumption of energy. It also takes appropriate steps to reduce the consumption through efficiency in usage and timely maintenance / installation / upgradation of energy saving devices.
- (b) Technology Absorption, Adoption and innovation:** The Company continuously makes efforts towards research and developmental activities and has been

constantly active in harnessing and tapping the latest and best technology in the industry.

**(c) Foreign Exchange Earnings and Outgo:**

**Activities related to exports, initiatives taken to increase exports; development of new export markets for products and services; and export plans:**

The Company has taken various initiatives for development of export markets for its international production and post production services in the countries outside India to increase its foreign exchange earnings.

**Total foreign exchange earnings and outgo for the financial year is as follows:**

- a. Total Foreign Exchange earnings : ₹ 0.05 million
- b. Total Foreign Exchange outgo : ₹ 401.45 million

## Management Discussion and Analysis

### Forward looking statements

*The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. However, readers are cautioned that this discussion may contain "forward-looking statements" by RMW that are not historical in nature. These forward looking statements, which may include statements relating to future results of operations, financial condition, business prospects, plans and objectives, are based on the current belief, assumptions, expectations, estimates, and projections of the directors and management of RMW about the business, industry and markets in which RMW operates. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond RMW's control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements.*

*Such statements are not, and should not be construed, as a representation as to future performance or achievements of RMW. In particular, such statements should not be regarded as a projection of future performance of RMW. It should be noted that the actual performance or achievements of RMW may vary significantly from such statements.*

*The following discussions on our financial condition and result of operations should be read together with our audited consolidated financial statements and the notes to these statements included in the annual report.*

*Unless otherwise specified or the context otherwise requires, all references herein to "we", "us", "our", "the Company" or "Reliance MediaWorks" are to Reliance MediaWorks Limited and its subsidiaries and associates.*

### Macro-economic Overview

The Indian economy has emerged from the slowdown caused by the financial crises witnessed in FY 07-08 to register a growth of 8.6 per cent in FY 10-11. For the FY 2010-11, Index of Industrial Production (IIP) grew at 7.8 per cent compared to 10.5 per cent in FY 2009-10. Consumer durable goods displayed robust growth in FY 2010-11 though the growth moderated in the month of March 2011. Service sector remains the fastest growing sector in the economy with growth pegged at 8.9 per cent. A look at the global service sector industry shows that India compares well even with the top 12 developed countries which have the highest overall GDP in the world. In terms of exports, India is moving towards a servicesled export growth. In the first half of 2010-11, services exports grew 27.4 per cent despite a dip caused by the global crisis which led to a fall in the contribution of merchandise trade to GDP. Service sector now contributes 55.2 per cent of India's GDP and has been growing in the range of 10 per cent annually. In terms of employment, although the primary sector is the dominant employer followed by the services sector, the share of the services sector has been increasing over the years. The global economic and financial crisis has had a dampening effect on cross border FDI flows and in order to maintain earlier levels of foreign investment, it is imperative to retain India's competitiveness in this sector.

### Indian Media and Entertainment Industry Overview

The Media and Entertainment (M&E) industry is one of the fastest growing sectors in India. The industry primarily involves the creation, aggregation and distribution of

content, products and services, news and information, advertising and entertainment through various channels and platforms such as Television, Print, Radio, and Films.

Poised to grow at a compounded rate of 14 per cent to touch US\$ 28 billion by 2015, the sector registered a growth of 11 per cent in 2010 over 2009 garnering US\$ 14.54 billion in revenue, according to a report released by KPMG and a leading industry body in March 2011. The report estimates the industry to achieve 13 per cent growth rate in 2011. While television and print continued to dominate the Indian M&E industry, sectors such as gaming, digital advertising, and animation VFX grew at a faster rate and show tremendous potential in the coming years.

Going ahead, the second decade of this millennium presents a great opportunity for the M&E sector. The demographic profile of India favours higher spends on entertainment, with the consuming class forming a significant portion of the country's total households. New distribution technologies like DTH, Conditional Access System (CAS) and IPTV, hold a promising future for the media industry. Needless to mention, increasing digitalisation will change the ways in which consumers view content. These distribution platforms will assist broadcasters in giving direct access to consumers, thus facilitating the provision of not just routine content but also customized value added services (like video on demand). This is very likely to result in increased average revenue per user.

### Reliance MediaWorks – Business Overview

Reliance MediaWorks Limited is India's fastest growing film and entertainment exhibition & services company and a member of the Reliance Group.

Reliance MediaWorks was established in 1975 as a processing laboratory primarily catering to the advertising industry. Reliance MediaWorks soon became India's premier film processing laboratory and also entered film financing and production. In 2001, the Company entered the burgeoning multiplex business with the world's largest IMAX screen in Mumbai and began to build, what is now, India's largest cinema chain.

In 2005, Reliance Group became a majority promoter in Reliance MediaWorks. The financial resources and management expertise acted as a catalyst in synergizing various interrelated businesses, catapulting Reliance MediaWorks into becoming India's leading success story in the film and entertainment industry.

Reliance MediaWorks operates BIG Cinemas, India's largest cinema chain with 543 screens spread across India, the United States, Malaysia and Nepal.

Reliance MediaWorks has also established a dominant and comprehensive presence in Film Services: Motion Picture Processing and DI; Film Restoration and Image Enhancement; 3D; Digital Mastering; Studios and Equipment rentals; Visual Effects; Animation; TVC Post Production with presence across India, USA & UK.

Reliance MediaWorks' television venture, BIG Synergy, is among the top players in the television programming industry.

### BIG Cinemas

Big Cinemas is India's largest cinema chain with 543 screens spread across India, US, Malaysia and Nepal and caters to over 35 million consumers worldwide.

Determined to revolutionize the way Indians watch cinema in the years to come, the Company set up its first Greenfield

## Management Discussion and Analysis

multiplex in Mumbai and from there started the journey to create a 268 screens network across India, spread over 104 theatres and 80 cities. Today, BIG Cinemas accounts for 10 to 15% of Indian box office contributions of big ticket films.

In 2008, BIG Cinemas became India's first cinema chain to have a global presence across USA and Malaysia. Today, we have successfully created a pan US footprint with over 200 screens present across 22 cities and the circuit accounts for 25% of Hindi features box office collections and approx 67% of Tamil and Telegu box office collections from the US.

In Malaysia, we now have a strong presence of 72 screens that play Hollywood features besides Chinese and Tamil films that cater to the 1.5 million Tamil population.

We operate Nepal's first Multiplex in Kathmandu.

In 2009, BIG Cinemas established a presence in Netherlands by associating with Pathe Theatres across 3 cities to begin screening Indian movies.

We have a vision to provide global audiences access to BIG Cinemas' world-class cinemas. And we do this by setting up standalone properties and cinemas in malls and also by taking over current properties, renovating and operating them thereby taking advantage of their considerable existing infrastructure and brand value.

The industry and our audience at large have given us the thumbs up, proof of which are the numerous awards that we have won. Awards that include the 'Entertainment Retailer of the Year' honor at the India Retail Forum 2009 and the 'International Exhibitor of the Year 2008' by CineAsia 2008 at Macau. BIG Cinemas' innovative concept of *Cinediner* which combines fine dining and movie watching has won the award for Most Admired Innovative Concept of the Year at Images Retail Forum 2010.

### BIG Synergy

Big Synergy, the television production arm of Reliance MediaWorks, has built its reputation in India as a leader in the field of format shows. Starting as one of the country's first few independent television outfits in 1988, Big Synergy has been at the helm of producing some of the country's most popular and critically acclaimed programs.

Carrying the hallmark of quality and credibility, Big Synergy has produced more than 30 television series in 22 years, with well over 2,000 hours of content. The Company is widely regarded as a leader in non-fiction programming, and has enjoyed singular success in adapting international formats for Indian viewers. Over the years, Big Synergy has delivered both critically and commercially, with original shows such as Quiz Time, India Quiz, Eureka, A Question of Answers, Manch Masala, Style Today, 3-2-1, Mum Tum aur Hum, Bollywood Ka Boss, Khelo Jeeto Jiyo and Sports Ka Superstar as well as international formats such as Mastermind, University Challenge, Kamzor Kadi Kaun, India's Child Genius, Bluffmaster, Heartbeat, Kya Aap Paanchvi Pass Se Tez Hain, 10 Ka Dum, India's Got Talent, Aap Ki Kachehri, Sach Ka Saamna and Kaun Banega Crorepati. Big Synergy is now making inroads into the vast south Indian television markets, producing 3 shows for the biggest South Indian television networks.

With a current strength of about 100 talented personnel across Mumbai and Delhi, BIG Synergy is diversifying in a number of different genres, including reality and fiction.

### Film and Media Services

In September 2008, Reliance MediaWorks became the first motion picture services facility in India and all of Asia to

be awarded certification by the UK's- industry body FACT (Federation Against Copyright Theft). The certification is a major recognition of the efforts by Reliance MediaWorks to protect and safeguard the films that it handles from piracy. The certification applies to Reliance MediaWorks' film processing and print lab, Digital Lab, Digital Cinema Mastering facility as well as Reliance MediaWorks' preview theatre, all housed within its Film City premises in Mumbai. The accreditation comes at a time when Reliance MediaWorks has significantly grown its portfolio of film-related services, expanding from its long tradition of motion picture lab processing and replication to include post-production and grading with its 4K DI-lab and the Digital Cinema Mastering facility.

Today, Reliance MediaWorks has expanded and established an integrated global presence across the entire film and media services value chain in India, USA and UK. Reliance MediaWorks' film and media services division can be distinguished under following sections.

#### 1. Film Post Production Services

Our film post production services involve businesses like the processing lab, which has been a key player in the market for 25 years. We are also ahead of technology and continually adding new businesses like the DI Lab, Digital cinema and Visual effects.

##### Motion Picture Processing

Reliance MediaWorks processes and prints over 80% of the hindi film industry requirements. The Company's processing lab at Mumbai has won numerous national and popular awards over the years and has been certified by Kodak Image Care 4 years in a row. The processing operations have also been expanded to Chennai, Kolkata & London.

##### Digital Intermediate Services

Reliance MediaWorks' Digital Intermediate Lab is the only true 4K facility in Asia with real time grading capabilities. The integrated offerings to clients include Telecine, Digital Optics, Promo packaging, Complete DI & deliverables (Conversion, Scanning, HD Recording & Sub titling).

##### Digital Cinema Services

Reliance MediaWorks Digital Cinema is India's leading provider of DCI-grade digital cinema services, including mastering, installation & service and hard drive and optic fiber connectivity and distribution. Reliance MediaWorks has introduced optical fiber distribution of digital cinema films from India to the United States in a world's first.

Reliance MediaWorks Digital Cinema has operated more than 15,000 commercial screenings in full DCI-compliant 2K d-cinema and has transmitted over 3,000 via fiber optic cables.

#### 2. Production Services

Through our Production Services, we serve domestic film and television clients and fulfill the growing demand for high quality studios and equipment in India.

##### Cameras and Equipment Rentals Services

Reliance MediaWorks' TV broadcast camera rental business pioneered tapeless solution in India and has established itself as the premium service provider in India. After achieving success in the Broadcast Equipment Rental business, Reliance MediaWorks also offers HD Film Cameras and Broadcast Post

## Management Discussion and Analysis

production equipment solutions, along with expertise of a technically qualified team.

Reliance MediaWorks has provided camera and equipments for shows like Dus Ka Dum, MTV Lycra Awards, ET Corporate Awards, Jhalak Dikhla Ja, Hutch Mumbai Marathon, Airtel Delhi Marathon, Filmfare Awards, Femina Miss India, Brand Equity Awards, and MTV Fast and Gorgeous.

Studio/Shooting Floors

RMW Film City Studios

Reliance MediaWorks is in process of constructing a 2,00,000 sq ft state of art film studio comprising 8 sound stages at Film City in Mumbai which will support film, TV and advertising productions. The Studio is at par with Hollywood studios and aims to be a one stop solution for all production needs for domestic and international clients. The studio will provide all support facilities like make rooms, costume rooms, carpentry/molding rooms etc within its premises. The first phase of the studio, with 70,000 sq ft comprising 3 sound stages has been launched in January 2011.

### 3. Creative Services

Reliance MediaWorks through its facilities in India, UK and USA is one of the leading global providers of creative post production services which include cutting edge solutions for 3D Conversion, VFX and Animation.

VFX Solutions

Reliance MediaWorks offers cutting edge VFX Solutions through its state of the art VFX studios in Burbank, London and Mumbai. With specialization in highly complex visual effects, the Company and its team of award winning artists stand at the forefront of an extremely dynamic world of VFX production. The VFX Solutions include Concept Design, Pre-Viz, Look Development, On-set Supervision, 3D Animation / CGI, Matte Painting and Compositing/ Finishing for 2D and stereoscopic feature film and TV projects. Reliance MediaWorks has provided visual effects for esteemed projects like Robert Redford's The Conspirator, Shark Night 3D and remake of Conan the Barbarian among others.

Stereoscopic 3D Conversion

Reliance MediaWorks has created a state of art 2D to 3D conversion facility that combines the best of technology and artistic talent from Hollywood with the most advanced skills and large scale image processing capabilities in India. Through this facility, we are addressing the rapidly growing demand by Hollywood studios and other global content creators for converting both new films shot in standard 2D as well as older legacy titles to be released in cinemas and on home platforms in stereoscopic 3D.

The facility is based in Navi Mumbai and houses a team of over 450 highly trained artists who have been trained by internationally renowned experts to make creative decisions within the context of what the audience will see—helping to eliminate guess work and resulting in a greater ability to use stereo as an aid to storytelling.

Animation

Spread over a 60,000 square feet, state-of-the-art first ever end-to-end quad core studio in Pune, Reliance MediaWorks' animation facility is one of the

leading and fastest growing animation studios in India, dedicated to revive the culture of story-telling by characterizing animation in the world of fantasy.

TVC Solutions

Reliance MediaWorks believes that brands deserve cutting-edge production services in a dynamic media environment. It is with this belief that the Company has setup India's first non linear production studio dedicated to television commercials. The studio provides complete turnkey creative solutions for pre-production, production and post-production of ad films.

### 4. Media And Imaging Services

We are leveraging the potential of outsourcing through our Global Imaging Services Business. We acquired Lowry Digital in 2008 to serve as US Front end, hold important relationships with key clients and perform quality control checks. The Imaging team in USA works jointly with our large scale BPO operation in India to provide optimum solutions to clients.

Media BPO (Film Restoration and Content Processing)

Spread across 90,000 sq ft, Reliance MediaWorks' Media BPO in Mumbai is a leading global player for comprehensive digital restoration and content processing services with a MPAA (Motion Pictures Association of America) standard facility. The BPO aims to provide a comprehensive one point solution for the transition from Analog to Digital and Physical Media to Digital Data. The Media BPO addresses the needs of content owners like international studios, broadcast and television networks, library owners and mobile companies across the world.

Film Restoration and Image Enhancement Services (USA)

Reliance MediaWorks subsidiary based in Burbank, Los Angeles is universally regarded one of the best digital restoration facilities. The Company utilizes proprietary image processing science to deliver superior picture elements and has developed an unique technology – The Lowry Process™ which is used to create unsurpassed image quality at every stage of the workflow for all outputs, including film, broadcast television, commercials, digital cinema, Blu-ray, or web-based video. The Company's services include film restoration, emergency image repair, digital blow-ups and digital intermediate enhancements. Reliance MediaWorks USA's clients are predominantly industry giants like Walt Disney, Paramount Pictures, MGM and 20th Century Fox and entertainment leaders like George Lucas, Steven Spielberg and James Cameron.

3D Solutions

Reliance MediaWorks offers integrated stereo services for any type of 3D alignment issues, image and detail enhancements, grain and noise management and on-set consulting, in addition to the existing services for stereoscopic 3D conversion, DI grading for 3D, creation and handling of 3D DCPs and 3D camera services. We have also performed image and detail enhancements, vertical and horizontal alignments issues and "911 emergency" fixes for 3D versions of Avatar, Journey to the Center of the Earth, U2, X Games 3D: The Movie and Step Up, among others.

RMW's key business highlights in FY 2010-11 are as follows:

**Management Discussion and Analysis**

- Reliance MediaWorks has launched India's largest Hollywood Benchmarked Studios. The RMW studio, once completed, will comprise of 8 sound stages spread across a 7 acre area within Filmcity, Mumbai with a total built-up area of 200,000 sq.ft. and will be the comprehensive resource for Feature Films, Television, Commercials, Music Videos, New Media, Gaming, Special Effects and Special Events.
- Reliance MediaWorks commenced its Media BPO operations and have created one of the world's largest comprehensive single location digital restoration and content processing services facilities in India. Spread over 90,000 sq ft, the facility in its first phase incorporates over 500 digital workstations and employs trained digital image processing artists.
- The Company's Film Post-production Services which include the print processing lab as well as digital services (such as Digital Intermediate, Digital Cinema mastering) have continued to maintain strong market leadership; recently commenced VFX and promos services for domestic clients.
- Reliance MediaWorks expanded its UK presence with the installation of a second high-end neg bath, enabling the Company to handle processing of bonded feature films for Hollywood, British and European producers shooting in the UK.
- Reliance MediaWorks has expanded its global 3D capabilities by offering integrated 3D services across the entire film services value chain. The Company has launched new integrated 3D services for 3D alignment issues, image and detail enhancements, grain and noise management and on-set consulting, in addition to the existing services for stereoscopic 3D conversion, DI grading for 3D, creation and handling of 3D DCPs and 3D camera services.
- BIG Cinemas launched the 'you matter' campaign on April 1, 2011. Prior to the launch, to understand and address the consumer needs, BIG Cinemas had commissioned a joint study with IMRB to understand the entertainment habits of 40 neighbourhoods across India. The learnings from the study were implemented across cinemas to optimize programming of films as well as mix of F&B and promotional offerings for customers.
- Reliance MediaWorks' television production venture, BIG Synergy produced Kaun Banega Crorepati 4 on Sony Entertainment, India's Got Talent Khoj 2 on Colors, Sports Ka Superstar on Doordarshan and BIG Money on NDTV Imagine.

RMW's key awards and accreditation in FY 2010-11:

- Reliance MediaWorks' Burbank facility is one of the four companies recognized by HPA (Hollywood Post Alliance) Awards for Creativity and Innovation in Post Production.
- The Company's motion picture processing lab in Mumbai bagged the 2 National Awards for Best Cinematography. The Company has received National Awards for six consecutive years.
- Cinediner, the exclusive auditorium that combines fine dining with movies at BIG Cinemas - R City Mall, won the award for Most Admired Innovative

Concept of the Year at Images Retail Forum 2010.

- BIG Cinemas' Silent National Anthem which is screened across all cinemas in India has won 3 Lions at the Cannes - the International Festival of Creativity 2011

**Risks and Mitigation Measures**

RMW is exposed to specific risks that are particular to its businesses and the environment within which it operates, including competition risk, interest rate volatility, human resource risk, execution risk and economic cycle.

**Competition Risk:**

The media and entertainment sector industry is becoming increasingly competitive and the Company's growth will depend on its ability to compete effectively. The Company's main competitors are multiplex chains, film services companies across the different segments of the value chain and television software producers. Further liberalization of the Indian media and entertainment sector could lead to a greater presence or entry of new foreign players offering a wider range of products and services. The Company's competitors may have greater resources than it does and, in some cases, may be able to raise debt in a more cost-efficient manner. The Company's growth will depend on its ability to compete effectively in this context. The Company's strong brand image, wide distribution network, diversified service offering and depth of management places it in a strong position to deal with competition effectively.

**Human Resource Risk:**

The Company's success depends largely upon the quality and competence of its management team and key personnel. Attracting and retaining talented professionals is therefore a key element of the Company's strategy and a significant source of competitive advantage. While the Company has a salary and incentive structure designed to encourage employee retention, a failure to attract and retain talented professionals, or the resignation or loss of key management personnel, may have an adverse impact on the Company business.

**Operational Risk:**

The Company may encounter operational and control difficulties when commencing businesses in new markets. The rapid development and establishment of financial services businesses in new markets may raise unanticipated operational or control risks for the Company. Such risks could have a materially adverse effect on the Company's financial position and the results of its operations. An extensive system of internal controls is practiced by RMW to ensure that all its assets are safeguarded and protected against loss from unauthorized use or disposition and all transactions are authorized, recorded and reported correctly. The Audit Committee of Directors periodically reviews the adequacy of our internal controls.

**Economic Risk:**

A slowdown in economic growth in India could cause the business of the Company to suffer. The performance and the growth of the operating company businesses are necessarily dependent on the health of the overall

## Management Discussion and Analysis

Indian economy. The Indian economy has shown sustained growth over the last several years. However, any slowdown in the Indian economy and in particular the media and entertainment sector could adversely affect the company's business.

Company manages these risks by maintaining a conservative financial profile and by following prudent business and risk management practices.

### Opportunities

- Overall, due to changing demographics and economic conditions in India, coupled with consumers willing to spend more on a variety of leisure and entertainment services, the filmed entertainment business is set to grow in the years to come.
- The Government of India has allotted US\$ 50.13 million in the current Five-Year Plan (2007-2012) for various development projects for the film industry. The funds will be utilized to set up a centre for excellence in animation, gaming and visual effects. This initiative would help grow the industry further.
- With a proliferation of television channels and new platforms of delivery like DTH and IPTV available today, there is a significant demand for quality programming in a variety of genres, formats and languages, putting content providers in the television space in an extremely favorable position.
- Overseas markets for Indian films have opened up owing to the ever-increasing presence of Indians and South East Asians across the world. With overseas box office collections contributing a significant amount to a film's revenues, the international market has a vast potential for producers, distributors and exhibitors that is far from being fully exploited.
- The Indian Digital Post Production market which includes services like colour grading, digital intermediate, VFX, etc is to the tune of approximately Rs. 1000 crores. The domestic market is expanding at 30-35% with production budgets of films and commercials as also the spending on special and digital effects increasing exponentially. There also exists a substantial opportunity for catering to international outsourcing of work for foreign studio and media clients.
- Indian cinemas are considerably under-served with 300-400 celluloid prints being produced per film for approximately 12,000 cinemas in the country. Digital cinema has proven to be a high-quality, cost-effective and speedy way to ensure larger audiences. The digitization process will also curb piracy which is rampant, particularly in 'B' and 'C' class cities which are not able to access film prints as early as 'A' class cities.

### Threats

- Currently entertainment tax exemption is available for a limited period. Multiplex profitability depends partly on entertainment tax exemptions that are available for certain duration. There may be some pressure on the margins of all players once the exemption period ends.
- The Indian box office is fairly seasonal in nature, with bigger releases and higher box office sales occurring during certain festivals and holiday periods only. Moreover, occupancies may be affected by major sports events, such as the Indian Premier League cricket tournament.
- The shelf life of films have reduced considerably in the last few years, the success or failure of a film now depends largely on its performance in the opening weeks with piracy having an adverse impact on legitimate revenues of the producer, distributor and exhibitor.

### Internal control system and their adequacy

The Company has adequate internal control procedures commensurate with its size and nature of business. The business control procedures ensure efficient use and protection of Company's resources and compliance with policies, procedures and statutory requirements. Further Internal auditors are appointed to carry audit assignments and to periodically review the transactions across the divisions and evaluate effectiveness of internal control systems.

### Financial performance

The Company's financial performance is covered in Directors' Report to the Members.

### Human resources

The Company regards human resources as a valuable asset. The Company encourages a performance driven culture and enables the employees with focused training at regular intervals. Further, the training needs of the staff at all Divisions are periodically assessed and training programmes are conducted using internal resources and/or engaging external facilitators and trainers. The total number of employees including payroll & contract as on the year end were 6459.

### Outlook for the future

The M&E industry is expected to grow from Rs.738 Billion in CY 2011 to Rs.1275 Billion by CY 2015 at a CAGR of 14%. We also remain bullish on the future prospects & look at growth happening in our post production services like Studio for domestic markets & creative services like vfx & conversion, with US & UK as primary markets to be serviced. We also intend to selectively expand in the exhibition space. Going forward, technology will also be one of the key differentiators for driving revenue & profitability.

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**Certificate on Corporate Governance**

To,

**The Members of Reliance MediaWorks Limited**

I have examined the compliance of conditions of Corporate Governance by **Reliance MediaWorks Limited** ('the Company'), for its financial year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreements of the Company with Stock Exchanges in India.

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

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreements.

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

**B. Durga Prasad Rai**

Practicing Company Secretary

Membership No: ACS 10060

COP No. 4390

Mumbai

May 28, 2011

## Corporate Governance Report

In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges in India and some of the best practices on Corporate Governance, the report containing the details of governance systems and processes at Reliance MediaWorks Limited (RMW) is as under:

Reliance MediaWorks Limited has maintained the highest standards of corporate governance principles and best practices by adopting the "Reliance Group – Corporate Governance Policies and Code of Conduct" as is the norm for all constituent companies in the group. These Policies and Code prescribe a set of systems, processes and principles which conform to the best international standards and are reviewed periodically to ensure their continuing relevance, effectiveness and responsiveness to the needs of investors both local and global and all other stakeholders.

The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations and in all interactions with its stakeholders, including shareholders, employees, the government, lenders and the society. The Company believes that all its operations and actions must serve the underlying goal of enhancing long-term shareholder value. In our commitment to practice sound governance principles, we are guided by the following core principles:

- **Transparency**  
To maintain the highest standards of transparency in all aspects of our interactions and dealings.
- **Disclosure**  
To ensure timely dissemination of all price sensitive information and matters of interest to our stakeholders.
- **Empowerment and accountability**  
To demonstrate the highest levels of personal accountability and to ensure that employees consistently pursue excellence in everything they do.
- **Compliances**  
To comply with all the laws, rules and regulations applicable to the Company.
- **Ethical conduct**  
To conduct the affairs of the Company in an ethical manner.
- **Stakeholders' interests**  
To promote the interests of all stakeholders including customers, shareholders, employees, lenders, vendors and the community.

### Governance practices beyond regulatory requirements

Our governance practices go beyond the mere letter of statutory and regulatory requirements. With this in mind, we have formulated a number of policy documents and introduced the following set of governance practices:

#### A. Values and commitments

We have set out and adopted a policy document on the 'values and commitments' of Reliance MediaWorks Limited. We believe that any business conduct can be ethical only when it rests on the nine core values viz., honesty, integrity, respect, fairness, purposefulness, trust, responsibility, citizenship and caring.

#### B. Code of ethics

Our policy document on 'code of ethics' demands that our employees conduct the business with impeccable integrity and by excluding any consideration of personal profit or advantage.

#### C. Business policies

Our 'business policies' cover a comprehensive range of issues such as fair market practices, insider information, financial records and accounting integrity, external communication, work ethics, personal conduct, policy on prevention of sexual harassment, health, safety, environment and quality.

#### D. Separation of the Board's supervisory role from executive management

In line with best global practices, we have adopted the policy of separating the Board's supervisory role from the executive management.

#### E. Prohibition of insider trading policy

This document contains the policy on prohibiting trading in the equity shares of the Company, based on insider or privileged information.

#### F. Policy on prevention of sexual harassment

Our policy on prevention of sexual harassment aims at promoting a productive work environment and protects individual rights against sexual harassment.

#### G. Whistle blower policy

Our Whistle Blower policy encourages disclosure in good faith of any wrongful conduct on a matter of general concern and protects the whistle blower from any adverse personnel action.

#### H. Environment policy

The Company is committed to achieving excellence in environmental performance, preservation and promotion of clean environment. These are the fundamental concern in all our business activities.

#### I. Risk management

Our risk mitigation procedures ensure that the management controls various business related risks through means of properly defined framework.

#### J. Boardroom practices

##### i. Chairman

In line with the highest global standards of corporate governance, the Board has separated the Chairman's role from that of an executive in managing day-to-day business affairs.

##### ii. Board charter

The Board of Directors has adopted a comprehensive charter, which sets out clear and transparent guidelines on matters relating to the composition of the Board, the scope and function of various Board committees etc.

##### iii. Board committees

The Board constituted Audit Committee, Remuneration Committee and Shareholders'/ Investors' Grievances Committee. The Board rotates Chairman of these Committees.

##### iv. Tenure of independent directors

The tenure of independent directors on the Board of the Company shall not exceed nine years, subject to their re-appointment on retirement by rotation as per statutory provisions.

##### v. Independent director's interaction with shareholders

Member(s) of the Shareholders' / Investors' Grievances Committee interact with shareholders on their suggestions and queries, if any, which are forwarded to the Company Secretary.

**Corporate Governance Report**

vi. **Lead independent director**

Recognizing the need for a representative and spokesperson for the independent directors, the Board has appointed an independent director as the lead independent director. The lead independent director performs the following roles in addition to the role of a non-executive independent director:

- preside over all executive sessions of the Board's independent directors;
- work closely with the Chairman to finalize the information flow, meeting agenda and meeting schedules;
- liaise between the Chairman and the independent directors on the Board; and
- take a lead role along with the Chairman in the Board evaluation process.

Shri Sujal Shah has been designated as the lead independent director. The position of the lead independent director is rotated.

vii. **Training of Board Members**

The Board members are periodically given formal orientation and training with respect to the Company's vision, strategic direction, core values including ethics, corporate governance practices, financial matters and business operations. The Directors are facilitated to get familiar with the Company's functions at the operational levels. Periodic presentations are made at the Board and Committee Meetings, on business and performance updates of the Company, global business environment, business strategy and risks involved. The Board members are also provided with the necessary documents/brochures, reports and internal policies to enable them to familiarize with the Company's procedures and practices.

Periodic updates and training programs for Board members are also conducted on relevant statutory changes and landmark judicial pronouncements encompassing important laws.

viii. **Meeting of independent directors with operating team**

The independent directors of the Company meet in executive sessions with the various operating teams as and when they deem necessary. These discussions may include topics such as, operating policies and procedures, risk management strategies, measures to improve efficiencies, performance and compensation, strategic issues for Board consideration, flow of information to directors, management progression and succession and others as the independent directors may determine. During these executive sessions, the independent directors have access to members of the management and other advisors, as the independent Directors as they may determine and deem fit.

ix. **Commitment of directors**

The meeting dates for the entire financial year are scheduled in the beginning of the year and an annual calendar of meetings of the Board and its committees is circulated to the directors. This enables the directors to plan their commitments and facilitates attendance at the meetings of the Board and its committees.

K. **Governance practices being followed to promote the interests of our stakeholders**

We have introduced several trend setting governance practices to improve stakeholders satisfaction. Some of the major ones among them are:

i. **Customers**

We have taken various initiatives towards customer care by providing comprehensive online support across businesses.

ii. **Employees**

We are committed in making Reliance MediaWorks a "Great Place to Work" and hence our pursuit has been to drive 'Employee Engagement' through multiple platforms, events and extensive Employee communications involving employees and their families. This is aimed at increasing the Happiness Quotient of our employees, employee retention, employee engagement score, thereby leading to higher productivity, better quality of our products and services and thus creating Happy Customers.

Our continuous effort has been in re-engineering our Organisation Design work flows and processes, enhanced automation, enabling us to evolve into an efficient, productive and agile organisation.

We are relentlessly driving capability, leadership and culture building and acquiring, developing and retaining quality talent. Our leadership development process is aligned to the Reliance DNA, which identifies high potential talent on a periodic basis and provides necessary learning interventions to help them take on larger responsibilities and roles

iii. **Shareholders**

The Company recognizes the importance of two way communication with shareholders and of giving a balanced report of results and progress and responds to questions and issues raised in a timely and consistent manner. To ensure this, the Company's corporate website; [www.reliancemediaworks.com](http://www.reliancemediaworks.com) has information for institutional and retail shareholders alike. Shareholders seeking information may contact the Company directly throughout the year. They also have an opportunity to ask questions in person at the Annual General Meeting. Shareholders can contact RMW via dedicated shareholders contact points as provided in this report or through the Company's Registrar and Transfer Agent, details of which are available on the Company's website.

iv. **Lenders**

The Company has been prompt in honouring all debt obligations to its lenders.

iv. **Society**

The Company, in keeping with its Corporate Social Responsibility policy, focuses on healthcare, education, and other social initiatives.

L. **Role of the Company Secretary in Governance Process**

The Company Secretary plays a key role in ensuring that the Board procedures are followed and regularly reviewed. The Company Secretary ensures that all relevant information, details and documents are made available to the directors and senior management

## Corporate Governance Report

for effective decision making at the meetings. The Company Secretary is primarily responsible to ensure compliance with applicable statutory requirements and is the interface between the management and regulatory authorities for governance matters. All the Directors of the Company have access to the advice and services of the Company Secretary.

### M. Independent Statutory Auditors

The Company's accounts are audited by a panel of 2 leading independent audit firms namely:

M/s. B S R & Co., Chartered Accountants.

M/s. Charturvedi & Shah, Chartered Accountants

### Compliance with Clause 49 of the listing agreement

The Company is fully compliant with the mandatory requirements of Clause 49 of the listing agreement formulated by Securities and Exchange Board of India (SEBI).

We present our report on compliance of governance conditions specified in Clause 49 of the listing agreement.

### I. Board of Directors

#### 1. Board composition – Board strength and representation

As at March 31, 2011, the Board consisted of six members. The composition of and the category of directors on the Board of the Company were as under:

| Category                                 | Particulars of Directors  |
|--|---|
| Non Executive – Non Independent Director | Shri Gautam Doshi<br>Shri Amit Khanna   |
| Independent Directors                    | Shri Sujal Shah<br>Shri Anil Sekhri<br>Shri Prasoon Joshi<br>Shri Ajay Prasad |

#### Notes:

- None of the director is related to any other director.
- None of the director has any business relationship with the Company.
- None of the director has received any loans and advances from the Company during the year.

#### 2. Conduct of Board proceedings

The day to day business is conducted by the executives and business heads of the Company under the direction of the Board. The Board holds minimum four meetings every year to review and discuss the performance of the Company, its future plans, strategies and other pertinent issues relating to the Company.

The Board performs the following specific functions in addition to overseeing the business and the management:

- review, monitor and approve major financial and business strategies and corporate actions;
- assess critical risks facing the Company – review options for their mitigation;
- provide counsel on the selection, evaluation, development and compensation of senior management;
- ensure that processes are in place for maintaining the integrity of
  - the Company
  - the financial statements
  - compliance with law
  - relationships with all the stakeholders
- delegation of appropriate authority to the senior executives of the Company for effective management of operations.

#### 3. Board meetings

The Board held 4 meetings during 2010-11 on May 28, 2010, August 6, 2010, October 30, 2010 and February 14, 2011. The maximum time gap between any two meetings was 106 days and the minimum time gap was 69 days. The meetings are normally held at Mumbai.

The Board periodically reviews compliance reports of all laws applicable to the Company.

#### 4. Standards issued by ICSI

The Institute of Company Secretaries of India (ICSI) has issued various 'Secretarial Standards' on key corporate functions like Board meetings, General meetings, Payment of Dividend, Maintenance of Registers and Records, Minutes of Meetings, Transmission of Shares and Debentures, Passing of Resolutions by Circulation, Affixing of Common Seal, Forfeiture of Shares and Board's Report.

Although these standards are not mandatory, the Company adheres to them voluntarily.

#### 5. Attendance of directors

Attendance of directors at the Board meetings held during 2010-11 and the last Annual General Meeting held on August 31, 2010 and the details of directorships (calculated as per provisions of Section 275 and 278 of the Companies Act, 1956), Committee Chairmanships and the Committee memberships held by the directors as on March 31, 2011:

| Name of the Director             | Number of Board meetings attended out of four meeting held during the tenure | Attendance at the last AGM held on 31. 08.2010 | Number of Directorship (including RMW) | Committee(s) <sup>a</sup> membership <sup>b</sup> |                |
|----------------------------------|--|--|--|---|----------------|
|                                  |  |  |  | Membership  | Chairmanship   |
| Shri Gautam Doshi                | 4  | Present  | 10                                     | 10  | 4              |
| Shri Amit Khanna                 | 3  | Present  | 2                                      | 2   | -              |
| Shri Sujal Shah                  | 4  | Present  | 8                                      | 7   | 4              |
| Shri Darius Kakalia <sup>c</sup> | 1  | Not Applicable                                 | Not Applicable                         | Not Applicable                                    | Not Applicable |
| Shri Prasoon Joshi               | 3  | Absent   | 2                                      | 1   | -              |
| Shri Anil Sekhri                 | 4  | Present  | 2                                      | 1   | -              |
| Shri Ajay Prasad                 | 4  | Present  | 2                                      | 1   | -              |

**Corporate Governance Report**

- (a) The information provided above pertains to the following committees in accordance with the provisions of Clause 49 of the listing agreement: i. Audit Committee ii. Shareholders'/Investors' grievances committee
- (b) Membership of committees includes chairmanship, if any.
- (c) Shri Darius Kakalia resigned with effect from June 9, 2010.

**6. Other directorships**

None of the directors holds directorships in more than 15 public limited companies.

**7. Membership of Board committees**

No director holds membership of more than 10 committees of Board nor any director is a chairman of more than 5 committees of Board.

**8. Details of Directors**

The abbreviated resumes of all Directors are furnished hereunder:

**Shri Gautam Doshi**

Shri Gautam Doshi, Director, 58, is a Fellow Chartered Accountant. He has experience in the areas of mergers and acquisition, income-tax, international taxation, accounting, auditing, finance, banking, legal, and general management. Prior to his current position with Reliance Group, he was a Senior Partner of RSM & Co., a well-known firm of Chartered Accountants, and a founder director of Ambit Corporate Finance Private Limited, a leading investment banker. He is the Group Managing Director of Reliance Group.

He is also a Director of Piramal Life Sciences Limited, Reliance Anil Dhirubhai Ambani Group Limited, Reliance Big TV Limited, Reliance Communications Infrastructure Limited, Reliance Life Insurance Company Limited, Reliance Telecom Limited, Sonata Investments Limited, Sterlite Industries (India) Limited, Digital Bridge Foundation and Reliance Broadcast Network Limited.

He is a member of Audit Committee and Chairman of Shareholders'/Investors' Grievance Committee of the Company. He is a Chairman of Audit Committee of Sterlite Industries (India) Limited, Piramal Life Sciences Limited and Sonata Investments Limited. He is a member of Audit Committee of Reliance Communications Infrastructure Limited, Reliance Life Insurance Company Limited, Reliance Big TV Limited and Reliance Telecom Limited. He is a member of Shareholders'/Investors' Grievance Committee of Reliance Telecom Limited. He does not hold any share in the Company as of March 31, 2011.

