



GREY CELLS ENTERTAINMENT LIMITED

ANNUAL REPORT 2007-2008

CORPORATE INFORMATION

<p>Name of the Company : Grey Cells Entertainment Limited</p> <p>Registered Office : VMDL Campus, 4th Floor, Opp. Lilavati Hospital, Bandra Reclamation, Mumbai – 400 050</p> <p>BOARD OF DIRECTORS</p> <p>Mr. Deepak Choudhary : Managing Director (Indian Operations) Mr. Nowshir Engineer : Managing Director (International Operations) Mr. Uday Sinh Wala : Non Independent, Non-executive Director Ms. Bela Desai : Non Independent, Non-executive Director Mr. Abbas Patel : Independent, Non-executive Director, Chairman Dr. Anil Naik : Independent, Non-executive Director</p> <p>Mr. Dharmesh Parekh : Company Secretary & Compliance Officer</p> <p>COMMITTEE OF BOARD</p> <p>AUDIT COMMITTEE</p> <p>Mr. Abbas Patel : Chairman & Member Dr. Anil Naik : Member Mr. Deepak Choudhary : Member</p> <p>REMUNERATION COMMITTEE</p> <p>Mr. Abbas Patel : Chairman & Member Ms. Bela Desai : Member Mr. Uday Sinh Wala : Member</p>	<p>SHAREHOLDERS / INVESTORS</p> <p>GRIEVANCE COMMITTEE</p> <p>Ms. Bela Desai : Chairperson & Member Mr. Abbas Patel : Member Mr. Deepak Choudhary : Member</p> <p>SHARE TRANSFER COMMITTEE</p> <p>Ms. Bela Desai : Chairperson & Member Mr. Abbas Patel : Member Mr. Deepak Choudhary : Member</p> <p>AUDITORS</p> <p>Ford, Rhodes, Parks & Co. Chartered Accountants</p> <p>BANKERS</p> <p>The Federal Bank Limited Bank of India Citi Bank</p> <p>REGISTRAR & SHARE TRANSFER AGENT</p> <p>Bigshare Services Pvt. Ltd. E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (East), Mumbai – 400 072 Tel : 28470652 / 28470653 Fax : 28475207 E-Mail : ansar@bigshareonline.com</p>
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NOTICE

NOTICE is hereby given that the ANNUAL GENERAL MEETING of the shareholders of GREYCELLS ENTERTAINMENT LIMITED will be held at the Registered Office of the Company at VMDL Campus, 4th Floor, Opp. Lilavati Hospital, Bandra Reclamation, Mumbai - 400 050 on Monday, September 22, 2008 at 9.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on March 31, 2008 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Abbas Patel, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint M/s. Ford, Rhodes, Parks & Co., Chartered Accountants, the retiring Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting on a remuneration to be fixed by the Board of Directors of the Company.

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. Deepak Choudhary, who was appointed by the Board of Directors at their meeting held on 27th June, 2008 as an Additional Director w.e.f. 1st July, 2008 and who holds office upto the date of Annual General Meeting pursuant to provisions of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956 alongwith a refundable deposit of Rs.500/- and who is eligible for appointment to the office of the Director, be and is hereby appointed as Director of the Company, whose period of office shall not be liable to determination by retirement by rotation."

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

"RESOLVED THAT Mr. Nowshir Engineer, who was appointed by the Board of Directors at their meeting held on 27th June, 2008 as an Additional Director w.e.f. 1st July, 2008 and who holds office upto the date of Annual General Meeting pursuant to provisions of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956 alongwith a refundable deposit of Rs.500/- and who is eligible for appointment to the office of the Director, be and is hereby appointed as Director of the Company, whose period of office shall not be liable to determination by retirement by rotation."

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

"RESOLVED THAT Dr. Anil Naik, who was appointed by the Board of Directors at their meeting held on 27th June, 2008 as an Additional Director w.e.f. 1st July, 2008 and who holds office upto the date of Annual General Meeting pursuant to provisions of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956 alongwith a refundable deposit of Rs.500/- and who is eligible for appointment to the office of the Director, be and is hereby appointed as Director of the Company, whose period of office shall be liable to determination by retirement by rotation."

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

"RESOLVED THAT pursuant to provisions of Sections 198, 269 and 309 read with provisions of Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, and pursuant to recommendation by the Remuneration Committee, consent of the shareholders of the Company be and is hereby accorded for the appointment of Mr. Deepak Choudhary as Managing Director (Indian Operations) for a period of three years with effect from 1st July, 2008 on the terms and conditions as set out in explanatory statement as annexed hereto in accordance with and subject to the limits prescribed in Schedule XIII of the Companies Act, 1956 or any amendment or any modifications thereto and subject to such statutory approvals as may be required.

RESOLVED FURTHER THAT the Board be and is hereby authorised to vary, alter and modify such salary and perquisites as may be agreed to between the Board of Directors and Mr. Deepak Choudhary within the limits specified in part II of Schedule XIII of the Companies Act, 1956 as amended from time to time.

RESOLVED FURTHER THAT notwithstanding anything herein above stated where in any financial year during the currency of tenure of Mr. Deepak Choudhary as Managing Director (Indian Operations), the Company incurs loss or its profits are inadequate, the Company shall pay to Mr. Deepak Choudhary remuneration by way of salary, allowance and perquisites not exceeding the limits specified in part II of Schedule XIII of the Companies Act, 1956 as amended from time to time as minimum remuneration.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to execute such deeds, documents and writings and do all such acts, deeds, matters and things as may be necessary to give effect to this resolution."

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

“RESOLVED THAT pursuant to provisions of Sections 198, 269 and 309 read with provisions of Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, and pursuant to recommendation by the Remuneration Committee, subject to the approval of the Central Government and / or such other authority, as may be required, if any, consent of the shareholders of the Company be and is hereby accorded for the appointment of Mr. Nowshir Engineer as Managing Director (International Operations) for a period of three years with effect from 1st July, 2008 on the terms and conditions as set out in explanatory statement as annexed hereto in accordance with and subject to the limits prescribed in Schedule XIII of the Companies Act, 1956 or any amendment or any modifications thereto and subject to such statutory approvals as may be required.

RESOLVED FURTHER THAT the Board be and is hereby authorised to vary, alter and modify such salary and perquisites as may be agreed to between the Board of Directors and Mr. Nowshir Engineer within the limits specified in part II of Schedule XIII of the Companies Act, 1956 as amended from time to time.

RESOLVED FURTHER THAT notwithstanding anything herein above stated where in any financial year during the currency of tenure of Mr. Nowshir Engineer as Managing Director (International Operations), the Company incurs loss or its profits are inadequate, the Company shall pay to Mr. Nowshir Engineer remuneration by way of salary, allowance and perquisites not exceeding the limits specified in part II of Schedule XIII of the Companies Act, 1956 as amended from time to time as minimum remuneration.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to execute such deeds, documents and writings and do all such acts, deeds, matters and things as may be necessary to give effect to this resolution.”

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

“RESOLVED THAT in supersession of the earlier resolutions passed and pursuant to Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow from time to time any sum or sums of monies, which together with the monies already borrowed by the Company (apart from temporary loans such as Cash Credit / Overdraft facilities obtained or to be obtained from the Company’s bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves (that is to say reserves not set apart for any specific purpose) as they deem requisite for the purpose of the

business of the Company provided that maximum amount of monies so borrowed by the Company shall not any time exceed the sum of Rs. 50,00,00,000/- (Rupees Fifty Crores only).

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, any one of the Directors and/or the Company Secretary of the Company, be and is hereby authorised to do all such acts, deeds, matters and things as may be deemed expedient and necessary and settle any or all questions / matters arising with respect to the above matter, and to file necessary forms/returns/applications/documents as may be necessary for the purpose of giving effect to this resolution, take such further incidental and ancillary steps in this regard, as may be considered desirable or expedient in the best interest of the Company and its shareholders.”

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

“RESOLVED THAT pursuant to the provisions of sub-section (1) of Section 163 of the Companies Act, 1956 the consent of the Company be and is hereby accorded to the Register and Index of Members being kept, with effect from 1st October, 2008 at the office of the Company’s Registrar and Share Transfer Agent, Bigshare Services Private Limited at E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (East), Mumbai – 400 072 instead of being kept at the Registered office of the Company or such other office of the registrar.”