**Shri Anil Sekhri**

Shri Anil Sekhri, Director, 52, is a Chartered Accountant and Company Secretary with over 25 years experience. He founded Anil Sekhri & Co, a well known Chartered Accountant practitioner firm. He specialises in accounting, taxation and legal matters with focus on the Media and Entertainment sector.

He is also on the Board of Reliance Broadcast Network Limited and Big Showbiz Broadcast Limited.

He is a member of Audit Committee of the Company. He is a Chairman of the Audit Committee and the Shareholders'/Investors' Grievance Committee of Reliance Broadcast Network Limited. He does not hold any share in the Company as of March 31, 2011.

**Shri Sujal Shah**

Shri Sujal Shah, Director, 42, holds a bachelors degree in commerce from University of Mumbai, Mumbai. He is a Chartered Accountant by qualification and is a member of the Institute of Chartered Accountants of India. He has over 18 years experience in the field of accounting. He also has 15 years of experience in corporate consultancy practice including mergers and

acquisitions, restructuring of companies, valuation of business/shares, due diligence review. He is currently the president, Chamber of Tax Consultants for the year 2010-2011 and managing partner, SSPA & Company, Chartered Accountants.

He is also a Director in Gitanjali Gems Limited, Keynote Corporate Services Limited, Reliance Asset Reconstruction Co. Ltd, The Hindoostan Spinning & Weaving Mills Ltd., Amal Ltd., Hindoostan Technical Fabrics Ltd. and Amrit Banaspati Company Ltd.

He is a Chairman of Audit Committee of the Company.

He is a Chairman of Audit Committee in Gitanjali Gems Limited, Reliance Asset Reconstruction Company Limited and Keynote Corporate Services Limited and a member of Audit Committee in The Hindoostan Spinning & Weaving Mills Ltd, Amal Limited and Amrit Banaspati Company Ltd. He does not hold any share in the Company as of March 31, 2011.

**Shri Amit Khanna**

Shri Amit Khanna, Director, 60, holds a bachelor's degree in arts from Delhi University. He has nearly 40 years of experience in areas such as film production, script writing, theatre, journalism and television programming. He has held the position of the president of All India Film Producers Council, president of Film and Television Producers Guild of India Limited and vice-president of Association of Motion Picture and TV Program Producers. He has also been on the governing councils of the film institutes situated in Pune and Kolkata. He was the first Indian to serve on the jury of International Emmy. He has also been on the jury of various film festivals. Besides serving on various international, government and trade organizations and institutions, he has also won several awards including three national film awards.

He is also a Director in The Film & Television Producers Guild of India Ltd. Association, Earth Communications Office – India Association, Reliance Big TV Ltd.

He is a member of Shareholders'/Investors' Grievance Committee of the Company. He is also a member of Audit Committee of Reliance Big TV Limited. He does not hold any share in the Company as of March 31, 2011.

**Shri Praseon Joshi**

Shri Praseon Joshi, Director, 44, an MSc (Physics) and MBA graduate is a well known writer, poet, songwriter, advertising and communication professional. His achievements are reflected by over 400 national and international awards and honors including the prestigious International Award Cannes Lions (twice), Writer of the Year for 5 consecutive years, Creative Person of the Year 2005/2006, Ideater of the Year – Business Today 2004. Shri Joshi was invited to chair the Jury at the prestigious Cannes Festival of Advertising in 2008-09. He was seeded as the No.1 Creative Director in Asia Pacific in 2007-2008. The World Economic Forum designated him as the Young Global Leader. His other awards include Film Fare Awards (2006 and 2008), Screen 2005 and 2008, GIFA, IIFA, Zee Cine, Shailendra Samman 2009 for Literary and Social relevant song writing, BAFTA nomination, Oscar shortlist for the song "Rang de Basanti" and NDTV Indian of the Year Special Award for Entertainment – 2008. He also published books

## Corporate Governance Report

of poetry and prose. Currently, He is the Executive Chairman of McCann Worldgroup, India.

He is also a Director in Reliance Broadcast Network Limited.

He is a member of Shareholders'/Investors' Grievance Committee of the Company. He does not hold any share in the Company as of March 31, 2011.

### Shri Ajay Prasad

Shri Ajay Prasad, Director, 64, holds a bachelors degree in arts (history) from St. Stephens College, New Delhi, and a masters degree in arts (history) from the St. Stephens College, University of Delhi, New Delhi and post graduate diploma in Development Administration from University of Manchester, United Kingdom. He has 38 years experience in areas such as media, health, textiles, tourism, defence and civil aviation. During his tenure with the Ministry of Information and Broadcasting he has dealt with work related to governments expansion plan for extending television coverage in India and in introducing commercial services on Doordarshan. He has also been a part of privatization programme for major airports in India and has chaired a committee formed to prepare a master plan for modernization of air traffic management in India.

He is also a Director in SKIL Infrastructure Limited.

He is a member of Audit Committee of the Company. He does not hold any share in the Company as of March 31, 2011.

## II. Audit Committee

In terms of Clause 49 of the listing agreement as well as Section 292A of the Companies Act, 1956, the Board has constituted Audit Committee of the Board of Directors at its meeting held on January 25, 2001. At present, the Committee consists of non-executive directors of the Company. viz: Shri Sujal Shah, Shri Gautam Doshi, Shri Anil Sekhri and Shri Ajay Prasad as members. Shri Sujal Shah, an independent non-executive Director is the Chairman of the committee. He is an eminent Chartered Accountant and has accounting and related financial management expertise. All other members of the Committee are financially literate.

The Audit Committee, inter alia advises the management on the areas where systems, processes, measures for controlling and monitoring revenue assurance, internal audit can be improved. The minutes of the meetings of the Audit Committee are placed before the Board. The terms of reference of the Audit Committee are in accordance with all the items listed in Clause 49(II) of the listing agreement as follows:

- i. Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial information is correct, sufficient and credible;
- ii. Recommending the appointment, re-appointment and replacement/removal of statutory auditor and fixation of audit fee;
- iii. Approving payment for any other services by statutory auditors;
- iv. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on;
  - a. Matters required to be included in the Directors' Responsibility Statement included in the report of the Board of Directors.
  - b. Any changes in accounting policies and practices and reasons thereof.
  - c. Major accounting entries based on exercise of judgment by management.

- d. Qualifications in draft audit report, if any.
  - e. Significant adjustments arising out of audit.
  - f. Compliance with listing and other legal requirements concerning financial statements.
  - g. Disclosure of related party transactions.
- v. Reviewing with the management the quarterly financial statements before submission to the Board for approval;
  - vi. Reviewing with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or right issue, and making appropriate recommendations to the Board to take up steps in this matter;
  - vii. Reviewing with the management, the performance of the external and internal auditors, the adequacy of internal control systems;
  - viii. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
  - ix. Discussion with internal auditors on any significant findings and follow up thereon;
  - x. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
  - xi. Discussion with statutory auditors before the audit commences about nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
  - xii. To look into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders (in case of non-payment of declared dividends) and creditors;
  - xiii. To review financial statement of subsidiaries particularly its investments;
  - xiv. To review the functioning of the Whistle Blower mechanism;
  - xv. To approve appointment of Chief Financial Officer after assessing qualification, experience, and background etc.
  - xvi. Carrying out all other functions as is mentioned in the terms of reference of the Audit committee;
  - xvii. Review the following information:
    - a. Management Discussion and Analysis of Financial Condition and Results of Operations
    - b. Internal audit reports relating to internal control weaknesses
    - c. Management letters / letters of internal control weaknesses issued by statutory auditors
    - d. Statement of significant related party transactions and
    - e. The appointment, removal and terms of remuneration of the Chief internal auditor.

**Corporate Governance Report**

The Audit Committee has the following powers:

- i. to investigate any activity within its terms of reference;
- ii. to seek any information from any employee;
- iii. to obtain outside legal and professional advice;
- iv. to secure attendance of outsiders with relevant expertise, if it considers necessary.

**Attendance at the meetings of the Audit Committee held during 2010-2011.**

The Audit Committee held its meetings on May 28, 2010, August 6, 2010, October 30, 2010 and February 14, 2011. The maximum gap between any two meetings was 106 days and the minimum gap was 69 days.

| Members              | Number of Meetings held during the year | Number of Meetings attended |
|----------------------|---|-----------------------------|
| Shri Sujal Shah      | 4                                       | 4                           |
| Shri Gautam Doshi    | 4                                       | 4                           |
| Shri Anil Sekhri     | 4                                       | 4                           |
| Shri Darius Kakalia* | 1                                       | 1                           |
| Shri Ajay Prasad**   | 3                                       | 3                           |

\* Shri Darius Kakalia ceased to be a member with effect from June 9, 2010.

\*\* Shri Ajay Prasad was appointed as a member with effect from June 9, 2010.

The Chairman of the audit committee was present at the last Annual General Meeting of the Company.

The meeting considered all the points in terms of its reference at periodic intervals.

The Company Secretary of the Company acts as the Secretary to the Committee.

During the year, the Committee discussed with the Company's auditors the overall scope and plans for the independent audit. The Management represented to the Committee that the Company's financial statements were prepared in accordance with prevailing laws and regulations. The Committee discussed the Company's audited financial statements, the rationality of significant judgments and the clarity of disclosures in the financial statements. Based on the review and discussions conducted with the Management and the auditors, the Audit Committee believes that the Company's financial statements are fairly presented in conformity with prevailing laws and regulations in all material aspects.

The Committee has also reviewed the internal controls put in place to ensure that the accounts of the Company are properly maintained and that the accounting transactions are in accordance with the prevailing laws and regulations. In conducting such reviews, the Committee found no material discrepancy or weakness in the internal control systems of the Company. The Committee also reviewed the financial policies of the Company and expressed its satisfaction with the same. The Committee, after review expressed, its satisfaction on the independence of both the internal and the statutory auditors.

Based on the Committee's discussion with the Management and the auditors and the Committee's review of the representations of the Management, the Committee has recommended the following to the Board of Directors:

1. The audited annual financial statements of the Company for the year ended March 31, 2011, be

accepted by the Board as a true and fair statement of the financial status of the Company.

2. The audited abridged financial statements of the Company for the year ended March 31, 2011, be accepted by the Board as a true and fair statement of the financial status of the Company.
3. The audited consolidated financial statements of the Company and its subsidiaries for the year ended March 31, 2011, be accepted by the Board as a true and fair statement of the financial status.

**III. Remuneration Committee**

The Remuneration Committee of the Board is constituted to formulate from time to time (a) process for selection and appointment of new directors and succession plans and (b) recommend to the Board from time to time, a compensation structure for directors and the manager. Presently, the Company has no executive director.

The Remuneration Committee comprises of five directors i.e. Shri Anil Sekhri, Shri Gautam Doshi, Shri Ajay Prasad, Shri Amit Khanna and Shri Sujal Shah, non-executive Directors as its members. During the year, the Remuneration Committee met on May 28, 2010.

**Attendance at the meeting of the Remuneration Committee held during 2010 - 2011.**

| Members               | Number of Meetings held during the year | Number of Meetings attended |
|-----------------------|---|-----------------------------|
| Shri Anil Sekhri*     | 1                                       | 1                           |
| Shri Darius Kakalia** | 1                                       | 1                           |
| Shri Gautam Doshi     | 1                                       | 1                           |
| Shri Sujal Shah       | 1                                       | 1                           |
| Shri Ajay Prasad***   | N.A.                                    | N.A.                        |
| Shri Amit Khanna      | 1                                       | 1                           |

\* Shri Anil Sekhri was appointed as a Chairman with effect from June 9, 2010.

\*\* Shri Darius Kakalia ceased to be a member with effect from June 9, 2010.

\*\* Shri Ajay Prasad was appointed as a member with effect from June 9, 2010.

Company Secretary of the Company acts as the secretary to the Committee.

**Managerial remuneration policy**

The Remuneration Committee determines and recommends to the Board, the compensation of the Directors and the Manager. The key components of the Company's Remuneration Policy are:

- Compensation will be a major driver of performance.
- Compensation will be competitive and benchmarked with a select group of companies from the service sector.
- Compensation will be transparent, fair and simple to administer.
- Compensation will be fully legal and tax compliant.

# Reliance MediaWorks Limited

## Corporate Governance Report

Details of Sitting fees paid to directors during the year ended March 31, 2011 are as under:

| Name of the Director | Sitting Fees (₹ lac) |
|----------------------|----------------------|
| Shri Gautam Doshi    | 0.60                 |
| Shri Amit Khanna     | 0.30                 |
| Shri Sujal Shah      | 0.60                 |
| Shri Darius Kakalia  | 0.15                 |
| Shri Anil Sekhri     | 0.60                 |
| Shri Prasoon Joshi   | 0.30                 |
| Shri Ajay Prasad     | 0.55                 |

### Notes

- There were no other pecuniary relationship or transactions of non-executive directors vis-à-vis the Company.
- Pursuant to the limits approved by the Board, all Directors being non-executive, are paid sitting fees of ₹ 10,000 per board meeting and ₹ 5,000 per Audit Committee meeting.

#### IV. Shareholders/ Investors grievances committee

The Shareholders / Investors Grievances Committee consist of three Directors of the Company, viz; Shri Gautam Doshi, Chairman, Shri Amit Khanna and Shri Prasoon Joshi as members. The Company has appointed Link Intime India Private Limited to act as Registrar and Transfer Agent of the Company.

The Committee, inter alia, approves issue of duplicate certificates and oversees and reviews all matters connected with transfer of securities of the Company. The Committee also monitors redressal of investor's grievances. Particulars of investors' grievances received and redressed are furnished in the Investor Information Section of this Report. The Committee oversees performance of the Registrar and Transfer Agents of the Company and recommends measures for overall improvement in the quality of investor services. The Committee also monitors implementation and compliance of the Company's Code of Conduct for Prohibition of Insider Trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations, 1992

During the year, the Shareholders / Investors Grievances Committee held its meetings on May 28, 2010, August 6, 2010, October 30, 2010 and February 14, 2011. The maximum gap between any two meetings was 106 days and the minimum gap was 69 days.

#### Attendance at the meeting of the Shareholders/ Investors' Grievances Committee held during 2010-2011.

| Members            | Number of Meetings held during the Year | Number of Meetings Attended |
|--------------------|---|-----------------------------|
| Shri Gautam Doshi  | 4                                       | 4                           |
| Shri Amit Khanna   | 4                                       | 3                           |
| Shri Prasoon Joshi | 4                                       | 3                           |

The Company Secretary of the Company acts as the Secretary to the Shareholders/Investors Grievances Committee.

#### V. Compliance Officer

The Company Secretary of the Company is the Compliance Officer for complying with the

requirements of SEBI Regulations and the Listing Agreements with the Stock Exchanges.

The total number of complaints received and replied to the satisfaction of shareholders during the year under review were 37. There were no complaints pending as on March 31, 2011. The details of period taken on transfer of shares and nature of complaints are furnished in the investor information section of this annual report

#### VI. General Body Meetings:

The Company held its last three Annual General Meetings as under:

| Year      | Date and Time                   | Whether Special Resolution Passed or not   |
|-----------|---------------------------------|--|
| 2009-2010 | August 31, 2010<br>11.00 a.m.   | Yes<br>1. Alteration of Articles of Association<br>2. Resolution u/s 81(1A) of the Companies Act, 1956 for raising funds upto ₹ 500 Crore through the Qualified Institutional Placement of securities<br>3. Resolution u/s 81(1A) of the Companies Act, 1956 to introduce and implement the Reliance MediaWorks Employee Stock Option Scheme ("ESOS")<br>4. Resolution u/s 81(1A) of the Companies Act, 1956 to extend the benefits of the Reliance MediaWorks Employee Stock Option Scheme (ESOS) to such permanent employees of the holding company and subsidiary companies of the Company whether working in India or out of India and Directors of the holding Company and subsidiary companies |
| 2008-2009 | September 30, 2009<br>3.00 p.m. | Yes<br>1. Alteration of Articles of Association<br>2. Resolution u/s 81(1A) of the Companies Act, 1956 for raising funds through the Qualified Institutional Placement of securities<br>3. Change of name of the Company from "Adlabs Films Limited" to "Reliance MediaWorks Limited"  |
| 2007-2008 | August 7, 2008<br>3.00 p.m.     | No   |

Above Annual General Meetings were held at Rangsharda Natyamandir, K. C. Marg, Bandra Reclamation, Bandra (West), Mumbai - 400 050.

**Corporate Governance Report**

**VII. Postal Ballot**

The Company had not conducted any Postal Ballot during the year and there is no resolution proposed to be passed by postal ballot at the ensuing Annual General Meeting.

None of the Businesses proposed to be transacted in the ensuing Annual General Meeting require passing a special resolution through postal ballot.

**VIII. Means of communication**

- a. **Quarterly Results:** Quarterly Results are published in Free Press Journal, English daily newspaper circulating in substantially the whole of India and in Navshakti, Marathi vernacular daily newspaper and are also posted on the Company's website [www.reliancemediaworks.com](http://www.reliancemediaworks.com).
- b. **Media Releases and Presentations:** Official media releases are sent to the Stock Exchanges before their release to the media for wider dissemination. Presentations made to media, analysts, institutional investors, etc. are posted on the Company's website.
- c. **Website:** The Company's website contains a separate dedicated section 'Investor Desk'. It contains comprehensive database of information of interest to our investors including the financial results and Annual Report of the Company, any price sensitive information disclosed to the regulatory authorities from time to time, business activities and the services rendered/ facilities extended by the Company to our investors, in a user friendly manner. The basic information about the Company as called for in terms of clause 54 of the Listing Agreement with the Stock Exchanges is provided on the Company's website and the same is updated regularly.
- d. **Annual Report:** Annual Report containing, inter alia, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report and other important information is circulated to members and others entitled thereto. The Management Discussion and Analysis Report forms part of the Annual Report and is displayed on the Company's website.
- e. **Corporate Filing and Dissemination System (CFDS):** The CFDS portal jointly owned, managed and maintained by BSE and NSE is a single source to view information filed by listed companies. All disclosures and communications to BSE and NSE are filed electronically and hard copies of the said disclosures and correspondence are also filed with the Stock Exchanges.
- f. **Designated email-id:** The Company has also designated the email-id [investor.complaints@relianceada.com](mailto:investor.complaints@relianceada.com) for investor servicing.

**IX. Compliance with other mandatory requirements**

**1. Management Discussion and Analysis**

A Management Discussion and Analysis Report forms part of this Annual Report and includes discussions on various matters specified under clause 49(IV)(F) of the listing agreement.

**2. Subsidiaries**

The Company monitors performance of the subsidiary, inter-alia, by following means:

- a) Financial statements, in particular the investments made by unlisted subsidiary companies are reviewed quarterly by the Audit Committee of the Company.
- b) Minutes of the meetings of the Board of Directors of all subsidiary companies are placed before the Company's Board regularly.
- c) A statement containing all the significant transactions and arrangements entered into by the unlisted subsidiary companies is placed before the Company's Board / Audit Committee.
- d) Quarterly review of Risk Management process by the Audit Committee / Board.

**3. Disclosures**

- a. There has been no instance of non-compliance by the Company on any matter related to capital markets during the last three years and hence no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory Authority.

However, SEBI had issued Show Cause Notice to the Company on February 21, 2008 for contravention of the provisions of Regulation 12(1) read with Clause 3.2.3 and 3.2.4 of the Code of Conduct specified under Part A of Schedule I of the SEBI (Prohibition of Insider Trading) Regulations, 1992. It was alleged that trading of 10,00,000 equity shares of the Company on April 24, 2006 by Mr. Manmohan Shetty, ex-Chairman and Managing Director of the Company was done during the closure of Trading Window and was therefore violation of Code of Conduct under the said regulations. In the matter, Company had obtained a Consent Order on March 9, 2009 and the matter stands closed.

**b. Related party transactions**

During the year 2010-11, no transactions of material nature had been entered into by the Company with the Promoters or Directors or Management or their relatives, their subsidiaries that may have a potential conflict with interest of the Company. The related party transactions with subsidiary companies and others are disclosed in Notes to Accounts.

**c. Accounting treatment**

In the preparation of financial statements, the Company has followed the Accounting Standards as prescribed under Companies (Accounting Standards) Rules, 2006, as applicable. The Accounting Policies followed by the Company to the extent relevant, are set out elsewhere in this Annual Report.

**d. Risk management**

The Company has laid down procedures to inform the members of the Board about the risk assessment and minimization procedures. The Company has framed the risk assessment and minimization procedure which is periodically reviewed by the Audit Committee and the Board.

## Corporate Governance Report

### e. Code of conduct

The Company has adopted the code of conduct and ethics for directors and senior management. The code has been circulated to all the members of the board and senior management and the same has been put on the company's website [www.reliancemediaworks.com](http://www.reliancemediaworks.com). The board members and senior management have affirmed their compliance with the code and a declaration signed by the CEO of the Company, is given below:

"It is hereby declared that the company has obtained from all members of the board and senior management affirmation that they have complied with the code of conduct for directors and senior management of the Company for the year 2010-11".

Anil Arjun  
CEO

### f. CEO/CFO certification

Shri Anil Arjun, the CEO and Shri Venkat Devarajan, the CFO of the Company give certification on financial reporting and internal controls to the Board as required under Clause 49 (V) of the Listing Agreement.

### g. Review of Directors' Responsibility statement

The Board in its report has confirmed that the annual accounts for the year ended March 31, 2011 have been prepared as per applicable accounting standards and policies and that sufficient care has been taken for maintaining adequate accounting records.

## X. Policy on insider trading

The Company has formulated a Code of Conduct for Prevention of Insider Trading (Code) in accordance with the guidelines specified under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992. The Company Secretary acts as the Compliance Officer under the Code responsible for complying with the procedures, monitoring adherence to the rules for the preservation of price sensitive information, pre-clearance of trade, monitoring of trades and implementation of the Code of Conduct under the overall supervision of the Board. The Company's Code, inter alia, prohibits purchase and/or sale of shares of the Company by an insider, while in possession of unpublished Price Sensitive Information in relation to the Company and also during certain prohibited periods. The Company's updated Code is available on the Company's website.

## XI. Compliance with non-mandatory requirements

### 1. Tenure of independent directors on the Board

The tenure of independent directors on the Board of the Company shall not exceed nine years in aggregate.

### 2. Remuneration Committee

The board has set up a Remuneration Committee, details whereof are furnished at Sr. No. III of this report.

## 3. Disclosures

The quarterly financial results including summary of significant events of relevant period are published in newspapers and hosted on the website of the Company.

## 4. Audit qualifications

Strategic decisions were taken during the year resulting in unqualified financial statements of the Company.

## 5. Training of Board Members

A programme has been devised to train Board members in the business model of the Company, risk profile of the business parameters and their responsibilities as directors.

## 6. Whistle Blower Policy

The Company has formulated a policy to prohibit managerial personnel from taking adverse action against employees, who are disclosing in good faith alleged wrongful conduct on matters of public concern involving violation of any law, mismanagement, gross waste or misappropriation of public funds, substantial and specific danger to public health and safety or an abuse of authority. The policy also lays down the mechanism for making enquiry into whistle blower complaint received by the Company.

Employees aware of any alleged wrongful conduct are encouraged to make a disclosure to the Audit Committee. Employees knowingly making false allegations of alleged wrongful conduct to the Audit Committee shall be subject to disciplinary action. No personnel of the Company have been denied access to the grievance redressal mechanism of the Company.

## XII. Corporate Governance Voluntary Guidelines 2009

The Company has ensured substantial compliance with most of the guidelines issued by the Ministry of Corporate Affairs on Corporate Governance in the year 2009, notwithstanding that they are subject to only voluntary compliance by corporates.

## XIII. General shareholder information

The mandatory and various additional information of interest to investors is voluntarily furnished in a separate section on investor information in this annual report.

### Certificate on corporate governance

The Practicing Company Secretary's certificate on compliance of clause 49 of the listing agreement relating to corporate governance is published elsewhere in this annual report.

### Review of governance practices

We have in this report attempted to present the governance practices and principles being followed at Reliance MediaWorks Limited, as evolved over the period, and as best suited to the needs of our business and stakeholders.

Our disclosures and governance practices are continually revisited, reviewed and revised to respond to the dynamic needs of our business and ensure that our standards are at par with the globally recognized practices of governance, so as to meet the expectations of all our stakeholders.

**Investor Information**

**Annual General Meeting**

The 24<sup>th</sup> Annual General Meeting (AGM) will be held on Thursday, September 29, 2011 at 12.00 noon or soon after conclusion of the Annual General Meeting of Reliance Broadcast Network Limited convened on the same day, whichever is later, at Reliance Energy Management Institute, 19 Aarey Colony, Jogeshwari Vikhroli Link Road, Opp. SEEPZ, Mumbai 400 065.

**Financial year of the Company**

The financial year of the Company is from April 1 to March 31 each year.

**Website**

www.reliancemediaworks.com contains a sub-menu on Investor Desk. It carries comprehensive information of interest to our investors including on the results of the Company, any price sensitive information disclosed to the regulatory authorities from time to time, business activities of the company and the services rendered/ facilities extended by the Company to our investors.

**Dedicated email id for investors**

For the convenience of our investors, the Company has designated an email id for investors i.e. investorcomplaints@relianceada.com

**Registrar and Transfer Agent (RTA)**

Link Intime India Private Limited  
C-13, Pannalal Silk Mills Compound,  
L.B.S Marg, Bhandup (W), Mumbai-400 078.  
Tel : (22) 25963838/25946970  
Fax: (22) 25946969  
website : www.linkintime.co.in  
e-mail: rnt.helpdesk@linkintime.co.in

Shareholders/ Investors are requested to forward share transfer documents, dematerialization requests (through their Depository Participant) and other related correspondence directly to Link Intime India Private Limited at the above address for speedy response.

**Book closure dates for the purpose of AGM**

The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, September 21, 2011 to Thursday, September 29, 2011 (both days inclusive) for the purpose of AGM.

**Unclaimed Dividends**

The Dividend for the following years remaining unclaimed for 7 years form the date of declaration are required to be transferred by the Company to Investor Education and Protection Fund (IEPF) and various dates for the transfer of such amounts are as under

| Financial Year | Date of Declaration | Due Date of Transfer |
|----------------|---------------------|----------------------|
| 2003-04        | September 28, 2004  | November 3, 2011     |
| 2004-05        | September 29, 2005  | November 2, 2012     |
| 2005-06        | July 29, 2006       | September 1, 2013    |
| 2006-07        | October 25, 2007    | November 29, 2014    |
| 2007-08        | August 7, 2008      | September 12, 2015   |

Members who have so far not encashed dividend warrant for the aforesaid years are requested to seek issue of demand draft/pay order by writing to the Company's Registrar and Transfer Agent, Link Intime India Private Limited, immediately.

Members are requested to note that no claims shall lie against the Company or the IEPF in respect of any amounts which were unclaimed and unpaid for a period of seven years from the date that it first became due for payment

and no payment shall be made in respect of any such claim.

**Nomination facility**

Individual shareholders holding physical shares can nominate any person/s for the shares held by them. This will save the nominee from going through the lengthy process of getting the shares later on transmitted to his/her name. Shareholders, especially those who are holding shares in single name, are advised to avail of the nomination facility by submitting the prescribed Form 2B to the Company's RTA. Form 2B may be downloaded from the Company's website, www.reliancemediaworks.com under the section "Investor Desk". However, if shares are held in dematerialised form, nomination has to be registered with the concerned DP directly, as per the format prescribed by the DP.

**Share transfer system**

Shareholders / Investors are requested to send share certificate (s) along with share transfer deed in the prescribed form 7B, duly filled in and executed to the Company's RTA. If the transfer documents are in order, the transfer of shares is registered within 7 days of receipt of transfer documents by Company's RTA.

**Permanent Account Number (PAN) for transfer of shares in physical form mandatory**

SEBI vide its Circular dated May 20, 2009 has stated that for securities market transactions and off-market transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company's RTA for registration of such transfer of shares.

**Group coming within the definition of group as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969).**

The following persons constitute the Group coming within the definition of 'group' as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969), which exercises, or is established to be in a position to exercise control directly or indirectly, over the Company:

Shri Anil Dhirubhai Ambani, Smt Tina A. Ambani, Smt Kokila D Ambani, Shri Jai Anmol Ambani, Master Jai Anshul Ambani, K D Ambani Trust, Fidelity Shares and Securities Private Limited, Gaylord Investments and Trading Private Limited, Guruvas Textiles Private Limited, Hansdhvani Trading Company Private Limited, KDA Enterprises Private Limited, Shreeji Comtrade LLP, Guruvas Commercials LLP, Shrikrishna Tradecom LLP, Lord Comtrade LLP, Krupa Commercials LLP, Dhwhani Enterprises LLP, Reliance Innoventures Private Limited, AAA Enterprises Private Limited, AAA Communication Private Limited, AAA Project Ventures Private Limited, AAA Power Systems (Global) Private Limited, AAA Pivotal Enterprises Private Limited, AAA Infrastructure Consulting & Engineers Private Limited, AAA Entertainment Private Limited, AAA Industries Private Limited, AAA & Sons Enterprises Private Limited, AAA International Capital Private Limited, AAA Business Machines Private Limited, AAA Infrastructure Finance Management Private Limited, AAA Corporation Private Limited, AAA Facilities Solutions Private Limited, AAA Resources Private Limited, AAA Home Entertainment Services Private Limited, AAA Micro Services Private Limited, AAA Integrated Services Private Limited, AAA Electrical Power Development Private Limited, Atlanta Advisory Services Private Limited, AAA Industrial Services Private Limited, AAA Utility Ventures Private Limited, AAA Commercial Enterprises Private Limited, Relcom Software Solutions Private Limited, AAA Capital Consultants Private Limited, Aricent Commercial Services Private Limited, AAA Engineering Services Private Limited, Acerock Infrastructure & Consulting Private Limited, Sealink Infra Technology Private Limited, Ambani Enterprises Private Limited, Dhirubhai Ambani Enterprises Private Limited, Quadro Mercantile Private Limited, AAA

# Reliance MediaWorks Limited

## Investor Information

Multivision Services Private Limited, Whitehills Mercantile Private Limited, Whitehills Corporate Services Private Limited, AAA Cinecreation Services Private Limited, Alprosoft Techventures Private Limited, AAA Allied Services Private Limited, AAA Infra Advising Services Private Limited, AAA Advertisement Private Limited, AAA Evershine Entertainment Private Limited, Jumbo Mercantile Private Limited, Atlantic Ventures Private Limited, Microtech Development Private Limited, AAA Illuminative Solutions Private Limited, ADA Enterprises and Ventures Private Limited, Ambani Industries Private Limited, Reliance Enterprises and Ventures Private Limited, Shreenathji Krupa Project Management Private Limited, Shriji Krupa Endeavour Management Private Limited, Solaris Information Technologies Private Limited, Sevenstar Corporate Services Private Limited, Ariel Trading Private Limited, Trans-Pacific Advisory Services Private Limited, Trans-Americas Enterprise Private Limited, Trans-Atlantic Endeavour Management Private Limited, AAA Communication Partners, AAA Enterprises Partners, AAA Project Ventures Partners, AAA Project Ventures Holdings

Partners, RCom Holdings Partners, RCap Holdings Partners, RPower Holdings Partners, RInfra Holdings Partners, Reliance Innoventures Partners, Reliance ADA Group Holdings Partners, AAA Infrastructure Investments Private Limited, AAA Enterprises and Ventures Private Limited, AAA Telecom Holdings Private Limited, AAA Commercial Enterprises Private Limited, Deltainfra Technology Private Limited, Trans-Pacific Holdings Private Limited, Reliance ADA Group Trustees Private Limited, Reliance Capital Limited, Reliance General Insurance Company Limited, Reliance Land Private Limited, Reliance Infrastructure Limited, Reliance Power Limited, Reliance Broadcast Network Limited, Reliance Communications Limited, Reliance Communications Infrastructure Limited, Reliance Telecom Limited, Reliance Net Limited.

The above disclosure has been made, inter alia, for the purpose of Regulation 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

### Shareholding pattern:

| Sr. No | Category                                     | As on 31.03.2011 |       | As on 31.03.2010 |       |
|--------|--|------------------|-------|------------------|-------|
|        |  | No of Shares     | %     | No of Shares     | %     |
| (1)    | Promoters & Person Acting in concert         | 28705000         | 62.23 | 28705000         | 62.23 |
| (2)    | Foreign holdings                             |                  |       |                  |       |
|        | A. Foreign holdings – GDRs                   | -                | -     | -                | -     |
|        | B. Direct By Foreign Companies               | 0                | 0.00  | 97               | 0.00  |
|        | C. Individual and Others                     | 227597           | 0.49  | 299015           | 0.65  |
|        | D. Foreign Institutional Investors           | 1829696          | 3.97  | 1340288          | 2.90  |
|        | Sub-Total                                    | 2057293          | 4.46  | 1639400          | 3.55  |
| (3)    | Bank/Financial Institutions and Mutual Funds | 140803           | 0.31  | 898838           | 1.95  |
| (4)    | General Public                               | 15223074         | 33.00 | 14882932         | 32.27 |
|        | Total  | 46126170         | 100   | 46126170         | 100   |

### Distribution of shareholding

| No. of Shares   | Number of Share holders as on 31.03.2011 |       | Total shares as on 31.03.2011 |       | Number of Share holders as on 31.03.2010 |       | Total shares as on 31.03.2010 |       |
|-----------------|--|-------|-------------------------------|-------|--|-------|-------------------------------|-------|
|                 | Number                                   | %     | Number                        | %     | Number                                   | %     | Number                        | %     |
| Upto 500        | 106114                                   | 98.92 | 7327390                       | 15.89 | 110813                                   | 99.06 | 7073598                       | 15.34 |
| 501-5000        | 1044                                     | 0.97  | 2861087                       | 6.20  | 924                                      | 0.83  | 2510128                       | 5.44  |
| 5001-10000      | 50                                       | 0.05  | 707856                        | 1.53  | 53                                       | 0.05  | 800217                        | 1.73  |
| 10001 and above | 68                                       | 0.06  | 35229837                      | 76.38 | 69                                       | 0.06  | 35742227                      | 77.49 |
| TOTAL           | 107276                                   | 100   | 46126170                      | 100   | 111859                                   | 100   | 46126170                      | 100   |

### Dematerialisation of Shares

The Company has admitted its shares to the depository system of National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialisation of Shares. The International Securities Identification Number (ISIN) allotted to the Company is INE540B01015. The equity shares of the Company are compulsorily traded in dematerialised form as mandated by SEBI.

**Out of total 4,61,26,170 equity shares, 4,60,92,060 equity shares constituting 99.65 per cent of total equity share capital are held in dematerialized form with NSDL and CDSL as on March 31, 2011**

| Electronic holdings      |               |       | Physical holdings |               |      | Total                    |               |     |
|--------------------------|---------------|-------|-------------------|---------------|------|--------------------------|---------------|-----|
| No. of beneficial owners | No. of shares | %     | No. of folios     | No. of shares | %    | No. of beneficial owners | No. of shares | %   |
| 106898                   | 46092060      | 99.65 | 378               | 34110         | 0.35 | 107276                   | 46126170      | 100 |

**Investor Information**

**Investors' grievances attended:**

| Received from         | Received during |           | Redressed during |           | Pending as on |           |
|-----------------------|-----------------|-----------|------------------|-----------|---------------|-----------|
|                       | 2010-2011       | 2009-2010 | 2010-2011        | 2009-2010 | 31.3.2011     | 31.3.2010 |
| SEBI                  | 2               | 2         | 2                | 2         | Nil           | Nil       |
| Stock Exchanges       | 0               | 1         | 0                | 1         | Nil           | Nil       |
| Direct from investors | 35              | 17        | 35               | 17        | Nil           | Nil       |
| Total                 | 37              | 20        | 37               | 20        | Nil           | Nil       |

**Analysis of grievances**

|                                   | 2010-2011 |       | 2009-2010 |       |
|-----------------------------------|-----------|-------|-----------|-------|
|                                   | Numbers   | %     | Numbers   | %     |
| Non-receipt of dividends          | 30        | 81.08 | 9         | 66.67 |
| Non-receipt of share certificates | 3         | 8.11  | 4         | 9.09  |
| Others                            | 4         | 10.81 | 6         | 24.24 |
| Total                             | 37        | 100   | 19        | 100   |

There were no complaint pending as on March 31, 2011

**Notes**

- 1) Investors queries / grievances are normally attended within a period of 3 days from the date of receipt thereof, except in cases involving external agencies or compliance with longer procedural requirements specified by the authorities concerned.
- 2) The shareholder base was 1,07,276 as of March 31, 2011 and 1,11,859 as of March 31, 2010.
- 3) All the queries and grievances received correspond to 0.03 per cent of the number of members.

**Green Initiative in Corporate Governance**

The Ministry of Corporate Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by Companies through electronic mode. In accordance with the recent circular no. 17/2011 dated April 21, 2011 and circular no. 18/2011 dated April 29, 2011 issued by the Ministry, Companies can now send various notices and documents, including Annual Report, to its shareholders through electronic mode to the registered e- mail addresses of shareholders. This welcome initiative of MCA will reduce paper consumption to a great extent and enhance corporate contribution to a greener and safer environment.

All shareholders of the Company can contribute to this initiative and reduce paper usage by opting to receive various notices and documents through electronic mode to their registered e- mail address.

Company had informed all the shareholders who have registered their email address with the depository/ Company for their consent to use their email address for sending documents including Annual Report through email. Company has sent annual report to the shareholders through email who have registered their email address with the Registrar. The shareholders who hold shares in physical form can register their email address with our Registrar and Transfer Agent – Link Intime India Private Limited.

All the shareholders are requested to contribute to this initiative and reduce paper usage by opting to receive various notices and documents through electronic mode to their registered e- mail address with the depository/ Company.

**Equity capital build up**

| Sr. No. | Date                                | Particulars   | Issue Price (₹) | No. of Shares | Cumulative (No. of Shares) |
|---------|-------------------------------------|---|-----------------|---------------|----------------------------|
| 1       | At Incorporation                    | Subscribers to Memorandum and Articles of association | 10              | 200           | 200                        |
| 2       | February 8, 1990                    | Further allotment                                     | 100             | 4,800         | 5,000                      |
| 3       | November 1, 1999                    | Subdivision of Shares                                 | NIL             | NIL           | 50,000                     |
| 4       | November 1, 1999                    | Issue of Bonus Shares                                 | 10              | 8,500,000     | 8,550,000                  |
| 5       | December 2, 1999                    | Further allotment                                     | 10              | 300           | 8,550,300                  |
| 6       | January 8, 2000                     | Subdivision of shares                                 | NIL             | NIL           | 17,100,600                 |
| 7       | December 29, 2000                   | Public Issue of shares                                | 120             | 4,400,150     | 21,500,750                 |
| 8       | May 24, 2005                        | Preferential Allotment                                | 150             | 3,500,000     | 25,000,750                 |
| 9       | August 8, 2005                      | Preferential Allotment                                | 175.20          | 11,000,000    | 36,000,750                 |
| 10      | March 31, 2006                      | Conversion of warrants                                | 175.20          | 3,800,000     | 39,800,750                 |
| 11      | November 11, 2007 to March 17, 2008 | Conversion of FCCBs                                   | 543.42          | 6,325,420     | 46,126,170                 |

# Reliance MediaWorks Limited

## Investor Information

### Stock Exchange listings

The Company's equity shares are actively traded on the BSE and NSE

A. Stock exchanges on which the equity shares of the Company are listed and traded:

|   |  |
|---|--|
| <p>1. Bombay Stock Exchange Ltd.(BSE)<br/>Phiroze Jeejeebhoy Towers,<br/>Dalal Street, Mumbai 400 001.<br/>Telephone: +91 22 2272 1233 / 34<br/>Fax: +91 22 2272 1919<br/>E-mail : corp.relations@bseindia.com<br/>Website : www.bseindia.com</p> | <p>2. National Stock Exchange of India Ltd.(NSE)<br/>Exchange Plaza, Plot no. C/1, G Block<br/>Bandra-Kurla Complex, Bandra (East),<br/>Mumbai 400 051.<br/>Telephone: +91 22 2659 8235 / 36<br/>Fax: +91 22 2659 8237 / 38<br/>E-mail : cmlist@nse.co.in<br/>Website : www.nseindia.com</p> |
|---|--|

The listing fees payable to BSE and NSE for 2011-12 have been paid in full by the Company.

B. **Stock codes/symbols for equity shares**

| Name of the Exchange                  | Physical | Electronic   |
|---------------------------------------|----------|--------------|
| Bombay Stock Exchange Ltd.            | 532399   | INE540B01015 |
| National Stock Exchange of India Ltd. | RELMEDIA | INE540B01015 |

### Foreign Currency Convertible Bonds of the company, conversion and redemption date

On January 25, 2006, Company had issued and allotted 84,000 Zero Coupon Foreign Currency Convertible Bonds (FCCBs) of face value of Euro 1,000 each aggregating to Euro 84 million due in 2011 which unless previously converted, repurchased or cancelled were redeemable at 121.679 per cent of its principal amount on maturity. During the year ended March 31, 2008, 63,350 FCCBs were converted into 63,25,420 equity shares of Face value ₹ 5/- each. The Conversion price of each Bond was ₹ 543.42 per share with a fixed rate of exchange on conversion of ₹ 54.26 = US\$ 1.00.

The Company did not receive any conversion requests during the period March 31, 2010 and January 25, 2011. 20,650 Zero percent outstanding Foreign Currency Convertible Bonds (FCCBs) were redeemed at 121.679 per cent of its principal amount on January 25, 2011.

### Stock Price and Volume

| Month          | Bombay Stock Exchange |            |             | National Stock Exchange |            |             |
|----------------|-----------------------|------------|-------------|-------------------------|------------|-------------|
|                | Highest (₹)           | Lowest (₹) | Volume Nos. | Highest (₹)             | Lowest (₹) | Volume Nos. |
| April 2010     | 233.50                | 206.55     | 11,11,477   | 234.65                  | 207.00     | 42,88,600   |
| May 2010       | 210.95                | 160.40     | 8,49,476    | 210.25                  | 161.65     | 35,53,302   |
| June 2010      | 236.05                | 164.50     | 73,64,702   | 236.60                  | 164.55     | 1,94,23,758 |
| July 2010      | 238.90                | 205.50     | 26,38,404   | 238.80                  | 205.70     | 91,05,021   |
| August 2010    | 215.90                | 186.50     | 13,94,126   | 215.25                  | 186.15     | 54,78,881   |
| September 2010 | 222.95                | 190.00     | 20,81,999   | 222.85                  | 189.25     | 73,21,553   |
| October 2010   | 309.00                | 208.05     | 2,24,11,197 | 309.00                  | 208.10     | 7,00,43,645 |
| November 2010  | 296.55                | 195.15     | 1,05,37,662 | 296.60                  | 195.10     | 3,33,21,335 |
| December 2010  | 244.50                | 192.75     | 69,94,783   | 253.00                  | 193.65     | 1,94,31,245 |
| January 2011   | 236.20                | 161.00     | 45,43,400   | 236.00                  | 159.10     | 1,23,87,787 |
| February 2011  | 173.90                | 122.25     | 1,15,10,244 | 173.90                  | 121.25     | 3,10,70,017 |
| March 2011     | 158.95                | 135.35     | 98,29,153   | 158.90                  | 135.20     | 2,45,48,747 |

### Share Price Performance in comparison to broad based indices - NSE Nifty and BSE Sensex as on March 31, 2011

| Period     | RMW    | Sensex          | Nifty          |
|------------|--------|-----------------|----------------|
| FY 2010-11 | -30.21 | 10.94 per cent  | 11.14 per cent |
| 2 years    | -11.00 | 100.29 per cent | 93.11 per cent |
| 3 years    | -75.40 | 24.29 per cent  | 23.22 per cent |

### Depository services

For guidance on depository services, shareholders may write to the Registrar and Transfer Agent (RTA) of the Company or National Securities Depository Limited, Trade World, 5<sup>th</sup> Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400013, Telephone : +91 22 2499 4200, Fax: +91 22 2497 2993 / 2497 6351, e-mail: info@nsdl.co.in, website: www.nsdl.com or Central Depository Services (India) Limited, Phiroze Jeejeebhoy Towers, 16th Floor, Dalal Street, Mumbai 400023. Telephone: +91 22 2272 3333 Fax: +91 22 2272 3199 / 2072, website: www.cdslindia.com, email: investors@cdslindia.com.

**Investor Information**

**Communication to members**

The quarterly Financial Results of the Company are announced within 45 days of the end of the respective quarter. The Company's Media Releases and details of significant developments are also made available on the Company's website, www.reliancemediaworks.com. These are also published in leading newspapers.

**Reconciliation of share capital audit**

The Securities and Exchange Board of India has directed vide circular no.D&CC/FITTC/CIR-16/2002 dated December 31, 2002 that all issuer companies shall submit a certificate of capital integrity, reconciling the total shares held in both the depositories, viz. NSDL and CDSL and in physical form with the total issued / paid up capital.

The said certificate, duly certified by a qualified practicing company secretary is submitted to the Stock Exchanges where the securities of the company are listed within 30 days of the end of each quarter and the Certificate is also placed before the Board of Directors of the Company.

**Key Financial Reporting Dates for the Financial Year 2011-12**

Unaudited results for the first quarter ended June 30, 2011 : On or before August 13, 2011  
 Unaudited results for the second quarter / half year ended September 30, 2011 : On or before November 14, 2011  
 Unaudited results for the third quarter ended December 31, 2011 : On or before February 14, 2012  
 Audited results for the financial year 2011-12 : On or before May 30, 2012

**Investors' correspondence may be addressed to the Registrar / Compliance Officer of the Company:**

Shareholders/Investors are requested to forward documents related to share transfer, dematerialisation

requests (through their respective Depository Participant) and other related correspondence directly to Link Intime India Private Limited at the below mentioned address for speedy response.

Link Intime India Private Limited  
 (Unit : Reliance MediaWorks Limited)  
 C-13, Pannalal Silk Mills Compound  
 L.B.S Marg, Bhandup (W)  
 Mumbai-400 078  
 Maharashtra, India

**Shareholders / Investors can also send the above correspondence to the Compliance Officer of the Company at the following address:**

The Company Secretary  
 Reliance MediaWorks Limited  
 Filmcity Complex,  
 Goregaon (East), Mumbai- 400 065.  
 Tel. : 39808900  
 Fax : 39808985  
 Email : investor.complaints@relianceada.com

**Units:**

|  |   |  |
|--|---|--|
| Film City Complex<br>Goregaon (East)<br>Mumbai 400 065 | No. 9-A<br>Kumaran Colony<br>Main Road<br>Vadapalani<br>Chennai | Plot No. 12<br>Block AQ<br>Sector V<br>Salt lake<br>Kolkatta 700 009 |
|--|---|--|

The Company presently has over 543 screens spread across India, US, Malaysia, Netherlands and Nepal which are a) either owned/ operated by company or its joint venture or subsidiary companies or b) acquired on lease through agreement(s) with various property owners cum developers at different locations.

# Reliance MediaWorks Limited

## Financial Highlights

| For Year Ending               | 31-Mar-2011(12)<br>₹ mn | 31-Mar-2010(12)<br>₹ mn | 31-Mar-2009(12)<br>₹ mn | 31-Mar-2008(9)<br>₹ mn | 30-June-2007(15)<br>₹ mn | 31-Mar-2006(12)<br>₹ mn | 31-Mar-2005(12)<br>₹ mn | 31-Mar-2004(12)<br>₹ mn | 31-Mar-2003(12)<br>₹ mn | 31-Mar-2002(12)<br>₹ mn |
|-------------------------------|-------------------------|-------------------------|-------------------------|------------------------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Sales                         | 4,866.92                | 4,600.41                | 4,852.68                | 2,703.54               | 761.54                   | 1,054.63                | 858.56                  | 753.43                  | 740.72                  | 569.12                  |
| Other Income                  | 561.82                  | 307.32                  | 655.60                  | 538.53                 | 737.68                   | 49.90                   | 16.99                   | 35.63                   | 39.82                   | 40.74                   |
| PBDIT                         | -63.86                  | 872.38                  | 1,478.12                | 1,570.97               | 2,015.59                 | 484.00                  | 393.24                  | 336.37                  | 321.60                  | 208.38                  |
| PBDT                          | -1,888.43               | -442.71                 | 850.64                  | 1,438.07               | 1,971.42                 | 475.13                  | 377.41                  | 322.90                  | 311.13                  | 198.64                  |
| PBT                           | -2,561.94               | -1,051.45               | -295.59                 | 403.91                 | 1,041.55                 | 386.36                  | 322.86                  | 278.08                  | 268.62                  | 160.78                  |
| Tax                           | 0.16                    | -7.75                   | 1.67                    | -55.14                 | 188.21                   | 123.30                  | 116.17                  | 101.66                  | 102.09                  | 57.40                   |
| Profit after tax(PAT)         | -2,562.10               | -1,043.70               | -297.26                 | 459.05                 | 853.35                   | 263.06                  | 206.69                  | 176.42                  | 166.53                  | 103.38                  |
| Dividend-Equity               | -                       | -                       | -                       | 0.50                   | 0.50                     | 0.45                    | 0.40                    | 0.50                    | 0.40                    | 0.25                    |
| No. of Equity Shares          | 4,61,26,170             | 4,61,26,170             | 4,61,26,170             | 4,61,26,170            | 3,98,00,750              | 3,98,00,750             | 2,15,00,750             | 2,15,00,750             | 2,15,00,750             | 2,15,00,750             |
| EPS (Basic) ₹                 | -55.55                  | -22.63                  | -6.44                   | 10.90                  | 20.95                    | 8.33                    | 9.61                    | 8.21                    | 7.75                    | 4.81                    |
| EPS (Diluted) ₹               | -55.55                  | -22.63                  | -6.44                   | 9.53                   | 17.65                    | 8.02                    | 9.61                    | 8.21                    | 7.75                    | 4.81                    |
| As on                         | 31-Mar-11               | 31-Mar-10               | 31-Mar-09               | 31-Mar-08              | 30-Jun-07                | 31-Mar-06               | 31-Mar-05               | 31-Mar-04               | 31-Mar-03               | 31-Mar-02               |
| Assets                        | ₹ mn                    | ₹ mn                    | ₹ mn                    | ₹ mn                   | ₹ mn                     | ₹ mn                    | ₹ mn                    | ₹ mn                    | ₹ mn                    | ₹ mn                    |
| Gross Block                   | 13,555.08               | 12,936.35               | 10,528.98               | 7,949.93               | 3,022.30                 | 1,079.88                | 853.49                  | 800.62                  | 719.09                  | 698.62                  |
| Net Block                     | 8,626.78                | 8,482.75                | 6,679.70                | 5,239.03               | 1,786.04                 | 781.30                  | 639.03                  | 634.31                  | 597.60                  | 619.58                  |
| Capital WIP                   | 1,529.65                | 1,870.99                | 1,864.02                | 3,094.45               | 1,613.41                 | 2,279.90                | 61.81                   | 11.33                   | 20.06                   | 9.31                    |
| Investments                   | 726.84                  | 1,325.18                | 233.46                  | 2,441.99               | 816.52                   | 4,424.07                | 130.22                  | 133.41                  | 0.50                    | -                       |
| Inventory                     | 72.45                   | 59.68                   | 51.83                   | 19.18                  | 16.15                    | 13.03                   | 9.35                    | 6.12                    | 7.17                    | 8.31                    |
| Receivables                   | 1,889.97                | 2,233.61                | 2,439.43                | 1,476.74               | 603.87                   | 447.57                  | 362.58                  | 320.42                  | 284.69                  | 234.35                  |
| Other Current Assets          | 10,081.50               | 10,076.20               | 7,704.91                | 5,873.67               | 6,041.47                 | 1,849.74                | 831.54                  | 564.12                  | 552.84                  | 463.50                  |
| Profit and Loss Account       | 3,729.94                | 1,167.84                | 124.14                  | -                      | -                        | -                       | -                       | -                       | -                       | -                       |
| Misc. Expenditure             | -                       | -                       | -                       | -                      | -                        | -                       | 0.59                    | 11.53                   | 21.63                   | 32.40                   |
| <b>Total</b>                  | <b>26,657.13</b>        | <b>25,216.25</b>        | <b>19,097.49</b>        | <b>18,145.06</b>       | <b>10,877.46</b>         | <b>9,795.61</b>         | <b>2,035.12</b>         | <b>1,681.24</b>         | <b>1,484.49</b>         | <b>1,367.45</b>         |
| Liabilities                   | ₹ mn                    | ₹ mn                    | ₹ mn                    | ₹ mn                   | ₹ mn                     | ₹ mn                    | ₹ mn                    | ₹ mn                    | ₹ mn                    | ₹ mn                    |
| Equity Share Capital          | 230.63                  | 230.63                  | 230.63                  | 230.63                 | 199.00                   | 199.00                  | 107.50                  | 107.50                  | 107.50                  | 107.50                  |
| Reserves                      | 5,201.80                | 5,233.42                | 5,317.65                | 6,550.21               | 2,912.85                 | 3,186.78                | 1,065.53                | 940.93                  | 825.29                  | 707.27                  |
| Total Debt                    | 19,128.80               | 17,951.27               | 12,147.30               | 9,226.85               | 5,834.17                 | 4,651.05                | 241.46                  | 143.05                  | 116.09                  | 150.50                  |
| Deferred Tax Liability        | -                       | -                       | -                       | -                      | 128.62                   | 70.41                   | 78.28                   | 68.57                   | 52.37                   | 35.37                   |
| Creditors and Acceptances     | 2,013.77                | 1,492.06                | 1,056.24                | 1,653.47               | 662.91                   | 187.97                  | 182.91                  | 156.41                  | 164.73                  | 219.43                  |
| Other current liab/provisions | 82.13                   | 308.87                  | 345.67                  | 483.90                 | 1,139.91                 | 1,500.40                | 359.44                  | 264.78                  | 218.51                  | 147.38                  |
| <b>Total</b>                  | <b>26,657.13</b>        | <b>25,216.25</b>        | <b>19,097.49</b>        | <b>18,145.06</b>       | <b>10,877.46</b>         | <b>9,795.61</b>         | <b>2,035.12</b>         | <b>1,681.24</b>         | <b>1,484.49</b>         | <b>1,367.45</b>         |

**Auditors' Report**

To  
The Members of  
Reliance MediaWorks Limited

1. We have audited the attached Balance sheet of Reliance MediaWorks Limited ('the Company') as at 31<sup>st</sup> March 2011 and the related Profit and loss account and the 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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') 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 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 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 Balance sheet, the Profit and loss account and the Cash flow statement dealt with by this report are in agreement with the books of account;
- d) in our opinion, the Balance sheet, the Profit and loss account and the Cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
- e) on the basis of written representations received from the directors of the Company as at 31<sup>st</sup> March 2011 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 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
- f) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts 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:
  - (i) in the case of the Balance sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2011;
  - (ii) in the case of the Profit and loss account, of the loss of the Company for the year ended on that date; and
  - (iii) in the case of the Cash flow statement, of the cash flows of the Company for the year ended on that date.

**For B S R & Co.**  
Chartered Accountants  
Firm Registration No: 101248W

**Bhavesh Dhupelia**  
Partner  
Membership No: 042070

Mumbai  
28 May 2011

**For Chaturvedi & Shah**  
Chartered Accountants  
Firm Registration No: 101720W

**Parag D. Mehta**  
Partner  
Membership No: 113904

Mumbai  
28 May 2011

# Reliance MediaWorks Limited

## Annexure to the Auditors' Report

(Referred to in our report of even date)

- (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 all 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.
- (c) As more fully explained in note 25 of Schedule 23 to the financial statements, the Company has sold certain fixed assets of the Exhibition segment aggregating to ₹ 1,041.73 million which have been leased back. In our opinion, the aforementioned sale and lease back and other disposals during the year, do not affect the going concern assumption.
- (ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the 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 maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of fixed assets are for the Company's specialised requirements and similarly certain services rendered/ rights and goods sold are of a specialised nature and rendered/ sold to specific buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to the sale of goods and rendering of services. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under Section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any of the products sold / services rendered by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax/ VAT, Service Tax, Customs duty, Entertainment tax, Investor Education & Protection Fund, Wealth tax, and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities.

There were no dues on account of Cess under Section 441A of the Act since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income-tax, Sales-tax/ VAT, Service tax, Customs duty, Entertainment tax, Investor Education & Protection Fund, Wealth tax and other material statutory dues were in arrears as at 31<sup>st</sup> March 2011 for a year of more than six months from the date they became payable.

As more fully explained in Note 1 of Schedule 23 to the financial statements, no amount has been accrued in respect of Maharashtra Value Added Tax.

- (b) According to the information and explanations given to us, the following statutory dues have not been deposited by the Company on account of disputes:

| Name of the statute      | Nature of the dues | Amount (₹ million) | Year to which the amount relates | Forum where dispute is pending                             |
|--------------------------|--------------------|--------------------|----------------------------------|--|
| Central Excise Act, 1944 | Duty and penalty   | 191.84             | 1998-2011                        | Central Excise and Service Tax Appellate Tribunal (CESTAT) |
| Entertainment tax        | Entertainment tax  | 16.21              | 2006-2011                        | Supreme Court  |

**Annexure to the Auditors' Report**

| Name of the statute  | Nature of the dues     | Amount (₹ million) | Year to which the amount relates | Forum where dispute is pending    |
|----------------------|------------------------|--------------------|----------------------------------|-----------------------------------|
| Income tax Act, 1961 | Assessment dues        | 119.12             | 2008-09                          | Commissioner of Income Tax Appeal |
| Income tax Act, 1961 | Tax deducted at source | 101.71             | 2007-08 to 2008-09               | Commissioner of Income Tax Appeal |

- (x) The accumulated losses of the Company are more than 50% of its net worth and it has incurred cash losses in the current financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of its dues to bankers or financial institutions or bondholders.
- (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.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans/ credit facilities taken by others from banks / others are not prejudicial to the interest of the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company, we report that the Company has used funds raised on short term basis for long term investments. The Company has used short term borrowings aggregating ₹ 6,774 million to fund long term purposes.
- (xviii) The Company has not made any preferential allotment of shares during the year to companies / firms / parties covered in the register maintained under Section 301 of the Act.
- (xix) According to the information and explanations given to us, the Company has not issued any secured debentures during the year.
- (xx) According to the information and explanations given to us, the Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the year

**For B S R & Co.**

Chartered Accountants  
Firm Registration No: 101248W

**For Chaturvedi & Shah**

Chartered Accountants  
Firm Registration No: 101720W

**Bhavesh Dhupelia**

Partner  
Membership No: 042070

**Parag D. Mehta**

Partner  
Membership No: 113904

Mumbai  
28 May 2011

Mumbai  
28 May 2011

# Reliance MediaWorks Limited

## Balance Sheet as at 31<sup>st</sup> March 2011

(Currency: ₹ in Million)

|  | Schedule | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
|--|----------|--------------------------------------|--------------------------------------|
| <b>SOURCES OF FUNDS</b>                                    |          |                                      |                                      |
| <b>Shareholders' funds</b>                                 |          |                                      |                                      |
| Share capital  | 2        | 230.63                               | 230.63                               |
| Reserves and surplus                                       | 3        | <u>5,201.80</u>                      | <u>5,233.42</u>                      |
|  |          | <b>5,432.43</b>                      | 5,464.05                             |
| <b>Loan funds</b>  |          |                                      |                                      |
| Secured loans  | 4        | 5,938.26                             | 5,385.26                             |
| Unsecured loans  | 5        | <u>13,190.54</u>                     | <u>12,566.01</u>                     |
|  |          | <u>19,128.80</u>                     | <u>17,951.27</u>                     |
|  |          | <b>24,561.23</b>                     | <u>23,415.32</u>                     |
| <b>APPLICATION OF FUNDS</b>                                |          |                                      |                                      |
| <b>Fixed assets</b>  |          |                                      |                                      |
| Gross block  | 6        | 13,555.08                            | 12,936.35                            |
| Less: Accumulated depreciation / amortisation / impairment |          | <u>4,928.30</u>                      | <u>4,453.60</u>                      |
| Net block  |          | 8,626.78                             | 8,482.75                             |
| Capital work-in-progress                                   |          | <u>1,529.65</u>                      | <u>1,870.99</u>                      |
|  |          | <b>10,156.43</b>                     | 10,353.74                            |
| <b>Deferred tax asset (net)</b>                            | 7        | -                                    | -                                    |
| <b>Investments</b>   | 8        | 726.84                               | 1,325.18                             |
| <b>Current assets, loans and advances</b>                  |          |                                      |                                      |
| Inventories  | 9        | 72.45                                | 59.68                                |
| Sundry debtors   | 10       | 1,889.97                             | 2,233.61                             |
| Cash and bank balances                                     | 11       | 899.33                               | 474.01                               |
| Interest accrued on investment                             |          | 20.67                                | 11.94                                |
| Loans and advances   | 12       | <u>9,161.50</u>                      | <u>9,590.25</u>                      |
|  |          | <b>12,043.92</b>                     | <u>12,369.49</u>                     |
| <b>Less: Current liabilities and provisions</b>            |          |                                      |                                      |
| Current liabilities  | 13       | 2,013.77                             | 1,492.06                             |
| Provisions   | 14       | <u>82.13</u>                         | <u>308.87</u>                        |
|  |          | <b>2,095.90</b>                      | 1,800.93                             |
| <b>Net current assets</b>                                  |          | <b>9,948.02</b>                      | 10,568.56                            |
| Profit and loss account                                    | 15       | <u>3,729.94</u>                      | <u>1,167.84</u>                      |
|  |          | <b>24,561.23</b>                     | <u>23,415.32</u>                     |
| <b>Significant accounting policies</b>                     | 1        |                                      |                                      |
| <b>Notes to the accounts</b>                               | 23       |                                      |                                      |

The schedules referred to above form an integral part of this balance sheet.  
As per our report of even date attached.

**For B S R & Co.**  
Chartered Accountants  
Firm Registration No: 101248W

**For Chaturvedi & Shah**  
Chartered Accountants  
Firm Registration No: 101720W

**For and on behalf of the Board**

**Bhavesh Dhupelia**  
Partner  
Membership No: 042070

**Parag D. Mehta**  
Partner  
Membership No: 113904

**Amit Khanna**  
Director

**Sujal Shah**  
Director

**Madhulika Singh**  
Manager

Mumbai  
28 May 2011

Mumbai  
28 May 2011

Mumbai  
28 May 2011

**Profit and Loss Account for the year ended 31<sup>st</sup> March 2011**

(Currency: ₹ in Million)

|  | Schedule | For the year ended<br>31 <sup>st</sup> March 2011 | For the year ended<br>31 <sup>st</sup> March 2010 |
|--|----------|---|---|
| <b>INCOME</b>  |          |   |   |
| Theatrical exhibition  | 16       | <b>3,338.02</b>                                   | 3,063.90  |
| Film production services   | 17       | <b>1,461.26</b>                                   | 1,122.10  |
| Film production, distribution and related services                       |          | <b>67.64</b>                                      | 369.20  |
| Other income   | 18       | <b>561.82</b>                                     | 307.32  |
|  |          | <u><b>5,428.74</b></u>                            | <u>4,862.52</u>                                   |
| <b>EXPENDITURE</b>   |          |   |   |
| Direct operational expenses  | 19       | <b>2,044.97</b>                                   | 1,563.19  |
| Personnel costs  | 20       | <b>988.25</b>                                     | 596.92  |
| Other operating and general administrative expenses                      | 21       | <b>2,459.38</b>                                   | 1,842.65  |
| Interest and finance charges (net)                                       | 22       | <b>1,824.57</b>                                   | 1,302.47  |
| Depreciation / amortisation  | 6        | <b>673.51</b>                                     | 608.74  |
|  |          | <u><b>7,990.68</b></u>                            | <u>5,913.97</u>                                   |
| <b>(Loss) before tax</b>   |          | <b>(2,561.94)</b>                                 | (1,051.45)  |
| <b>Less: Provision for taxes</b>   |          |   |   |
| - Current tax (including wealth tax)                                     |          | <b>0.10</b>                                       | -   |
| - Short / (excess) provision for earlier years<br>(including wealth tax) |          | <b>0.06</b>                                       | (7.75)  |
| <b>(Loss) after tax carried to balance sheet</b>                         |          | <b>(2,562.10)</b>                                 | (1,043.70)  |
| Basic earnings per share ₹   |          | <b>(55.55)</b>                                    | (22.63)   |
| Diluted earnings per share ₹   |          | <b>(55.55)</b>                                    | (22.63)   |
| (Refer note 16 of Schedule 23)   |          |   |   |
| <b>Significant accounting policies</b>                                   | 1        |   |   |
| <b>Notes to the accounts</b>   | 23       |   |   |

The schedules referred to above form an integral part of this profit and loss account.  
As per our report of even date attached.

**For B S R & Co.**

Chartered Accountants  
Firm Registration No: 101248W

**For Chaturvedi & Shah**

Chartered Accountants  
Firm Registration No: 101720W

**For and on behalf of the Board**

**Bhavesh Dhupelia**

Partner  
Membership No: 042070

**Parag D. Mehta**

Partner  
Membership No: 113904

**Amit Khanna**

Director

**Sujal Shah**

Director

**Madhulika Singh**

Manager

Mumbai  
28 May 2011

Mumbai  
28 May 2011

Mumbai  
28 May 2011

# Reliance MediaWorks Limited

## Cash Flow Statement for the year ended 31<sup>st</sup> March 2011

(Currency: ₹ in Million)

|  | For the year ended<br>31 <sup>st</sup> March 2011 | For the year ended<br>31 <sup>st</sup> March 2010 |
|--|---|---|
| <b>A. Cash flow from operating activities</b>  |   |   |
| Net loss before tax  | (2,561.94)  | (1,051.45)  |
| Adjustment for:  |   |   |
| Depreciation / amortisation  | 673.51  | 608.74  |
| (Profit) / loss on sale / discarding of fixed assets (net)   | (270.11)  | 4.08  |
| Dividend income  | -   | (8.53)  |
| Interest and finance charges (net)   | 1,824.57  | 1,302.47  |
| Interest income  | (77.32)   | (40.64)   |
| Bad debts / advances written off   | 10.73   | 5.05  |
| Provision for advances written off   | 165.82  | 12.19   |
| Profit on sale of investments / mutual funds (net) / rights therein                                  | (42.36)   | (27.44)   |
| Provisions written back  | -   | (24.17)   |
| Unrealised foreign exchange (gain) / loss  | (30.53)   | 200.02  |
| <b>Operating profit before working capital changes</b>   | <b>(307.63)</b>                                   | 980.32  |
| Adjustment for:  |   |   |
| Decrease / (Increase) in sundry debtors  | 274.92  | (200.86)  |
| (Increase) in loans and advances   | (297.77)  | (138.75)  |
| (Increase) in inventories  | (12.77)   | (7.85)  |
| Increase in trade and other payable  | 498.87  | 486.31  |
| <b>Cash used in operating activities</b>   | <b>155.62</b>                                     | 1,119.17  |
| Taxes paid (net of refunds)  | 169.20  | (112.26)  |
| <b>Net cash used in operating activities (A)</b>   | <b>324.82</b>                                     | 1,006.91  |
| <b>B. Cash flow from investing activities</b>  |   |   |
| Purchase of fixed assets   | (1,537.21)  | (2,473.36)  |
| Proceeds from sale of fixed assets   | 1,398.67  | 1.08  |
| Purchase of investments – long term – in shares of subsidiary companies / joint venture / associates | (200.00)  | (300.50)  |
| Advance for application money towards subscription of shares in a joint venture                      | -   | (12.50)   |
| Repayment of capital by a partnership firm   | -   | 24.17   |
| Purchase of investments – long term – other  | 0.01  | (0.99)  |
| Proceeds on sale of long term investments / rights therein   | 0.10  | 406.68  |
| Profit on sale of mutual funds (net)   | 42.36   | 27.44   |
| Long term loan to subsidiaries and joint ventures (net)  | (1,359.77)  | (2,119.57)  |
| Dividend income  | -   | 8.53  |
| Interest income  | 68.59   | 42.56   |
| <b>Cash used in investing activities</b>   | <b>(1,587.25)</b>                                 | (4,396.46)  |
| Taxes paid (net of refunds)  | (1.70)  | (2.67)  |
| <b>Net cash used in investing activities (B)</b>   | <b>(1,588.95)</b>                                 | (4,399.13)  |

**Cash Flow Statement for the year ended 31<sup>st</sup> March 2011**

(Currency: ₹ in Million)

|  | For the year ended<br>31 <sup>st</sup> March 2011 | For the year ended<br>31 <sup>st</sup> March 2010 |
|--|---|---|
| <b>C. Cash flow from financing activities</b>  |   |   |
| Proceeds from short term borrowings (net)  | 259.81  | 5,453.97  |
| Repayment of Foreign currency convertible bonds  | (1,581.45)  | -   |
| Proceeds from long term borrowings   | 3,750.00  | 350.00  |
| Repayment of long term borrowings  | (1,708.33)  | -   |
| Recoverable from Reliance Broadcast Network Limited                                      | (144.86)  | (250.79)  |
| Recovered from Reliance Broadcast Network Limited pursuant to demerger of Radio business | 2,000.00  | -   |
| Interest and finance charges (net)   | (1,675.79)  | (1,303.46)  |
| <b>Net cash flow from financing activities (C)</b>                                       | <u>899.38</u>                                     | <u>4,249.72</u>                                   |
| <b>Net (decrease) / increase in cash and cash equivalent (A+B+C)</b>                     | <u>(364.75)</u>                                   | <u>857.50</u>                                     |
| Cash and cash equivalents as at beginning of the year                                    | <u>1,262.86</u>                                   | <u>405.36</u>                                     |
| Cash and cash equivalents as at end of the year (Refer note 1 below)                     | <u>898.11</u>                                     | <u>1,262.86</u>                                   |
|  | <u>(364.75)</u>                                   | <u>857.50</u>                                     |

**Notes:**

**1) Cash and cash equivalents at year end comprises:**

|   |               |                 |
|---|---------------|-----------------|
| Cash on hand  | 16.66         | 8.52            |
| Balances with scheduled banks   |               |                 |
| - Deposit accounts  | 578.00        | 327.28          |
| - Current accounts  | 303.45        | 136.83          |
| - Liquid investment in mutual funds   | -             | 790.23          |
| (of the above fixed deposit of ₹ 574.90 (2010: ₹ 281.34) are under bank lien) | <u>898.11</u> | <u>1,262.86</u> |

As per our report of even date attached.

**For B S R & Co.**

Chartered Accountants  
Firm Registration No: 101248W

**For Chaturvedi & Shah**

Chartered Accountants  
Firm Registration No: 101720W

**For and on behalf of the Board**

**Bhavesh Dhupelia**

Partner  
Membership No: 042070

**Parag D. Mehta**

Partner  
Membership No: 113904

**Amit Khanna**

Director

**Sujal Shah**

Director

**Madhulika Singh**

Manager

Mumbai  
28 May 2011

Mumbai  
28 May 2011

Mumbai  
28 May 2011

# Reliance MediaWorks Limited

## Significant Accounting Policies

(Currency: ₹ in Million)

### Background

Reliance MediaWorks Limited ('Reliance MediaWorks' or 'the Company') was incorporated in 1987 as a Private Limited Company and is currently a Public Listed Company. The equity shares of the Company are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. Reliance MediaWorks is primarily engaged in theatrical exhibition, film production services and film production and distribution and related services.

On 5 October 2009, the Company received a fresh certificate of incorporation from Registrar of Companies changing the name of the Company from Adlabs Films Limited to Reliance MediaWorks Limited.

### 1. Summary of significant accounting policies

#### 1.1. Basis of preparation

These financial statements are prepared and presented under the historical cost convention on the accrual basis of accounting except for revaluation of certain fixed assets and in accordance with the Accounting Standards ('AS') notified in the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956 ('the Act'), to the extent applicable. The financial statements are presented in ₹ in million except per share data and where mentioned otherwise.

#### 1.2. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles ('GAAP') in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent liabilities on the date of the financial statements and the reported amount of income and expenses during the reported period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the financial statements, which in its opinion are prudent and reasonable. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### 1.3. Fixed assets and depreciation / amortisation

##### a. Tangible assets

Tangible fixed assets are stated at cost and / or revalued amount in accordance with scheme of amalgamation less accumulated depreciation and any provision for impairment. Cost includes freight, duties, taxes (other than those recoverable from tax authorities) and other expenses related directly / indirectly to the acquisition / construction and installation of the fixed assets for bringing the asset to its working condition for its intended use.

Depreciation on fixed assets is provided on the straight line method, at the rates prescribed in Schedule XIV to the Act, which, in management's opinion, reflects the estimated useful lives of those fixed assets, except in case of following assets of theatrical exhibition segment wherein depreciation is provided at following rates:

| Particulars of fixed assets | Rate of depreciation |
|-----------------------------|----------------------|
| Plant and machinery         | 10%                  |
| Furniture and fixture       | 10%                  |
| Computers                   | 20%                  |
| Vehicles                    | 10%                  |

Leasehold improvements / buildings are depreciated over the lower of useful life of the asset and lease term, on a straight line basis.

Individual assets costing up to ₹ 0.005 are depreciated fully in the year of acquisition.

##### b. Intangible assets

Intangible assets, all of which have been acquired / created and are controlled through custody or legal rights, are capitalised at cost, where they can be reliably measured. Where capitalised, intangible assets are regarded as having a limited useful economic life and the cost is amortised over the lower of useful life and ten years.

Application software purchased, which is not an integral part of the related hardware, is shown as intangible assets and amortised on a straight line basis over its useful life, not exceeding five / ten years, as determined by management.

Film rights comprise negative rights and distribution rights in films and are for a contractually specified mode of exploitation, period and territory and are stated at cost less accumulated amortisation. Cost of film rights comprises original purchase price / minimum guarantee. Cost is ascertained on specific identification basis where possible. In case multiple films / rights are acquired for a consolidated amount, cost is allocated to each film / right based on management's best estimates.

The individual film forecast method is used to amortise the cost of film rights acquired. Under this method, costs are amortised in the proportion that 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

## Significant Accounting Policies

(Currency: ₹ in Million)

circumstances indicate that the realisable value of a right is less than its unamortised cost, a loss is recognised for the excess of unamortised cost over the film right's realisable value.

In respect of unreleased films, payments towards film rights are classified under capital advances as the amounts are refundable in the event of non-release of the film.

Purchased goodwill is recognised by the Company on the basis of excess of purchase consideration paid over the value of the assets acquired at the time of acquisition and is amortised over its estimated useful life not exceeding ten years.

### 1.4. Impairment

In accordance with AS 28 – 'Impairment of Assets', where there is an indication of impairment of the Company's asset, 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 asset (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 recoverable amount. Impairment loss is recognised in the profit and loss account.

If at the balance sheet date there is an indicator that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciated historical cost.

Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

### 1.5. Investments

Long-term investments are carried at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term investments and is determined separately for each individual investment.

Current investments are carried at lower of cost and fair value.

### 1.6. Inventories

Inventories (comprising of food and beverage items, chemicals, negative film rolls, xenon lamps and stores and spares related to theatrical exhibition / film production services business etc.) are stated at the lower of cost and net realisable value. Cost is determined on the first-in first out (FIFO) basis.

### 1.7. Employee benefits

#### Short term employee benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees are recognised as an expense during the year.

#### Long term employee benefits:

Provident fund and other schemes

The Company's state governed provident fund scheme, employee state insurance scheme and labour welfare fund are defined contribution plans. The contribution paid / payable under the schemes is recognised during the year in which the employee renders the related service.

Gratuity Plan

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior year; that benefit is discounted to determine its present value and the fair value of any plan assets is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected unit credit method.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities as at the Balance sheet date.

Actuarial gains and losses are recognised immediately in the profit and loss account.

Other Long term employment benefits:

Compensated absences which are not expected to occur within twelve months after the end of the year in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the Balance sheet date, determined based on actuarial valuation using Projected unit credit method. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities as at the Balance sheet date.

## Significant Accounting Policies

(Currency: ₹ in Million)

### 1.8. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The amount recognised as revenue is exclusive of value added tax and service tax and net of trade discounts.

Amount of entertainment tax is shown as a reduction from revenue.

#### Film production services

Revenue from processing / printing of cinematographic films is recognised upon completion of the related processing / printing.