By Order of the Board of Directors

Place : Mumbai
Date : 21st August, 2008

Dharmesh Parekh
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. 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.
3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business is appended hereto.
4. Members are requested to bring their copy of the Annual Report to the meeting.
5. The Register of Members & Share Transfer Books of the Company will remain closed from September 15, 2008 to September 22, 2008 (both days inclusive).
6. Member/s desirous of getting any information on the accounts and operations of the Company are requested to write to the Company at least seven days before the date of the meeting.
7. As per the provisions of the amended Companies Act, 1956 facility for nominations is now available to the shareholders of the Company.

8. Members are requested to intimate change of address, if any, to the Company's Registrar & Share Transfer Agent, Bigshare Services Pvt. Ltd. at E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (East), Mumbai – 400 072.
9. Corporate Members are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the meeting.
10. Attendance Slip is annexed to the Proxy Form. Members are requested to fill up the particulars of the attendance slip, affix their signature in the appropriate place and hand it over to the Company's officials/Registrars at the entrance of the Meeting venue.

ANNEXURE TO THE NOTICE

INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT REGARDING RE-APPOINTMENT OF DIRECTOR

Mr. Abbas Patel, aged 50 years, is a Fellow Member of the Institute of Chartered Accountants of India.

Mr. Abbas Patel has wide experience encompassing all the areas of finance & accountancy.

Mr. Abbas Patel is a independent, non-executive director on the Company's Board. He is also Chairman of the Board of Directors, Audit Committee and also Remuneration Committee and member of Shareholders/Investor Grievance Committee and Share Transfer Committee of the Company. He holds 40,000 equity shares (being 1.29%) in the Company.

He is on the Board of M/s. Ameen Mukhtar Developers Private Limited.

By Order of the Board of Directors

Place : Mumbai
Date : 21st August, 2008

Dharmesh Parekh
Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 4

Mr. Deepak Choudhary was appointed as an Additional Director by the Board of Directors of the Company at the meeting held on 27th June, 2008 w.e.f. 1st July, 2008. He holds office upto the forthcoming Annual General Meeting pursuant to provisions of Section 260 of the Companies Act, 1956. He is a Non-Independent, Executive Director of the Company.

Brief particulars of Mr. Deepak Choudhary are given below :

Mr. Deepak Choudhary, aged 28 years, is B-School graduate, saw education as a significant opportunity and need in the liberalized Indian environment. His experience with events in leading companies spurred him to launch EMDI with a course in Event Management as the first offering. Later, the success of the course saw him refocus on the creation of courses in Public Relations, Radio and Advertising. He is expected to be of immense value to the Company's Board. He is co-founder of the EMDI group of companies.

He does not hold any equity shares in the Company. He is also on Board of M/s. Event Management Development Institute (Bombay) Pvt Ltd, M/s. EMDI Institute of Event Management Pvt Ltd and M/s. EMDI Web Solutions Pvt Ltd.

The Company's Board is of the opinion that his continued

presence on the Board will be of immense benefit to the Company. Having regard to his wide experience, the Company's Board recommends the appointment of Mr. Deepak Choudhary as Director of the Company by way of an Ordinary Resolution as set out in Item No. 4 of the Notice.

None of the Directors, except Mr. Deepak Choudhary, is interested or concerned in the resolution.

Item No. 5

Mr. Nowshir Engineer was appointed as an Additional Director by the Board of Directors of the Company at the meeting held on 27th June, 2008 w.e.f. 1st July, 2008. He holds office upto the forthcoming Annual General Meeting pursuant to provisions of Section 260 of the Companies Act, 1956. He will be a Non-Independent, Executive Director of the Company.

Brief particulars of Mr. Nowshir Engineer are given below :

Mr. Nowshir Engineer, aged 30 years, is a Bachelor of Commerce and holds Diploma in Business Management, MBA in marketing and has also completed a Professional Development Programme in Brand Building. He is co-founder of the EMDI group of companies.

During his internship with ICICI Bank, he has undertaken various marketing research programmes and product launches for some of India's top corporate houses.

He is currently heading operations at EMDI (Overseas) FZ LLC. He is expected to be of immense value to the Company's Board.

He holds 5,40,000 equity shares (being 14.87%) in the Company. He is also on Board of M/s. Event Management Development Institute (Bombay) Pvt Ltd, M/s. EMDI Institute of Event Management Pvt Ltd and M/s. EMDI (Overseas) FZ LLC

The Company's Board is of the opinion that his continued presence on the Board will be of immense benefit to the Company. Having regard to his wide experience, the Company's Board recommends the appointment of Mr. Nowshir Engineer as Director of the Company by way of an Ordinary Resolution as set out in Item No. 5 of the Notice.

None of the Directors, except Mr. Nowshir Engineer, is interested or concerned in the resolution.

Item No. 6

Dr. Anil Naik was appointed as an Additional Director by the Board of Directors of the Company at the meeting held on 27th June, 2008 w.e.f. 1st July, 2008. He holds office upto the forthcoming Annual General Meeting pursuant to provisions of Section 260 of the Companies Act, 1956. He will be an Independent, Non-executive Director of the Company.

Brief particulars of Dr. Anil Naik are given below :

Dr. Anil Naik, aged 66 years, is a Ph. D. University of Mumbai (Doctoral Thesis on Turnaround Strategies), and M. Com University of Mumbai. He is recipient of the First Bidhan Chandra Roy Memorial Prize of IIM Calcutta for overall outstanding performance during 1964-66 and S. S. Nadkarni Fellowship at University of Mumbai for post Doctoral Research for the year 2000-01.

He was awarded the post of Professor Emeritus & Dean Research by Principle L. N. Welingkar Institute of Management Development & Research in the year 2000, Tarneja Award of Bombay Management Association for the Best Management Paper in 1992 and awarded Best Teacher of Management for the year 2002-03 by the Bombay Management Association.

He was appointed as Counsellor by the British Council, Mumbai for Management Courses conducted by British Universities in

India in 1999, in Mumbai by Medical Education Cell of World Health Organisation in year 2005, appointed on Board of Advisors of Business Week, Asian Edition by McGraw Hill Publications in year 2005, appointed on Board of Studies for Management Education Programmes of the University for period of 5 years w.e.f. 1st September, 2005 by University of Mumbai. He is instrumental in designing and conducting Management Development Programmes for a number of corporates across sectors.

He has written and published articles on Arthashastra, Industrial Sickness in India, Environment Scanning & Scenario Building, Evolving Role of Chartered Accountants in the New Economy, Hall Marks of New Economy and Winning Competencies.

His vast experience will add tremendous value to the Company.

He does not hold any equity shares in the Company. He is also on Board of Oil Field Instrumentation India Limited, Neterson Technologies Limited, Dai Ichi Karkaria Limited and India Cancer Society.

Having regard to his wide experience, the Company's Board recommends the appointment of Dr. Anil Naik as Director of the Company by way of an Ordinary Resolution as set out in Item No. 6 of the Notice.

None of the Directors, except Dr. Anil Naik, is interested or concerned in the resolution.

Item No. 7

Details of remuneration payable to Mr. Deepak Choudhary

Terms of appointment

1. Period : 3 years w.e.f. 1st July, 2008
2. Remuneration :
 - a) Salary : upto Rs.1,00,000/- per month with authority to Board at its discretion to scale it up within the provisions of law as applicable from time to time.
 - b) Perquisites: Restricted to an amount equal to the Annual Salary.
 - c) Medical Reimbursement : Expenses incurred for the Managing Director (Indian Operations) subject to a ceiling of one month's salary in a year or three month's salary over a period of three years or as applicable under the Income Tax Act, 1961.
 - d) Leave travel concession : For the Managing Director (Indian Operations) and his family once in a year incurred in accordance with the rules of the Company.
3. Provision of car for use of the Company's business and telephone at residence provided that personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director (Indian Operations). The provision for car and telephone will not be considered as perquisites.

Annual increments, if any, will be decided by the Board of Directors or the Remuneration/Compensation Committee of the Board each year.

Minimum remuneration : Notwithstanding anything herein, where in any financial year during the currency of the tenure of the Managing Director (Indian Operations), the Company has no profits or its profits are inadequate the Company will pay remuneration by way of salary and perquisites as specified above, subject to the requisite approvals being obtained.

The particulars set out in the resolution referred above together with the explanatory statement may be treated as an abstract under Section 302 of the Companies Act, 1956.

The Board recommends his appointment by way of an Ordinary Resolution as set out in Item No. 7 of the Notice.

None of the Directors, except Mr. Deepak Choudhary, is interested or concerned in the resolution.