Revenue from processing of digital content is recognised using the proportionate completion method. Use of the proportionate completion method requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended. Efforts expended have been used to measure progress towards completion, as there is a direct relationship between efforts expended and contracted output.

Sale of traded goods is recognised when the risks and rewards of ownership are passed on to the customer, which generally coincides with the dispatch of goods.

Income from equipment / facility rental is recognised over the period of the relevant agreement / arrangement.

#### Theatrical exhibition and related income

Sale of tickets

Revenue from theatrical exhibition is recognised on the date of the exhibition of the films and comprises proceeds from sale of tickets, gross of entertainment tax. As the Company is the primary obligor with respect to exhibition activities, the share of distributors in these proceeds is separately disclosed as distributors' share.

Amount of entertainment tax is shown as a reduction from revenue

Sale of food and beverages

Revenue from sale of food and beverages is recognised upon sale and delivery at the counter.

Advertisement / sponsorship revenue

Revenue from advertisements, sponsorship and events is recognised on the date of the exhibition of the advertisement / event, over the period of the contract or on completion of the Company's obligations, as applicable.

#### Film production, distribution and related income

Film production and related income

Revenue from sale of content / motion pictures is accounted for on the date of agreement to assign / sell the rights in the concerned motion picture / content or on the date of release of the content / motion pictures, whichever is later.

Income from film distribution activity

In case of distribution rights of motion picture / content, revenue is recognised on the date of release / exhibition.

Revenue from other rights such as satellite rights, overseas rights, music rights, video rights, etc. is recognised on the date when the rights are made available to the assignee for exploitation.

Revenue from sale of VCDs / DVDs, etc is recognised when the risks and rewards of ownership are passed on to the customer, which generally coincides with the dispatch of the products.

#### Interest income / income from film financing

Interest income, including from film / content related production financing, is recognised on a time proportion basis at the rate implicit in the transaction.

#### Dividend income

Dividend income is recognised when the right to receive dividend is unconditional at the Balance sheet date.

#### Marketing rights

Amounts received in lieu of future marketing rights sale are recognised as income in the year of entering into the contract.

### 1.9. Foreign currency transactions

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of the transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the profit and loss account of the year. Monetary assets and liabilities denominated in foreign currencies as at the Balance sheet date are translated at the closing exchange rates on that date; the resultant exchange differences are recognised in the profit and loss account except in case of exchange differences arising on translation of monetary items which form part of Company's net investment in a non-integral foreign operation which is accumulated in a

## Significant Accounting Policies

(Currency: ₹ in Million)

'Foreign currency translation reserve' until its disposal.

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

Forward contracts are entered into to hedge the foreign currency risk of the underlying transaction. The premium or discount on all such contracts arising at the inception of each contract is amortised as income or expense over the life of the contract. Exchange difference on forward contracts are recognised as income or expense in the profit and loss account of the year. Any profit or loss arising on the cancellation and renewal of forward contract is recognised as income or expense for the year.

### 1.10. Earnings per share

In determining earning per share, the Company considers the net result after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earning per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earning per share comprises the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of shares that could have been issued on the conversion of all dilutive potential equity shares unless the results would be anti - dilutive. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless issued at a later date.

### 1.11. Taxation

Income-tax expense comprises current tax expense computed in accordance with the relevant provisions of the Income tax Act, 1961 and deferred tax charge or credit.

Current tax provision is made based on the tax liability computed after considering tax allowances and exemptions, in accordance with the Income tax Act, 1961. Deferred tax charge or credit and the corresponding deferred tax liability or asset is recognised for timing differences between the profits / losses offered for income tax and profits / losses as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at the Balance sheet date.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance sheet date and written down / up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

### 1.12. Share issue / Foreign Currency Convertible Bonds (FCCB) issue expenses and premium on redemption.

Share / FCCB issue expenses incurred and premium payable on FCCB are adjusted in the year of issue against the Securities premium account.

### 1.13. Provisions and contingencies

Provisions comprise liabilities of uncertain timing or amount. Provisions are recognised when the Company recognises it has a present obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.

A disclosure for a contingent liability is made when 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.

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

### 1.14. Leases

Rental expenses in non-cancellable arrangements / agreements with scheduled rent increases are recorded on a straight line basis over the lease term.

### 1.15. Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

### 1.16. Commercial papers

Commercial papers are recognised as a liability, at the amount of cash received at the time of issuance ie. discounted value. The discount is amortised as interest cost over the period of the commercial paper at the rate implicit in the transaction.

# Reliance MediaWorks Limited

## Schedules to the Financial Statements for the year ended 31<sup>st</sup> March 2011

(Currency: ₹ in Million)

|  | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
|--|--------------------------------------|--------------------------------------|
| <b>2 Share capital</b>   |                                      |                                      |
| <b>Authorised</b>  |                                      |                                      |
| 100,000,000 (2010: 100,000,000) equity shares of ₹ 5/-each   | <b>500.00</b>                        | 500.00                               |
| <b>Issued, subscribed and paid-up capital</b>  |                                      |                                      |
| 46,126,170 (2010: 46,126,170) equity shares of ₹ 5/- each, fully paid-up   | <b>230.63</b>                        | 230.63                               |
| Of the above:  |                                      |                                      |
| - 17,000,000 (2010: 17,000,000) equity shares of ₹ 5/-each fully paid-up were allotted as bonus share by capitalisation of general reserves. (Also refer note 22 of schedule 23) | <b>230.63</b>                        | 230.63                               |
| <b>3 Reserves and surplus</b>  |                                      |                                      |
| <b>Securities premium account</b>  |                                      |                                      |
| At the commencement of the year  | <b>4,719.05</b>                      | 4,681.80                             |
| Provision for premium on redemption of zero coupon foreign currency convertible bonds ('FCCB') (refer note 22 of schedule 23)  | <b>(37.30)</b>                       | 37.25                                |
|  | <b>4,681.75</b>                      | 4,719.05                             |
| <b>Capital reserve</b>   | <b>582.62</b>                        | 582.62                               |
| (created pursuant to provisions of Scheme of Amalgamation during the year ended 31 <sup>st</sup> March 2009)   |                                      |                                      |
| <b>General reserve</b>   |                                      |                                      |
| At the commencement of the year  | <b>119.51</b>                        | 119.51                               |
| Debit balance of Profit and loss account, deducted as per contra   | <b>(119.51)</b>                      | (119.51)                             |
|  | -                                    | -                                    |
| <b>Foreign currency translation reserve</b>  |                                      |                                      |
| At the commencement of the year  | <b>(68.25)</b>                       | 53.23                                |
| Foreign currency translation gain / (loss) on translation of monetary investment in non-integral operations (net)  | <b>5.68</b>                          | (121.48)                             |
|  | <b>(62.57)</b>                       | (68.25)                              |
|  | <b>5,201.80</b>                      | 5,233.42                             |
| <b>4 Secured loans</b>   |                                      |                                      |
| From banks   |                                      |                                      |
| - Term loan  | <b>5,391.67</b>                      | 5,350.00                             |
| - Cash credit  | <b>250.00</b>                        | 35.26                                |
| - Buyers credit  | <b>296.59</b>                        | -                                    |
| (refer note 3(a) of schedule 23)   | <b>5,938.26</b>                      | 5,385.26                             |
| <b>5 Unsecured loans</b>   |                                      |                                      |
| Short term loans and advances  |                                      |                                      |
| Commercial paper   | <b>5,784.24</b>                      | 7,268.30                             |
| Inter-corporate deposit  | <b>1,500.00</b>                      | -                                    |
| Inter-corporate deposit from subsidiary - Adlabs Distributors and Exhibitors Limited   | <b>24.50</b>                         | 34.50                                |
| From banks   | <b>3,850.00</b>                      | 4,000.00                             |
| Buyers credit  | <b>31.80</b>                         | 139.26                               |
| Other loans and advances   |                                      |                                      |
| From banks   | <b>2,000.00</b>                      | -                                    |
| Zero coupon Foreign Currency Convertible Bonds ('FCCB') (refer note 22 of schedule 23)   | -                                    | 1,123.95                             |
| (refer note 3(b) of schedule 23)   |                                      |                                      |
| Repayable within 1 year ₹ 13,190.54 (2010: ₹ 12,566.01)  | <b>13,190.54</b>                     | 12,566.01                            |

**Schedules to the Financial Statements for the year ended 31<sup>st</sup> March 2011**

(Currency: ₹ in Million)

**6. Fixed assets**

| Particulars   | Gross Block                      |                           |                            | Accumulated depreciation / amortization / impairment |                     |                                       | Net block                         |                                   |
|---|----------------------------------|---------------------------|----------------------------|--|---------------------|---------------------------------------|-----------------------------------|-----------------------------------|
|   | As at 1 <sup>st</sup> April 2010 | Additions during the year | Deductions during the year | As at 1 <sup>st</sup> April 2010*                    | Charge for the year | Depreciation on assets sold/discarded | As at 31 <sup>st</sup> March 2011 | As at 31 <sup>st</sup> March 2010 |
| <b>Intangible assets</b>                                      |                                  |                           |                            |  |                     |                                       |                                   |                                   |
| Goodwill  | 1.22                             | -                         | -                          | 0.06   | 0.12                | -                                     | 1.04                              | 1.16                              |
| Distribution rights   | 1,624.58                         | -                         | -                          | 1,624.58   | -                   | -                                     | 1,624.58                          | -                                 |
| Negative rights   | 1,245.24                         | -                         | -                          | 1,245.24   | -                   | -                                     | 1,245.24                          | -                                 |
| Computer software   | 24.83                            | 32.27                     | -                          | 7.53   | 8.80                | -                                     | 40.77                             | 17.30                             |
| <b>Tangible assets</b>  |                                  |                           |                            |  |                     |                                       |                                   |                                   |
| Leasehold land  | 844.20                           | -                         | -                          | -  | -                   | -                                     | 844.20                            | 844.20                            |
| Buildings:  |                                  |                           |                            |  |                     |                                       |                                   |                                   |
| Leasehold   | 3,501.68                         | 839.83                    | 0.08                       | 346.55   | 207.73              | 0.06                                  | 3,787.21                          | 3,155.13                          |
| Freehold  | 273.73                           | 0.50                      | -                          | 70.49  | 10.08               | -                                     | 193.66                            | 203.24                            |
| Plant and machinery   | 4,870.01                         | 889.00                    | 1,091.33                   | 1,056.74   | 408.05              | 191.53                                | 3,394.42                          | 3,813.27                          |
| Furniture and fixtures  | 528.54                           | 111.92                    | 163.38                     | 96.59  | 49.76               | 20.38                                 | 351.11                            | 431.95                            |
| Vehicles  | 22.32                            | -                         | -                          | 5.82   | 2.13                | -                                     | 14.37                             | 16.50                             |
| <b>Total</b>  | <b>12,936.35</b>                 | <b>1,873.52</b>           | <b>1,254.79</b>            | <b>4,453.60</b>                                      | <b>686.67</b>       | <b>211.97</b>                         | <b>8,626.78</b>                   | <b>8,482.75</b>                   |
| Previous year   | 10,528.98                        | 2,433.66                  | 26.29                      | 3,849.28   | 625.45              | 21.13                                 | 8,482.75                          | 6,679.70                          |
| Capital work-in-progress, including capital advances ("CWIP") |                                  |                           |                            |  |                     |                                       | <b>1,529.65</b>                   | 1,870.99                          |

\* - Includes opening provision for impairment - ₹ 55.17

**Notes:**

- 1) Leasehold land in excess of 99 years is not depreciated as this is treated as deemed ownership.
- 2) Gross block of leasehold land and building includes revalued amount of leasehold land having deemed ownership of ₹ 821.63 and building of ₹ 967.37 pursuant to scheme of arrangement carried out in the year ended 31<sup>st</sup> March 2009.
- 3) Additions to fixed assets / CWIP include the following expenses capitalized

| Particulars   | Year ended 31 <sup>st</sup> March 2011 | Year ended 31 <sup>st</sup> March 2010 |
|---|--|--|
| Depreciation  | 13.16                                  | 16.71                                  |
| Interest  | 97.63                                  | 96.47                                  |
| Professional fees   | 17.16                                  | 24.09                                  |
| Personnel cost  | 156.46                                 | 175.86                                 |
| Rent  | 90.62                                  | 107.14                                 |
| Other operating expenses                                  | 69.40                                  | 90.88                                  |
| Trial period income, netted from fixed assets capitalised | (2.00)                                 | -                                      |
|   | <u>442.43</u>                          | <u>511.15</u>                          |

# Reliance MediaWorks Limited

## Schedules to the Financial Statements for the year ended 31<sup>st</sup> March 2011

(Currency: ₹ in Million)

|  | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
|--|--------------------------------------|--------------------------------------|
| <b>7 (A) Deferred tax asset</b>  |                                      |                                      |
| Arising on account of timing difference in:  |                                      |                                      |
| Provision for leave encashment and gratuity  | 27.28                                | 12.79                                |
| Others   | 54.75                                | 7.93                                 |
| Unabsorbed depreciation allowance and carried forward business loss *  | 310.89                               | 221.50                               |
|  | <u>392.92</u>                        | <u>242.22</u>                        |
| <b>(B) Deferred tax liability</b>  |                                      |                                      |
| Arising on account of timing difference in:  |                                      |                                      |
| Depreciation/ amortisation (net)   | 392.92                               | 242.22                               |
|  | <u>392.92</u>                        | <u>242.22</u>                        |
| <b>Net deferred tax liability</b>  | -                                    | -                                    |
| * Restricted to the extent of deferred tax liability due to absence of virtual certainty   |                                      |                                      |
| <b>8 Investments</b>   |                                      |                                      |
| <b>A Long term (trade, unquoted and at cost)</b>   |                                      |                                      |
| Government securities  |                                      |                                      |
| National savings certificates<br>(Pledged with State government authorities)   | 3.25                                 | 11.26                                |
| <b>B Long term (non-trade, unquoted and at cost)</b>   |                                      |                                      |
| (a) Shares of Subsidiary companies   |                                      |                                      |
| (i) Adlabs Distributors and Exhibitors Limited<br>50,000 (2010: 50,000) equity shares ₹ 10/- each, fully paid up   | 0.50                                 | 0.50                                 |
| (ii) Reliance MediaWorks (UK) Limited<br>10,000 (2010: 10,000) ordinary shares of £1/- each, fully paid up   | 0.85                                 | 0.85                                 |
| (iii) Reliance MediaWorks (USA), Inc.<br>200 (2010: 200) common stock with no par value  | 0.92                                 | 0.92                                 |
| (iv) Reliance MediaWorks (Netherlands) B.V.<br>180 (2010: 180) ordinary shares of €100 each, fully paid up   | 1.04                                 | 1.04                                 |
| (v) Reliance MediaWorks (Mauritius) Limited<br>1,000 (2010: 1,000) ordinary shares issued and outstanding with no par value. (₹ 1,550/-) *   | *                                    | *                                    |
| (vi) Big Synergy Media Limited<br>5,100 (2010: 5,100) equity shares of ₹ 100/- each, fully paid up   | 64.16                                | 64.16                                |
| (vii) Rave Entertainment and Foods (Nepal) Private Limited<br>96,000 (2010: 96,000) equity shares of Nepali Rupees 100/- each fully paid up  | 6.00                                 | 6.00                                 |
| (viii) Sri Ramakrishna Theatres Limited<br>403,574 (2010: 403,574) shares of ₹ 10/- each, fully paid up  | 44.21                                | 44.21                                |
| (ix) Digital Media Imaging Limited<br>850,000 (2010: 50,000) shares of ₹ 10/- each, fully paid up #  | 200.50                               | 0.50                                 |
| (x) Reliance Lowry Digital Imaging Services Inc.<br>100 (2010: 100) shares of \$1 each, fully paid up<br>(these shares constitute 10% of the outstanding shares and balance 90% of the outstanding shares are held by Reliance MediaWorks (USA), Inc., a wholly owned subsidiary of the Company) | 300.00                               | 300.00                               |
| (b) Share of Joint Ventures  |                                      |                                      |
| (i) Cineplex Private Limited<br>250,000 (2010: 250,000) equity shares of ₹ 10/- each, fully paid up  | 2.50                                 | 2.50                                 |

**Schedules to the Financial Statements for the year ended 31<sup>st</sup> March 2011**

(Currency: ₹ in Million)

|  | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
|--|--------------------------------------|--------------------------------------|
| <b>8 Investments (Contd.)</b>  |                                      |                                      |
| (ii) Divya Shakti Marketing Private limited<br>100,000 (2010: 100,000) equity shares of ₹ 10/- each,<br>fully paid up                              | <b>32.90</b>                         | 32.90                                |
| (iii) Swanston Multiplex Cinemas Private Limited<br>390,000 (2010: 390,000) equity shares of ₹ 10/- each,<br>fully paid up                         | <b>70.01</b>                         | 70.01                                |
| (c) Others   |                                      |                                      |
| (i) Sultan Production Private Limited (refer note 23 of<br>schedule 23)<br>Nil (2010: 9,800) equity shares of ₹ 10 each, fully paid up             | -                                    | 0.10                                 |
| (d) Investment in Partnership firm   |                                      |                                      |
| (i) HPE / Adlabs LP<br>(Investment in limited partnership)   | <b>199.93</b>                        | 224.10                               |
| Less: Repayment of principal from the Partnership firm   | -                                    | 24.17                                |
|  | <b>199.93</b>                        | 199.93                               |
| Less: Provision for diminution in value of long term<br>investments  | <b>(199.93)</b>                      | (199.93)                             |
| <b>Total long term investment</b>  | <b>726.84</b>                        | 534.95                               |
| * - Indicates a value less than ₹ 0.005  |                                      |                                      |
| # - Additional shares issued on conversion of loans  |                                      |                                      |
| <b>C Current investments (non-trade, unquoted and at lower of<br/>cost and fair value)</b>   |                                      |                                      |
| Investment in mutual funds   |                                      |                                      |
| Nil (2010: 5,233,869) units of Reliance Liquidity Fund -<br>Growth Option [Net asset value: Nil (2010: ₹ 72.55)]                                   | -                                    | 72.53                                |
| Nil (2010: 581,214) units of Reliance Medium Term Fund<br>- Retail Plan - Growth Plan - Growth Option [Net asset<br>value: Nil (2010: ₹ 11.09)]    | -                                    | 11.06                                |
| Nil (2010: 8,052,502) units of Reliance Monthly Interval<br>fund - Series II -Institutional Growth Plan [Net asset value:<br>Nil (2010: ₹ 100.03)] | -                                    | 100.00                               |
| Nil (2010: 483,782) units of Reliance Money Manager<br>Fund - Institutional Option - Growth Plan [Net asset value:<br>Nil (2010: ₹ 607.09)]        | -                                    | 606.64                               |
| <b>Total current investments</b>   | -                                    | 790.23                               |
|  | <b>726.84</b>                        | 1,325.18                             |
| (Refer note 21 of Schedule 23 for details of purchase and<br>sale of investments during the current year)  |                                      |                                      |
| Aggregate value of quoted investments  | -                                    | -                                    |
| Aggregate value of unquoted investments  | <b>726.84</b>                        | 1,325.18                             |
|  | <b>726.84</b>                        | 1,325.18                             |
| <b>9 Inventories</b>   |                                      |                                      |
| Stores and spares  | <b>35.73</b>                         | 29.39                                |
| Chemical stock   | <b>2.07</b>                          | 1.65                                 |
| Food and beverages   | <b>30.35</b>                         | 23.86                                |
| Negative film rolls  | <b>4.30</b>                          | 4.78                                 |
|  | <b>72.45</b>                         | 59.68                                |
| <b>10 Sundry debtors</b>   |                                      |                                      |
| Unsecured and considered good  |                                      |                                      |
| Debts outstanding for a period exceeding six months  | <b>1,475.89</b>                      | 1,315.97                             |
| Other debts  | <b>414.08</b>                        | 917.64                               |
|  | <b>1,889.97</b>                      | 2,233.61                             |
| Unsecured and considered doubtful  |                                      |                                      |
| Debts outstanding for a period exceeding six months  | <b>68.12</b>                         | 0.19                                 |

# Reliance MediaWorks Limited

## Schedules to the Financial Statements for the year ended 31<sup>st</sup> March 2011

(Currency: ₹ in Million)

|  | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
|--|--------------------------------------|--------------------------------------|
| <b>10 Sundry debtors (Contd.)</b>  |                                      |                                      |
| Less: Provision for doubtful debts   | <u>68.12</u>                         | <u>0.19</u>                          |
|  | <u>-</u>                             | <u>-</u>                             |
|  | <u><b>1,889.97</b></u>               | <u><b>2,233.61</b></u>               |
| Sundry debtors include:  |                                      |                                      |
| Receivable from the Companies under same management  |                                      |                                      |
| (i) Reliance Broadcast Network Limited   | <b>137.67</b>                        | 133.79                               |
| (Maximum amount outstanding during the year ₹ 138.54<br>(2010 : ₹ 133.79).   |                                      |                                      |
| <b>11 Cash and bank balances</b>   |                                      |                                      |
| Cash on hand   | <b>16.66</b>                         | 8.52                                 |
| Balances with scheduled banks  |                                      |                                      |
| - in current accounts  | <b>303.45</b>                        | 136.83                               |
| - in fixed deposit account   | <b>578.00</b>                        | 327.28                               |
| - Dividend account   | <b>1.22</b>                          | 1.38                                 |
| (of the above fixed deposit of ₹ 574.90 (2010: ₹ 281.34) are<br>under bank lien )                                    | <u><b>899.33</b></u>                 | <u><b>474.01</b></u>                 |
| <b>12 Loans and advances</b>   |                                      |                                      |
| Unsecured and considered good  |                                      |                                      |
| Amount due from Reliance Broadcast Network Limited<br>pursuant to demerger   | <b>609.50</b>                        | 2,609.50                             |
| Loans and advances to subsidiaries (refer note 18 of Schedule<br>23)   | <b>4,984.49</b>                      | 3,587.70                             |
| Loans and advances to joint ventures (refer note 18 of<br>Schedule 23)   | <b>39.11</b>                         | 39.92                                |
| Loans and advances to others   | <b>149.21</b>                        | 140.28                               |
| Advance towards share application money - Swanston<br>Multiplex Cinemas Private Limited                              | <b>12.50</b>                         | 12.50                                |
| Advances recoverable in cash or in kind or for value to be<br>received (Refer note 20 of Schedule 23)                | <b>1,396.62</b>                      | 1,032.86                             |
| Deposits   | <b>1,605.37</b>                      | 1,635.45                             |
| Advance tax, tax deducted at source, advance fringe benefit tax<br>(Net of provision for tax ₹ 59.45 (2010: ₹ 59.35) | <b>364.70</b>                        | 532.04                               |
|  | <u><b>9,161.50</b></u>               | <u><b>9,590.25</b></u>               |
| Unsecured and considered doubtful  |                                      |                                      |
| Advance recoverable in cash or kind or for value to be received  | <b>97.89</b>                         | 12.00                                |
| Less: Provision for doubtful advances  | <u><b>(97.89)</b></u>                | <u><b>(12.00)</b></u>                |
|  | <u><b>-</b></u>                      | <u><b>-</b></u>                      |
|  | <u><b>9,161.50</b></u>               | <u><b>9,590.25</b></u>               |
| Loans and advances include:  |                                      |                                      |
| A Receivable from Companies under same management  |                                      |                                      |
| (i) Reliance Broadcast Network Limited   | <b>1,002.52</b>                      | 2,874.98                             |
| (Maximum amount outstanding during the year<br>₹ 2,975.09 (2010: ₹ 2,874.98)   |                                      |                                      |
| B Receivable from joint ventures:  |                                      |                                      |
| (i) Divyashakti Marketing Private Limited  | <b>19.26</b>                         | 19.45                                |
| (Maximum amount outstanding during the year ₹ 19.45<br>(2010: ₹ 22.36)   |                                      |                                      |
| (ii) Cineplex Private Limited  | <b>19.85</b>                         | 20.47                                |
| (Maximum amount outstanding during the year ₹ 28.85<br>(2010: ₹ 34.21)   |                                      |                                      |
| (iii) Swanston Multiplex Cinemas Private Limited   | <b>12.50</b>                         | 12.50                                |
| (advance towards share application money)<br>(Maximum amount outstanding during the year ₹ 12.50<br>(2010: ₹ 12.50)  |                                      |                                      |

**Schedules to the Financial Statements for the year ended 31<sup>st</sup> March 2011**

(Currency: ₹ in Million)

|  | As at<br>31 <sup>st</sup> March 2011                     | As at<br>31 <sup>st</sup> March 2010                     |
|--|--|--|
| <b>13 Current liabilities</b>  |  |  |
| <b>Sundry creditors</b>  |  |  |
| Due to Micro, small and Medium Enterprises Unit<br>(refer note 5 of Schedule 23)                                 | 9.82   | -  |
| Other creditors for goods and services   | <u>1,600.51</u>  | <u>1,157.93</u>  |
| Other current liabilities  | <b>199.13</b>  | 173.71   |
| Advance payments received  | <b>201.26</b>  | 157.03   |
| Interest accrued but not due   | <b>1.83</b>  | 2.01   |
| Unclaimed dividend   | <b>1.22</b>  | 1.38   |
| An amount of ₹ Nil (2010: ₹ Nil) is due and outstanding for<br>credit to Investor Education and Protection Fund. |  |  |
|  | <u><b>2,013.77</b></u>                                   | <u>1,492.06</u>  |
| <b>14 Provisions</b>   |  |  |
| Leave encashment   | <b>82.13</b>   | 37.63  |
| Premium on redemption of FCCB<br>(refer note 22 of schedule 23)  | -  | 271.24   |
|  | <u><b>82.13</b></u>                                      | <u>308.87</u>  |
| <b>15 Profit and loss account</b>  |  |  |
| Opening balance  | <b>1,287.35</b>  | 243.65   |
| Loss of current year   | <b>2,562.10</b>  | 1,043.70   |
|  | <b>3,849.45</b>  | 1,287.35   |
| Deducted as per contra   | <b>(119.51)</b>  | (119.51)   |
|  | <u><b>3,729.94</b></u>                                   | <u>1,167.84</u>  |
|  | <b>For the year ended<br/>31<sup>st</sup> March 2011</b> | <b>For the year ended<br/>31<sup>st</sup> March 2010</b> |
| <b>16 Theatrical exhibition</b>  |  |  |
| Sale of tickets  | <b>2,627.23</b>  | 2,240.18   |
| Less: Entertainment tax  | <b>391.91</b>  | 289.08   |
|  | <b>2,235.32</b>  | 1,951.10   |
| Advertisements / sponsorship revenue   | <b>211.70</b>  | 381.93   |
| Facilities provided at multiplex   | <b>75.47</b>   | 57.84  |
| Food and beverages   | <b>712.28</b>  | 513.99   |
| Others   | <b>103.25</b>  | 159.04   |
|  | <u><b>3,338.02</b></u>                                   | <u>3,063.90</u>  |
| <b>17 Film production services</b>   |  |  |
| Processing / printing of films   | <b>1,060.61</b>  | 710.64   |
| Equipment / facilities rental income   | <b>206.66</b>  | 183.94   |
| Trading income   | <b>192.63</b>  | 222.93   |
| Others   | <b>1.36</b>  | 4.59   |
|  | <u><b>1,461.26</b></u>                                   | <u>1,122.10</u>  |

# Reliance MediaWorks Limited

## Schedules to the Financial Statements for the year ended 31<sup>st</sup> March 2011

(Currency: ₹ in Million)

|  | For the year ended<br>31 <sup>st</sup> March 2011 | For the year ended<br>31 <sup>st</sup> March 2010 |
|--|---|---|
| <b>18 Other income</b>   |   |   |
| Dividend income from:  |   |   |
| - Subsidiary   | -   | 8.53  |
| Interest income from:  |   |   |
| - Banks (Tax deducted at source ₹ 1.70 (2010:<br>₹ 2.67))      | 30.36   | 25.35   |
| - Loans, advances and other deposits                           | 46.96   | 15.29   |
| Profit on sale of current investments                          | 42.36   | 27.44   |
| Foreign exchange gain advances, debtors and<br>creditors (net) | 34.91   | -   |
| Profit on sale of assets / discarding of assets (net)          | 270.11  | -   |
| Bad debts recovered / provisions written back                  | 81.40   | 108.09  |
| Sundry balances written back (net)                             | 30.63   | -   |
| Share of advertisement income                                  | -   | 121.30  |
| Miscellaneous income   | 25.09   | 1.32  |
|  | <u>561.82</u>                                     | <u>307.32</u>                                     |
| <b>19 Direct operational expenses</b>                          |   |   |
| Distributors share   | 985.79  | 807.33  |
| Print, publicity expenses and producers overflow               | 24.36   | 11.93   |
| Show tax, INR charges etc                                      | 13.92   | 8.02  |
| Cost of food and beverage sold                                 |   |   |
| Opening stock  | 23.86   | 14.69   |
| Purchases  | 237.07  | 168.60  |
| Less: Closing stock  | 30.35   | 23.86   |
| Consumption  | 230.58  | 159.43  |
| Chemical consumed  |   |   |
| Opening stock  | 1.65  | 3.35  |
| Purchases  | 33.93   | 28.42   |
| Less: Closing stock  | 2.07  | 1.65  |
| Consumption  | 33.51   | 30.12   |
| Consumables  | 11.85   | 10.03   |
| Processing charges   | 180.82  | 17.66   |
| Electricity, power and water charges                           | 379.26  | 289.01  |
| Cost of raw films sold   |   |   |
| Opening stock  | 4.78  | 5.46  |
| Purchases  | 164.24  | 199.54  |
| Less: Closing stock  | 4.30  | 4.78  |
| Consumption  | 164.72  | 200.22  |
| Other direct expenses  | 20.16   | 29.44   |
|  | <u>2,044.97</u>                                   | <u>1,563.19</u>                                   |
| <b>20 Personnel costs</b>                                      |   |   |
| Salaries, wages and bonus                                      | 850.20  | 532.58  |
| Contribution to provident and other funds                      | 32.15   | 19.85   |
| Gratuity   | 5.37  | 2.84  |
| Leave encashment   | 72.62   | 18.02   |
| Staff welfare expenses   | 27.91   | 23.63   |
|  | <u>988.25</u>                                     | <u>596.92</u>                                     |

**Schedules to the Financial Statements for the year ended 31<sup>st</sup> March 2011**

(Currency: ₹ in Million)

|  | For the year ended<br>31 <sup>st</sup> March 2011 | For the year ended<br>31 <sup>st</sup> March 2010 |
|--|---|---|
| <b>21 Other operating and general administrative expenses</b>    |   |   |
| Advertisement  | 132.61  | 158.35  |
| Bank charges   | 22.04   | 28.24   |
| Business promotion   | 8.97  | 2.11  |
| Rent   | 1,252.71  | 809.26  |
| Rates and taxes  | 69.89   | 40.97   |
| Commission and brokerage   | 2.75  | 0.47  |
| Travelling and conveyance  | 56.86   | 47.40   |
| Labour charges   | 190.42  | 128.23  |
| Insurance  | 15.00   | 12.74   |
| Legal and professional fees                                      | 64.16   | 68.63   |
| Directors sitting fees   | 0.31  | 0.58  |
| Loss on sale / discarding of assets (net)                        | -   | 4.08  |
| Printing and communication                                       | 88.77   | 71.89   |
| Provision for doubtful debts / advances                          | 165.82  | 12.19   |
| Bad debts / advances written-off                                 | 10.73   | 5.05  |
| Facility maintenance charges                                     | 142.74  | 89.93   |
| Repairs and maintenance  |   |   |
| - Building   | 14.57   | 3.33  |
| - Machinery  | 101.16  | 27.74   |
| - Others   | 43.20   | 54.35   |
| Foreign exchange loss on advances, debtors and creditors (net)   | -   | 201.19  |
| Auditors' fees (refer note 6 of Schedule 23)                     | 8.76  | 9.37  |
| Miscellaneous expenses   | 67.91   | 66.55   |
|  | <u>2,459.38</u>                                   | <u>1,842.65</u>                                   |
| <b>22 Interest and finance charges (net)</b>                     |   |   |
| On fixed loan  | 1,188.31  | 728.37  |
| On other loans   | 411.55  | 508.60  |
|  | <u>1,599.86</u>                                   | <u>1,236.97</u>                                   |
| Less: Interest recovered from Reliance Broadcast Network Limited | (144.86)  | (250.79)  |
| Less: Interest capitalised                                       | (99.53)   | (96.47)   |
|  | <u>1,355.47</u>                                   | <u>889.71</u>                                     |
| Finance charges  | 103.10  | 71.46   |
| Foreign exchange loss / (gain) on borrowings (net)               | 149.31  | (12.62)   |
| Loss on derivative contracts (net)                               | 216.69  | 353.92  |
|  | <u>1,824.57</u>                                   | <u>1,302.47</u>                                   |

# Reliance MediaWorks Limited

## Notes to Accounts

(Currency: ₹ in Million)

### Schedule 23: Notes to the accounts

#### 1. Contingent liabilities

| On account of   | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
|---|--------------------------------------|--------------------------------------|
| <b>Disputes with central excise</b>   |                                      |                                      |
| Disputed central excise demand pending with the Central Excise and Service Tax Appellate Tribunal   | 191.84                               | 171.53                               |
| <b>Disputes with Income Tax</b>   |                                      |                                      |
| Disputed liability in respect of tax deduction at source, matter is pending with Commissioner of Income tax (Appeals)   | 101.71                               | -                                    |
| Disputed tax liability in respect of AY 2008-09 for Rave Entertainment Private Limited ('REPL'), REPL was a wholly owned subsidiary of the Company and merged with it with effect from 1 April 2008, appeal is pending with Commissioner of Income tax (Appeals)      | 140.12                               | -                                    |
| <b>Entertainment tax</b>  |                                      |                                      |
| In respect of certain multiplexes, the Company has made an application for availing exemption under the relevant Act retrospectively from the date of commencement of the operations of the said multiplex and the application is pending approval                    | 21.94                                | 34.00                                |
| In respect of certain multiplexes, the Company is in dispute with the entertainment tax authorities regarding eligibility for availing exemption under the relevant Act   | 55.88                                | 45.17                                |
| In respect of demand orders received for payments of entertainment tax collected and not paid to the authorities, the Company has made an appeal against said demand orders as it believes that the same is not payable, being exemption from payment available to it | 11.32                                | 10.75                                |
| The Company shall be liable to pay the entertainment tax in the event that the multiplexes do not continue operations for a period of 10 years from the respective dates from which they commenced their operations   | 1,112.52                             | 1,061.49                             |
| Claims against Company not acknowledged as debts  | 19.86                                | 7.40                                 |
| <b>Guarantees</b>   |                                      |                                      |
| Guarantees given to bank and others for loans / credit facilities given to Subsidiary Companies   | 1,051.80                             | 1,768.96                             |
| Guarantee given to Service providers in respect of Subsidiary Companies   | 425.40                               | 421.81                               |

**Value added tax:** The Maharashtra Value Added Tax Act, 2002 lists the Scheduled entry, inter alia, "Copy right" w.e.f. 1 April 2005. Pursuant to this enactment / scheduled entry, the entertainment industry has made a written representation to the Finance Minister, Maharashtra for deletion of the scheduled entry from the Act. Similar representation was made by the industry in some other states, as a result of which the Act was modified to delete this scheduled entry. The Company is awaiting a positive response from the Ministry of Finance in respect of the assurance given. Accordingly, no provision (amount not currently ascertainable) has been made in the books of accounts.

With effect from the 1 May 2011 the Maharashtra Value Added Tax Act, 2002 was amended to exempt tax on Copyrights for distribution and exhibition of cinematographic films in theatres and cinema halls.

#### Notes:

- The Company is a party to various legal proceedings in the normal course of business and does not expect the outcome of these proceedings to have any adverse effect on its financial conditions, results of operations or cash flows.
- The amounts are excluding penalty and interest if any that would be levied at the time of final conclusion.

#### 2. Commitments

| Particulars   | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
|---|--------------------------------------|--------------------------------------|
| Estimated amount of contract remaining to be executed on capital account and not provided for, net of advances (for fixed assets) | 464.67                               | 1,185.83                             |
| Estimated amount of contract remaining to be executed on capital account and not provided for, net of advances (for investments)  | 120.00                               | -                                    |
| <b>Total</b>  | <b>584.67</b>                        | <b>1,185.83</b>                      |

**Notes to Accounts**

(Currency: ₹ in Million)

**3. Details of loans**

a. Cash credit of ₹ 54.05 (2010: ₹ 35.26) is secured by pari passu first charge on the inventories and book debts of the Company.

Cash credit of ₹ 195.95 (2010: Nil) is secured by pari passu first charge of all the movable fixed assets and pari passu second charge on current assets of the Company.

Term loan from the banks of ₹ 4,766.67 (2010: ₹ 4,350.00) are secured by pari passu first charge on fixed assets and ₹ 625.00 (2010: ₹ 1,000.00) are secured by pari passu first charge on inventories, book debts and loans and advances of the Company.

Buyer's credit from the bank of ₹ 296.59 (2010: Nil) is secured by pari passu second charge of current assets and all the movable fixed assets of the Company.

b. Commercial papers of ₹ 5,784.24 and short term loan of ₹ 1,500.00 from bank is also guaranteed by a Corporate.

**4. Remuneration to Directors / Manager**

Remuneration to manager as appointed under section 269 of Companies Act, 1956:

| Particulars                    | Year ended                  | Year ended                  |
|--------------------------------|-----------------------------|-----------------------------|
|                                | 31 <sup>st</sup> March 2011 | 31 <sup>st</sup> March 2010 |
| Salary                         | 1.03                        | 0.74                        |
| Contribution to provident fund | 0.05                        | 0.04                        |
| <b>Total</b>                   | <b>1.08</b>                 | <b>0.78</b>                 |

The above does not include gratuity and leave encashment benefit as the provision for these are determined for the Company as a whole and therefore separate amount for the Manager are not available.

No commission is paid to directors and hence disclosure under section 198 of the Act is not made.

5. Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into force from 2nd October 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises (MSME). On the basis of the information and records available with the Company, the following disclosures are made for the amounts due to the Micro and Small enterprises.

| Particulars  | As at                       | As at                       |
|--|-----------------------------|-----------------------------|
|  | 31 <sup>st</sup> March 2011 | 31 <sup>st</sup> March 2010 |
| Principal amount due to any supplier as at the year end  | 9.52                        | -                           |
| Interest due on the principal amount unpaid at the year end to any supplier  | 0.30                        | -                           |
| Amount of Interest paid by the Company in terms of Section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year  | -                           | -                           |
| Payment made to the enterprises beyond appointed date under Section 16 of MSMED  | -                           | -                           |
| Amount of Interest due and payable for the period of delay in making payment, which has been paid but beyond the appointed day during the year, but without adding the interest specified under MSMED  | -                           | -                           |
| The amount of interest accrued and remaining unpaid at the end of each accounting year; and  | -                           | -                           |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest due as above is actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED. | 0.30                        | -                           |

**6. Auditors Fee:**

| Particulars                            | Year ended                  | Year ended                  |
|--|-----------------------------|-----------------------------|
|  | 31 <sup>st</sup> March 2011 | 31 <sup>st</sup> March 2010 |
| Audit fee                              | 6.50                        | 8.82                        |
| Other attestation fees                 | 1.88                        | 0.35                        |
| Reimbursement of out of pocket expense | 0.38                        | 0.20                        |
| <b>Total</b>                           | <b>8.76</b>                 | <b>9.37</b>                 |

# Reliance MediaWorks Limited

## Notes to Accounts

(Currency: ₹ in Million)

### 7. Quantitative details

#### a) Quantitative details of turnover

| Particulars                             | Units         | Year ended<br>31 <sup>st</sup> March 2011 |          | Year ended<br>31 <sup>st</sup> March 2010 |        |
|---|---------------|---|----------|---|--------|
|   |               | Quantity                                  | Value    | Quantity                                  | Value  |
| <b>Processing and printing of films</b> |               |   |          |   |        |
| Processing / printing of films          | Feet ('000)   | 372,484                                   | 349.47   | 358,387                                   | 453.04 |
| Others                                  |               |   | 711.14   |   | 257.60 |
| Total processing and printing of films  |               |   | 1,060.61 |   | 710.64 |
| Traded goods                            | Cans ('000)   | 13.75                                     | 192.63   | 18.41                                     | 222.93 |
| <b>Other film production services</b>   |               |   |          |   |        |
| Bottled Beverages                       | Pieces ('000) | 0.51                                      | 0.02     | -   | -      |
| Non packaged food items                 | Pieces ('000) | 13,33                                     | 1.34     | -   | -      |
| <b>Food and Beverage sales</b>          |               |   |          |   |        |
| Packaged food items#                    | Pieces ('000) | 1,394                                     | 35.73    | *   | *      |
| Bottled Beverages#                      | Pieces ('000) | 1,296                                     | 36.55    |   |        |
| Non packaged food items                 | Pieces ('000) | 14,822                                    | 640.00   |   |        |

#### b) Quantitative details of traded goods – raw stock (negative):

| Particulars                     | Units         | Year ended<br>31 <sup>st</sup> March 2011 |        | Year ended<br>31 <sup>st</sup> March 2010 |        |
|---------------------------------|---------------|---|--------|---|--------|
|                                 |               | Quantity                                  | Value  | Quantity                                  | Value  |
| <b>Negative film rolls</b>      |               |   |        |   |        |
| Opening Stock                   | Cans ('000)   | 0.44                                      | 4.78   | 0.54                                      | 5.46   |
| Purchases                       | Cans ('000)   | 13.68                                     | 164.24 | 18.31                                     | 199.54 |
| Closing stock                   | Cans ('000)   | 0.37                                      | 4.30   | 0.44                                      | 4.78   |
| <b>Food and Beverages items</b> |               |   |        |   |        |
| Opening stock                   |               |   |        |   |        |
| Packaged food items             | Pieces ('000) | 6,154                                     | 2.26   |   |        |
| Bottled beverages               | Pieces ('000) | 1,962                                     | 2.14   |   |        |
| Non packaged food items         | Pieces ('000) | 77,327                                    | 19.46  |   |        |
| Purchases                       |               |   |        |   |        |
| Packaged food items             | Pieces ('000) | 14,829                                    | 21.26  |   |        |
| Bottled beverages               | Pieces ('000) | 584,420                                   | 29.45  |   |        |
| Non packaged food items         | Pieces ('000) | 1,223,453                                 | 186.36 |   |        |
| Closing stock                   |               |   |        |   |        |
| Packaged food items             | Pieces ('000) | 9,293                                     | 4.89   |   |        |
| Bottled beverages               | Pieces ('000) | 1,197                                     | 2.98   |   |        |
| Non packaged food items         | Pieces ('000) | 104,430                                   | 22.48  |   |        |

\*- The Company has obtained exemption from providing quantitative details pertaining to the theatrical exhibition business from the Central Government vide its approval dated 4 May 2010 for the year ended 31<sup>st</sup> March 2010.

#- Net of complimentary and wastages

### 8. Value of imports on CIF basis (on accrual basis)

| Particulars                            | Year ended<br>31 <sup>st</sup> March 2011 | Year ended<br>31 <sup>st</sup> March 2010 |
|--|---|---|
| Chemicals, consumables and spare parts | 15.53                                     | 14.16                                     |
| Capital goods                          | 323.77                                    | 450.40                                    |
| <b>Total</b>                           | <b>339.30</b>                             | <b>464.56</b>                             |

**Notes to Accounts**

(Currency: ₹ in Million)

**9. Value of chemicals and consumables**

| Particulars  | Year ended 31 <sup>st</sup> March 2011 |               | Year ended 31 <sup>st</sup> March 2010 |               |
|--------------|--|---------------|--|---------------|
|              |  | %             |  | %             |
| Imported     | 15.53                                  | 34.24         | 14.16                                  | 35.27         |
| Indigenous   | 29.83                                  | 65.76         | 25.99                                  | 64.73         |
| <b>Total</b> | <b>45.36</b>                           | <b>100.00</b> | <b>40.15</b>                           | <b>100.00</b> |

**10. Expenditures in foreign currency (on accrual basis)**

| Particulars       | Year ended<br>31 <sup>st</sup> March 2011 | Year ended<br>31 <sup>st</sup> March 2010 |
|-------------------|---|---|
| Travelling        | 10.83                                     | 5.44                                      |
| Professional fees | 12.55                                     | 12.94                                     |
| Others            | 38.77                                     | 29.69                                     |
| <b>Total</b>      | <b>62.15</b>                              | <b>48.07</b>                              |

**11. Earnings in foreign exchange (on accrual basis)**

| Particulars                    | Year ended<br>31 <sup>st</sup> March 2011 | Year ended<br>31 <sup>st</sup> March 2010 |
|--------------------------------|---|---|
| Processing / printing of films | -   | 0.79                                      |
| Others                         | 0.05                                      | -   |
| <b>Total</b>                   | <b>0.05</b>                               | <b>0.79</b>                               |

**12. Lease disclosure under AS 19 – 'Leases'**

The Company is obligated under non-cancellable leases primarily for theatre and office premises and equipments which are renewable thereafter as per the term of the respective agreements.

The future minimum lease payments in respect of non-cancellable operating lease are as follows:

| Particulars   | Minimum lease payments               |                                      |
|---|--------------------------------------|--------------------------------------|
|   | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
| Amounts due within one year from the Balance sheet date   | 1,144.51                             | 808.96                               |
| Amounts due in the period between one year and five years | 5,296.79                             | 3,315.44                             |
| Amount due after five years                               | 7,346.63                             | 7,171.24                             |
| <b>Total</b>  | <b>13,787.93</b>                     | <b>11,295.64</b>                     |

Amount payable within lock-in-period is ₹ 8,129.13 (2010: ₹ 5,480.54).

Amount debited to profit and loss account for lease rental is ₹ 1,252.71 (2010: ₹ 809.26) (excluding amount capitalised ₹ 90.62 (2010: ₹ 107.14)).

**13. Disclosure of Segment Reporting under AS 17 – 'Segment disclosures'**

As per Accounting Standard (AS) 17 on "Segment Reporting", segment information has been provided in the notes to Consolidated financial statements.

**14. Mark to Market (MTM) losses on derivative contracts**

The Company has assigned the derivative contracts pertaining to interest rate swap for long term loans to a Company (Assignee), who has advised the Company regarding entering into these contracts. The Assignee had advised the Company with regards to entering into these derivative contracts and has indemnified the Company with regards to any mark to market losses that the Company will have to incur on termination of these contracts. Consequently, the total mark to market loss of ₹ 192.14 (2010: ₹ 275.04) has not been recognised by the Company in its profit and loss Account. For the same reason, the Company has also not recognised a liability for these MTM losses and amounts receivable from the Assignee Company.

**15. Disclosure of Related Party under AS 18 – 'Related party disclosures'**

**Parties where control exists**

Subsidiary Companies

- Reliance MediaWorks (UK) Limited
- Reliance MediaWorks (USA) Inc.

# Reliance MediaWorks Limited

## Notes to Accounts

(Currency: ₹ in Million)

- Reliance MediaWorks (Netherlands) B.V.
- Reliance MediaWorks (Mauritius) Limited
- Adlabs Distributors and Exhibitors Limited
- Big Synergy Media Limited
- Sri Ramakrishna Theatre Limited
- Rave Entertainment and Food Nepal Private Limited
- Digital Media Imaging Limited

### Step down Subsidiary Companies

- Big Cinemas Entertainment LLC
- Big Cinemas Entertainment (DE) LLC
- Adlabs Forum LLC (upto 3 February 2010) \*\*
- Big Cinemas Laurel LLC
- Big Cinemas Falls Church LLC
- Adlabs Heritage LLC (upto 14 May 2010)\*\*
- Big Cinemas Norwalk LLC
- Big Cinemas Galaxy LLC
- Big Cinemas Sahil LLC
- Big Cinemas SAR LLC
- Phoenix Big Cinemas Management LLC
- Big Cinemas Union LLC (upto 19 February 2010) \*\*
- Big Cinemas Phoenix LLC
- Big Cinemas Exhibition LLC
- Big Cinemas IMC LLC
- Adlabs Digital Media USA LLC (upto 15 April 2010)\*\*
- Big Pictures USA Inc.
- Adlabs GlobalStar LLC (from 23 September 2009 to 9 February 2010) \*\*
- Reliance Media & Marketing Communications LLC (with effect from 13 May 2009)
- Reliance Lowry Digital Imaging Services Inc.
- Reliance Media Works VFX Inc. (with effect from 25 January 2010)
- Reliance MediaWorks (Malaysia) Sdn. Bhd.
- Big Cinemas Lotus Five Star Cinemas Sdn. Bhd.

### Other related parties

#### (a) Significant Shareholders, Key Managerial Personnel and their relative

- Kirti Desai – Manager appointed under section 269 of the Companies Act, 1956 (up to 15 May 2011)
- Madhulika Singh – Manager appointed under section 269 of the Companies Act, 1956 (with effect from 28 May 2011)

#### (b) Enterprises over which Company has significant influence / Associates

- HPE / Adlabs LP.

#### (c) Joint Ventures

- Divyashakti Marketing Private Limited
- Cineplex Private Limited
- Swanston Multiplex Cinemas Private Limited

\*\* Dissolved during the current / previous year.

| Transactions                               | Subsidiaries Companies |       | Key Managerial Personnel |    | Enterprises over which Company has significant influence |    | Joint Venture |      |
|--|------------------------|-------|--------------------------|----|--|----|---------------|------|
|  | CY                     | PY    | CY                       | PY | CY   | PY | CY            | PY   |
| <b>Rendering of services</b>               |                        |       |                          |    |  |    |               |      |
| Reliance MediaWorks (USA) Inc.             | -                      | 0.40  | -                        | -  | -  | -  | -             | -    |
| Reliance MediaWorks (UK) Limited           | 0.05                   | 0.38  | -                        | -  | -  | -  | -             | -    |
| Cineplex Private Limited                   | -                      | -     | -                        | -  | -  | -  | 1.65          | 1.65 |
| Big Synergy Media Limited                  | 30.41                  | 31.21 | -                        | -  | -  | -  | -             | -    |
| Adlabs Distributors and Exhibitors Limited | 0.66                   | 0.60  | -                        | -  | -  | -  | -             | -    |
| Digital Media Imaging Limited              | 0.63                   | 0.06  | -                        | -  | -  | -  | -             | -    |
| Reliance MediaWorks (Netherlands) B.V.     | -                      | 0.18  | -                        | -  | -  | -  | -             | -    |

**Notes to Accounts**

(Currency: ₹ in Million)

| Transactions   | Subsidiaries Companies |          | Key Managerial Personnel |      | Enterprises over which Company has significant influence |       | Joint Venture |       |
|--|------------------------|----------|--------------------------|------|--|-------|---------------|-------|
|  | CY                     | PY       | CY                       | PY   | CY   | PY    | CY            | PY    |
| <b>Interest income</b>   |                        |          |                          |      |  |       |               |       |
| Divyashakti Marketing Private Limited*                         | -                      | -        | -                        | -    | -  | -     | 1.35          | 1.71  |
| Cineplex Private Limited                                       | -                      | -        | -                        | -    | -  | -     | 1.65          | 5.07  |
| <b>Interest expenses</b>                                       |                        |          |                          |      |  |       |               |       |
| Adlabs Distributors and Exhibitors Limited                     | 1.84                   | 1.44     | -                        | -    | -  | -     | -             | -     |
| <b>Receiving of services</b>                                   |                        |          |                          |      |  |       |               |       |
| Adlabs Distributors and Exhibitors Limited                     | -                      | 0.06     | -                        | -    | -  | -     | -             | -     |
| Digital Media Imaging Limited                                  | 176.33                 | 0.30     | -                        | -    | -  | -     | -             | -     |
| Divyashakti Marketing Private Limited                          | -                      | -        | -                        | -    | -  | -     | -             | 0.84  |
| Cineplex Private Limited                                       | -                      | -        | -                        | -    | -  | -     | -             | 0.97  |
| Swanston Multiplex Cinemas Private Limited                     | -                      | -        | -                        | -    | -  | -     | -             | 0.14  |
| <b>Reimbursement of expenses</b>                               |                        |          |                          |      |  |       |               |       |
| Reliance MediaWorks (USA) Inc.                                 | (21.57)                | (0.08)   | -                        | -    | -  | -     | -             | -     |
| Reliance MediaWorks (UK) Limited                               | -                      | (0.09)   | -                        | -    | -  | -     | -             | -     |
| Big Synergy Media Limited                                      | -                      | 5.85     | -                        | -    | -  | -     | -             | -     |
| Divyashakti Marketing Private Limited                          | -                      | -        | -                        | -    | -  | -     | -             | 0.05  |
| Cineplex Private Limited                                       | -                      | -        | -                        | -    | -  | -     | 0.29          | 0.05  |
| Digital Media Imaging Limited                                  | 0.03                   | 3.89     | -                        | -    | -  | -     | -             | -     |
| Sri Ramkrishna Theaters Limited                                | 0.17                   | -        | -                        | -    | -  | -     | -             | -     |
| <b>Managerial remuneration</b>                                 |                        |          |                          |      |  |       |               |       |
| Kirti Desai  | -                      | -        | 1.08                     | 0.78 | -  | -     | -             | -     |
| <b>Dividend received</b>                                       |                        |          |                          |      |  |       |               |       |
| Big Synergy Media Limited                                      | -                      | 8.53     | -                        | -    | -  | -     | -             | -     |
| <b>Advance given towards share application money</b>           |                        |          |                          |      |  |       |               |       |
| Swanston Multiplex Cinemas Private Limited                     | -                      | -        | -                        | -    | -  | -     | -             | 12.5  |
| <b>Loan given</b>  |                        |          |                          |      |  |       |               |       |
| Reliance MediaWorks (USA) Inc.                                 | 709.00                 | 1,156.46 | -                        | -    | -  | -     | -             | -     |
| Reliance MediaWorks (UK) Limited                               | 89.84                  | 237.59   | -                        | -    | -  | -     | -             | -     |
| Reliance MediaWorks (Netherlands) B.V.                         | 4.49                   | 6.70     | -                        | -    | -  | -     | -             | -     |
| Reliance MediaWorks (Mauritius) Limited                        | 32.64                  | 109.43   | -                        | -    | -  | -     | -             | -     |
| Digital Media Imaging Limited                                  | 681.43                 | 627.75   | -                        | -    | -  | -     | -             | -     |
| Rave Entertainment and Food (Nepal) Limited                    | 43.20                  | -        | -                        | -    | -  | -     | -             | -     |
| Kirti Desai  | -                      | -        | -                        | 0.50 | -  | -     | -             | -     |
| <b>Loans received back</b>                                     |                        |          |                          |      |  |       |               |       |
| Cineplex Private Limited                                       | -                      | -        | -                        | -    | -  | -     | 10.15         | 10.43 |
| Kirti Desai  | -                      | -        | -                        | 0.50 | -  | -     | -             | -     |
| <b>Loan taken</b>  |                        |          |                          |      |  |       |               |       |
| Adlabs Distributors and Exhibitors Private Limited             | -                      | 30.00    | -                        | -    | -  | -     | -             | -     |
| <b>Loan repaid</b>   |                        |          |                          |      |  |       |               |       |
| Adlabs Distributors and Exhibitors Private Limited             | 10.00                  | 20.00    | -                        | -    | -  | -     | -             | -     |
| <b>Subscription of shares</b>                                  |                        |          |                          |      |  |       |               |       |
| Digital Media Imaging Limited                                  | -                      | 0.40     | -                        | -    | -  | -     | -             | -     |
| <b>Subscription of shares – conversion of loan</b>             |                        |          |                          |      |  |       |               |       |
| Digital Media Imaging Limited                                  | 200.00                 | -        | -                        | -    | -  | -     | -             | -     |
| <b>Repayment of principal by limited liability partnership</b> |                        |          |                          |      |  |       |               |       |
| HPE / Adlabs LP  | -                      | -        | -                        | -    | -  | 24.17 | -             | -     |

# Reliance MediaWorks Limited

## Notes to Accounts

(Currency: ₹ in Million)

| Transactions                                      | Subsidiaries Companies |          | Key Managerial Personnel |    | Enterprises over which Company has significant influence |    | Joint Venture |       |
|---|------------------------|----------|--------------------------|----|--|----|---------------|-------|
|   | CY                     | PY       | CY                       | PY | CY   | PY | CY            | PY    |
| <b>Fixed assets purchased</b>                     |                        |          |                          |    |  |    |               |       |
| Digital Media Imaging Limited                     | 10.32                  | -        | -                        | -  | -  | -  | -             | -     |
| <b>Fixed assets sold</b>                          |                        |          |                          |    |  |    |               |       |
| Digital Media Imaging Limited                     | 0.97                   | -        | -                        | -  | -  | -  | -             | -     |
| <b>Guarantees given</b>                           |                        |          |                          |    |  |    |               |       |
| Reliance MediaWorks (USA) Inc.                    | 283.21                 | 81.05    | -                        | -  | -  | -  | -             | -     |
| Rave Entertainment and Food Nepal Private Limited | -                      | 28.30    | -                        | -  | -  | -  | -             | -     |
| Digital Media Imaging Limited                     | -                      | 750.00   | -                        | -  | -  | -  | -             | -     |
| <b>Guarantees cancelled</b>                       |                        |          |                          |    |  |    |               |       |
| Reliance MediaWorks (USA) Inc.                    | 990.66                 | -        | -                        | -  | -  | -  | -             | -     |
| Rave Entertainment and Food Nepal Private Limited | 10.00                  | -        | -                        | -  | -  | -  | -             | -     |
| <b>Guarantees outstanding</b>                     |                        |          |                          |    |  |    |               |       |
| Reliance MediaWorks (USA) Inc..                   | 705.40                 | 1,409.45 | -                        | -  | -  | -  | -             | -     |
| Reliance MediaWorks (Netherlands) B. V.           | 3.20                   | 3.03     | -                        | -  | -  | -  | -             | -     |
| Rave Entertainment and Food Nepal Private Limited | 18.59                  | 28.30    | -                        | -  | -  | -  | -             | -     |
| Digital Media Imaging Limited                     | 750.00                 | 750.00   | -                        | -  | -  | -  | -             | -     |
| <b>Outstanding balance as at year end (net)</b>   |                        |          |                          |    |  |    |               |       |
| Reliance MediaWorks (USA) Inc.                    | 2,281.47               | 1,545.16 | -                        | -  | -  | -  | -             | -     |
| Reliance MediaWorks (UK) Limited                  | 374.53                 | 242.76   | -                        | -  | -  | -  | -             | -     |
| Reliance MediaWorks (Mauritius) Limited           | 1,213.55               | 1,170.82 | -                        | -  | -  | -  | -             | -     |
| Adlabs Distributors and Exhibitors Limited        | (23.86)                | (33.31)  | -                        | -  | -  | -  | -             | -     |
| Reliance MediaWorks (Netherlands) B.V.            | 14.99                  | 9.65     | -                        | -  | -  | -  | -             | -     |
| Rave Entertainment and Food Nepal Limited         | 43.20                  | -        | -                        | -  | -  | -  | -             | -     |
| Big Synergy Media Limited                         | (30.35)                | (47.72)  | -                        | -  | -  | -  | -             | -     |
| Digital Media Imaging Limited                     | 1,023.69               | 642.06   | -                        | -  | -  | -  | -             | -     |
| Sri Ramkrishna Theaters Limited                   | 0.17                   | -        | -                        | -  | -  | -  | -             | -     |
| Cineplex Private Limited                          | -                      | -        | -                        | -  | -  | -  | 13.34         | 25.69 |
| Divyashakti Marketing Private Limited             | -                      | -        | -                        | -  | -  | -  | 20.13         | 19.45 |
| Swanston Multiplex Cinemas Private Limited        | -                      | -        | -                        | -  | -  | -  | 12.58         | 12.58 |

CY- Year ended 31<sup>st</sup> March 2011

PY – Year ended 31<sup>st</sup> March 2010

\*amount written off during the year ₹ 1.35 (2010: ₹ 3.04).

### 16. Earnings per share ('EPS')

| Particulars   | Year ended<br>31 <sup>st</sup> March 2011 | Year ended<br>31 <sup>st</sup> March 2010 |
|---|---|---|
| Net (loss) after tax  | <b>(2,562.10)</b>                         | (1,043.70)                                |
| Weighted average number of equity share outstanding during the year for basic EPS     | <b>46,126,170</b>                         | 46,126,170                                |
| Add: Equity share issuable on conversion of FCCB (refer note 22 for schedule 23)      | <b>1,694,699</b>                          | 2,061,884                                 |
| Weighted average number of equity shares outstanding during the year for dilutive EPS | <b>47,820,869</b>                         | 48,188,054                                |
| Basic EPS   | <b>(55.55)</b>                            | (22.63)                                   |
| Dilutive EPS*   | <b>(55.55)</b>                            | (22.63)                                   |
| Nominal value per share   | <b>5.00</b>                               | 5.00                                      |

\* - Dilutive EPS has not been calculated considering the option on equity shares, as it is anti - dilutive.

**Notes to Accounts**

(Currency: ₹ in Million)

**17. Foreign currency exposures (other than investments) not covered by forward contracts**

| Particulars  | Currency | Year ended 31 <sup>st</sup> March 2011 |            | Year ended 31 <sup>st</sup> March 2010 |            |
|--|----------|--|------------|--|------------|
|  |          | Amount – foreign currency (million)    | Amount – ₹ | Amount – foreign currency (million)    | Amount – ₹ |
| Sundry debtors   | USD      | 0.74                                   | 33.70      | 0.26                                   | 11.76      |
|  | GBP      | 0.36                                   | 26.10      | 0.01                                   | 1.08       |
| Advance from customers   | USD      | 0.01                                   | 0.25       | 0.01                                   | 0.22       |
| Sundry creditors   | USD      | 0.57                                   | 26.03      | 0.16                                   | 7.14       |
|  | GBP      | 0.02                                   | 1.15       | -                                      | -          |
|  | EURO     | 0.01                                   | 0.42       | 0.01                                   | 0.80       |
| Loans and advances   | USD      | 76.34                                  | 3,465.78   | 60.14                                  | 2,708.01   |
|  | GBP      | 4.83                                   | 351.72     | 3.57                                   | 242.29     |
|  | EURO     | 0.23                                   | 14.99      | 0.16                                   | 9.65       |
| Buyers credit  | USD      | 7.23                                   | 328.39     | 1.82                                   | 81.79      |
|  | GBP      | -                                      | -          | 0.12                                   | 7.80       |
|  | EURO     | -                                      | -          | 0.82                                   | 49.67      |
| Foreign currency convertible bonds (FCCB) (refer note 22 of schedule 23) | EURO     | -                                      | -          | 20.65                                  | 1,123.95   |
| Provision for premium on redemption on FCCB                              | EURO     | -                                      | -          | 4.48                                   | 271.24     |

**18. Loans and advances in the nature of loans given to Subsidiaries and Joint ventures:**

**A) Loans and advances in the nature of loans:**

| Name of the Company                               | Particulars   | As at 31 <sup>st</sup> March 2011 | As at 31 <sup>st</sup> March 2010 | Maximum Balance during the year |
|---|---------------|-----------------------------------|-----------------------------------|---------------------------------|
| Reliance MediaWorks (UK) Limited                  | Subsidiary    | 351.72                            | 242.29                            | 351.72                          |
| Reliance MediaWorks (Mauritius) Limited           | Subsidiary    | 1,213.54                          | 1,170.82                          | 1,213.54                        |
| Reliance MediaWorks (Netherlands) B.V.            | Subsidiary    | 14.99                             | 9.65                              | 14.99                           |
| Reliance MediaWorks (USA) Inc.                    | Subsidiary    | 2,251.87                          | 1,537.19                          | 2,251.87                        |
| Rave Entertainment and Food Nepal Private Limited | Subsidiary    | 43.20                             | -                                 | 43.20                           |
| Digital Media Imaging Limited                     | Subsidiary    | 1,109.17                          | 627.75                            | 1,109.17                        |
| <b>Total</b>                                      |               | <b>4,984.49</b>                   | <b>3,587.70</b>                   | <b>4,984.49</b>                 |
| Divyashakti Marketing Private Limited             | Joint venture | 19.26                             | 19.45                             | 19.45                           |
| Cineplex Private Limited                          | Joint venture | 19.85                             | 20.47                             | 28.85                           |
| <b>Total</b>                                      |               | <b>39.11</b>                      | <b>39.92</b>                      | <b>48.30</b>                    |

- (a) Loans and advance shown above, to subsidiaries fall under the category of loans and advances in nature of loans where there is no repayment schedule and re-payable on demand.
- (b) Loans to employee as per Company's policy are not considered.

**19. Interest in Joint ventures**

The Company's interests in jointly controlled entities (incorporated Joint ventures) are:

| Name of the Company                        | Country of Incorporation | % of ownership interest as at 31 <sup>st</sup> March 2011 | % of ownership interest as at 31 <sup>st</sup> March 2010 |
|--|--------------------------|---|---|
| Swanston Multiplex Cinemas Private Limited | India                    | 50%   | 50%   |
| Cineplex Private Limited                   | India                    | 50%   | 50%   |
| Divyashakti Marketing Private Limited      | India                    | 50%   | 50%   |

# Reliance MediaWorks Limited

## Notes to Accounts

(Currency: ₹ in Million)

### Details of Joint venture

|            | Particulars   | 31 <sup>st</sup> March 2011 | 31 <sup>st</sup> March 2010 |
|------------|---|-----------------------------|-----------------------------|
| <b>I</b>   | <b>Assets</b>   |                             |                             |
| 1.         | Fixed assets net block (including Capital work-in-progress)                 | <b>76.19</b>                | 87.10                       |
| 2.         | Investments   | <b>1.04</b>                 | -                           |
| 3.         | Current assets, loans and advances  |                             |                             |
| a)         | Inventories   | <b>1.18</b>                 | 1.14                        |
| b)         | Sundry debtors  | <b>8.46</b>                 | 7.05                        |
| c)         | Cash and bank balances  | <b>3.39</b>                 | 7.78                        |
| d)         | Interest accrued but not due  | <b>0.03</b>                 | 0.10                        |
| e)         | Loans and advances  | <b>30.49</b>                | 27.78                       |
| <b>II</b>  | <b>Liabilities</b>  |                             |                             |
| 1.         | Shareholders' fund  | <b>42.39</b>                | 49.13                       |
| 2.         | Advance towards share application money                                     | <b>12.50</b>                | 12.50                       |
| 3.         | Unsecured loans   | <b>38.30</b>                | 45.68                       |
| 4.         | Deferred tax liability (net)  | <b>3.84</b>                 | 3.95                        |
| 5.         | Current liabilities and provisions  |                             |                             |
| a)         | Liabilities   | <b>16.29</b>                | 15.39                       |
| b)         | Provisions  | <b>7.46</b>                 | 4.30                        |
| <b>III</b> | <b>Income</b>   |                             |                             |
| 1.         | Income from theatrical exhibition (net of duties and taxes)                 | <b>109.30</b>               | 102.73                      |
| 2.         | Other income  | <b>0.93</b>                 | 3.60                        |
| <b>IV</b>  | <b>Expenses</b>   |                             |                             |
| 1.         | Direct operational expenses   | <b>54.01</b>                | 53.97                       |
| 2.         | Personnel costs   | <b>5.44</b>                 | 5.36                        |
| 3.         | Other operating and general administrative expenses                         | <b>41.96</b>                | 34.86                       |
| 4.         | Depreciation  | <b>11.20</b>                | 11.18                       |
| 5.         | Interest  | <b>1.43</b>                 | 4.44                        |
|            | (Loss) before tax   | <b>(3.81)</b>               | (3.48)                      |
|            | Provision for tax (including deferred tax)                                  | <b>2.93</b>                 | (4.75)                      |
|            | (loss) / profit after tax   | <b>(6.74)</b>               | 1.27                        |
| <b>V</b>   | <b>OTHER MATTERS</b>  |                             |                             |
| 1.         | Contingent liabilities  | <b>11.62*</b>               | 94.82                       |
| 2.         | Capital commitments   | <b>Nil</b>                  | Nil                         |
|            | <b>Movement of the aggregate shareholders' funds of the joint ventures:</b> |                             |                             |
|            | At the beginning of the year  | <b>49.13</b>                | 47.86                       |
|            | Add: Share of (loss) / profits for the year                                 | <b>(6.74)</b>               | 1.27                        |
|            | At the end of the year  | <b>42.39</b>                | 49.13                       |

\* - Amount is not current quantifiable in case of Joint venture

### 20. Employee benefits

#### Defined contribution plan

Contribution to defined contribution plan, recognised as expense for the year is as under:

| Particulars  | Year ended<br>31 <sup>st</sup> March 2011 | Year ended<br>31 <sup>st</sup> March 2010 |
|--|---|---|
| Employers contribution to Provident fund and other funds | <b>32.15</b>                              | 19.85                                     |

#### Defined benefit plan

The employees' gratuity fund scheme managed by a Trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the projected unit credit method, which recognises each year of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation for leave encashment is recognised in the same manner as gratuity.

**Notes to Accounts**

(Currency: ₹ in Million)

**I. Reconciliation of opening and closing balances of defined benefit obligation**

| Particulars   | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
|---|--------------------------------------|--------------------------------------|
| <b>Gratuity</b>   |                                      |                                      |
| Defined benefit obligation at the beginning of the year | 17.36                                | 15.01                                |
| Current service cost                                    | 5.47                                 | 5.74                                 |
| Interest cost   | 1.89                                 | 1.61                                 |
| Actuarial (gain) / loss                                 | 0.98                                 | (4.73)                               |
| Benefit paid  | -                                    | (0.27)                               |
| Past service cost                                       | 3.09                                 | -                                    |
| <b>Defined benefit obligation at year end</b>           | <b>28.79</b>                         | <b>17.36</b>                         |

**II. Reconciliation of opening and closing balances of fair value of plan assets**

| Particulars                                    | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
|--|--------------------------------------|--------------------------------------|
| <b>Gratuity</b>                                |                                      |                                      |
| Fair value of plan assets at beginning of year | 23.72                                | 23.89                                |
| Limitation of assets recognition as per AS 15  | 0.06                                 | -                                    |
| Actuarial gain / (loss)                        | (0.33)                               | (2.16)                               |
| Expected return on plan assets                 | 1.78                                 | 1.78                                 |
| Employer contribution                          | 3.60                                 | 0.48                                 |
| Benefit paid                                   | -                                    | (0.27)                               |
| Past service cost                              | 0.94                                 | -                                    |
| <b>Fair value of plan assets at year end</b>   | <b>29.77</b>                         | <b>23.72</b>                         |
| Actual return on plan assets                   | 1.44                                 | (0.31)                               |

**III. Reconciliation of fair value of assets and obligation**

| Particulars   | Year ended<br>31 <sup>st</sup> March 2011 | Year ended<br>31 <sup>st</sup> March 2010 |
|---|---|---|
| <b>Gratuity</b>   |   |   |
| Fair value of plan assets at end of year                                  | 29.77                                     | 23.72                                     |
| Present value of obligation at the end of year                            | 28.79                                     | 17.36                                     |
| <b>Amount recognised in Balance sheet as (net assets) / net liability</b> | <b>(0.98)</b>                             | <b>(6.36)</b>                             |

-Recognised as an assets under advance recoverable in cash or kind or for value to be received in schedule 12

**IV. Expense recognised during the year (Under the head 'Personnel costs' – Refer Schedule '20')**

| Particulars                                   | Year ended<br>31 <sup>st</sup> March 2011 | Year ended<br>31 <sup>st</sup> March 2010 |
|---|---|---|
| <b>Gratuity</b>                               |   |   |
| Current service cost                          | 5.47                                      | 5.74                                      |
| Interest cost                                 | 1.89                                      | 1.61                                      |
| Expected return on plan assets                | (1.78)                                    | (1.78)                                    |
| Actuarial (gain) / loss                       | 1.31                                      | (2.57)                                    |
| Past service cost                             | 2.14                                      | -   |
| Limitation of assets recognition as per AS 15 | (0.06)                                    | (0.16)                                    |
| <b>Net Cost</b>                               | <b>8.97</b>                               | <b>2.84</b>                               |

**V. Investment details**

% invested as at year

| Nature of Investment | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
|----------------------|--------------------------------------|--------------------------------------|
| Insurance policies   | 100%                                 | 100%                                 |

# Reliance MediaWorks Limited

## Notes to Accounts

(Currency: ₹ in Million)

### VI. Actuarial assumptions

| Particulars  | Year ended<br>31 <sup>st</sup> March 2011   | Year ended<br>31 <sup>st</sup> March 2010        |
|--|---|--|
|  | Gratuity (funded)                           | Gratuity (funded)                                |
| Mortality Table (LIC)                              | 1994 - 96                                   | 1994-96  |
| Discount rate (per annum)                          | 8.35%                                       | 8.30%  |
| Expected rate of return on plan assets (per annum) | 7.50%                                       | 7.50%  |
| Rate of escalation in salary (per annum)           | 10% for the first year<br>and 7% thereafter | 10% for the first two<br>years and 7% thereafter |

### VII. Other disclosures

| Particulars   | Year ended<br>31 <sup>st</sup> March<br>2011 | Year ended<br>31 <sup>st</sup> March<br>2010 | Year ended<br>31 <sup>st</sup> March<br>2009 | Nine months<br>ended 31 <sup>st</sup> March<br>2008 |
|---|--|--|--|---|
|   | Present value of plan liabilities            | 28.79  | 17.36  | 15.01   |
| Fair value of plan assets   | 29.77  | 23.72  | 23.89  | 3.90  |
| (Deficit) / Surplus of the plan                                     | 0.98   | 6.36   | 8.88   | (14.01)   |
| Experience adjustments on plan liabilities [loss / (gain)]          | 1.24   | (4.73)                                       | 2.50   | 0.93  |
| Experience adjustments on fair value of plan assets [(loss) / gain] | (0.33)                                       | (2.16)                                       | (0.37)                                       | 0.28  |

The estimates for rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary. The expected rate of return on plan assets is determined considering several applicable factors mainly, the composition of plan assets held, assessed risks, historical results of return on plan assets and the Company's policy for plan asset management.

### 21. Investments purchased and sold during the year and not existing as on Balance sheet date

| Particulars   | Year ended<br>31 <sup>st</sup> March 2011 |                 | Year ended<br>31 <sup>st</sup> March 2010 |                 |
|---|---|-----------------|---|-----------------|
|   | No. of Units                              | Purchase amount | No. of Units                              | Purchase amount |
| Reliance Liquid Fund – Growth option                                | 2,063,762,212                             | 29,424.48       | 1,305,572,549                             | 17,884.57       |
| Reliance Liquid Plus Fund – Institutional Option – Growth Plan      | -   | -               | 2,432,004                                 | 2,999.06        |
| Reliance Medium Term Fund – Retail Plan– Growth Plan– Growth Option | 79,038,525                                | 1,524.93        | 161,442,322                               | 3,067.42        |
| LIC MF Liquid Fund – Growth Plan                                    | 1,428,382                                 | 24.80           | 129,348,802                               | 2,149.40        |
| LIC MF Savings Plus Fund – Growth Plan                              | -   | -               | 28,375,838                                | 400.00          |
| LIC MF Income Plus Fund – Growth Plan                               | -   | -               | 122,907,797                               | 1,500.18        |
| Reliance Money Manager Fund – Institutional Option – Growth Plan    | 1,618,328                                 | 2,058.50        | -   | -               |

### 22. Foreign Currency Convertible Bonds ('FCCB')

On 25 January 2006 the Company ('Issuer') issued 84,000 Zero Coupon Foreign Currency Convertible Bonds of face value of Euro 1,000 each ('Bonds' or 'FCCB') aggregating Euro 84 million which were convertible at any time on or after 7 March 2006 and up to the close of the business on 19 January 2011 by the holders of the Bonds ('the Bondholders') into newly issued equity shares of the Company with full voting rights with par value of ₹ 5 each ('Shares') at an initial conversion price (as defined in Terms and Conditions of the Bonds) of ₹ 543.42 per share with a fixed rate of exchange on conversion of ₹ 54.26=EURO 1.00. The Bonds were listed on the Singapore Exchange Securities Trading Limited ('SGX ST'). Of the above, bondholders holding bonds of value Euro 63.35 million opted

**Notes to Accounts**

(Currency: ₹ in Million)

for conversion in period ended 31<sup>st</sup> March 2008. During the year ended 31<sup>st</sup> March 2009, the Company demerged its radio division to Reliance Broadcast Network Limited. As per the terms of FCCB's issued, the conversion price of the bonds is subject to adjustment and the Company was awaiting a confirmation from the bondholders till the date of redemption. Unless previously redeemed, converted or purchased and cancelled, the bonds will mature on 26 January 2011 at 121.679 per cent of the principal amount.