Item No. 8

Details of terms of appointment of Mr. Nowshir Engineer

1. Period : 3 years w.e.f. 1st July, 2008
2. Remuneration : He is appointed as Managing Director (International Operations) without any remuneration with authority to Board at to decide remuneration in consultation with remuneration committee.

The particulars set out in the resolution(s) referred above together with the explanatory statement may be treated as an abstract under Section 302 of the Companies Act, 1956.

The Board recommends his appointment by way of an Ordinary Resolution as set out in Item No. 8 of the notice.

None of the Directors, except Mr. Nowshir Engineer, is interested or concerned in the resolution.

Item No. 9

In view of the increasing activities and operation of the Company, it is thought fit to increase limit to Rs. 50,00,00,000/- (Rupees Fifty Crores only) to enable the Board of Directors of the Company to borrow the fund required for Company's business from time to time.

The Board recommends the resolution at item No. 9 for your approval as an Ordinary Resolution.

None of the Director is in any way concerned or interested in the resolution.

Item No. 10

For administrative convenience, with effect from 1st October, 2008 it is proposed to keep the Register of Members, Index of Members at the office of the Company's Registrar and Share Transfer Agent, Bigshare Services Private Limited situated at E-2/3, Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (East), Mumbai – 400 072 and/or any other office of registrar instead of at the Registered office of the Company.

In terms of Section 163 of the Companies Act, 1956 the Register of Members and other documents mentioned above are required to be kept at the Registered office of the Company and instead of being kept at the Company's Registered office be kept at any other place in the city in which, the Registered office of the Company is situated, if approved by the shareholders in the General Meeting by way of special resolution and if the copy of the proposed special resolution is given in advance to the Registrar of Companies.

The Board recommends the resolution at item No. 10 for your approval as a Special Resolution.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

By Order of the Board of Directors

Place : Mumbai
Date : 21st August, 2008

Dharmesh Parekh
Company Secretary

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the Annual Report of the Company along with the Audited Statement of Accounts for the financial year ended 31st March, 2008.

Financial Results

During the year under review, your company recorded consolidated revenues of Rs. 140.70 lacs (previous year Rs. 242.55 lacs); and standalone revenues of Rs. 140.48 lacs (previous year Rs 242.55 lacs).

The consolidated profit before tax for the year stood at Rs. 15.98 lacs (previous year loss Rs. 2.65 lacs); and standalone profit before tax stood at Rs. 18.30 lacs (previous year Rs. 4.41 lacs).

Dividend

In the absence of profits, the Directors have refrained from recommending dividend for the year.

Operations

During the current financial year with the acquisition of the business of EMDI Event Management Private Limited and majority equity stake in EMDI (Overseas) FZ LLC, Company has expanded its business focus to areas of vocational training in the media and entertainment space. The operations of the Company are spread over multiple locations in Mumbai, Bangalore, Pune and Dubai.

Your Company will look at increasing its footprints both domestic and internationally thru collaboration(s) with leading universities and resource/research opportunities globally. It shall strive towards being a multifaceted and multi cultural education entity with focus on world class education and standards. Your company shall marshal its talent pool and resources to contribute relevant, top-of-the-line work in the field of education, both in India and abroad.

Directors

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Abbas Patel retires by rotation as Director at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

To broadbase the Board of Directors, at the Board Meeting held on June 27, 2008, Mr. Deepak Choudhary, Mr. Nowshir Engineer and Dr. Anil Naik were appointed as Additional Directors w.e.f. July 1, 2008. They hold office up to the forthcoming Annual General Meeting pursuant to provisions of Section 260 of the Companies Act, 1956. The Company has received notices under Section 257 of the Companies Act, 1956, proposing their candidature for the office of

Directors. The term of appointment of Mr. Deepak Choudhary and Mr. Nowshir Engineer are not liable to retire by rotation whereas Dr. Anil Naik is liable to retire by rotation.

At the same Board Meeting Mr. Deepak Choudhary was appointed as Managing Director (Indian Operations) and Mr. Nowshir Engineer as Managing Director (International Operations) of the Company w.e.f. July 1, 2008 subject to the approval of members of the Company at the ensuing Annual General Meeting and statutory approvals.

Subsidiary Companies

A statement of financial position of the Company's wholly owned subsidiary, Grey Cells Communications and Productions Private Limited (GCCPPL) pursuant to Section 212 of the Companies Act, 1956 is annexed and forms part of this Report. GCCPPL has ceased to be a subsidiary w.e.f. 19/06/2008.

EMDI (Overseas) FZ LLC

During the current financial year, post receipt of approval from FIPB, the Company has acquired majority equity stake in EMDI (Overseas) FZ LLC from Mr. Nowshir Engineer. Headquartered out of Knowledge Village, Dubai, UAE the Company is engaged in business of education, primarily in teaching graduates, undergraduates and working professionals in the field of Events, Media and Communication in the form of class room training and workshops.

Access Atlantech Edutainment (I) Limited

More recently, the Company has acquired 26% Equity Stake in Access Atlantech Edutainment (I) Limited, (AAT) subject to necessary statutory approvals. AAT headquartered at Chennai runs technology based courses in Media and Entertainment domain. It has partnered with world leaders as SAE, Digidesign, Qantm and other world leaders offering education in Sound Engineering, Games and Games Design, Digital Filmmaking and media management programs. The courses are affiliated to the Dibrugarh University, Assam. AAT has multiple campuses across the country and offers diploma and degree programs. The company has control on the composition of Board of Directors of AAT.

Auditors

The Company's statutory auditors, M/s. Ford, Rhodes, Parks & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Reply to the Qualification in the Auditors' Report and Annexure thereon:

Qualification 4 (f):

The Management is in the process of formulating policy on amortization on the Perpetual Rights as per prevalent industry norms.

Qualification 4 (g):

The Management is of the view that the future economic benefits rising from the Perpetual Rights may be more than their carrying value and hence no provision has been made for the same.

Qualification in the Annexure to the Auditor's Report 3(a):

The benefit derived from operations of GCCPPL (wholly owned subsidiary Company) will reach to the company further down the line only. Hence, management has decided not to charge interest on loan.

Fixed Deposits

During the year under review, the Company has not accepted any deposits under Section 58-A of the Companies Act, 1956.

Particulars of employees

Since none of the employees of the Company was drawing remuneration in excess of the limits laid down pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, details therewith are not furnished.

Particulars of Conservation of Energy, technology absorption and foreign exchange earning and outgo

(a) Conservation of Energy

The Company is not involved in any manufacturing activity and hence has low energy consumption levels. Nevertheless, the Company makes all efforts to conserve and optimize the use of energy by using energy-efficient computers and equipments with latest technologies.

(b) Technology Absorption and Research and Development

The Company's research and development focus is on developing new frameworks, processes and methodologies to improve the speed and quality of service delivery.

(c) Foreign Exchange Earnings and Outgo

The export of services constituted 69.47% of the Company's total revenues during the year under review. The earnings and expenditure in foreign exchange were as under:

Earnings Rs. 97.75 lacs
Expenditure Nil

Corporate Governance

A separate section on Corporate Governance along with Management Discussion & Analysis forming part of Director's Report and the certificate from the Secretary

in whole time practice regarding compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement is annexed to and forms part of the Director's Report.

Directors Responsibility Statement

In terms of Section 217 (2AA) of the Companies Act, 1956, in relation to financial statements for the year ended 31st March, 2008, the Board of Directors confirm/state that:

- i. In the preparation of the Annual Accounts the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2008 and of the profit of the Company for the year ended as on that date;
- iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. The Directors have prepared the Annual Accounts on a going concern basis.

Acknowledgements

Your Directors wish to thank all Employees and Bankers for their continued support

By Order of the Board of Directors

Place: Mumbai
Date: 21st August, 2008

Abbas Patel
Chairman

REPORT ON CORPORATE GOVERNANCE

(Pursuant to clause 49 of the Listing Agreement)

Company's Philosophy on Corporate Governance

The Company endeavours to comply with the requirements of Corporate Governance not merely as a regulatory requirement but also in spirit.

The Board of Directors of the Company fully support and endorses Corporate Governance practices as per the provisions of the amended Clause 49 of the Listing Agreement as applicable from time to time. Listed below is the status with respect to compliance of provisions of the Clause 49 as applicable.

COMPLIANCE WITH SEBI CODE OF CORPORATE GOVERNANCE

1. Board of Directors:

Nine meetings of the Board of Directors were held during the year ended March 31, 2008 on 29.06.2007, 31.07.2007, 22.08.2007, 29.10.2007, 30.11.2007, 18.01.2008, 29.01.2008, 21.02.2008 and 31.03.2008. Attendance of Directors at the Board Meetings & Annual General Meeting is as under:

Sr. No.	Names of Directors	Number of board meetings held whilst a Board member	Number of Board meetings attended	Whether attended last AGM held on 24.09.2007
1	Uday Sinh Wala	9	9	Yes
2	Bela Desai	9	9	Yes
3	Abbas Patel	9	9	Yes
4	Rajiv Bazaz @	1	1	N.A.
5	Deepak Choudhary #	N.A.	N.A.	N.A.
6	Nowshir Engineer #	N.A.	N.A.	N.A.
7	Anil Naik #	N.A.	N.A.	N.A.

@ Resigned w.e.f. 29th June, 2007

Appointed as Additional Director w.e.f. 1st July, 2008

The Company's Board comprises 6 Directors with considerable experience in their respective fields. Of these 4 Directors are Non Executive Directors. The Chairman of the Board is a Independent Non-Executive Director.

Details of Composition, Category of Directors, their other Directorships, Committee memberships:

Composition and category of Directors						
Sr. No.	Name	Designation	Category	Directorship in other Companies	Board Committees on which member	Board Committees on which Chairperson
1	Abbas Patel	Chairman & Director	Independent, Non- Executive Director	1	2	2
2	Uday Sinh Wala	Director	Promoter – Non - Executive Director	2	1	0
3	Bela Desai	Director	Non-independent, Non-Executive Director	2	1	2
4	Deepak Choudhary #	Managing Director (Indian Operations)	Non-independent, Executive Director	3	3	0
5	Nowshir Engineer #	Managing Director (International Operations)	Non-independent, Executive Director	3	0	0
6	Anil Naik #	Director	Independent, Non-Executive Director	4	3	0

Appointed as Additional Director w.e.f. 1st July, 2008

No compensation is paid to Non-Executive Directors.

Equity Shares held by Non-Executive Directors are as follows:

Name of Director	Equity Shares held
Uday Sinh Wala	6,12,300
Abbas Patel	40,000
Bela Desai	1,75,100
Anil Naik	Nil

The Board of Directors has laid down the Code of Conduct applicable to the Board members and senior executives of the Company. A declaration by the Managing Director affirming compliance to the Code of Conduct by the Board Members & senior executives is also annexed separately at the end of this report.

2. Audit Committee

The Company has an Audit Committee at the Board level with powers and role that are in accordance with Clause 49 II (C) and (D) of the Listing Agreement. The Committee acts as a link between the management, the statutory and internal auditors and the Board of Directors. Details of Committee meetings held during the year ended 31st March, 2008 and attendance of members is as under:

Sr. No.	Name	Designation	Category	Number of Meetings	
				Held	Attended
1	Abbas Patel	Chairman & Member	Independent, Non-Executive Director	5	5
2	Bela Desai	Member	Non-independent, Non-Executive Director	5	5
3	Rajiv Bazaz @	Member	Independent, Non-Executive Director	1	1
4	Uday Sinh Wala \$!	Member	Promoter, Non-Executive Director	4	4
5	Anil Naik #	Member	Independent, Non-Executive Director	N.A.	N.A.

@ceased as Committee Member w.e.f. 29th June, 2007.

\$ appointed as Committee Member w.e.f. 29th June, 2007.

! ceased as Committee Member w.e.f 1st July, 2008

appointed as Committee Member w.e.f. 1st July, 2008.

The scope of the functioning of the audit committee is to review, from time to time, the internal control procedures, the accounting policies of the Company and such other functioning as may be recommended from time to time by SEBI, Stock Exchanges and/or the Companies Act, which inter-alia include review of:

1. Management Discussion and Analysis of financial condition and result of operations.
2. Statement of significant related party transactions submitted by the management.
3. Internal audit reports relating to internal control strengths & weaknesses.
4. Appointment, removal & terms of remuneration of Internal Auditors.

3. Remuneration Committee

The Company has a Remuneration Committee at the Board level with the powers and role that are in accordance with Clause 49A of the Listing Agreement and the Members of the Committee are as under :

Sr. No.	Name	Designation	Category	Number of Meetings	
				Held	Attended
1	Abbas Patel	Chairman & Member	Independent, Non-Executive Director	N.A.	N.A.
2	Bela Desai	Member	Non-independent, Non-Executive Director	N.A.	N.A.
3	Uday Sinh Wala	Member	Promoter, Non-Executive Director	N.A.	N.A.

The Remuneration Committee perform the following functions :

1. To frame the Company's Policy from time to time on :
 - a. Compensation Policy to Directors
 - b. Role of Directors
 - c. Other matters relating to Directors and Employees
2. To recommend suitable candidates to Board for appointment as Executive/Non-Executive Director.
3. To review performance and recommend remuneration of Executive Directors' to the Board.
4. To review the role and conduct of Director's other than Members of the Committee and inform the Board.

Remuneration Policy

The Company has a credible and transparent policy in determining and accounting for the remuneration of Directors. The remuneration policy is aimed at attracting and retaining high caliber talent. Executive Directors are entitled for the remuneration by way of Salary and Commission not to exceed limits prescribed under the Companies Act, 1956

Both the Executive Directors are appointed for period of 3 years w.e.f. 1st July, 2008.

4. Subsidiary Company

During the year under review the Company had one unlisted subsidiary Company namely Grey Cells Communications and Productions Private Limited (GCCPPL). GCCPPL was a subsidiary of the Company upto 19/06/2008. The Audit Committee reviews the financial statement of the subsidiary company. The minutes of the Board Meeting as well as statements of all significant transactions of the unlisted subsidiary company are placed regularly before the Board of Directors for their review.

5. Disclosures

There are no material transactions with related parties, which require separate disclosure. A comprehensive list of related party transactions as required by Accounting Standard (AS) 18 issued by the Institute of Chartered Accountants of India, forms part of note no. B of schedule K to the accounts in the Annual Report.

The Board reviews the risk assessment and minimization procedure from time to time. The risk management issues are discussed in detail in the report of Management Discussion and Analysis.

There is no material pecuniary transaction with any Non-Executive as well as Independent Directors of the Company that requires a separate disclosure.

The Management Discussion and Analysis report is prepared in accordance with the requirements laid out in Clause 49 of the Listing Agreement.

There were no materially significant related party transactions i.e. transactions of the Company of material nature, with its Promoters, Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.

No penalties were imposed on the Company by the

Bombay Stock Exchange Limited or SEBI or any other statutory authority on any matter related to capital market during the last three years.

The details of compliance with mandatory requirements of Clause 49 are as contained in this Report.

6. Shareholders / Investors' Grievance Committee

The broad functions of the Committee includes redressal of shareholder and investor complaints pertaining to transfer of shares, non-receipt of annual report, non-receipt of declared dividend and any other complaints received from the Shareholders/Investors etc.

During the year under review, the Committee met four times, details of attendance by the Committee members is as under:

Sr. No.	Name	Designation	Category	Number of Meetings	
				Held	Attended
1	Bela Desai	Chairman & Member	Non-independent, Non-Executive Director	4	4
2	Abbas Patel	Member	Independent, Non-Executive Director	4	4
3	Rajiv Bazaz @	Member	Independent, Non-Executive Director	1	1
4	Uday Sinh Wala \$!	Member	Promoter, Non-Executive Director	3	3
5	Deepak Choudhary #	Member	Non-independent, Executive Director	N.A.	N.A.

@ ceased as Committee Member w.e.f. 29th June, 2007.

\$ appointed as Committee Member w.e.f. 29th June, 2007.

! ceased as Committee Member w.e.f. 1st July, 2008

appointed as Committee Member w.e.f. 1st July, 2008

Mr. Dharmesh Parekh – Company Secretary is the Compliance Officer for the Company as approved by the Board of Directors.

During the year ended March 31, 2008 the Company did not receive any complaints and there were no outstanding complaints pending for more than one month. There were no cases, which were not solved to the satisfaction of shareholders.

7. CEO Certification

Certificate from Mr. Deepak Choudhary, Managing Director (Indian Operations) in terms of clause 49 (V) of the Listing agreement entered into with the Bombay Stock Exchange Limited was placed before the Board of Directors of the Company at their meeting held on 21st August, 2008.

8. Company Secretaries' Certificate on Corporate Governance

Certificate from M/s. P. D. Pandya & Associates in terms of clause 49 (VII) of the Listing agreement is attached and forms part of this report.