During the financial period ended 31<sup>st</sup> March 2008, the Company classified the liability towards FCCB's as non-monetary liability inter-alia on the basis of the trend of earnings, movement of the Company's share prices and conversion option exercised by the FCCB holders. On 25 January 2011, the entire FCCB'S outstanding as at 31<sup>st</sup> March 2010, aggregating to Euro 20.65 million have been redeemed at ₹ 1,581.42 (including premium ₹ 308.54). Consequently on redemption, foreign exchange loss aggregating to ₹ 148.96 has been accounted.

- 23.** The Company's stake in share capital of Sultan Production Private Limited ('Sultan') is in excess of 20%. During the current year Company have received all the money receivable as per the shareholders agreement and sold the shares. This investment was made by the Company with the intention of investment in the movie "Sultan: The warrior".

However, during the year ended 31<sup>st</sup> March 2009, the Company has issued a letter of termination demanded refund for the moneys paid by the Company and filed a recovery suit against Orcher Studios, as per a shareholders' agreement signed by the Company which has been agreed to by Orcher Studios.

Since, the Company has intention of selling the shares, the Company has decided not to consider Sultan as an associate under AS-18 Related Party Disclosures and AS-23 'Accounting for Associates in Consolidated Financial Statements.

The outstanding balance of Sultan Production Private Limited was ₹ 115.88 as at 31 March 2010, of which the Company has considered ₹ 12.00 as doubtful in the previous year and provided for the same.

**24. Translation of foreign subsidiaries**

The Company in the previous year has classified its operations in Nepal, as non-integral to the business of the Company in India considering the size of the operations, autonomy of management of the subsidiary and the local sources of funding of the operations. The effect of the above change on the loss of the Nepal operations for the year ending 31<sup>st</sup> March 2010 was not significant.

- 25.** During the current year, the Company has sold assets of book value ₹ 1,041.73 for ₹ 1,399.72 pertaining to the theatrical exhibition segment and leased them back subsequently. The profit on sale of these assets has been disclosed under the Schedule other income.
- 26.** Post the year end, Ms. Kirti Desai, Company Secretary and Manager, resigned effective 15 May 2011. The Company has appointed Ms. Madhulika Singh as Manager of the Company effective 28 May 2011 and is in the process of appointing a Company Secretary as per the provisions of the Act.
- 27.** The figures for the previous year have been regrouped/ rearranged as necessary to conform to current year's presentation.

As per our report of even date attached.

**For B S R & Co.**

Chartered Accountants  
Firm Registration No: 101248W

**For Chaturvedi & Shah**

Chartered Accountants  
Firm Registration No: 101720W

**For and on behalf of the Board**

**Bhavesh Dhupelia**

Partner  
Membership No: 042070

**Parag D. Mehta**

Partner  
Membership No: 113904

**Amit Khanna**

Director

**Sujal Shah**

Director

**Madhulika Singh**

Manager

Mumbai  
28 May 2011

Mumbai  
28 May 2011

Mumbai  
28 May 2011

# Reliance MediaWorks Limited

## Balance sheet abstract and Company's general business profile

### I Registration Details

Registration no      State Code

Balance Sheet Date

### II Capital raised during the year (Amount ₹ in Thousands)

Public Issue     Rights Issue

Bonus Issue     Private Placement

### III Position of Mobilisation and Deployment of funds (Amount ₹ in Thousands)

Total Liabilities         Total Assets

Sources of Funds

Paid-Up Capital        Reserves and Surplus

Secured Loans        Unsecured Loans

Application of Funds

Net Fixed Assets          Investments

Net Current Assets          Miscellaneous Expenditure

Accumulated Losses

### IV Performance of the Company (Amount ₹ in Thousands)

Turnover          Total Expenditure

Loss before Tax           Loss after Tax

Earnings per Share in ₹          Dividend Rate % age

### V Generic Names of Three Principal Products / Services of the Company

Item Code No (ITC Code)

Product description

Item Code No (ITC Code)

Product description

**Auditors' Report on Consolidated Financial Statements**

To  
**The Board of Directors of  
 Reliance MediaWorks Limited**

- 1 We have audited the attached Consolidated Balance sheet of Reliance MediaWorks Limited ('the Company' or 'the Parent Company') and its subsidiaries, and joint ventures, as listed in Note 1.2 of Schedule 1 to the Consolidated financial statements (collectively referred to as 'the Group'), as at 31<sup>st</sup> March 2011 and also the Consolidated Profit and loss account and the Consolidated Cash flow statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
- 2 We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 The financial statements of a subsidiary for the previous year ended 31<sup>st</sup> March 2010 have been audited by one of the joint auditors, Chaturvedi & Shah. The consolidated financial statements included total assets of ₹ 69.14 million, total revenues of ₹ 17.35 million and net cash inflows aggregating ₹ 4.38 million for the previous year ended on that date in respect of the aforementioned subsidiary.
- 4 The financial statements of a joint venture for the year ended 31<sup>st</sup> March 2011 have been audited by one of the joint auditors, B S R & Co. The consolidated financial statements include Group's share of total assets of ₹ 83.85 million (2010: ₹ 93.76 million) as at 31<sup>st</sup> March 2011, Group's share of total revenues of ₹ 58.95 million (2010: ₹ 54.21 million) and Group's share of net cash outflows aggregating ₹ 4.67 million (2010: net cash inflows aggregating ₹ 0.32 million) for the year ended on that date in respect of the aforementioned joint venture.
- 5 We did not audit the financial statements and other financial information of subsidiaries and joint ventures (other than a subsidiary in 2010 and a joint venture as mentioned in paragraphs 3 and 4 above respectively). The consolidated financial statements include Group's share of total assets of ₹ 7,029.34 million (2010: ₹ 6,384.48 million) as at 31<sup>st</sup> March 2011 and the Group's share of total revenues of ₹ 3,223.65 million (2010: ₹ 2,547.61 million) and net cash outflows aggregating ₹ 68.06 million (2010: ₹ 3.56 million) for the year ended on that date in respect of the aforementioned subsidiaries and joint ventures. These financial statements and related other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries and joint ventures is based solely on the report of the other auditors.
- 6 The consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements, and AS 27 - Financial Reporting of Interest in Joint Ventures notified in the Companies (Accounting Standards) Rules, 2006.
- 7 As more fully explained in note 15 of schedule 23 to the consolidated financial statements, the financial statements of Digital Media Imaging Limited, a subsidiary, has been qualified on account of treatment of start up and stabilization costs of the film production services segment aggregating to ₹ 173.40 million as deferred revenue expenditure, which is not in accordance with Accounting Standard 26 - 'Intangible Assets', prescribed in the Companies (Accounting Standards) Rules, 2006. Had the Subsidiary not followed the said accounting treatment, the loss for the current year would have been higher by ₹ 173.40 million and consequentially the Debit balance in Profit and Loss Account would have been higher by ₹ 173.40 million.
- 8 Based on our audit as aforesaid, and on consideration of reports of other auditors as explained in paragraph 3, 4 and 5 above, and to the best of our information and according to the explanations given to us, subject to the effect of adjustments, if any, on the loss for the year and reserves as at 31<sup>st</sup> March 2011, that may arise from the matter stated in paragraph 7 above, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Consolidated balance sheet, of the state of affairs of the Group as at 31<sup>st</sup> March 2011;
  - (b) in the case of the Consolidated profit and loss account, of the loss of the Group for the year then ended; and
  - (c) in the case of the Consolidated cash flow statement, of the cash flows of the Group for the year then ended

**For B S R & Co.**  
 Chartered Accountants  
 Firm Registration No: 101248W

**Bhavesh Dhupelia**  
 Partner  
 Membership No: 042070  
 Mumbai  
 28 May 2011

**For Chaturvedi & Shah**  
 Chartered Accountants  
 Firm Registration No: 101720W

**Parag D. Mehta**  
 Partner  
 Membership No: 113904  
 Mumbai  
 28 May 2011

# Reliance MediaWorks Limited

## Consolidated Balance Sheet as at 31<sup>st</sup> March 2011

(Currency: ₹ in Million)

|  | Schedule | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
|--|----------|--------------------------------------|--------------------------------------|
| <b>SOURCES OF FUNDS</b>  |          |                                      |                                      |
| <b>Shareholders' funds</b>   |          |                                      |                                      |
| Share capital  | 2        | 230.63                               | 230.63                               |
| Reserves and surplus   | 3        | <u>5,294.15</u>                      | <u>5,310.29</u>                      |
|  |          | <b>5,524.78</b>                      | <b>5,540.92</b>                      |
| <b>Minority interest</b>   |          |                                      |                                      |
|  |          | 133.91                               | 172.78                               |
| <b>Loan funds</b>  |          |                                      |                                      |
| Secured loans  | 4        | 6,559.54                             | 5,815.23                             |
| Unsecured loans  | 5        | <u>13,264.64</u>                     | <u>13,109.23</u>                     |
|  |          | <b>19,824.18</b>                     | <b>18,924.46</b>                     |
| Deferred tax liabilities (net)   | 6        | <u>104.61</u>                        | <u>5.73</u>                          |
|  |          | <b>25,587.48</b>                     | <b>24,643.89</b>                     |
| <b>APPLICATION OF FUNDS</b>  |          |                                      |                                      |
| <b>Fixed assets</b>  |          |                                      |                                      |
| Gross block  | 7        | 18,110.55                            | 16,115.00                            |
| Less : Accumulated depreciation/ amortisation/ impairment                      |          | <u>6,030.00</u>                      | <u>4,996.35</u>                      |
| Net block  |          | <b>12,080.55</b>                     | <b>11,118.65</b>                     |
| Capital work-in-progress   |          | <u>1,651.37</u>                      | <u>2,739.52</u>                      |
|  |          | <b>13,731.92</b>                     | <b>13,858.17</b>                     |
| <b>Goodwill on consolidation (Refer note 12 of Schedule 23)</b>                |          | <b>895.87</b>                        | <b>886.79</b>                        |
| <b>Deferred tax asset (net)</b>  | 6        | <b>0.26</b>                          | <b>0.22</b>                          |
| <b>Investments</b>   | 8        | <b>110.34</b>                        | <b>917.47</b>                        |
| <b>Current assets, loans and advances</b>                                      |          |                                      |                                      |
| Inventories  | 9        | 132.53                               | 90.72                                |
| Sundry debtors   | 10       | 2,306.25                             | 2,344.76                             |
| Cash and bank balances   | 11       | 1,210.35                             | 849.59                               |
| Interest accrued on investment   |          | 22.77                                | 14.38                                |
| Loans and advances   | 12       | <u>4,502.96</u>                      | <u>6,350.52</u>                      |
|  |          | <b>8,174.86</b>                      | <b>9,649.97</b>                      |
| <b>Less: Current liabilities and provisions</b>                                |          |                                      |                                      |
| Current liabilities  | 13       | 2,497.06                             | 2,135.95                             |
| Provisions   | 14       | <u>99.07</u>                         | <u>326.15</u>                        |
|  |          | <b>2,596.13</b>                      | <b>2,462.10</b>                      |
| <b>Net current assets</b>  |          | <b>5,578.73</b>                      | <b>7,187.87</b>                      |
| <b>Miscellaneous expenditure (to the extent not written - off or adjusted)</b> |          |                                      |                                      |
| Deferred revenue expenditure (refer note 15 of Schedule 23)                    |          | 173.40                               | 0.25                                 |
| <b>Profit and loss account</b>   | 15       | <u>5,096.96</u>                      | <u>1,793.12</u>                      |
|  |          | <b>25,587.48</b>                     | <b>24,643.89</b>                     |
| <b>Significant accounting policies</b>   | 1        |                                      |                                      |
| <b>Notes to the accounts</b>   | 23       |                                      |                                      |

The schedules referred to above form an integral part of this balance sheet.  
As per our report of even date attached.

**For B S R & Co.**

Chartered Accountants  
Firm Registration No: 101248W

**For Chaturvedi & Shah**

Chartered Accountants  
Firm Registration No: 101720W

**For and on behalf of the Board**

**Bhavesh Dhupelia**

Partner  
Membership No: 042070

**Parag D. Mehta**

Partner  
Membership No: 113904

**Amit Khanna**  
Director

**Sujal Shah**  
Director

**Madhulika Singh**  
Manager

Mumbai  
28 May 2011

Mumbai  
28 May 2011

Mumbai  
28 May 2011

**Consolidated Profit and Loss Account for the year ended 31<sup>st</sup> March 2011**

(Currency: ₹ in Million)

|  | Schedule | For the year ended<br>31 <sup>st</sup> March 2011 | For the year ended<br>31 <sup>st</sup> March 2010 |
|--|----------|---|---|
| <b>INCOME</b>  |          |   |   |
| Theatrical exhibition  | 16       | 5,137.79  | 4,671.00  |
| Film production services   | 17       | 2,284.92  | 1,535.45  |
| Television / film production and related services                        |          | 498.03  | 944.27  |
| Other income   | 18       | 581.88  | 325.67  |
|  |          | <u>8,502.62</u>                                   | <u>7,476.39</u>                                   |
| <b>EXPENDITURE</b>   |          |   |   |
| Direct operational expenses  | 19       | 3,105.98  | 2,810.20  |
| Personnel costs  | 20       | 1,957.12  | 1,317.93  |
| Other operating and general administrative expenses                      | 21       | 3,434.85  | 2,531.86  |
| Interest and finance charges (net)                                       | 22       | 1,878.66  | 1,343.53  |
| Depreciation / amortisation  | 7        | 1,322.65  | 959.93  |
|  |          | <u>11,699.26</u>                                  | <u>8,963.45</u>                                   |
| <b>(Loss) before tax</b>   |          | <b>(3,196.64)</b>                                 | <b>(1,487.06)</b>                                 |
| Less: Provision for tax  |          |   |   |
| - Current tax (including wealth tax)                                     |          | 11.53   | 4.00  |
| - Deferred tax charge  |          | 98.85   | 1.33  |
| - Short / (excess) provision for earlier years<br>(including wealth tax) |          | 1.26  | (7.22)  |
|  |          | <u>(3,308.28)</u>                                 | <u>(1,485.17)</u>                                 |
| <b>Net loss after tax, before minority interest</b>                      |          | <b>(3,308.28)</b>                                 | <b>(1,485.17)</b>                                 |
| <b>Less: Minority interest</b>   |          | <b>19.67</b>                                      | <b>53.09</b>                                      |
| <b>(Loss) after tax</b>  |          | <b>(3,288.61)</b>                                 | <b>(1,432.08)</b>                                 |
| <b>Appropriations</b>  |          |   |   |
| Proposed dividend on preference shares of a Subsidiary                   |          | 4.66  | 5.35  |
| Dividend tax on above  |          | 0.79  | 0.91  |
| Balance carried to balance sheet   |          | (3,294.06)  | (1,438.34)  |
| Basic earnings per share ₹   |          | (71.41)   | (31.18)   |
| Diluted earnings per share ₹   |          | (71.41)   | (31.18)   |
| (Refer note 10 of Schedule 23)   |          |   |   |
| <b>Significant accounting policies</b>                                   | 1        |   |   |
| <b>Notes to the accounts</b>   | 23       |   |   |

The schedules referred to above form an integral part of this profit and loss account.  
As per our report of even date attached.

**For B S R & Co.**

Chartered Accountants  
Firm Registration No: 101248W

**For Chaturvedi & Shah**

Chartered Accountants  
Firm Registration No: 101720W

**For and on behalf of the Board**

**Bhavesh Dhupelia**

Partner  
Membership No: 042070

**Parag D. Mehta**

Partner  
Membership No: 113904

**Amit Khanna**  
Director

**Sujal Shah**  
Director

**Madhulika Singh**  
Manager

Mumbai  
28 May 2011

Mumbai  
28 May 2011

Mumbai  
28 May 2011

# Reliance MediaWorks Limited

## Consolidated Cash Flow Statement for the year ended 31<sup>st</sup> March 2011

(Currency: ₹ in Million)

|  | For the year ended<br>31 <sup>st</sup> March 2011 | For the year ended<br>31 <sup>st</sup> March 2010 |
|--|---|---|
| <b>A. Cash flow from operating activities</b>              |   |   |
| Net (loss) before tax                                      | (3,196.64)  | (1,487.06)  |
| Adjustment for:  |   |   |
| Depreciation / amortisation                                | 1,322.65  | 959.93  |
| (Profit) / loss on sale / discarding of fixed assets (net) | (269.48)  | 7.06  |
| Interest and finance charges (net)                         | 1,878.66  | 1,356.15  |
| Interest income  | (86.84)   | (53.86)   |
| Dividend income  | (0.08)  | -   |
| Bad debts / advances written-off                           | 20.12   | 15.21   |
| Provisions written back                                    | -   | (24.17)   |
| Provision for advances written off                         | 166.63  | 12.19   |
| Deferred revenue expenditure written off                   | 0.25  | 0.26  |
| Deferred revenue expenditure recognised                    | (173.40)  | -   |
| Profit on sale of investments / mutual funds (net)         | (42.36)   | (27.44)   |
| Unrealised foreign exchange (gain)                         | (12.98)   | (47.44)   |
| Adjustment for:  | (393.47)  | 710.83  |
| (Increase) in sundry debtors                               | (39.33)   | (251.39)  |
| (Increase) in loans and advances                           | (235.97)  | (196.36)  |
| (Increase) in inventories                                  | (41.70)   | (23.15)   |
| Increase in trade and other payable                        | 334.52  | 419.62  |
| <b>Cash used in operating activities</b>                   | <b>(375.95)</b>                                   | 659.55  |
| Taxes paid (net of refunds)                                | 118.67  | (146.81)  |
| <b>Net cash used in operating activities (A)</b>           | <b>(257.28)</b>                                   | 512.74  |
| <b>B. Cash flow from investing activities</b>              |   |   |
| Purchase of fixed assets                                   | (2,233.58)  | (4,091.76)  |
| Proceeds from sale of fixed assets                         | 1,399.97  | 2.31  |
| Amount paid for acquisition of subsidiaries                | (9.08)  | (300.10)  |
| Purchase of investments-Long term-other                    | -   | (0.99)  |
| Withdrawals from partnership firm                          | (1.58)  | 37.18   |
| Proceeds on sale of long term investments / rights therein | 2.30  | 406.68  |
| Profit on sale of mutual funds (net)                       | 42.36   | 27.44   |
| Dividend income  | 0.08  | -   |
| Interest income  | 78.45   | 64.73   |
| <b>Cash used in investing activities</b>                   | <b>(721.08)</b>                                   | (3,854.51)  |
| Taxes paid (net of refunds)                                | (2.58)  | (3.56)  |
| <b>Net cash used in investing activities (B)</b>           | <b>(723.66)</b>                                   | (3,858.07)  |

**Consolidated Cash Flow Statement for the year ended 31<sup>st</sup> March 2011**

(Currency: ₹ in Million)

|  | For the year ended<br>31 <sup>st</sup> March 2011 | For the year ended<br>31 <sup>st</sup> March 2010 |
|--|---|---|
| <b>C. Cash flow from financing activities</b>  |   |   |
| (Repayment) / proceeds from short term borrowings (net)                                  | (100.38)  | 5,296.26  |
| Repayment of Foreign currency convertible bonds  | (1,581.45)  | -   |
| Proceeds from long term borrowings   | 3,977.59  | 548.90  |
| Repayment of long term borrowings  | (1,708.33)  | -   |
| Dividend (including dividend tax) paid   | (0.91)  | -   |
| Introduction of capital by minority partners in a Subsidiary                             | -   | 6.30  |
| Payment to minority  | (22.86)   | (59.86)   |
| Recoverable from Reliance Broadcast Network Limited                                      | (144.86)  | -   |
| Recovered from Reliance Broadcast Network Limited pursuant to demerger of Radio business | 2,000.00  | (250.79)  |
| Interest and finance charges (net)   | (1,877.35)  | (1,354.10)  |
| <b>Net cash flow from financing activities (C)</b>                                       | <b>541.45</b>                                     | <b>4,186.71</b>                                   |
| <b>Net increase / (decrease) in cash and cash equivalent (A+B+C)</b>                     | <b>(439.49)</b>                                   | <b>841.38</b>                                     |
| Cash and cash equivalents as at beginning of the year                                    | 1,699.49  | 840.85  |
| Cash and cash equivalents taken over on acquisition of subsidiaries                      | -   | 29.21   |
| Exchange gain / loss on cash and cash equivalents at the beginning of the year           | 2.01  | (11.95)   |
| Cash and cash equivalents as at end of the year (Refer note 1 below)                     | <u>1,262.01</u>                                   | <u>1,699.49</u>                                   |
|  | <u>(439.49)</u>                                   | <u>841.38</u>                                     |

Notes:

**1) Cash and cash equivalents at period end comprises:**

|                                   |                 |                 |
|-----------------------------------|-----------------|-----------------|
| Cash on hand                      | 23.44           | 25.77           |
| Balances with banks               |                 |                 |
| - Deposit accounts                | 685.31          | 541.46          |
| - Current accounts                | 500.38          | 280.98          |
| Liquid investment in mutual funds | 52.88           | 851.28          |
|                                   | <u>1,262.01</u> | <u>1,699.49</u> |

As per our report of even date attached.

**For B S R & Co.**

Chartered Accountants

Firm Registration No: 101248W

**For Chaturvedi & Shah**

Chartered Accountants

Firm Registration No: 101720W

**For and on behalf of the Board**

**Bhavesh Dhupelia**

Partner

Membership No: 042070

**Parag D. Mehta**

Partner

Membership No: 113904

**Amit Khanna**

Director

**Sujal Shah**

Director

**Madhulika Singh**

Manager

Mumbai  
28 May 2011

Mumbai  
28 May 2011

Mumbai  
28 May 2011

## Significant Accounting Policies to Consolidated Financial Statements

(Currency: ₹ in Million)

### Background

Reliance MediaWorks Limited ('Reliance MediaWorks' or 'the Company') was incorporated in 1987 as a Private Limited Company and is currently a Public Listed Company. The equity shares of the Company are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. Reliance MediaWorks is primarily engaged in theatrical exhibition, film production services and television / film production and distribution and related services.

On 5 October 2009, the Company received a fresh certificate of incorporation from Registrar of Companies changing the name of the Company from Adlabs Films Limited to Reliance MediaWorks Limited.

### 1. Summary of significant accounting policies

#### 1.1. Basis of preparation and consolidation

These consolidated financial statements relate to Reliance MediaWorks Limited ('the Company / Parent Company'), its subsidiary companies, associates and joint ventures. The Company along with its subsidiaries, associates and joint ventures constitute 'the Group'.

The audited financial statements of the subsidiaries, joint venture and associates used in the consolidation are for the same reporting period as the Company, i.e. year ended 31<sup>st</sup> March 2011. These financial statements are audited by the auditors of the respective entities.

The financial statements of the Group are prepared and presented under the historical cost convention on the accrual basis of accounting except for revaluation of certain fixed assets and in accordance with the Accounting Standards ('AS') notified in the Accounting Standard Rules, 2006 and the relevant provisions of the Companies Act, 1956 (the 'Act') to the extent applicable. The financial statements are presented in ₹ in million except for per share data and where mentioned otherwise.

#### 1.2. Principles of consolidation

The consolidated financial statements are prepared in accordance with AS 21 – 'Consolidated Financial Statements', AS 23 – 'Accounting for Investments in Associates in Consolidated Financial Statements' and AS 27 – 'Financial Reporting of Interest in Joint Ventures'. Consolidated financial statements are prepared using uniform accounting policies for transactions and other events in similar circumstances except where it is not practicable to do so. The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Parent Company for its independent financial statements. The consolidated financial statements have been consolidated on the following basis:

##### Subsidiaries

The excess of cost to the Group of its investment in subsidiaries over its portion of equity in the subsidiaries at the respective dates on which investments in such subsidiaries was made is recognised in the financial statements as goodwill and any excess of assets over the investment of the Group in a subsidiary is transferred to Capital reserve. The Group's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of the investment.

The financial statements of the Parent Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances / transactions and resulting unrealised profits in full. The amounts shown in respect of reserves / accumulated losses comprise the reserve / accumulated losses as per the Balance sheet of the Parent Company and its share in the post-acquisition increase / decrease in the relevant reserve / accumulated losses of the subsidiaries.

The amount of Goodwill and Capital reserve are presented on a net basis for each subsidiary.

Minority interest's share of profits or losses is adjusted against the income to arrive at the net income attributable to the shareholders. Minority interest's share of net assets is disclosed separately in the consolidated Balance sheet.

- The Group has dissolved three LLC's in the United States of America namely Adlabs Heritage LLC, Adlabs Digital Media LLC and Adlabs GlobalStar LLC
- The Group has purchased the balance 49% of the outstanding stake of Big Cinemas Galaxy LLC

##### Joint venture entities

Interests in jointly controlled entities are accounted for using the proportionate consolidation method.

The list of subsidiaries considered in these consolidated financial statements with percentage holding is summarised below:

| Sr. No. | Name of the Subsidiary                     | Country of Incorporation | Ownership Interest in 2011 | Ownership Interest in 2010 |
|---------|--|--------------------------|----------------------------|----------------------------|
| 1       | Adlabs Distributors and Exhibitors Limited | India                    | 100%                       | 100%                       |
| 2       | Reliance MediaWorks (UK) Limited           | United Kingdom           | 100%                       | 100%                       |
| 3       | Reliance MediaWorks (USA), Inc.            | United States of America | 100%                       | 100%                       |
| 4       | Reliance MediaWorks (Netherlands) B.V.     | The Netherlands          | 100%                       | 100%                       |
| 5       | Reliance MediaWorks (Mauritius) Limited    | Mauritius                | 100%                       | 100%                       |

**Significant Accounting Policies to Consolidated Financial Statements**

(Currency: ₹ in Million)

| Sr. No. | Name of the Subsidiary                            | Country of Incorporation | Ownership Interest in 2011 | Ownership Interest in 2010 |
|---------|---|--------------------------|----------------------------|----------------------------|
| 6       | Big Synergy Media Limited                         | India                    | 51%                        | 51%                        |
| 7       | Sri Ramakrishna Theatres Limited                  | India                    | 89.68%                     | 89.68%                     |
| 8       | Rave Entertainment and Food Nepal Private Limited | Nepal                    | 100%                       | 100%                       |
| 9       | Digital Media Imaging Limited                     | India                    | 100%                       | 100%                       |

The List of step-down subsidiaries considered in these consolidated financial statements with percentage shareholding is summarised below:

| Sr. No. | Name of the Subsidiary                          | Country of incorporation | Ownership Interest in 2011 | Ownership Interest in 2010 |
|---------|---|--------------------------|----------------------------|----------------------------|
| 1       | BIG Cinemas Entertainment LLC                   | United States of America | 100%                       | 100%                       |
| 2       | BIG Cinemas Entertainment (DE) LLC              | United States of America | 100%                       | 100%                       |
| 3       | Adlabs Forum LLC#                               | United States of America | NA                         | NA                         |
| 4       | BIG Cinemas Laurel LLC                          | United States of America | 100%                       | 100%                       |
| 5       | BIG Cinemas Falls Church LLC                    | United States of America | 100%                       | 100%                       |
| 6       | Adlabs Heritage LLC#                            | United States of America | NA                         | 100%                       |
| 7       | BIG Cinemas Norwalk LLC                         | United States of America | 100%                       | 100%                       |
| 8       | BIG Cinemas Galaxy LLC                          | United States of America | 100%                       | 51%                        |
| 9       | BIG Cinemas Sahil LLC                           | United States of America | 97%                        | 97%                        |
| 10      | BIG Cinemas SAR LLC                             | United States of America | 51%                        | 51%                        |
| 11      | Phoenix BIG Cinemas Management LLC              | United States of America | 51%                        | 51%                        |
| 12      | BIG Cinemas Union LLC #                         | United States of America | NA                         | NA                         |
| 13      | BIG Cinemas Phoenix LLC                         | United States of America | 51%                        | 51%                        |
| 14      | BIG Cinemas Exhibition LLC                      | United States of America | 100%                       | 100%                       |
| 15      | BIG Cinemas IMC LLC                             | United States of America | 100%                       | 100%                       |
| 16      | Big Pictures USA Inc. \$                        | United States of America | 100%                       | 100%                       |
| 17      | Adlabs Digital Media USA LLC #                  | United States of America | NA                         | 100%                       |
| 18      | Adlabs GlobalStar LLC #                         | United States of America | NA                         | 100%                       |
| 19      | Reliance Media and Marketing Communications LLC | United States of America | 100%                       | 100%                       |
| 20      | Reliance Lowry Digital Imaging Services Inc. *  | United States of America | 100%                       | 100%                       |
| 21      | Reliance Media Works VFX Inc.                   | United States of America | 100%                       | 100%                       |
| 22      | Reliance MediaWorks (Malaysia) Sdn Bhd          | Malaysia                 | 100%                       | 100%                       |
| 23      | BIG Cinemas Lotus Five Star Sdn Bhd             | Malaysia                 | 70%                        | 70%                        |

\* - 90% of the outstanding shares are held by Reliance MediaWorks (USA) Inc.

# These LLC's has been dissolved during the current / previous year

# Reliance MediaWorks Limited

## Significant Accounting Policies to Consolidated Financial Statements

(Currency: ₹ in Million)

§ - This subsidiary does not have any transactions since the date of incorporation

The list of Joint venture entities considered in these consolidated financial statements with percentage shareholding is summarised below:

| Sr. No. | Name of the Joint Venture                  | Country of Incorporation | Ownership Interest in 2011 | Ownership Interest in 2010 |
|---------|--|--------------------------|----------------------------|----------------------------|
| 1       | Swanston Multiplex Cinemas Private Limited | India                    | 50%                        | 50%                        |
| 2       | Divyashakti Marketing Private Limited      | India                    | 50%                        | 50%                        |
| 3       | Cineplex Private Limited                   | India                    | 50%                        | 50%                        |

The Group holds Nil (2010: 9,800) equity shares of Sultan Production Private Limited which was considered as an associate up to 31<sup>st</sup> March 2009.

### 1.3. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles ('GAAP') in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and the reported amount of income and expenses during the reported period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the financial statements, which in its opinion are prudent and reasonable. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

### 1.4. Goodwill on consolidation

The excess of cost to the Parent company of its investments over its portion of equity in the subsidiaries/ joint ventures / associates, as at the date on which the investment was made, is recognised as goodwill in the consolidated financial statements. The Parent Company's portion of equity in the subsidiaries / joint ventures' / associates is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

Goodwill is reviewed for a decline other than temporary in its carrying value, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses the recoverability of goodwill by reference to the valuation methodology adopted by it on the acquisition date, which included strategic and synergic factors that were expected to enhance the enterprise value. Accordingly, the Group would consider that there exists a decline other than temporary in the carrying value of goodwill when, in conjunction with its valuation methodology, its expectations with respect to the underlying acquisitions it has made deteriorates with adverse market conditions.

### 1.5. Fixed assets and depreciation / amortisation

#### a) Tangible assets

Tangible fixed assets are stated at cost and / or revalued amount in accordance with scheme of amalgamation less accumulated depreciation and any provision for impairment. Cost includes freight, duties, taxes (other than those recoverable from tax authorities) and other expenses related directly / indirectly to the acquisition/ construction and installation of the fixed assets for bringing the asset to its working condition for its intended use.

Depreciation on fixed assets is provided on the straight line method, at the rates prescribed in Schedule XIV to the Act, which, in management's opinion, reflects the estimated useful lives of those fixed assets, except assets of subsidiaries, namely Reliance MediaWorks (USA) Inc. (including its subsidiaries), BIG Cinemas Lotus Five Star Sdn. Bhd. and Reliance MediaWorks (UK) Limited and theatrical exhibition segment in India wherein depreciation is provided at following rates:

| Particulars of fixed assets | Rate of depreciation |
|-----------------------------|----------------------|
| Plant & machinery           | 7.07% to 20%         |
| Furniture & fixture         | 10% to 25%           |
| Computers                   | 20%                  |
| Vehicles                    | 10%                  |

Leasehold improvements / buildings are depreciated over the lower of useful life of the asset and lease term, on a straight line basis.

Individual assets costing up to ₹ 0.005 are depreciated fully in the year of acquisition.

#### b) Intangible assets

Intangible assets, all of which have been acquired / created and are controlled through custody or legal rights, are capitalised at cost, where they can be reliably measured. Where capitalised, intangible assets are regarded as having a limited useful economic life and the cost is amortised over the lower of useful life and ten years.

## Significant Accounting Policies to Consolidated Financial Statements

(Currency: ₹ in Million)

Application software purchased, which is not an integral part of the related hardware, is shown as intangible assets and amortised on a straight line basis over its useful life, not exceeding five / ten years, as determined by management.

Film rights comprise negative rights and distribution rights in films and are for a contractually specified mode of exploitation, period and territory and are stated at cost less accumulated amortisation. Cost of film rights comprises original purchase price / minimum guarantee. Cost is ascertained on specific identification basis where possible. In case multiple films / rights are acquired for a consolidated amount, cost is allocated to each film / right based on management's best estimates.

The individual film forecast method is used to amortise the cost of film rights acquired. Under this method, costs are amortised in the proportion that 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 right is less than its unamortised cost, a loss is recognised for the excess of unamortised cost over the film right's realisable value.

In respect of unreleased films, payments towards film rights are classified under capital advances as the amounts are refundable in the event of non-release of the film.

Internally generated software is capitalised by the Group and amortised over its estimated useful life of five / ten years.

Purchased goodwill is recognised by the Group on the basis of excess of purchase consideration paid over the value of assets acquired at the time of acquisition of business and is amortised over its estimated useful life not exceeding ten years.

### 1.6. Impairment

In accordance with AS 28 – 'Impairment of Assets', where there is an indication of impairment of the Group's asset, the carrying amounts of the Group's assets are reviewed at each Balance sheet date to determine whether there is any impairment. The recoverable amount of the asset (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 recoverable amount. Impairment loss is recognised in the profit and loss account.

If at the balance sheet date there is an indicator that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciated historical cost.

Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

### 1.7. Investments

Long-term investments are carried at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term investments and is determined separately for each individual investment.

Current investments are carried at lower of cost and fair value.

### 1.8. Inventories

Inventories (comprising of food and beverage items, chemicals, negative film rolls, xenon lamps and stores and spares related to theatrical exhibition / film production services business etc.) are stated at the lower of cost and net realisable value. Cost is determined on the first-in first-out (FIFO) basis except in the case of Reliance MediaWorks (USA), Inc. (and its subsidiaries), and BIG Cinemas Lotus Five Star Cinemas Sdn Bhd wherein the Group uses the weighted average method.

Inventory of DVD's is stated at lower of cost or net realisable, value wherein cost is determined using weighted average method.

Inventory of content cost not aired is stated at lower of cost and net realisable value.

### 1.9. Employee benefits

#### Short term employee benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees are recognised as an expense during the year.

#### Long term employee benefits:

Provident fund and other schemes

The Group's state governed provident fund scheme, employee state insurance scheme and labour welfare fund are defined contribution plans. The contribution paid / payable under the schemes is recognised during the year in which the employee renders the related service.

Gratuity Plan

The Group's gratuity benefit scheme is a defined benefit plan. The Group's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for

## Significant Accounting Policies to Consolidated Financial Statements

(Currency: ₹ in Million)

their service in the current and prior years; that benefit is discounted to determine its present value and the fair value of any plan assets is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected unit credit method.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities as at the Balance sheet date.

Actuarial gains and losses are recognised immediately in the profit and loss account.

Other Long term employment benefits:

Compensated absences which are not expected to occur within twelve months after the end of the year in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the Balance sheet date, determined based on actuarial valuation using Projected unit credit method. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government Securities as at the Balance sheet date.

### 1.10. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The amount recognised as revenue is exclusive of value added tax, service tax and net of trade discounts.

Amount of entertainment tax is shown as a reduction from revenue.

#### **Film production services**

Revenue from processing / printing of cinematographic films is recognised upon completion of the related processing / printing.

Revenue from processing of digital content is recognised using the proportionate completion method. Use of the proportionate completion method requires the Group to estimate the efforts expended to date as a proportion of the total efforts to be expended. Efforts expended have been used to measure progress towards completion, as there is a direct relationship between efforts expended and contracted output.

Sale of traded goods is recognised when the risks and rewards of ownership are passed on to the customer, which generally coincides with the dispatch of goods.

Income from equipment / facility rental is recognised over the period of the relevant agreement / arrangement.

#### **Theatrical exhibition and related income**

Sale of tickets

Revenue from theatrical exhibition is recognised on the date of the exhibition of the films and comprises proceeds from sale of tickets, gross of entertainment tax. As the Group is the primary obligor with respect to exhibition activities, the share of distributors in these proceeds is separately disclosed as distributors' share.

Amount of entertainment tax is shown as a reduction from revenue where applicable.

Revenue from gift cards is recognised on the basis of availing the facility by the customer. At the time of sale, the amounts received are recognised as deferred revenue.

Share of profit in partnership firm is recognised on the basis of audited financial statement of the Partnership firm.

Sale of food and beverages

Revenue from sale of food and beverages is recognised upon sale and delivery at the counter.

Advertisement / sponsorship revenue

Revenue from advertisements, sponsorship and events is recognised on the date of the exhibition of the advertisement / event, over the period of the contract or on completion of the Group's obligations, as applicable.

Management fee is recognised as revenue on a time proportion basis as per the relevant agreement.

#### **Television / film production, distribution and related income**

Television / film production and related income

Revenue from sale of content / motion picture is accounted for on the date of agreement to assign / sell the rights in the concerned motion picture / content or on the date of release of the content / motion picture, whichever is later. Program sales are accounted on the delivery of tape to the channel.

Income from film distribution activity

In case of distribution rights of motion picture / content, revenue is recognised on the date of release/ exhibition.

Revenue from other rights such as satellite rights, overseas rights, music rights, video rights, etc. is recognised on the date when the rights are made available to the assignee for exploitation.

Revenue from sale of VCDs / DVDs, etc is recognised when the risks and rewards of ownership are passed on to the customer, which generally coincides with the dispatch of the products.

## Significant Accounting Policies to Consolidated Financial Statements

(Currency: ₹ in Million)

### Interest income / income from film financing

Interest income, including from film / content related production financing, is recognised on a time proportion basis at the rate implicit in the transaction.

### Dividend income

Dividend income is recognised when the right to receive dividend is unconditional at the Balance sheet date.

### Marketing rights

Amounts received in lieu of future marketing rights sale are recognised as income in the year of entering into the contract.

### 1.11. Foreign currency transactions

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of the transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the profit and loss account of the year.

Monetary assets and liabilities denominated in foreign currencies as at the Balance sheet date are translated at the closing exchange rates on that date; the resultant exchange differences are recognised in the profit and loss account except in case of exchange differences arising on translation of monetary items which form part of Company's net investment in a non-integral foreign operation which is accumulated in a 'Foreign currency translation reserve' until its disposal.

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

Forward contracts are entered into to hedge the foreign currency risk of the underlying transaction. The premium or discount on all such contracts arising at the inception of each contract is amortised as income or expense over the life of the contract. Exchange difference on forward contracts is recognised as income or expense in the profit and loss account of the year. Any profit or loss arising on the cancellation and renewal of forward contract is recognised as income or expense for the year.

### 1.12. Foreign currency translation

The consolidated financial statements are reported in ₹ in accordance with AS-11 - 'The Effects of Changes in Foreign Exchange Rates' which specifies translation of foreign subsidiaries on the basis of their classification as integral / non-integral to the operations of the Parent Company.

The foreign subsidiaries in Netherlands, United Kingdom, Malaysia and Mauritius fall in the criteria of integral operations and the translation of the local currency financials of each integral foreign subsidiary within the Group into ₹ is performed in respect of assets and liabilities other than fixed assets, using the exchange rate in effect at the Balance sheet date and for revenue and expense items other than the depreciation costs, using average exchange rate during the reporting year. Net exchange difference resulting from the above translation of the financial statements of integral foreign subsidiaries is recognised in the consolidated profit and loss account. Fixed assets are translated at exchange rates on the date of the transaction and depreciation on fixed assets is translated at exchange rates used for translation of the underlying fixed assets.

The foreign subsidiaries in the United States of America and Nepal fall in the criteria of non-integral foreign operations wherein the translation of the local currency balances of the assets and liabilities are translated at the exchange rate in effect at the Balance sheet date and for revenue and expense items at the average exchange rate during the reporting year. Net exchange differences resulting from the above translation of the financial statements is accumulated in a 'Foreign currency translation reserve', disclosed as Reserves and surplus. The amount accumulated will be held in this account till the time of disposal of the net investment in the subsidiary.

### 1.13. Earning per share

In determining earning per share, the Group considers the net result after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earning per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earning per share comprises the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of shares that could have been issued on the conversion of all dilutive potential equity shares unless the results would be anti-dilutive. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless issued at a later date.

### 1.14. Taxation

Income-tax expense comprises current tax expense computed in accordance with the relevant provisions of the Income tax Act, 1961 / local Income tax regulations of the respective countries of operation of the Group and deferred tax charge or credit.

Current tax provision is made based on the tax liability computed after considering tax allowances and exemptions, in accordance with the Income tax Act, 1961 / local Income tax regulations of the respective countries of operation of the Group. Deferred tax charge or credit and the corresponding deferred tax liability or asset is recognised for timing differences between the profits / losses offered for income tax and profits / losses as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at the Balance sheet date.

## Significant Accounting Policies to Consolidated Financial Statements

(Currency: ₹ in Million)

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance sheet date and written down / up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

### **1.15. Share issue / Foreign Currency Convertible Bonds ('FCCB') issue expenses and premium on redemption**

Share / FCCB issue expenses incurred and premium payable on FCCB are adjusted in the year of issue against the Securities premium account.

### **1.16. Provisions and contingencies**

Provisions comprise liabilities of uncertain timing or amount. Provisions are recognised when the Group recognises it has a present obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.

A disclosure for a contingent liability is made when 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.

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

### **1.17. Leases**

Rental expenses in non-cancellable arrangements / agreements with scheduled rent increases are recorded on a straight line basis over the lease term.

### **1.18. Borrowing costs**

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

### **1.19. Commercial Papers**

Commercial Papers issued are recognised as a liability, at the amount of cash received at the time of issuance ie. discounted value. The discount is amortised as interest cost over the period of the commercial paper, at the rate implicit in the transaction.

**Schedules to the Consolidated Financial Statements for the year ended 31<sup>st</sup> March 2011**

(Currency: ₹ in Million)

|   | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
|---|--------------------------------------|--------------------------------------|
| <b>2 Share capital</b>  |                                      |                                      |
| <b>Authorised</b>   |                                      |                                      |
| 100,000,000 (2010: 100,000,000) equity shares of ₹ 5/-each  | <u>500.00</u>                        | <u>500.00</u>                        |
| <b>Issued, subscribed and paid-up capital</b>   |                                      |                                      |
| 46,126,170 (2010: 46,126,170) equity shares of ₹ 5/- each, fully paid-up  | <b>230.63</b>                        | 230.63                               |
| <i>Of the above:</i>  |                                      |                                      |
| - 17,000,000 (2010: 17,000,000) equity shares of ₹ 5/-each fully paid-up were allotted as bonus share by capitalisation of general reserves.<br>(Also refer note 13 of schedule 23) | <u>230.63</u>                        | <u>230.63</u>                        |
| <b>3 Reserves and surplus</b>   |                                      |                                      |
| <b>Securities premium account</b>   |                                      |                                      |
| At the commencement of the year   | <b>4,723.51</b>                      | 4,686.26                             |
| Provision for premium on redemption of zero coupon foreign currency convertible bonds ('FCCB') (refer 13 of schedule 23)  | <b>(37.30)</b>                       | 37.25                                |
|   | <u>4,686.21</u>                      | <u>4,723.51</u>                      |
| <b>Capital redemption reserve</b>   |                                      |                                      |
| Balance at the beginning of the year  | <b>43.64</b>                         | 11.46                                |
| Transferred from general reserve  | <b>9.78</b>                          | 32.18                                |
|   | <u>53.42</u>                         | <u>43.64</u>                         |
| <b>Capital reserve - I</b>  | <b>3.39</b>                          | 3.39                                 |
| <b>Capital reserve - II</b>   | <b>582.62</b>                        | 582.62                               |
| (created pursuant to provisions of Scheme of Amalgamation during the year ended 31 <sup>st</sup> March 2009)  |                                      |                                      |
| <b>General reserve</b>  |                                      |                                      |
| At the commencement of the year   | <b>88.84</b>                         | 121.02                               |
| Transferred to capital redemption reserve   | <b>(9.78)</b>                        | (32.18)                              |
|   | <u>79.06</u>                         | <u>88.84</u>                         |
| Debit balance of Profit and loss account, deducted per contra   | <b>79.06</b>                         | 88.84                                |
|   | -                                    | -                                    |
| <b>Foreign currency translation reserve</b>   |                                      |                                      |
| At the commencement of the year   | <b>(42.87)</b>                       | 26.23                                |
| Foreign currency translation gain/(loss) on non-integral operations (net)   | <b>11.38</b>                         | (69.10)                              |
|   | <u>(31.49)</u>                       | <u>(42.87)</u>                       |
|   | <u>5,294.15</u>                      | <u>5,310.29</u>                      |
| <b>4 Secured loans</b>  |                                      |                                      |
| From banks  | <b>5,594.38</b>                      | 5,567.13                             |
| - Term loan   | <b>326.40</b>                        | 98.52                                |
| - Cash credit   | <b>628.72</b>                        | 149.58                               |
| - Buyers credit   |                                      |                                      |

# Reliance MediaWorks Limited

## Schedules to the Consolidated Financial Statements for the year ended 31<sup>st</sup> March 2011

(Currency: ₹ in Million)

|  | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
|--|--------------------------------------|--------------------------------------|
| <b>4 Secured loans (contd.)</b>  |                                      |                                      |
| From others  |                                      |                                      |
| – Term loan  | 10.04                                | –                                    |
| (refer note 3(a) of schedule 23)   | <u>6,559.54</u>                      | <u>5,815.23</u>                      |
| <b>5 Unsecured loans</b>   |                                      |                                      |
| Short term loans and advances  |                                      |                                      |
| Commercial paper   | 5,784.24                             | 7,268.30                             |
| From banks   | 3,850.00                             | 4,458.70                             |
| Inter-corporate deposit  | 1,500.00                             | –                                    |
| Buyers credit  | 31.80                                | 139.26                               |
| Others   | 98.60                                | 119.02                               |
| Other loans and advances   |                                      |                                      |
| From banks   | 2,000.00                             | –                                    |
| Zero coupon Foreign Currency Convertible Bonds ('FCCB')  | –                                    | 1,123.95                             |
| (refer note 3(b) of schedule 23)   | <u>13,264.64</u>                     | <u>13,109.23</u>                     |
| <b>6 (A) Deferred tax asset</b>  |                                      |                                      |
| Arising on account of timing difference in:  |                                      |                                      |
| Provision for leave encashment and gratuity  | 27.46                                | 13.05                                |
| Others   | 3.92                                 | 7.93                                 |
| Unabsorbed depreciation allowance and carried forward business loss*   | 356.60                               | 221.53                               |
|  | <u>387.98</u>                        | <u>242.51</u>                        |
| <b>(B) Deferred tax liability</b>  |                                      |                                      |
| Arising on account of timing difference in:  |                                      |                                      |
| Depreciation/ amortisation (net)   | 492.33                               | 247.98                               |
| Others   | –                                    | 0.04                                 |
|  | <u>492.33</u>                        | <u>248.02</u>                        |
| <b>Net deferred tax liability</b>  | <u>(104.35)</u>                      | <u>(5.51)</u>                        |
| *Restricted to the extent of deferred tax liability due to absence of virtual certainty.                                 |                                      |                                      |
| The net liability has been shown as, the Group does not have the option to set off the balances of individual Companies. |                                      |                                      |
| Deferred tax asset   | 0.26                                 | 0.22                                 |
| Deferred tax liability   | (104.61)                             | (5.73)                               |
| <b>Net deferred tax liability</b>  | <u>(104.35)</u>                      | <u>(5.51)</u>                        |

**Schedules to the Consolidated Financial Statements for the year ended 31<sup>st</sup> March 2011**

(Currency: ₹ in Million)

**7. Fixed Assets**

| Particulars                            | Gross Block                      |                           |                            | Accumulated Depreciation / Amortisation / Impairment |                                   |                     | Net Block                               |               |                                   |                                   |
|--|----------------------------------|---------------------------|----------------------------|--|-----------------------------------|---------------------|---|---------------|-----------------------------------|-----------------------------------|
|  | As at 1 <sup>st</sup> April 2010 | Additions during the year | Deductions during the year | Adjustments #  | As at 31 <sup>st</sup> March 2011 | Charge for the year | Depreciation on assets sold / discarded | Adjustments # | As at 31 <sup>st</sup> March 2011 | As at 31 <sup>st</sup> March 2010 |
| <b>Intangible assets</b>               |                                  |                           |                            |  |                                   |                     |   |               |                                   |                                   |
| Goodwill                               | 470.40                           | -                         | -                          | 2.71   | 473.11                            | 83.26               | 65.50                                   | 0.08          | 148.84                            | 387.14                            |
| Distribution rights                    | 1,661.64                         | -                         | -                          | 0.24   | 1,661.88                          | 1,661.64            | -                                       | 0.24          | 1,661.88                          | -                                 |
| Negative rights                        | 1,245.24                         | -                         | -                          | -  | 1,245.24                          | 1,245.24            | -                                       | -             | 1,245.24                          | -                                 |
| Computer software                      | 78.33                            | 312.29                    | 2.05                       | 1.62   | 390.19                            | 21.24               | 133.82                                  | 0.60          | 152.41                            | 57.09                             |
| Internally generated computer software | 176.77                           | 159.14                    | -                          | -  | 335.91                            | 17.54               | -                                       | -             | 17.54                             | 159.23                            |
| <b>Tangible assets</b>                 |                                  |                           |                            |  |                                   |                     |   |               |                                   |                                   |
| Leasehold land                         | 863.74                           | 1.80                      | -                          | 0.13   | 865.67                            | 1.14                | 0.71                                    | -             | 1.85                              | 862.60                            |
| Buildings                              |                                  |                           |                            |  |                                   |                     |   |               |                                   |                                   |
| Leasehold                              | 4,031.17                         | 1,038.36                  | 0.47                       | 2.88   | 5,071.94                          | 464.28              | 292.86                                  | (0.48)        | 756.21                            | 3,566.89                          |
| Freehold                               | 304.40                           | 0.50                      | -                          | -  | 304.90                            | 84.21               | 11.13                                   | -             | 95.34                             | 220.19                            |
| Plant and machinery                    | 5,815.82                         | 1,579.06                  | 1,172.06                   | 3.08   | 6,225.90                          | 1,236.35            | 738.83                                  | (0.58)        | 1,702.34                          | 4,579.47                          |
| Furniture and fixtures                 | 1,438.54                         | 236.26                    | 168.86                     | 1.50   | 1,507.44                          | 174.32              | 90.25                                   | (0.05)        | 239.57                            | 1,264.22                          |
| Vehicles                               | 28.95                            | 1.48                      | 2.06                       | -  | 28.37                             | 7.13                | 2.71                                    | 1.06          | 8.78                              | 21.82                             |
| <b>Total</b>                           | <b>16,115.00</b>                 | <b>3,328.89</b>           | <b>1,345.50</b>            | <b>12.16</b>   | <b>18,110.55</b>                  | <b>4,996.35</b>     | <b>1,335.81</b>                         | <b>300.77</b> | <b>6,030.00</b>                   | <b>11,118.65</b>                  |
| <b>Previous year</b>                   | 12,405.40                        | 3,740.96                  | 36.31                      | 4.95   | 16,115.00                         | 4,037.00            | 977.86                                  | 26.94         | 4,996.35                          | 8,368.40                          |

Capital work-in-progress including capital advances (CWIP)

# - Including effect of foreign exchange translations in case of non-integral foreign subsidiaries

\* - Includes opening provision for impairment - ₹ 55.17

**Notes:**

- 1) Leasehold land in excess of 99 years is not depreciated as this is treated as deemed ownership.
- 2) Gross block of leasehold land and building includes revalued amount of leasehold land having deemed ownership of ₹ 821.63 and building of ₹ 967.37 pursuant to scheme of arrangement carried out in the year ended 31<sup>st</sup> March 2009.
- 3) Additions to fixed assets / CWIP include the following expenses capitalized

| Particulars   | Year ended 31 <sup>st</sup> March 2011 | Year ended 31 <sup>st</sup> March 2010 |
|---|--|--|
| Depreciation  | 13.16                                  | 17.93                                  |
| Interest  | 97.63                                  | 106.06                                 |
| Professional fees   | 17.16                                  | 34.24                                  |
| Personnel cost  | 302.25                                 | 371.14                                 |
| Rent  | 90.62                                  | 134.42                                 |
| Other operating expenses                                  | 69.40                                  | 118.22                                 |
| Trial period income, netted from fixed assets capitalised | (2.00)                                 | -                                      |
|   | <u>588.22</u>                          | <u>782.01</u>                          |

# Reliance MediaWorks Limited

## Schedules to the Consolidated Financial Statements for the year ended 31<sup>st</sup> March 2011

(Currency: ₹ in Million)

|  | As at<br>31 <sup>st</sup> March 2011 |                    | As at<br>31 <sup>st</sup> March 2010 |                 |
|--|--------------------------------------|--------------------|--------------------------------------|-----------------|
| <b>8 Investments</b>   |                                      |                    |                                      |                 |
| <b>A Long term (trade, unquoted and at cost)</b>   |                                      |                    |                                      |                 |
| Government securities  |                                      |                    |                                      |                 |
| (i) National savings certificates<br>(Pledged with State government authorities)   |                                      | <b>3.43</b>        |                                      | 11.44           |
| (ii) Rural Electrification Corporation Bonds   |                                      | -                  |                                      | 2.20            |
| <b>B Long term (non-trade, unquoted and at cost)</b>   |                                      |                    |                                      |                 |
| <b>(a) Shares in others</b>  |                                      |                    |                                      |                 |
| (i) Manipal Industries Limited<br>60 (2010: 60) shares of ₹ 10 each (₹ 600/-)*   |                                      | *                  |                                      | *               |
| (ii) Efficient Management Services Private Limited<br>200 (2010: 200) shares of ₹ 10 each (₹ 2,040/-)*                                   |                                      | *                  |                                      | *               |
| (iii) Sultan Production Private Limited<br>Nil (2010: 9,800) equity shares of ₹ 10 each, fully<br>paid up (Refer note 14 of Schedule 23) |                                      | -                  |                                      | 0.10            |
| <b>(b) Investment in Partnership firm</b>  |                                      |                    |                                      |                 |
| (i) HPE / Adlabs LP<br>(Investment in limited liability partnership)<br>Less: Repayment of principal from the Partnership firm           |                                      | <b>199.93</b><br>- |                                      | 224.10<br>24.17 |
|  |                                      | <b>199.93</b>      |                                      | 199.93          |
| (ii) Gold Adlabs   |                                      | <b>54.03</b>       |                                      | <b>52.45</b>    |
|  |                                      | <b>257.39</b>      |                                      | 266.12          |
| Less: Provision for diminution in value of long term<br>investments  |                                      | <b>(199.93)</b>    |                                      | (199.93)        |
| <b>Total long term investment</b>  |                                      | <b>57.46</b>       |                                      | 66.19           |
| <b>(c) Current investments (non-trade, unquoted and at<br/>lower of cost and fair value)</b>   |                                      |                    |                                      |                 |
| Investment in mutual funds   |                                      |                    |                                      |                 |
|  | <b>No of units</b>                   |                    | <b>No of units</b>                   |                 |
| Birla Sunlife ST Fund Growth [Net asset value: ₹ 1.68<br>(2010: ₹ 3.01)]   | <b>94,772</b>                        | <b>1.32</b>        | 181,372                              | 2.53            |
| LIC Liquid Plus Mutual Fund [Net asset value: ₹ 12.54<br>(2010: ₹ 11.81)]  | <b>955,475</b>                       | <b>10.00</b>       | 955,475                              | 10.00           |
| Reliance Liquid Plus - IP - Growth [Net asset value:<br>₹ 32.57 (2010: ₹ 30.45)]   | <b>24,270</b>                        | <b>25.90</b>       | 24,270                               | 25.90           |
| Osian Art Fund Contemporary [Net asset value: ₹ 2.41<br>(2010: ₹ 2.41)]  | <b>20,000</b>                        | <b>2.00</b>        | 20,000                               | 2.00            |
| Templeton India STPI Growth [Net asset value:<br>₹ 17.22 (2010: ₹ 16.28)]  | <b>8,813</b>                         | <b>12.62</b>       | 8,813                                | 12.62           |
| IDBI Liquid Plan - Daily Dividend Reinvestment Option<br>(Net Assets Value: ₹ 1.04 (2010: ₹ Nil))  | <b>1,042</b>                         | <b>1.04</b>        | -                                    | -               |
| Reliance Regular Saving Fund-Debt-IG [Net asset<br>value: ₹ Nil (2010: 8.18)]  | -                                    | -                  | 643,899                              | 8.00            |
| Reliance Liquidity Fund - Growth Option [Net asset<br>value: ₹ Nil (2010: 72.55)]  | -                                    | -                  | 5,233,869                            | 72.53           |
| Reliance Medium Term Fund - Retail Plan- Growth<br>Plan- Growth Option [Net asset value: ₹ Nil (2010:<br>₹ 11.09)]                       | -                                    | -                  | 581,214                              | 11.06           |
| Reliance Monthly Interval fund - Series II-Institutional<br>Growth Plan [Net asset value: ₹ Nil (2010: 100.03)]                          | -                                    | -                  | 8,052,502                            | 100.00          |
| Reliance Money Manager Fund - Institutional<br>Option - Growth Plan [Net asset value: ₹ Nil (2010:<br>607.09)]                           | -                                    | -                  | 483,782                              | 606.64          |
| <b>Total current investments</b>   |                                      | <b>52.88</b>       |                                      | <b>851.28</b>   |
|  |                                      | <b>110.34</b>      |                                      | <b>917.47</b>   |

**Schedules to the Consolidated Financial Statements for the year ended 31<sup>st</sup> March 2011**

(Currency: ₹ in Million)

|   | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
|---|--------------------------------------|--------------------------------------|
| <b>9 Inventories</b>  |                                      |                                      |
| Stores and spares   | 48.24                                | 35.65                                |
| Chemical stock  | 2.07                                 | 1.65                                 |
| Food and beverages  | 43.30                                | 37.17                                |
| Negative film rolls   | 5.24                                 | 5.41                                 |
| Content not aired   | 33.49                                | 6.07                                 |
| Stock of DVD's  | 0.19                                 | 4.77                                 |
|   | <u>132.53</u>                        | <u>90.72</u>                         |
| <b>10 Sundry debtors</b>  |                                      |                                      |
| Unsecured and considered good   |                                      |                                      |
| Debts outstanding for a period exceeding six months   | 1,617.57                             | 1,314.55                             |
| Other debts   | 688.68                               | 1,030.21                             |
|   | <u>2,306.25</u>                      | <u>2,344.76</u>                      |
| Unsecured and considered doubtful   |                                      |                                      |
| Debts outstanding for a period exceeding six months   | 72.46                                | 4.96                                 |
| Less: Provision for doubtful debts  | 72.46                                | 4.96                                 |
|   | <u>-</u>                             | <u>-</u>                             |
|   | <u>2,306.25</u>                      | <u>2,344.76</u>                      |
| <b>11 Cash and bank balances</b>  |                                      |                                      |
| Cash on hand  | 23.44                                | 25.77                                |
| Balances with banks   |                                      |                                      |
| - in current accounts   | 500.38                               | 280.98                               |
| - in fixed deposit accounts   | 685.31                               | 541.46                               |
| - dividend accounts   | 1.22                                 | 1.38                                 |
| (of the above fixed deposit of ₹ 574.90 (2010: ₹ 425.81) are under bank lien)                                       | <u>1,210.35</u>                      | <u>849.59</u>                        |
| <b>12 Loans and advances</b>  |                                      |                                      |
| Unsecured and considered good   |                                      |                                      |
| Amount due from Reliance Broadcast Network Limited pursuant to demerger   | 609.50                               | 2,609.50                             |
| Loans and advances to others  | 171.41                               | 140.28                               |
| Advances recoverable in cash or in kind or for value to be received (refer note 11 of schedule 23)                  | 1,501.24                             | 1,278.15                             |
| Deposits  | 1,779.06                             | 1,751.96                             |
| Advance tax, tax deducted at source, advance fringe benefit tax (Net of provision for tax ₹ 79.68 (2010: ₹ 160.27)) | 441.75                               | 570.63                               |
|   | <u>4,502.96</u>                      | <u>6,350.52</u>                      |
| Unsecured and considered doubtful   |                                      |                                      |
| Advances recoverable in cash or in kind or for value to be received   | 97.95                                | 12.06                                |
| Less: Provision for doubtful advances   | (97.95)                              | (12.06)                              |
|   | <u>-</u>                             | <u>-</u>                             |
|   | <u>4,502.96</u>                      | <u>6,350.52</u>                      |
| <b>13 Current liabilities</b>   |                                      |                                      |
| Sundry creditors for goods and services   | 1,967.08                             | 1,744.17                             |
| Other current liabilities   | 277.07                               | 209.41                               |
| Advance payments received   | 245.33                               | 175.94                               |
| Interest accrued but not due  | 6.36                                 | 5.05                                 |
| Unclaimed dividend  | 1.22                                 | 1.38                                 |
|   | <u>2,497.06</u>                      | <u>2,135.95</u>                      |

# Reliance MediaWorks Limited

## Schedules to the Consolidated Financial Statements for the year ended 31<sup>st</sup> March 2011

(Currency: ₹ in Million)

|  | As at<br>31 <sup>st</sup> March 2011                         | As at<br>31 <sup>st</sup> March 2010                         |
|--|--|--|
| <b>14 Provisions</b>   |  |  |
| Tax on proposed dividend declared by a Subsidiary            | 0.79   | 0.91   |
| Gratuity   | 4.76   | 2.12   |
| Leave encashment   | 93.52  | 51.88  |
| Premium on redemption of FCCB (refer note 13 of schedule 23) | -  | 271.24   |
|  | <u>99.07</u>   | <u>326.15</u>  |
| <b>15 Profit &amp; loss account</b>                          |  |  |
| Opening balance  | 1,881.96   | 443.62   |
| Loss of current year   | 3,294.06   | 1,438.34   |
|  | <u>5,176.02</u>  | <u>1,881.96</u>  |
| Deducted as per contra                                       | (79.06)  | (88.84)  |
|  | <u>5,096.96</u>  | <u>1,793.12</u>  |
|  | <b>For the<br/>year ended<br/>31<sup>st</sup> March 2011</b> | <b>For the<br/>year ended<br/>31<sup>st</sup> March 2010</b> |
| <b>16 Theatrical exhibition</b>                              |  |  |
| Sale of tickets  | 3,900.95   | 3,470.67   |
| Less: Entertainment tax                                      | 509.89   | 395.82   |
|  | <u>3,391.06</u>  | <u>3,074.85</u>  |
| Advertisements / sponsorship revenue                         | 368.42   | 465.17   |
| Facilities provided at multiplex                             | 105.47   | 73.73  |
| Food and beverages   | 1,071.67   | 872.23   |
| Others   | 201.17   | 185.02   |
|  | <u>5,137.79</u>  | <u>4,671.00</u>  |
| <b>17 Film production services</b>                           |  |  |
| Processing / printing of films                               | 1,879.40   | 1,148.64   |
| Equipment facilities rental income                           | 208.46   | 156.65   |
| Trading income   | 192.63   | 222.93   |
| Others   | 4.43   | 7.23   |
|  | <u>2,284.92</u>  | <u>1,535.45</u>  |
| <b>18 Other income</b>                                       |  |  |
| Dividend income from:  |  |  |
| - Current investments  | 0.08   | -  |
| Interest income from:  |  |  |
| - Banks  | 36.49  | 32.68  |
| - Loans, advances and other deposits                         | 50.35  | 21.18  |
| Profit on sale of assets / discarding of assets (net)        | 269.48   | -  |
| Profit on sale of current investments                        | 42.36  | 27.44  |
| Foreign exchange gain advances, debtors and creditors (net)  | -  | 8.01   |
| Bad debts recovered / Provisions written back                | 140.55   | 108.09   |
| Sundry balances written back (net)                           | 30.63  | -  |
| Share of advertisement income                                | -  | 121.30   |
| Miscellaneous income   | 11.94  | 6.97   |
|  | <u>581.88</u>  | <u>325.67</u>  |
| <b>19 Direct operational expenses</b>                        |  |  |
| Cost of production for television content                    | 318.52   | 191.56   |
| Distributors' share  | 1,602.72   | 1,578.25   |
| Print, publicity expenses and producers overflow             | 25.33  | 33.38  |

**Schedules to the Consolidated Financial Statements for the year ended 31<sup>st</sup> March 2011**

(Currency: ₹ in Million)

|  | For the<br>year ended<br>31 <sup>st</sup> March 2011 | For the<br>year ended<br>31 <sup>st</sup> March 2010 |
|--|--|--|
| <b>19 Direct operational expenses (contd.)</b>                   |  |  |
| Electricity, power and water charges                             | 514.09   | 417.39   |
| Show tax , INR charges etc                                       | 21.91  | 15.06  |
| Cost of food and beverage sold                                   | 338.24   | 261.83   |
| Chemical consumed  | 37.66  | 30.80  |
| Processing charges   | 33.21  | 50.90  |
| Cost of raw films sold   | 166.71   | 200.70   |
| Other direct expenses  | 47.59  | 30.33  |
|  | <u>3,105.98</u>                                      | <u>2,810.20</u>                                      |
| <b>20 Personnel costs</b>  |  |  |
| Salaries, wages and bonus  | 1,717.22   | 1,168.71   |
| Contribution to provident and other funds                        | 110.01   | 82.01  |
| Gratuity   | 8.17   | 2.10   |
| Leave encashment   | 78.13  | 19.30  |
| Staff welfare expenses   | 43.59  | 45.81  |
|  | <u>1,957.12</u>                                      | <u>1,317.93</u>                                      |
| <b>21 Other operating and general administrative expenses</b>    |  |  |
| Advertisement  | 225.71   | 272.41   |
| Bank charges   | 50.46  | 50.36  |
| Business promotion   | 13.01  | 2.90   |
| Rent   | 1,693.75   | 1,236.61   |
| Rates and taxes  | 100.86   | 56.19  |
| Commission and brokerage   | 2.75   | 0.51   |
| Travelling and conveyance  | 93.76  | 88.34  |
| Deferred revenue expenses written-off                            | 0.25   | 0.26   |
| Labour charges   | 194.99   | 148.15   |
| Insurance  | 36.64  | 32.76  |
| Legal and professional fees                                      | 206.87   | 142.00   |
| Loss on sale / discarding of assets (net)                        | -  | 7.06   |
| Printing and communication                                       | 106.29   | 85.68  |
| Provision for doubtful debts / advances                          | 166.63   | 15.21  |
| Bad debts / advances written-off                                 | 20.12  | 12.19  |
| Facility maintenance charges                                     | 160.82   | 100.08   |
| Repairs and maintenance  |  |  |
| - Building   | 22.78  | 5.53   |
| - Machinery  | 150.34   | 74.85  |
| - Others   | 48.54  | 59.22  |
| Foreign exchange loss on advances, debtors and creditors (net)   | 1.75   | -  |
| Miscellaneous expenses   | 138.53   | 141.55   |
|  | <u>3,434.85</u>                                      | <u>2,531.86</u>                                      |
| <b>22 Interest and finance charges (net)</b>                     |  |  |
| On fixed loan  | 1,212.54   | 764.40   |
| On other loans   | 440.58   | 523.22   |
|  | <u>1,653.12</u>                                      | <u>1,287.62</u>                                      |
| Less: Interest recovered from Reliance Broadcast Network Limited | (144.86)   | (250.79)   |
| Less: Interest capitalised                                       | (99.53)  | (106.06)   |
|  | <u>1,408.73</u>                                      | <u>930.77</u>  |
| Finance charges  | 103.93   | 71.46  |
| Foreign exchange loss / (gain) on borrowings (net)               | 149.31   | (12.62)  |
| Loss on derivative contracts (net)                               | 216.69   | 353.92   |
|  | <u>1,878.66</u>                                      | <u>1,343.53</u>                                      |

# Reliance MediaWorks Limited

## Notes on Consolidated Accounts

(Currency: ₹ in Million)

### Schedule 23 – Notes to the accounts

#### 1. Contingent Liabilities

| On Account of   | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
|---|--------------------------------------|--------------------------------------|
| <b>Contingent liabilities of the Parent Company</b>   |                                      |                                      |
| Disputes with central excise  |                                      |                                      |
| Disputed central excise demand pending with the Central Excise and Service Tax Appellate Tribunal   | <b>191.84</b>                        | 171.53                               |
| Disputes with Income Tax  |                                      |                                      |
| Disputed liability in respect of tax deduction at source, matter is pending with Commissioner of Income tax (Appeals)   | <b>101.71</b>                        | -                                    |
| Disputed tax liability in respect of AY 2008-09 for Rave Entertainment Private Limited ('REPL'), REPL was wholly owned subsidiary of the Company and merged with it with effect from 1 April 2008, appeal is pending with Commissioner of Income tax (Appeals)                | <b>140.12</b>                        | -                                    |
| Entertainment tax   |                                      |                                      |
| In respect of certain multiplexes, the Company has made an application for availing exemption under the relevant Act retrospectively from the date of commencement of the operations of the said multiplex and the application is pending approval                            | <b>21.94</b>                         | 34.00                                |
| In respect of certain multiplexes, the Company is in dispute with the entertainment tax authorities regarding eligibility for availing exemption under the relevant act   | <b>55.88</b>                         | 45.17                                |
| In respect of demand orders received for payments of entertainment tax collected and not paid to the authorities, the Company has made an appeal against said demand orders as it believes that the same is not payable, being exemption from payment available to it         | <b>11.32</b>                         | 10.75                                |
| The Company shall be liable to pay the entertainment tax in the event that the multiplexes do not continue operations for a period of 10 years from the respective dates from which they commenced their operations   | <b>1,112.52</b>                      | 1,061.49                             |
| Claims against Company not acknowledged as debts  | <b>19.86</b>                         | 7.40                                 |
| <b>Contingent liabilities of Subsidiary Companies</b>   |                                      |                                      |
| Disputed Income tax liability, wherein the Subsidiary has filed an appeal before the first appellate authority  | <b>0.75</b>                          | 0.75                                 |
| Claims against a subsidiary not acknowledged as debts   | <b>11.20</b>                         | 6.42                                 |
| A subsidiary of the Company has received an adverse judgement with regard to a cancelled lease. The Subsidiary has filed an appeal in a higher court.   | <b>221.10</b>                        | -                                    |
| Share of Contingent liabilities of Joint ventures ('JV')  |                                      |                                      |
| A Joint Venture shall be liable to pay entertainment tax in the event that the Multiplex does not continue operations for the period of ten years from the date of commercial operations  | <b>9.69*</b>                         | 92.94                                |
| As per the amendment made by the Finance Act 2010, renting of immovable property is defined as a taxable service with retrospective effect from 1 June 2007. Based on a legal opinion obtained by the management joint venture has reversed the unpaid service tax liability. | <b>1.64</b>                          | 1.59                                 |
| Disputed VAT liability of a Joint Venture   | <b>0.18</b>                          | 0.18                                 |
| Claims against a Joint Venture not acknowledged as debts  | <b>0.11</b>                          | 0.11                                 |

\* - Amount is not currently quantifiable in case of a Joint venture

**Value added tax:** The Maharashtra Value Added Tax Act, 2002 lists the Scheduled entry, inter alia, "Copy right" w.e.f. 1 April 2005. Pursuant to this enactment / scheduled entry, the entertainment industry has made a written representation to the Finance Minister, Maharashtra for deletion of the scheduled entry from the Act. Similar representation was made by the industry in some other states, as a result of which the Act was modified to delete this scheduled entry. The Group is awaiting a positive response from the Ministry of Finance in respect of the assurance given. Accordingly, no provision (amount not currently ascertainable) has been made in the books of accounts.

**Notes on Consolidated Accounts**

(Currency: ₹ in Million)

With effect from the 1 May 2011 the Maharashtra Value Added Tax Act, 2002 was amended to exempt tax on Copyrights for distribution and exhibition of cinematographic films in theatres and cinema halls.

Note:

- a) The Group is a party to various legal proceedings in the normal course of business and does not expect the outcome of these proceedings to have any adverse effect on its financial conditions, results of operations or cash flows.
- b) The amounts are excluding penalty and interest if any that would be levied at the time of final conclusion.

**2. Commitments**

| Particulars   | As at                       | As at                       |
|---|-----------------------------|-----------------------------|
|   | 31 <sup>st</sup> March 2011 | 31 <sup>st</sup> March 2010 |
| Estimated amount of contract remaining to be executed on capital account and not provided for, net of advances (for fixed assets) | <b>526.99</b>               | 1,224.87                    |
| Estimated amount of contract remaining to be executed on capital account and not provided for, net of advances (for investments)  | <b>120.00</b>               | -                           |
| <b>Total</b>  | <b>646.99</b>               | 1,224.87                    |

**3. Details of loans**

- a. Cash credit of ₹ 54.05 (2010: ₹ 35.26) is secured by pari passu first charge on the inventories and book debts of the Parent Company and Cash credit of ₹ 195.95 (2010: Nil) is secured by pari passu first charge of all the movable fixed assets and pari passu second charge on current assets of the Parent Company.

Cash credit of ₹ 76.40 (2010: ₹ 63.26) is secured by all present and future movable fixed assets, inventories, book debts and loans & advances of respective Subsidiaries and also corporate guarantee of the Parent Company.

Term loan from banks of ₹ 4,766.67 (2010: ₹ 4,350.00) are secured by pari passu first charge on fixed assets and ₹ 625.00 (2010: ₹ 1,000.00) are secured by pari passu first charge on inventories, book debts and loans and advances of the Parent Company and Buyer's credit from the bank of ₹ 296.59 (2010: Nil) is secured by pari passu second charge of current assets and all the movable fixed assets of the Parent Company.

Term loan of ₹ 202.71 (2010: ₹ 217.13) and Buyers credit of ₹ 332.13 (2010: ₹ 149.58) is secured by all present and future movable fixed assets, inventories, book debts and loans & advances of respective Subsidiary Company and corporate guarantee of the Parent company.

Term loan from other of ₹ 10.04 (2010: Nil) is secured by the hypothecation of the equipment of a subsidiary.

- b. Commercial papers of ₹ 5,784.24 and short term loan of ₹ 1,500 from bank is also guaranteed by a Corporate.

**4. Lease disclosure under AS 19 – 'Leases'**

The Group is obligated under non-cancellable leases primarily for theatre and office premises and equipments which are renewable thereafter as per the term of the respective agreements.

The future minimum lease payments in respect of non-cancellable operating lease are as follows:

| Particulars   | Minimum lease payments               |                                      |
|---|--------------------------------------|--------------------------------------|
|   | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
| <b>For the Parent Company / Subsidiary companies</b>      |                                      |                                      |
| Amounts due within one year from the Balance sheet date   | <b>1,431.21</b>                      | 1,054.35                             |
| Amounts due in the period between one year and five years | <b>6,164.31</b>                      | 4,032.19                             |
| Amount due after five years                               | <b>8,479.56</b>                      | 8,188.27                             |
|   | <b>16,075.08</b>                     | 13,274.81                            |
| <b>For Joint Ventures (Group's share)</b>                 |                                      |                                      |
| Amounts due within one year from the Balance sheet date   | <b>19.30</b>                         | 19.30                                |
| Amounts due in the period between one year and five years | <b>17.69</b>                         | 36.99                                |
|   | <b>36.99</b>                         | 56.29                                |

Amount payable within lock-in-period is ₹ 10,212.58 (2010: ₹ 7,438.13).

Amount debited to profit and loss account for lease rental is ₹ 1,693.75 (2010: ₹ 1,236.61) (excluding amount capitalised or deferred ₹ 108.33 (2010: ₹ 134.42)).