9. General Body Meetings
Location and time of last three AGMs held

Year ended 31 st March	Date of AGM	Time of AGM	Venue
2007	September 24, 2007	9 A.M.	#2, Vijay Park, Janki Kutir, Juhu, Mumbai – 400 049
2006	August 30, 2006	11 A.M.	#2, Vijay Park, Janki Kutir, Juhu, Mumbai – 400 049
2005	September 30, 2005	11 A.M.	#2, Vijay Park, Janki Kutir, Juhu, Mumbai – 400 049

During the year under review, the following special resolution(s) were passed by the Company's shareholders through postal ballot.

1. Alteration of Main Object Clause
2. Alteration of Objects incidental or ancillary to the attainment of the main objects
3. Commencement of new business activity
4. Further Issue of Shares and
5. Intercorporate Loans and Investments

Further, no resolution proposed at the ensuing Annual General Meeting needs to be passed through Postal Ballot. A brief resume of the Director offering himself for re-appointment at the Annual General Meeting is provided in the annexure / explanatory statement annexed to the notice convening the Annual General Meeting for the year 2008.

10. Means of communications

Quarterly / annual results are published in Free Press Journal and Nav Shakti. Shareholders information forms part of the Annual Report.

SHAREHOLDER INFORMATION

AGM: Date, Time and Venue	Monday, September 22, 2008 at 9.00 a.m. at VMDL Campus, 4 th Floor, Opp Lilavati Hospital, Bandra Reclamation, Mumbai – 400 050
Financial Calendar	
- Financial reporting for the quarter ending June 30, 2008	End July, 2008
- Financial reporting for the quarter ending September 30, 2008	End October, 2008
- Financial reporting for the quarter ending December 31, 2008	End January, 2009
- Financial reporting for the year ending March 31, 2009	May/June, 2009
Date of Book Closure	September 15, 2008 to September 22, 2008 (both days inclusive)
Dividend Payment Date	N.A.
Listing on Stock Exchanges & Stock code	The Bombay Stock Exchange Ltd. - 508918
Market price data	The Company's shares are frequently traded.
Registrar and Share Transfer Agents	Bigshare Services Private Limited E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai – 400 072 Phone : 28470652 / 53 Fax : 28475207 Email: ansar@bigshareonline.com
Share Transfer System	Shares transfers in physical form are registered and returned within 30 days of lodgment, if documents are clear in all respects. During the year under review 44,000 Equity Shares transferred on 31.12.2007 in physical form.

Dematerialization of shares and liquidity	The Company's equity shares have been admitted in electronic/dematerialized mode by both Central Depository Services (India) Limited and National Securities Depository Limited.
Outstanding GDRs/ ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity	N.A.
Plant Locations	N.A.
Registered Office and Address for correspondence	GREYCELLS ENTERTAINMENT LTD. VMDL Campus, 4 th Floor, Opp. Lilavati Hospital, Bandra Reclamation, Mumbai – 400 050

Stock Market Data

The Monthly High and Low quotation of equity shares traded on BSE are as under :

Month	Bombay Stock Exchange	
	High (Rs.)	Low (Rs.)
April' 07	--	--
May' 07	--	--
June' 07	--	--
July' 07	--	--
August' 07	--	--
September' 07	--	--
October' 07	--	--
November' 07	--	--
December' 07	403.00	284.00
January' 08	295.00	125.00
February' 08	229.35	142.00
March' 08	229.00	179.70

Distribution of Shareholding as on March 31, 2008

Range	Distribution – As on March 31, 2008			
	Shareholders		Shares	
No. of Shares	Numbers	% to Total	Numbers	% to Total
1 – 5000	107	65.24	9,650	0.31
5001 – 10000	4	2.44	4,000	0.13
10001 – 20000	6	3.66	9,850	0.32
20001 – 30000	5	3.05	12,800	0.41
30001 – 40000	0	0.00	0	0.00
40001 – 50000	2	1.22	9,200	0.30
50001 – 100000	8	4.88	68,000	2.20
100001 and above	32	19.51	29,78,000	96.33
Total	164	100.00	30,91,500	100.00

Shareholding Pattern as on March 31, 2008

Category	No. of shares held	Percentage of shareholding
Promoter's holding		
Promoters		
- Indian Promoters	6,51,300	21.07%
Persons acting in concert	4,56,800	14.78%
Non-Promoters Holding		
Private Corporate Bodies	6,00,300	19.42%
Indian Public	13,67,200	44.22%
Clearing Member	12,150	0.39%
Non Resident Indians	3,750	0.12%
Total	30,91,500	100.00%

Managing Director's Certification pursuant to Clause 49 of the Listing Agreement

I, Deepak Choudhary, Managing Director (Indian Operations) of Greycells Entertainment Limited, to the best of my knowledge and belief, certify that:

1. I have reviewed the Balance Sheet as on and Profit and Loss Account for the year ended 31st March, 2008 (consolidated and unconsolidated), and all its schedules and notes on accounts, as well as the cash flow statements and the Directors' Report;
2. Based on my knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the statements made;
3. Based on my knowledge and information, the financial statements, and other financial information included in this report, present in all material respects, a true and fair view of, the company's affairs, the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and / or applicable laws and regulations;
4. To the best of my knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's code of conduct;
5. I am responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company, and I have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the company, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the Company's disclosure, controls and procedures; and
 - d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;
6. I have disclosed based on our most recent evaluation, wherever applicable, to the Company's auditors and the Audit Committee of the Company (and persons performing the equivalent functions)
 - a) all deficiencies in the design or operation of internal controls, which could adversely affect the company's ability to record, process, summarize and report financial data, and have identified for the Company's auditors, any material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies;
 - b) significant changes, if any, in internal controls during the year covered by this report;
 - c) all significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements;
 - d) instances of significant fraud of which I am aware, that involves management or other employees who have a significant role in the Company's internal control system;
7. I affirm that I have not denied any personnel, access to the Audit Committee of the Company (in respect of matters involving alleged misconduct) and I have provided protection to 'whistle blowers' from unfair termination and other unfair or prejudicial employment practices; and
8. I further declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

For Greycells Entertainment Limited

Place: Mumbai
Date : 21st August, 2008

Deepak Choudhary
Managing Director (Indian Operations)

Certificate on Corporate Governance pursuant to Clause 49 of the Listing Agreement

To

The Members of

Greycells Entertainment Limited.

We have examined the compliance of conditions of Corporate Governance by Greycells Entertainment Limited (The Company), for the year ended 31st March, 2008, as stipulated in Clause 49 of the Listing Agreement of the Company with the Bombay Stock Exchange Ltd.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination in accordance with the guidance note on certification of Corporate Governance as stipulated in clause 49 of the Listing Agreement and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an express of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

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

P.D. Pandya & Associates
Company Secretaries

Mumbai
31st July, 2008

Paresh D. Pandya
(C.P.No. 4869)

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry Structure and Developments

According to FICCI PWC 2007, Indian Media and Entertainment industry is growing at a CAGR of 24% and will be Rs. 51900 crores by 2010. Currently 4 of the top 10 career aspirants choose Media and Entertainment. Also the gross enrolment in higher studies is expected to double to 12% in a decade from the present 7%.

The Central Government has launched a mission on vocational education and skill development. It plans to set up 1600 new Industrial Training Institutes(it is) and polytechnics, 10,000 new vocational schools and 50,000 new skill development centres across the country. The government aims to ensure that annually 10 million students get vocational training, an increase or 4 times from current levels.

Dr. C K Prahalad believes that Education system in India will have to play a role in making India a global super power – marking the emergence of India's new "super infrastructure story – education. – (Source : *The Economic Times* dated 14th July, 2008)

'Media' is the medium of carrying information, education and entertainment to the masses. It is an easier and efficient means of communication which plays a key role in the overall development of an economy. In an era where knowledge and facts are the tools for economic, political and cultural exchange, presence of the strong and constructive media in a country is important for catering to the diverse needs of individuals, society as a whole, small and large business and production houses, various research organizations, private sectors as well as the public sectors. Media is a conscience-keeper of the nation and has many tasks to perform in our day-to-day lives. It largely consists of print media like newspapers, magazines, journals and other publications, etc. as well as electronic media like radio, television, internet, etc. With the changing scenario of the world, it has acquired the status of an industry.

In India, the media and entertainment industry is undergoing remarkable change and is one of the fastest growing sectors. The main factors responsible for this are rising per capita/ national income, high economic growth and strong macro-economic fundamentals, democratic set up; good governance as well as law and order position in the country. Specifically, spectacular growth of the television industry, new formats for film production and distribution, privatisation and growth of radio, gradually liberalising attitude of Government towards the sector, easier access to and for international companies as well as advent of digital communication and its technological innovations are the other attributes of the growth of the sector. The media industry plays an important role in creating people's awareness about national policies and programmes by providing information and education, besides creating healthy business environment in the country. Thus, it helps people to be active partners in the nation-building endeavour.

Media and Communications, in the present world are important to provide timely and critical information as and when needed during emergencies and otherwise. The criticality and need of information in the development sector and how communication is highly essential to impart this, has to be understood and here is where media & communications play a pertinent role in handling sensitive issues.

Communication is crucial for Development - whether in the form of dissemination, guidelines, recommendations, sensitization, advocacy, education, conversation, fundraising or counseling. Sometimes sharing information is the most powerful strategy available. Communication is about providing timely relevant and effective information. It is about fostering social awareness and about building a collective understanding leading to social change.

Seeing the criticality of the roles of communication and media in the development sector, individuals and organisations working in communications, Public relations, Outreach Programmes, Fundraising, Media Agencies, Corporate and Communities on a single platform and share collectively, views and ideas to enable the creation of sustainable collaboration of Media and Civil Society.

The Event Management industry comprises on-the-ground events including corporate events, felicitations and contests, festivals and personal events. The industry is likely to grow on a conservative basis by 15% - 18% over the next five years. The growth is on account of increased marketing budgets, and an increased focus on live entertainment, as part of the promotional spends of corporate. The largest sub-segment of Event Management industry- corporate events - is poised for tremendous growth, with globalization of Indian companies, and the entry of new foreign brands in India

Vocational education will help Industry meet the requirements for trained professionals that are expected to grow three to five folds in the next three to five years

2. Opportunities and Threats

Opportunities

Its a great synergy in terms of business and technology leveraging. The Company will look to maximise locations of presence and verticals in education to reach out to the student community and provide world class education. The Company shall seek to build on strengths and the management expertise and have to build a value based organisation that will come to dominate the media education industry.

The Entertainment industry is just commencing a period of rapid expansion, growth as well as innovation and scalability. This is expected to remain a continuous growth phase in future. In areas of services, expertise and knowledge, your Company with its team of professionals is expected to tap the potential opportunities for growth.

The Company will look at presence both domestic and internationally as in locations, collaboration with leading universities and resource/research opportunities globally. This shall mean a multifaceted and multi cultural education imparting entities with focus on world class education and standards.

The recent acquisition of a equity stake in Access Atlantech Edutainment (I) Limited allows us to address this large opportunity leveraging EMDI content.

The Growing acceptance of vocational institutes and the focus on the media and entertainment sector as a serious career option in the minds of parents, key decision makers, students alike - will ensure that courses presented by Greycells are readily accepted in the market.

The fact that the Entertainment industry is experiencing such a boom - there is a shortage of talent and trained professionals. Coupled with the fact that there is less competition in these verticals as compared to traditional education - students graduating from Greycells have ready acceptance in the industry towards employment.

Threats

The industry will need a vast talent pool of creative professionals to meet the growing demand of remains the biggest concern to limiting growth and expansion. However, given our reputation and relationships, we expect to be able to continue to overcome this weakness and attract quality talent. It is imperative for the Government and universities to take the onus of fostering education in the field of media and communication. This could be either through tie-ups with educational institutions or through a structured approach by training the people in media and education.

A huge challenge is of learning economy is the underperformance of the education system. The majority of faculties are not formally trained with a basic degree in education.

Our success is mainly attributable to our reach, experience and quality processes. We recognize that we can only grow and prosper if we can:

- a. acquire and retain top quality talent on a continual basis.
- b. execute efficiently and manage growth challenges
- c. education for employability
- d. 100% Industry Faculty Model
- e. remain close to the students at all times.
- f. deliver 'relevant' content to the students
- g. on the job training
- h. earn while you learn
- i. permanent placement opportunities

Another large challenge is managing expectation from students. Due to the previous achieved success in the field, especially when there was the first mover advantage - if the new courses or existing courses do not live upto expectations, it leads to dissatisfaction.

3. Segment-wise Performance

The Company operates only in one segment and hence segment wise performance has not been given.

4. Outlook

Vocational Training is the 'sun rise' industry. The Company will continue its process of exploring the potential in additional areas of related service offerings. These new developments will have a positive impact on the Company in the years to come.

The Company plans to continue to expand its brand and product portfolios and its service and distribution networks in India and abroad in the near future, both organically and inorganically via strategic acquisitions.

The Company believe that our growth is planned & focused and based on efficient use of available resources to grow the business and we plan to retain and strengthen our leadership position in the marketplace.

The Company will endeavor to be 'partner by choice' to both the industry and students and thereby increase the number of students multifold in the years to come.

The Company have aggressive plans to become preferred player and to increase number of students to 10,000 levels in next couple of years.

The company wants to create a global conglomerate that sets new standards of excellence in Education, Entertainment & Media and grooms future leaders of the industry. The Company wants to be an Institute of vocational learning; focusing on developing intellectual, personal and employability skills of our graduates.

The Company plans to partner with an established university to set up a full fledged university in Dubai Academic City. The Company is in progress to talk with international universities based out of South Africa, UK and Edinburgh.

5. Risks

Apart from the regular operational & business risks, the other major risks faced by the Company are:

a) *Business Concentration*

The Company's business today is largely concentrated in vocational training in few verticals of media and entertainment. Further, a major proportion of the Company's revenue is derived from education business services.

To mitigate the risk arising from this concentration, the Company will strive towards expanding the Company's' business in additional areas of related service offerings.

b) Core Faculty

Further the Company is also weak due to inadequate full time employed faculty, insufficient practical training, overall lack of practitioners and lack of market responsiveness.

c) Human Resource Management

The Company's ability to deliver value to its depends largely on its ability to attract and retain skilled and talented professionals. There is significant competition for these resources which has been heightened by the entry of overseas competitors into the Indian market. Recruiting and retaining talent continues to be one of the priorities of the Company.

The Company seeks to attract talented professionals by showcasing the variety and the quality of work that the Company's employees have delivered to its customers.

d) Entrant of Other players

The lack of an entry barrier with respect to a private setup offering similar certificate courses is a threat. Centres offering similar courses is the first level of competition, however competition which enters the market, offers a poor product and then is forced to shut down later on is even worse as it spoils the education market and trust towards the other credible players

6. Social Responsibility

The Company believes in being a responsible part of the community and contributing back to it in every manner. The Company's focus has been the differently abled part of the society. The Company fulfills its mission with a huge sense of corporate social responsibility. The initiative taken by the students of the EMDI Institute is launching of SWAT (Students Working Against Tobacco) and the same was registered NGO. The SWAT team takes various initiatives in the form of events to spread messages such as:

- Smoke free bike rally
- College festival activities
- Candle walk
- Live and loud- smoke free rock concert

7. Internal Control Systems

Company's internal controls are commensurate with its size and nature of its business. Internal control systems in the Company are intended to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with Management's authorization and properly and promptly recorded and accounting records are adequate for the preparation of financial statements and other financial information.

Internal audit procedure constantly monitors the controls and feedback both positive and negative is

communicated to the management. The internal audit team reports on the adequacy of control to the management as well as the audit committee.

Any observation or non conformance is addressed through a set of corrective & preventive actions, verified by the Internal Auditor.

8. Discussion on Financial Performance with respect to Operational Performance

The financial performance of the year ending March 31, 2008 reflects of the Company's initiative in line production of films targeted at the International audience, documentary etc. During the year, steps have been initiated to become a more focused company, moving out of areas where we have limited opportunities and into areas of greater long term potential.

The authorized share capital of the Company is Rs. 8,00,00,000/- divided into 80,00,000 equity shares of Rs. 10/- each. The paid up capital of the Company is Rs. 3,63,15,000/- divided into 36,31,500 equity shares of par value Rs. 10/- each.

Highlights of the Company's standalone financial performance are as under:

(Rs. in thousand)

Particulars	2007-2008	2006-2007
Revenues	14,047.58	24,255.29
PBDIT	1,922.03	811.65
PBT	1,830.44	441.41
PAT	1,433.83	188.32
EPS:-		
Basic	0.46	0.06

9. Human Resources

To reduce attrition levels, the Company has initiated a number of programs that include an empowered work environment, learning opportunities, and competitive compensation packages.