# Reliance MediaWorks Limited

## Notes on Consolidated Accounts

(Currency: ₹ in Million)

### 5. Disclosure of Segment Reporting under AS 17 – 'Segment Reporting'

|  | Film Production Services |          | Theatrical Exhibition |           | Television/ Film Production and Distribution |          | Total      |            |
|--|--------------------------|----------|-----------------------|-----------|--|----------|------------|------------|
|  | CY                       | PY       | CY                    | PY        | CY   | PY       | CY         | PY         |
| <b>Revenue</b>   |                          |          |                       |           |  |          |            |            |
| Operating revenue  | 2,472.69                 | 1,606.04 | 5,142.46              | 4,762.08  | 533.40                                       | 1,041.10 | 8,148.55   | 7,409.22   |
| Other income   | 41.63                    | 40.98    | 330.04                | 1.48      | 69.02  | 65.63    | 440.69     | 108.09     |
| Net revenue  | 2,514.32                 | 1,647.02 | 5,472.50              | 4,763.56  | 602.42                                       | 1,106.73 | 8,589.24   | 7,517.31   |
| Internal segment sales   | (187.77)                 | (70.59)  | (4.67)                | (91.08)   | (35.37)                                      | (96.83)  | (227.81)   | (258.50)   |
| Total Segment revenue  | 2,326.55                 | 1,576.43 | 5,467.83              | 4,672.48  | 567.05                                       | 1,009.90 | 8,361.43   | 7,258.81   |
| Unallocated revenue  |                          |          |                       |           |  |          | 141.19     | 230.20     |
| Total revenue  |                          |          |                       |           |  |          | 8,502.62   | 7,489.01   |
| Segment Result (profit / (loss) before interest, finance charges and corporate expenses) |                          |          |                       |           |  |          |            |            |
| Segment Results  | 125.64                   | 319.77   | (1,039.86)            | (495.37)  | 115.00                                       | 401.10   | (799.22)   | 225.50     |
| Unallocated corporate income   |                          |          |                       |           |  |          | 141.19     | 217.58     |
| Unallocated corporate expenses   |                          |          |                       |           |  |          | 659.95     | (586.61)   |
| (Loss) / Profit before interest and finance charges and tax                              |                          |          |                       |           |  |          | (1,317.98) | (143.53)   |
| Interest and finance charges (net)   |                          |          |                       |           |  |          | (1,878.66) | (1,343.53) |
| Income tax (including fringe benefit tax)  |                          |          |                       |           |  |          | 111.64     | (1.89)     |
| Minority interest allocation   |                          |          |                       |           |  |          | (19.67)    | 53.09      |
| (Loss) for the year  |                          |          |                       |           |  |          | (3,288.61) | (1,432.08) |
| <b>Other Information</b>   |                          |          |                       |           |  |          |            |            |
| Segment assets   | 7,693.75                 | 5,829.80 | 10,847.81             | 12,216.61 | 1,053.80                                     | 1,633.47 | 19,595.36  | 19,679.88  |
| Unallocated corporate assets   |                          |          |                       |           |  |          | 3,491.29   | 5,632.99   |
| Total assets   |                          |          |                       |           |  |          | 23,086.65  | 25,312.87  |
| Segment liabilities  | 526.88                   | 465.68   | 1,577.24              | 1,319.70  | 241.77                                       | 217.82   | 2,345.69   | 2,003.20   |
| Unallocated corporate liabilities  |                          |          |                       |           |  |          | 20,313.15  | 19,561.87  |
| Total liabilities  |                          |          |                       |           |  |          | 22,658.84  | 21,565.07  |
| Capital Expenditure  | 1,646.42                 | 2,353.38 | 586.01                | 1,890.57  | 1.92   | 48.32    | 2,234.35   | 4,292.27   |
| Unallocated corporate expenditure  |                          |          |                       |           |  |          | 5.87       | 16.86      |
| Total capital expenditure  |                          |          |                       |           |  |          | 2,240.22   | 4,309.13   |
| Depreciation and amortisation  | 487.00                   | 205.90   | 824.18                | 714.07    | 4.90   | 28.00    | 1,316.08   | 947.97     |
| Unallocated depreciation and amortisation  |                          |          |                       |           |  |          | 6.57       | 11.96      |
| Total depreciation and amortisation  |                          |          |                       |           |  |          | 1,322.65   | 959.93     |

**Notes on Consolidated Accounts**

(Currency: ₹ in Million)

**Geographical Segment Disclosure**

| Particulars         | India     |           | Americas |          | Malaysia |          | Others |        | Total     |           |
|---------------------|-----------|-----------|----------|----------|----------|----------|--------|--------|-----------|-----------|
|                     | CY        | PY        | CY       | PY       | CY       | PY       | CY     | PY     | CY        | PY        |
| Segment Revenue     | 6,028.06  | 5,277.90  | 1,623.41 | 1,567.98 | 561.57   | 497.08   | 148.66 | 192.47 | 8,361.43  | 7,535.43  |
| Segment Assets      | 20,295.87 | 22,742.35 | 1,409.38 | 1,329.48 | 1,032.36 | 1,089.21 | 349.05 | 151.80 | 23,086.65 | 25,312.87 |
| Capital Expenditure | 1,894.17  | 3,434.47  | 232.56   | 526.98   | 61.75    | 170.25   | 51.74  | 177.43 | 2,240.22  | 4,309.13  |

CY- Year ended 31<sup>st</sup> March 2011

PY - Year ended 31<sup>st</sup> March 2010

The Group has disclosed Business Segment as the primary segment.

The business of the Group is divided into three segments - Film production services, Theatrical exhibition and Television / Film production and distribution. Segments have been identified taking into account the nature of the business, the differing risks and returns, the organisation structure and internal reporting system. Film production services operation primarily comprise of processing of raw exposed films, colour correction, editing, digital processing, equipment / facility rental, copying and printing of positive exhibitions prints and trading in raw film rolls. Theatrical exhibition operations comprise of single screen, multiplex / Imax cinema exhibition, range of activities / services offered at cinema centres including catering food and beverages. Television / film production and distribution comprises of production of television / film content which is produced / coproduced by the Group and includes related services of financing for production of films. Film distribution operation comprises of the Group's share of revenue from exploitation of distribution rights acquired by the Group, which may include as a package, theatrical rights and video and television rights.

Segment revenue, segment results, segment assets and segment liabilities include the respective amounts identifiable to each segment as also the amounts allocable on a reasonable basis. Income and expenses which are not directly attributable to any business segment are shown as unallocated corporate income / expenses. Assets and liabilities that cannot be allocated between the segments are shown as a part of unallocated corporate assets and liabilities respectively.

Further, the Group has considered the overseas operations as a separately identifiable geographic segment due to substantial operations in the United States of America and Malaysia. Hence, the Group has identified secondary segments based on geographic locations and has reported India, Americas, Malaysia and Rest of world as geographic segments.

**6. Mark to Market (MTM) losses on derivative contracts**

The Group has assigned the derivative contracts pertaining to interest rate swap for long term loans to a Company (Assignee), who has advised the Group regarding entering into these contracts. The Assignee had advised the Group with regards to entering into these derivative contracts and has indemnified the Group with regards to any mark to market losses that the Company will have to incur on termination of these contracts. Consequently, the total mark to market loss of ₹ 192.14 (2010: ₹ 275.04) has not been recognised by the Group in its profit and loss account. For the same reason, the Group has also not recognised a liability for these MTM losses and amounts receivable from the Assignee Company.

**7. Disclosure of Related Party under AS 18 - 'Related Party Disclosures'**

**Parties where control exists**

**(a) Significant Shareholders, Key Managerial Personnel and their relatives**

- Kirti Desai - Manager appointed under section 269 of the Companies Act, 1956. (up to 15 May 2011)
- Madhulika Singh - Manager appointed under section 269 of the Companies Act, 1956 (with effect from 28 May 2011)

**(b) Enterprises over which company has significant influence / Associates**

- Gold Adlabs
- HPE / Adlabs LP

**(c) Joint Ventures**

- Divyashakti Marketing Private Limited
- Cineplex Private Limited
- Swanston Multiplex Cinemas Private Limited

# Reliance MediaWorks Limited

## Notes on Consolidated Accounts

(Currency: ₹ in Million)

| Transactions   | Key Managerial Personnel |      | Enterprises over which Company has significant influence / Associates |       |
|--|--------------------------|------|---|-------|
|  | CY                       | PY   | CY  | PY    |
| <b>Managerial remuneration</b>                                 |                          |      |   |       |
| Kirti Desai  | 1.08                     | 0.78 | -   | -     |
| <b>Share of profit from partnership firm</b>                   |                          |      |   |       |
| Gold Adlabs  | -                        | -    | 12.16   | 15.13 |
| <b>Drawing from partnership firm</b>                           |                          |      |   |       |
| Gold Adlabs  | -                        | -    | 10.58   | 13.01 |
| <b>Repayment of principal by limited liability partnership</b> |                          |      |   |       |
| HPE / Adlabs LP  | -                        | -    | -   | 24.17 |
| <b>Loan given</b>  |                          |      |   |       |
| Kirti Desai  | -                        | 0.50 | -   | -     |
| <b>Loans repaid</b>  |                          |      |   |       |
| Kirti Desai  | -                        | 0.50 | -   | -     |

CY – Year ended 31<sup>st</sup> March 2011

PY – Year ended 31<sup>st</sup> March 2010

### 8. Earning per share (EPS)

| Particulars   | Year ended<br>31 <sup>st</sup> March 2011 | Year ended<br>31 <sup>st</sup> March 2010 |
|---|---|---|
| Net (loss) after tax  | <b>(3,294.06)</b>                         | (1,438.34)                                |
| Weighted average number of equity share outstanding during the year for basic EPS     | <b>46,126,170</b>                         | 46,126,170                                |
| Add: Equity share issuable on conversion of FCCB (refer note 13 of schedule 23)       | <b>1,694,699</b>                          | 2,061,884                                 |
| Weighted average number of equity shares outstanding during the year for dilutive EPS | <b>47,820,869</b>                         | 48,188,054                                |
| Basic EPS   | <b>(71.41)</b>                            | (31.18)                                   |
| Dilutive EPS *  | <b>(71.41)</b>                            | (31.18)                                   |
| Nominal value per share   | <b>5.00</b>                               | 5.00                                      |

\* – Dilutive EPS has not been calculated considering the option on equity shares, as it is anti-dilutive

### 9. Foreign currency exposures (other than investments and fixed assets) not covered by forward contracts

| Particulars      | Currency | Year ended 31 <sup>st</sup> March 2011 |            | Year ended 31 <sup>st</sup> March 2010 |            |
|------------------|----------|--|------------|--|------------|
|                  |          | Amount – foreign<br>currency (mns)     | Amount – ₹ | Amount – foreign<br>currency (mns)     | Amount – ₹ |
| Sundry Debtors   | USD      | 4.41                                   | 200.20     | 2.90                                   | 130.59     |
|                  | GBP      | 0.64                                   | 46.59      | 0.16                                   | 10.86      |
|                  | EURO     | 0.07                                   | 4.48       | 0.04                                   | 2.42       |
|                  | NPR      | 4.38                                   | 2.83       | 0.02                                   | 0.01       |
|                  | MYR      | 0.42                                   | 6.31       | -                                      | -          |
|                  | SGD      | 0.04                                   | 1.44       | -                                      | -          |
| Sundry Creditors | USD      | 5.59                                   | 253.77     | 5.96                                   | 268.38     |
|                  | GBP      | 0.76                                   | 55.32      | 1.67                                   | 113.34     |
|                  | EURO     | 0.04                                   | 2.56       | 0.16                                   | 9.69       |
|                  | MYR      | 9.93                                   | 149.13     | 10.76                                  | 148.43     |
|                  | NPR      | 7.23                                   | 4.67       | 11.36                                  | 7.22       |
|                  | MUR      | 0.11                                   | 0.18       | 0.12                                   | 0.18       |
| Loans & advance  | USD      | 1.29                                   | 58.56      | 1.42                                   | 63.94      |

**Notes on Consolidated Accounts**

(Currency: ₹ in Million)

| Particulars  | Currency | Year ended 31 <sup>st</sup> March 2011 |            | Year ended 31 <sup>st</sup> March 2010 |            |
|--|----------|--|------------|--|------------|
|  |          | Amount – foreign currency (mns)        | Amount – ₹ | Amount – foreign currency (mns)        | Amount – ₹ |
|  | GBP      | 0.31                                   | 22.57      | 0.62                                   | 42.08      |
|  | EURO     | -                                      | -          | 0.01                                   | 0.61       |
|  | MYR      | 3.04                                   | 45.66      | 3.14                                   | 43.32      |
|  | NPR      | 33.20                                  | 21.43      | 29.66                                  | 18.84      |
|  | MUR      | 17.43                                  | 28.88      | 17.43                                  | 26.50      |
| Loans taken  | USD      | 0.22                                   | 9.99       | 10.19                                  | 458.86     |
|  | MYR      | 5.32                                   | 79.90      | 5.32                                   | 73.39      |
|  | NPR      | -                                      | -          | 44.33                                  | 28.16      |
| Advance from customer  | USD      | 0.01                                   | 0.45       | 0.33                                   | 14.86      |
|  | GBP      | -                                      | -          | 0.05                                   | 3.39       |
| Cash and bank balances   | USD      | 1.34                                   | 60.83      | 5.47                                   | 246.31     |
|  | MYR      | 2.20                                   | 33.04      | 2.80                                   | 38.62      |
|  | NPR      | 15.72                                  | 10.15      | 0.15                                   | 0.10       |
|  | GBP      | 0.41                                   | 29.84      | 0.11                                   | 7.47       |
|  | EURO     | 0.03                                   | 1.92       | 0.01                                   | 0.61       |
|  | MUR      | 0.04                                   | 0.07       |  |            |
| Buyers Credit  | USD      | 14.55                                  | 660.52     | 4.61                                   | 207.59     |
|  | GBP      | -                                      | -          | 0.12                                   | 7.80       |
|  | EURO     | -                                      | -          | 0.82                                   | 49.67      |
| Interest accrued but not due   | USD      | 0.05                                   | 2.27       | -                                      | -          |
| Foreign currency convertible bonds (FCCB) (refer note 13 of schedule 23) | EURO     | -                                      | -          | 20.65                                  | 1,123.95   |
| Provision for premium on redemption on FCCB                              | EURO     | -                                      | -          | 4.48                                   | 271.24     |

**10. Interest in Joint ventures**

The Company's interests in jointly controlled entities (incorporated Joint ventures) are:

| Name of the Company                        | Country of Incorporation | % of ownership interest as at 31 <sup>st</sup> March 2011 | % of ownership interest as at 31 <sup>st</sup> March 2010 |
|--|--------------------------|---|---|
| Swanston Multiplex Cinemas Private Limited | India                    | 50%   | 50%   |
| Cineplex Private Limited                   | India                    | 50%   | 50%   |
| Divyashakti Marketing Private Limited      | India                    | 50%   | 50%   |

**Details of Joint Venture**

| Particulars  | 31 <sup>st</sup> March 2011 | 31 <sup>st</sup> March 2010 |
|--|-----------------------------|-----------------------------|
| <b>I Assets</b>  |                             |                             |
| 1. Fixed assets net block (including Capital work-in-progress) | 76.19                       | 87.10                       |
| 2. Investments   | 1.04                        | -                           |
| 3. Current assets, loans and advances                          |                             |                             |
| a) Inventories   | 1.18                        | 1.14                        |
| b) Sundry debtors  | 8.46                        | 7.05                        |
| c) Cash and bank balances                                      | 3.39                        | 7.78                        |
| d) Interest accrued but not due                                | 0.03                        | 0.10                        |
| e) Loans and advances  | 30.49                       | 27.78                       |
| <b>II Liabilities</b>  |                             |                             |
| 1. Shareholders' fund  | 42.39                       | 49.13                       |
| 2. Advance towards share application money                     | 12.50                       | 12.50                       |
| 3. Unsecured loans   | 38.30                       | 45.68                       |

# Reliance MediaWorks Limited

## Notes on Consolidated Accounts

(Currency: ₹ in Million)

| Particulars   | 31 <sup>st</sup> March 2011 | 31 <sup>st</sup> March 2010 |
|---|-----------------------------|-----------------------------|
| 4. Deferred tax liability (net)   | 3.84                        | 3.95                        |
| 5. Current liabilities and provisions                                       |                             |                             |
| a) Liabilities  | 16.29                       | 15.39                       |
| b) Provisions   | 7.46                        | 4.30                        |
| <b>III Income</b>   |                             |                             |
| 1. Income from theatrical exhibition (net of duties and taxes)              | 109.30                      | 102.73                      |
| 2. Other income   | 0.93                        | 3.60                        |
| <b>IV Expenses</b>  |                             |                             |
| 1. Direct operational expenses  | 54.01                       | 53.97                       |
| 2. Personnel costs  | 5.44                        | 5.36                        |
| 3. Other operating and general administrative expenses                      | 41.96                       | 34.86                       |
| 4. Depreciation   | 11.20                       | 11.18                       |
| 5. Interest   | 1.43                        | 4.44                        |
| (Loss) before tax   | (3.81)                      | (3.48)                      |
| Provision for tax (including deferred tax)                                  | 2.93                        | (4.75)                      |
| (loss) / profit after tax   | (6.74)                      | 1.27                        |
| <b>V OTHER MATTERS</b>  |                             |                             |
| 1. Contingent liabilities   | 11.62*                      | 94.82                       |
| 2. Capital commitments  | Nil                         | Nil                         |
| <b>Movement of the aggregate shareholders' funds of the joint ventures:</b> |                             |                             |
| At the beginning of the year  | 49.13                       | 47.86                       |
| Add: Share of (loss) / profits for the year                                 | (6.74)                      | 1.27                        |
| At the end of the year  | 42.39                       | 49.13                       |

\* - Amount is not current quantifiable in case of Joint Venture

### 11. Employee benefits

Details of employee benefits for the Group is as follows:

#### Defined contribution plan

Contribution to defined contribution plan, recognised as expenses for the year are as under:

| Particulars  | Year ended<br>31 <sup>st</sup> March 2011 | Year ended<br>31 <sup>st</sup> March 2010 |
|--|---|---|
| Employers contribution to provident fund and other funds | 110.01                                    | 82.01                                     |

#### Defined benefit plan

The employees' gratuity fund scheme managed by a Trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the projected unit credit method, which recognises each year of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation for leave encashment is recognised in the same manner as gratuity.

#### I. Reconciliation of opening and closing balances of defined benefit obligation

| Particulars   | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
|---|--------------------------------------|--------------------------------------|
| <b>Gratuity</b>   |                                      |                                      |
| Defined benefit obligation at the beginning of the year | 19.45                                | 15.50                                |
| Current service cost                                    | 7.48                                 | 6.53                                 |
| Interest cost   | 2.05                                 | 1.65                                 |
| Actuarial (gain) / loss                                 | 1.52                                 | (4.67)                               |
| Benefit paid  | -                                    |                                      |
| Settlement cost   | (0.01)                               |                                      |
| Past service cost                                       | 3.09                                 | 0.44                                 |
| Defined benefit obligation at year end                  | 33.58                                | 19.45                                |

**Notes on Consolidated Accounts**

(Currency: ₹ in Million)

**II. Reconciliation of opening and closing balances of fair value of plan assets**

| Particulars                                    | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
|--|--------------------------------------|--------------------------------------|
| <b>Gratuity</b>                                |                                      |                                      |
| Fair value of plan assets at beginning of year | 24.56                                | 23.89                                |
| Limitation of assets recognition as per AS 15  | 0.06                                 | -                                    |
| Actuarial gain/ (loss)                         | (0.33)                               | 2.61                                 |
| Expected return on plan assets                 | 1.85                                 | (2.16)                               |
| Employer contribution                          | 3.60                                 | 0.48                                 |
| Benefit paid                                   | -                                    | (0.27)                               |
| Past service cost                              | 0.94                                 | 0.01                                 |
| Fair value of plan assets at year end          | 30.68                                | 24.56                                |
| Actual return on plan assets                   | 1.44                                 | (0.31)                               |

**III. Reconciliation of fair value of assets and obligation**

| Particulars   | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
|---|--------------------------------------|--------------------------------------|
| <b>Gratuity</b>   |                                      |                                      |
| Fair value of plan assets at end of year  | 30.68                                | 24.56                                |
| Present value of obligation at the end of year  | 33.58                                | 19.45                                |
| Amount recognised in Balance sheet as (net assets) / net liability  | (2.90)                               | 5.11                                 |
| -Recognised as an assets under advance recoverable in cash or kind or for value to be received in schedule 12 |                                      |                                      |

**IV. Expense recognised during the year (Under the head 'Personnel costs' – Refer Schedule '20')**

| Particulars                                   | Year ended<br>31 <sup>st</sup> March 2011 | Year ended<br>31 <sup>st</sup> March 2010 |
|---|---|---|
| <b>Gratuity</b>                               |   |   |
| Current service cost                          | 7.48                                      | 6.53                                      |
| Interest Cost                                 | 2.05                                      | 1.65                                      |
| Expected return on plan assets                | (1.85)                                    | 2.16                                      |
| Actuarial (gain) / loss                       | 1.85                                      | (7.28)                                    |
| Past service cost                             | 2.14                                      | 0.72                                      |
| Limitation of assets recognition as per AS 15 | (0.06)                                    | (0.16)                                    |
| Net Cost                                      | 11.61                                     | 3.62                                      |

**V. Investment details**

% invested as at year

| Nature of investment | As at<br>31 <sup>st</sup> March 2011 | As at<br>31 <sup>st</sup> March 2010 |
|----------------------|--------------------------------------|--------------------------------------|
| Insurance policies   | 100%*                                | 100%                                 |

\* - Fully funded in the case of the Parent Company, a Subsidiary and a Joint Venture, but un-funded for a Subsidiary.

**VI. Actuarial assumptions**

| Particulars  | Year ended<br>31 <sup>st</sup> March 2011 | Year ended<br>31 <sup>st</sup> March 2010 |
|--|---|---|
|  | <b>Gratuity (funded)</b>                  | Gratuity (funded)                         |
| Discount rate (per annum)                          | 8.00% to 8.35%                            | 8.00% to 8.35%                            |
| Expected rate of return on plan assets (per annum) | 7.50% to 8.00%                            | 7.50% to 8.00%                            |
| Rate of escalation in salary (per annum)           | 5% to 10%                                 | 4% to 10%                                 |

The estimates for rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary. The expected rate of return on plan assets is determined considering several applicable factors mainly, the composition of plan assets held, assessed risks, historical results of return on plan assets and the Company's policy for plan asset management.

# Reliance MediaWorks Limited

## Notes on Consolidated Accounts

(Currency: ₹ in Million)

Other members of the Group have computed gratuity and leave encashment, if applicable to them on the basis of the last drawn salary and the number of years of service completed or number of days leave outstanding on an arithmetical basis / actuarial valuation based on assumptions, similar to the Parent Company. The total amount provided as at year end for Gratuity under the above method is ₹ 0.88 (2010: ₹ 2.12) and for leave encashment ₹ 0.29 (2010: ₹ 1.85).

### 12. Goodwill on consolidation

| Particulars   | As at                       | As at                       |
|---|-----------------------------|-----------------------------|
|   | 31 <sup>st</sup> March 2011 | 31 <sup>st</sup> March 2010 |
| Opening balance of Goodwill   | 886.79                      | 421.17                      |
| Goodwill for Subsidiaries acquired in the current year                            | -                           | 207.45                      |
| Goodwill for additional shares in Subsidiaries acquired in the current year (net) | 9.08                        | 258.17                      |
|   | <u>895.87</u>               | <u>886.79</u>               |

### 13. Foreign Currency Convertible Bonds ('FCCB')

On 25 January 2006 the Company ('Issuer') issued 84,000 Zero Coupon Foreign Currency Convertible Bonds of face value of Euro 1,000 each ('Bonds' or 'FCCB') aggregating Euro 84 million which were convertible at any time on or after 7 March 2006 and up to the close of the business on 19 January 2011 by the holders of the Bonds ('the Bondholders') into newly issued equity shares of the Company with full voting rights with par value of ₹ 5 each ('Shares') at an initial conversion price (as defined in Terms and Conditions of the Bonds) of ₹ 543.42 per share with a fixed rate of exchange on conversion of ₹ 54.26=EUR 1.00. The Bonds were listed on the Singapore Exchange Securities Trading Limited ('SGX ST'). Of the above, bondholders holding bonds of value Euro 63.35 million opted for conversion in period ended 31<sup>st</sup> March 2008. During the year ended 31<sup>st</sup> March 2009, the Company demerged its radio division to Reliance Broadcast Network Limited. As per the terms of FCCB's issued, the conversion price of the bonds is subject to adjustment and the Company was awaiting a confirmation from the bondholders till the date of redemption. Unless previously redeemed, converted or purchased and cancelled, the bonds will mature on 26 January 2011 at 121.679 per cent of the principal amount.

During the financial period ended 31<sup>st</sup> March 2008, the Company classified the liability towards FCCB's as non-monetary liability inter-alia on the basis of the trend of earnings, movement of the Company's share prices and conversion option exercised by the FCCB holders. On 25 January 2011, the entire FCCB'S outstanding as at 31<sup>st</sup> March 2010, aggregating to Euro 20.65 million have been redeemed at ₹ 1,581.42 (including premium ₹ 308.54). Consequently on redemption, foreign exchange loss aggregating to ₹ 148.96 has been accounted.

14. The Parent Company's stake in share capital of Sultan Production Private Limited ('Sultan') is in excess of 20%. During the current year, Company has received all the moneys receivable as per the shareholders agreement and sold the shares. This investment was made by the Parent Company with the intention of investment in the movie "Sultan: The warrior".

However, during the previous year, the Parent Company has issued a letter of termination demanding refund for the moneys paid by the Parent Company and filed a recovery suit against Orcher Studios, as per a shareholders agreement signed by the Parent Company which has been agreed to by Orcher Studios.

Since, the Parent Company has intention of selling the shares, the Parent Company has decided not to consider Sultan as an associate under AS-18 Related Party Disclosures and AS-23 'Accounting for Associates in Consolidated Financials Statements.

The outstanding balance of Sultan Production Private Limited was ₹ 115.88 of which the Company had considered ₹ 12.00 as doubtful in the previous year and provided for the same.

15. During the current year, Digital Media Imaging Limited, a subsidiary in the Film production services segment has recognised deferred revenue expenditure pertaining to start up and stabilisation costs of the business amounting to ₹ 173.40 which consists of:

**Notes on Consolidated Accounts**

(Currency: ₹ in Million)

| Particulars              | Year ended 31 <sup>st</sup> March 2011 |
|--------------------------|--|
| Personnel costs          | 140.86                                 |
| Rent                     | 17.71                                  |
| Other operating expenses | 14.83                                  |

The Subsidiary is a pioneer in the business of conversion of 2D movies to 3D and restoration of old archived movies in India and has developed substantial capacity in these chosen areas with a focus on the international markets. As part of start up efforts, substantial efforts and cost have been incurred for training of employees, where the Subsidiary has deployed pioneering techniques to train its staff, test runs for acquisition of work, travel costs for meeting of clients, rapid ramp up of capacity to achieve economical scale of operations.

In light of these factors, the Subsidiary has changed its accounting policies to better reflect the results of the current and future years as the expenses of current year will have substantial beneficial results in the future years.

The Subsidiary would amortise, this deferred revenue expenditure over a period of 3-4 years starting from the date of commencement of full commercial operations.

**16. Change in method of depreciation in previous year ended 31<sup>st</sup> March 2010**

Up till 31 March 2009, it was the policy of a Subsidiary (acquired during the previous year) of the Group (forming part of the film production services segment) to charge depreciation as per the written down value method. During the previous year, it has changed the method of charging depreciation to the straight line method at the rates provided under Schedule XIV of the Companies Act, 1956. The change in policy has resulted in reduction of depreciation charge for the previous year by ₹ 21.04 (including ₹ 13.01 for periods prior to acquisition by the Group) as compared to the amount of depreciation that would have been charged, had there been no change in the method for providing for depreciation.

**17. Translation of foreign subsidiaries**

The Group, during in the previous year has classified its operations in Nepal, as non-integral to the business of the Group in India considering the size of the operations, autonomy of management of the subsidiary and the local sources of funding of the operations. The effect of the above change on the loss of the Nepal operations for the year ending 31<sup>st</sup> March 2010 is not significant.

- 18.** During the current year, the Group has sold assets of book value ₹ 1,041.73 for ₹ 1,399.72 pertaining to the theatrical exhibition segment and leased them back subsequently. The profit on sale of these assets has been disclosed under the Schedule other income.
- 19.** Post the year end, Ms. Kirti Desai, Company Secretary and Manager, resigned effective 15 May 2011. The Company has appointed Ms. Madhulika Singh as Manager of the Company effective 28 May 2011 and is in the process of appointing a Company Secretary as per the provisions of the Act.
- 20.** The figures for the previous year have been regrouped / rearranged as necessary to conform to current year's presentation.

As per our report of even date attached.

**For B S R & Co.**

Chartered Accountants  
Firm Registration No: 101248W

**For Chaturvedi & Shah**

Chartered Accountants  
Firm Registration No: 101720W

**For and on behalf of the Board**

**Bhavesh Dhupelia**

Partner  
Membership No: 042070

**Parag D. Mehta**

Partner  
Membership No: 113904

**Amit Khanna**

Director

**Sujal Shah**

Director

**Madhulika Singh**

Manager

Mumbai  
28 May 2011

Mumbai  
28 May 2011

Mumbai  
28 May 2011

**Financial Information of Subsidiary Companies**

(Currency: ₹ in Million)

| Sr. No | Capital   | Reserves | Total assets | Total liabilities | Details of investments (except in Subsidiaries) | Turnover | Profit / (loss) before taxation | Provision for taxation | Profit / (loss) after taxation | Proposed Dividend |
|--------|---|----------|--------------|-------------------|---|----------|---------------------------------|------------------------|--------------------------------|-------------------|
| 1      | Big Synergy Media Limited                         | 67.57    | 108.44       | 321.61            | 145.60  | 433.46   | 10.65                           | 6.10                   | 4.55                           | 4.66              |
| 2      | Adlabs Distributors and Exhibitors Limited        | 0.50     | 115.52       | 119.42            | 3.40  | 12.16    | 15.42                           | 1.05                   | 14.37                          | -                 |
| 3      | Sri Ramakrishna Theatre Limited                   | 4.50     | 34.94        | 40.27             | 0.83  | 3.05     | 2.65                            | 0.78                   | 1.87                           | -                 |
| 4      | Digital Media Imaging Limited                     | 8.50     | (170.60)     | 1,739.10          | 1,901.20  | 429.34   | (20.94)                         | 99.53                  | (120.47)                       | -                 |
| 5      | Reliance MediaWorks (UK) Limited                  | 0.85     | (134.53)     | 300.33            | 434.01  | 128.33   | (82.05)                         | -                      | (82.05)                        | -                 |
| 6      | Reliance MediaWorks (USA) Inc.                    | 0.91     | (380.69)     | 1,974.86          | 2,354.64  | 158.68   | (54.24)                         | -                      | (54.24)                        | -                 |
| 7      | Reliance MediaWorks (Mauritius) Limited           | -        | 3.49         | 1,306.35          | 1,302.86  | -        | (1.12)                          | -                      | (1.12)                         | -                 |
| 8      | Reliance MediaWorks (Netherlands) B.V.            | 1.04     | (13.11)      | 4.23              | 16.30   | -        | (3.23)                          | -                      | (3.23)                         | -                 |
| 9      | Rave Entertainment and Food Nepal Private Limited | 6.20     | 1.52         | 57.09             | 49.37   | 21.06    | 2.79                            | 0.46                   | 2.33                           | -                 |
| 10     | Reliance MediaWorks (Malaysia) Sdn Bhd #          | 7.16     | 171.16       | 1,355.45          | 1,177.14  | -        | 56.53                           | 0.64                   | 55.89                          | -                 |
| 11     | Big Cinemas Lotus Five Star Cinemas Sdn Bhd #     | 208.51   | (269.83)     | 1,050.02          | 1,111.34  | 561.57   | (166.15)                        | -                      | (166.15)                       | -                 |
| 12     | Big Cinemas Entertainment LLC #                   | -        | (58.83)      | 83.37             | 142.20  | 84.35    | (27.86)                         | -                      | (27.86)                        | -                 |
| 13     | Big Cinemas Entertainment (DE) LLC #              | -        | (39.77)      | 26.96             | 66.73   | 16.65    | (20.92)                         | -                      | (20.92)                        | -                 |
| 14     | Big Cinemas Laurel LLC #                          | 11.92    | (38.89)      | -                 | 26.97   | 0.36     | (6.56)                          | -                      | (6.56)                         | -                 |
| 15     | Big Cinemas Falls Church LLC #                    | 3.97     | (18.67)      | 11.80             | 26.50   | 31.55    | (11.41)                         | -                      | (11.41)                        | -                 |
| 16     | Big Cinemas Norwalk LLC #                         | 20.43    | (18.09)      | 29.05             | 26.71   | 78.90    | (8.98)                          | -                      | (8.98)                         | -                 |
| 17     | Big Cinemas Galaxy LLC #                          | 79.45    | (206.34)     | 50.78             | 177.67  | 120.62   | (91.20)                         | -                      | (91.20)                        | -                 |
| 18     | Big Cinemas Sahil LLC #                           | 6.35     | (65.98)      | 243.33            | 302.96  | 79.41    | (43.22)                         | -                      | (43.22)                        | -                 |
| 19     | Big Cinemas SAR LLC #                             | 4.10     | (19.69)      | 0.02              | 15.61   | 24.64    | (8.90)                          | -                      | (8.90)                         | -                 |
| 20     | Phoenix Big Cinemas Management LLC #              | 50.70    | 16.77        | 68.93             | 1.46  | 109.76   | 17.49                           | -                      | 17.49                          | -                 |
| 21     | Big Cinemas Phoenix LLC #                         | 81.35    | (44.10)      | 81.68             | 44.43   | 183.54   | (18.50)                         | -                      | (18.50)                        | -                 |
| 22     | Big Cinemas Exhibitions LLC #                     | 15.89    | (77.73)      | 68.29             | 130.13  | 156.05   | (52.69)                         | -                      | (52.69)                        | -                 |
| 23     | Big Cinemas IMC LLC #                             | 22.70    | (47.31)      | 56.48             | 81.09   | 99.44    | (23.51)                         | -                      | (23.51)                        | -                 |
| 24     | Reliance Lowry Digital Imaging Services, Inc. #   | 0.05     | 180.27       | 366.13            | 185.81  | 397.95   | 1.30                            | -                      | 1.30                           | -                 |
| 25     | Big Pictures USA Inc. #                           | -        | -            | -                 | -   | -        | -                               | -                      | -                              | -                 |
| 26     | Reliance Media & Marketing Communications LLC #   | -        | (24.69)      | 5.13              | 29.82   | 36.49    | (27.55)                         | -                      | (27.55)                        | -                 |
| 27     | Reliance Media Works VFX Inc. #                   | 0.05     | 81.52        | 206.69            | 125.12  | 65.35    | (62.04)                         | -                      | (62.04)                        | -                 |

# - Subsidiary under section 4(1)(c) of the Companies Act, 1956

Note: The above information of the foreign subsidiaries has been translated in accordance with the provision of AS-11. The translation rates used for Balance Sheet Items in the case of US Dollars - ₹ 45.40, Euro - ₹ 64.00, Great Britain Pound - ₹ 72.79, Mauritian Rupee - ₹ 1.66, Nepali Rupee - ₹ 0.65, Malaysian Ringgett - ₹ 15.02. The rates used for Profit and loss account in the case of US Dollars - ₹ 45.90, Euro - ₹ 60.71, Great Britain Pound - ₹ 71.41, Mauritian Rupee - ₹ 1.56, Nepali Rupee - ₹ 0.64, Malaysian Ringgett - ₹ 14.66.

# Reliance MediaWorks Limited

Registered Office : Film City Complex, Goregaon (East), Mumbai 400 065

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.  
Joint shareholders may obtain additional attendance slip at the venue.

DP Id\*

Folio No.

Client Id\*

No of Share(s) held

NAME AND ADDRESS OF THE SHAREHOLDER

I/We hereby record my/our presence at the **24<sup>TH</sup> ANNUAL GENERAL MEETING** of the Company held on Thursday, September 29, 2011 at 12.00 noon or soon after conclusion of the annual general meeting of Reliance Broadcast Network Limited convened on the same day, whichever is later, at Reliance Energy Management Institute, 19 Aarey Colony, Jogeshwari Vikhroli Link Road, Opp. SEEPZ, Mumbai 400 065.

\*Applicable for investors holding shares in electronic form.

Signature of the shareholder or proxy

..... TEAR HERE .....

**PROXY FORM**

# Reliance MediaWorks Limited

Registered Office : Film City Complex, Goregaon (East), Mumbai 400 065

DP Id\*

Folio No.

Client Id\*

No of Share(s) held

I/We \_\_\_\_\_  
of \_\_\_\_\_ in the district of \_\_\_\_\_  
being a member/members of Reliance MediaWorks Limited hereby appoint \_\_\_\_\_ of  
\_\_\_\_\_ in the district of \_\_\_\_\_  
or failing him/her \_\_\_\_\_  
of in the district of \_\_\_\_\_ as my/our proxy to vote for

me/us and on my/our behalf at the **24<sup>TH</sup> ANNUAL GENERAL MEETING** of the Company to be held on Thursday, September 29, 2011 at 12.00 noon or soon after conclusion of the annual general meeting of Reliance Broadcast Network Limited convened on the same day, whichever is later, at Reliance Energy Management Institute, 19 Aarey Colony, Jogeshwari Vikhroli Link Road, Opp. SEEPZ, Mumbai 400 065 or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011

Affix  
₹ 1/-  
Revenue  
Stamp

**\* Applicable for investors holding shares in electronic form.**

- NOTES: 1. The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.
2. Members holding shares under more than one folio may use photocopy of this Proxy Form for other folios. The Company shall provide additional forms on request.



## BOOK-POST

To

If undelivered please return to :

Link Intime India Private Limited

**(Unit: Reliance MediaWorks Limited)**

C-13, Pannalal Silk Mills Compound,  
L.B.S Marg, Bhandup (W), Mumbai-400 078.

Tel : (22) 25963838/25946970

Fax: (22) 25946969

Website : [www.linkintime.co.in](http://www.linkintime.co.in)

e-mail: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)