FORWARD LOOKING STATEMENT

Forward-looking statement in this Annual Report should be read in conjunction with the following cautionary statements. Certain expectations and projections regarding future performance of the Company referenced in this Annual Report are forward – looking statements. These expectations and projections are based on currently available competitive, financial and economic data along with the Company's operating plans and are subject to certain future events and uncertainties, that could cause actual results to differ materially from those that may be indicated by such statements.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENT

Report of the Auditors to the Board of Directors of Grey Cells Entertainment Limited on the consolidated financial statement of Grey Cells Entertainment Limited and its subsidiary.

1. We have audited the attached Consolidated Balance Sheet of Grey Cells Entertainment Limited ("the company") and its subsidiary Grey Cells Communication and Production Private Limited ("the Group") as at March 31, 2008, the Consolidated Profit and Loss Account for the year ended on that date annexed thereto, and the Consolidated Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statement 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 misstatements. An audit includes examining, on the 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. We did not audit the financial statement of the subsidiary, whose financial statements reflect total assets of Rs. 127.98 lakhs as at March 31, 2008, total revenues of Rs. Nil and total net cash outflows of Rs. 0.01 lakhs for the year ended on that date.
These financial statements 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 this subsidiary, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Grey Cells Entertainment Limited and its subsidiary included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on consideration of the separate audit report on individual audited financial statements of Grey Cells Entertainment Limited and its aforesaid subsidiary in our opinion, 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 March 31, 2008;

- (b) in the case of the consolidated profit and loss account, of the results of operations of the Group for the year ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

For Ford, Rhodes, Parks & Co.
Chartered Accountants
S. B. Prabhu
Partner
Membership No. 35296

Place : Mumbai
Date : 27th June, 2008

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008				
Schedule	As At 31st March, 2008		As At 31st March, 2007	
	Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS :				
SHAREHOLDERS FUNDS				
Share Capital	A	30,918,875		30,918,875
Share Application Money Received		25,400,000		5,974,000
Reserves and Surplus	B	29,411,066		29,411,066
UNSECURED LOANS				
From Director		6,817,537	6,082,537	
From Others		1,000,000	7,817,537	10,898,710
		-----	-----	
Deferred Tax Liability		28,822		50,634
		-----		-----
TOTAL		93,576,300		77,253,285
		-----		-----
APPLICATION OF FUNDS :				
FIXED ASSETS				
Gross Block	C	75,520,608	62,149,597	
2,312,792				
Less: Depreciation		996,975	74,523,633	61,437,012
		-----	-----	
Net Block				
INVESTMENTS	D	127,278		127,278
CURRENT ASSETS, LOANS & ADVANCES				
Current Assets :				
Work In Progress		800,000	1,612,317	
Stock -In- Trade		4,582,019	4,582,019	
Sundry Debtors	E	7,943,610	5,830,912	
10,522,049				
Cash & Bank Balances	F	5,069,134	1,987,236	
Loans & Advances	G	2,677,511	5,245,712	
		-----	-----	19,258,196
Less: CURRENT LIABILITIES AND PROVISIONS	H			
<u>Current Liabilities:</u>				
Sundry Creditors		2,752,397	5,285,936	
Advance Received from Customers		570,000	921,784	
<u>Provisions:</u>				
Provision for Tax		630,000	3,952,397	441,000
		-----	-----	-----
		17,119,877		12,609,476
MISCELLANEOUS EXPENDITURE				
(To the extent not written off/adjusted)				
Preliminary Expenses		162,800		211,140
PROFIT & LOSS ACCOUNT		1,642,713		2,868,379
		-----		-----
TOTAL		93,576,300		77,253,285
		-----		-----
ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS				
K				
AS PER OUR REPORT OF EVEN DATE. FOR FORD, RHODES, PARKS & CO. CHARTERED ACCOUNTANTS		For and on behalf of board		
S.B.PRABHU PARTNER Membership No: 35296 PLACE : MUMBAI DATED : 27th June,2008		Uday Sinh Wala Director		Bela Desai Director
		Dharmesh Parekh Company Secretary		

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule	Year Ended	
		31 st March, 2008	Year Ended 31 st March, 2007
		Rs.	Rs.
INCOME			
Sales		9,774,703	23,196,996
Other Income	I	4,295,120	1,058,290
		-----	-----
		14,069,823	24,255,286
EXPENDITURE			
Other Expenses	J	12,138,629	23,445,112
Preliminary Expenses written off		48,340	48,340
Interest		-	737,095
Depreciation		284,391	289,436
		-----	-----
		12,471,360	24,519,983
PROFIT/(LOSS) BEFORE TAX		1,598,463	(264,697)
Provision for Tax:			
Current Tax		(210,000)	(35,000)
Previous Year Tax Adjustment		(39,608)	-
Deferred Tax Adjustment		21,811	81,807
Fringe Benefit Tax		(145,000)	(200,000)
		-----	-----
PROFIT/(LOSS) AFTER TAX		1,225,666	(417,890)
Balance of Profit Brought forward from Previous Year			
		(2,868,379)	(2,450,489)
		-----	-----
Balance carried forward to Balance Sheet		(1,642,713)	(2,868,379)
		-----	-----
Earning Per Share (EPS)-Basic (See note no.8)		0.40	(0.14)
ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS			
	K		

AS PER OUR REPORT OF EVEN DATE.

For and on behalf of board

FOR FORD, RHODES, PARKS & CO.
CHARTERED ACCOUNTANTS

S.B.PRABHU
PARTNER
Membership No: 35296
PLACE : MUMBAI
DATED : 27th June,2008

Uday Sinh Wala
Director

Dharmesh Parekh
Company Secretary

Bela Desai
Director

**SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2008**

	As At 31 st March, 2008		As At 31 st March, 2007	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE 'A'				
SHARE CAPITAL				
AUTHORISED CAPITAL				
8,000,000 (Previous Year 5,000,000) Equity Shares of Rs. 10/- each		80,000,000		80,000,000
		-----		-----
ISSUED CAPITAL				
3,093,050 Equity Shares of Rs.10/-each fully paid up.		30,930,500		30,930,500
		-----		-----
SUBSCRIBED AND PAID UP CAPITAL				
3,091,500 Equity Shares of Rs.10/-each fully paid up.	30,915,000		30,915,000	
Add : Amount paid up on 1550 Forfeited Equity Shares		3,875		3,875
		-----		-----
TOTAL		30,918,875		30,918,875
		-----		-----
SCHEDULE 'B'				
RESERVES AND SURPLUS				
Share Premium A/c				
As per last Balance Sheet		28,530,500		28,530,500
General Reserve				
As per last Balance Sheet		880,566		880,566
Balance in Profit and Loss Account		-		-
		-----		-----
TOTAL		29,411,066		29,411,066
		-----		-----

SCHEDULE 'C'

PARTICULARS	GROSS BLOCK AS AT 31.03.07 RS.	ADDITIONS DURING THE YEAR RS.	DISPOSAL DURING THE YEAR RS.	GROSS BLOCK AS AT 31.03.08 RS.	DEPRECIATION UPTO 31.03.07 RS.	DEPRECIATION FOR THE YEAR RS.	CUMMULATIVE DEPRECIATION UPTO 31.03.08 RS.	W.D.V. AS AT 31.03.08 RS.	W.D.V. AS AT 31.03.07 RS.
Goodwill	14,750,170	7,635,920	-	22,386,090	-	-	-	22,386,090	14,750,170
Furniture & Fixture	619,044	700,000	-	1,319,044	199,148	76,002	275,150	1,043,894	419,896
Office Equipment	195,651	113,235	-	308,886	69,054	18,747	87,801	221,085	126,597
Library Books	-	95,000	-	95,000	-	-	-	95,000	-
Motor Car	-	585,000	-	585,000	-	-	-	585,000	-
Radio System	-	400,000	-	400,000	-	-	-	400,000	-
Rcs Software	-	350,000	-	350,000	-	-	-	350,000	-
Sound Equipment	-	50,000	-	50,000	-	-	-	50,000	-
Trade Marks	-	2,000,000	-	2,000,000	-	-	-	2,000,000	-
Perpetual Right (Ek Din)	23,912,368	-	-	23,912,368	-	-	-	23,912,368	23,912,368
Perpetual Right (WWR)	15,100,000	-	-	15,100,000	-	-	-	15,100,000	15,100,000
Perpetual Right (Anjuman)	6,470,000	-	-	6,470,000	-	-	-	6,470,000	6,470,000
Air Conditioner and Electrical Work	415,638	230,000	-	645,638	109,679	46,908	156,587	489,051	305,959
Microprocessors	686,726	1,211,856	-	1,898,582	334,703	142,734	477,437	1,421,145	352,022
TOTAL	62,149,597	13,371,011	-	75,520,608	712,584	284,391	996,975	74,523,633	61,437,012
PREVIOUS YEAR	61,905,667	243,930	-	62,149,597	423,149	289,436	712,585	61,437,012	61,482,517

**SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2008**
SCHEDULE 'D' : INVESTMENTS

NAME OF THE COMPANY	NO OF SHARES/ DEBS AS AT 31-3-2008	NO OF SHARES/ DEBS AS AT 31-3-2007	COST AS ON 31-3-2008 RS.	COST AS ON 31-3-2007 RS.
LONG TERM INVESTMENTS IN SHARES / DEBENTURES :				
A FULLY PAID-UP EQUITY SHARES (QUOTED)				
i). LISTED & QUOTED				
Chettinad Cement Corporation Ltd.	200	200	2,253	2,253
JCT Ltd.	468	468	9,191	9,191
Tata Iron & Steel Co. Ltd.	50	50	4,000	4,000
Maharashtra Seamless Ltd.	500	500	59,250	59,250
Kovilpatti L. R. Flour Mills Ltd.	1,100	1,100	207,075	207,075
G. V. Films Ltd.	1,200	1,200	68,509	68,509
Keynote Corporate Services Ltd.	250	250	15,000	15,000
			365,278	365,278
Less : Provision for Diminution In Value Of Shares			238,000	238,000
			127,278	127,278
TOTAL - i				
ii). LISTED BUT NOT TRADED				
Unit Trust of India - 1964	50	50	802	802
The Narang Industries Ltd.	1,500	1,500	29,125	29,125
Mipco Seamless Rings (Guj) Ltd.	40	40	819	819
Orient Fin. Corp. Ltd.	100	100	1,000	1,000
Punjab Anand Batteries Ltd.	300	300	3,450	3,450
Raasi Cement Ltd.	100	100	2,000	2,000
Swedeshi Industries & Leasing Ltd.	500	500	5,000	5,000
			42,196	42,196
Less : Provision for Diminution In Value Of Shares			42,196	42,196
			-	-
TOTAL - ii				
TOTAL A (i +ii)				
			127,278	127,278
B FULLY PAID-UP EQUITY SHARES (UNQUOTED)				
i). IN OTHERS:				
A L B Share Tdg. Co. Ltd.	1,000	1,000	10,000	10,000
Karad Trustee & Executor Co. Ltd.	50	50	500	500
Fairgrowth Fin Ser Ltd	10,000	10,000	100,000	100,000
Sesa Industries Ltd	10	10	225	225
			110,725	110,725
Less : Provision for Diminution In Value Of Shares			110,725	110,725
			Nil	Nil
TOTAL B				
C FULLY PAID-UP DEBENTURES (UNQUOTED)				
17% J.K Synthetics ltd.	220	220	25,128	25,128
13.5% Mazda Ind ltd	140	140	11,445	11,445
			36,573	36,573
Less : Provision for Diminution In Value Of Debentures			36,573	36,573
			-	-
TOTAL C				
TOTAL INVESTMENTS				
		TOTAL A + B + C	127,278	127,278
			127,278	127,278

**SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2008**

	As At 31 st March, 2008		As At 31 st March, 2007	
	Rs.	Rs.	Rs.	Rs.
	AS ON 31-3-2008		AS ON 31-3-2007	
	Cost Rs.	Mkt Value Rs.	Cost Rs.	Mkt Value Rs.
Aggregate of Quoted Investments	365,278	349,230	365,278	431,696
Aggregate of Investment Listed but not Traded	42,196		42,196	
Aggregate of Unquoted Investments	147,298		147,298	
	<u>554,772</u>		<u>554,772</u>	
SCHEDULE 'E'				
SUNDRY DEBTORS				
(Unsecured)				
Debts outstanding for more than six months				
Considered Good		4,623,974		4,758,702
Considered Doubtful		-		-
Others		3,319,636		1,072,210
		<u>7,943,610</u>		<u>5,830,912</u>
SCHEDULE 'F'				
CASH AND BANK BALANCES :				
Cash on hand		471,008		983,130
Balances with Scheduled Bank :				
In Fixed Deposit		-		
In Current Account	4,598,126	4,598,126	1,004,106	1,004,106
		<u>5,069,134</u>		<u>1,987,236</u>
SCHEDULE 'G'				
LOANS AND ADVANCES :				
Loans	537,500		1,465,500	
Advances Recoverable in Cash or in kind or for value to be received .	1,628,052		2,989,306	
		<u>2,165,552</u>		<u>4,454,806</u>
Deposits		-		107,640
Advance tax & TDS		511,959		683,266
		<u>2,677,511</u>		<u>5,245,712</u>
SCHEDULE 'H'				
CURRENT LIABILITIES AND PROVISIONS				
CURRENT LIABILITIES				
Sundry Creditors		2,752,397		5,285,936
(includes amount due to Director Rs.290,574)				
Advance from Customers		570,000		921,784
		<u>3,322,397</u>		<u>6,207,720</u>
PROVISIONS				
Provision for Tax		630,000		441,000
		<u>3,952,397</u>		<u>6,648,720</u>

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	As At 31 st March, 2008		As At 31 st March, 2007	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE 'I'				
OTHER INCOME				
Foreign Duty Refund		18,705		9,167
Other Misc Income		213,506		854,904
Interest Income		0		3,740
Scrap Sale		8,370		0
Provision No longer Required written back		2,092,071		190,481
Loans not Payable written back		116,173		0
Derivative Income		1,846,295		1,058,292
		4,295,120		1,058,292
TOTAL		4,295,120		1,058,292
SCHEDULE 'J'				
EXPENSES				
Events , Films Expenses		6,016,443		13,597,164
Directors Remuneration		-		120,000
Salaries and other benefits		1,319,271		443,837
Legal & Professional Fees		894,044		4,688,092
Membership and Subscription		2,560		34,930
Business Promotion		14,244		315,055
Registration Charges		195,095		218,465
Bad Debts Written Off		37,896		-
Advertisement		24,458		-
Foreign Exchange Loss		437,965		-
Loans & Advances W/off		561,500		-
Auditors Remuneration :				
Audit Fees	45,000		60,000	-
Taxation matters	15,000	60,000	15,000	75,000
Duties & Taxes		25,275		16,387
Conveyance Expenses		41,811		49,526
Travelling Expenses		413,454		1,852,153
Office Expenses		1,583,595		1,345,351
Stationery , Printing & zerox		102,231		150,344
Communication Charges		378,315		471,886
Bank Charges		3,865		3,183
Miscellaneous Expenses		26,607		63,739
TOTAL		12,138,629		23,445,112

Schedule 'K'- ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

(A) SIGNIFICANT ACCOUNTING POLICIES:

(i) Accounting Convention

The Accompanying Financial Statements have been prepared in accordance with the historical cost convention and in accordance with the Companies Act, 1956 and in all material aspects with applicable accounting standards issued by the Institute of Chartered Accountants of India.

(ii) Revenue Recognition

(a) The Company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis.

(b) The company follows prudential norms for income recognition and provisioning for non-performing assets as prescribed by Reserve Bank of India for non-banking financial companies.

(c) Dividend:

Dividend is accounted for as and when declared.

(iii) Fixed assets and depreciation

a) Fixed assets are carried at cost of acquisition less accumulated depreciation.

b) The company has provided depreciation on written down value method at the rates prescribed under Schedule XIV to the Companies Act, 1956 as applicable.

(iv) Investments

Investments are capitalized at cost of acquisition plus incidental expenses and are classified into two categories, viz. current or long term. Provision for diminution in the value of investments is made in accordance with Accounting Standard 13 issued by the Institute of Chartered Accountants of India.

(v) Contingent Liabilities

During the year under review there were no contingent liabilities.

(vi) Taxation

Provision for taxation has been made in accordance with the income tax laws prevailing for the relevant assessment years.

(vii) Deferred Taxation

Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method at the current rate of tax, to the extent that the timing differences are expected to crystallise as deferred tax charge/benefit in the profit and loss account and as deferred tax asset/liabilities in the Balance Sheet. Deferred

Tax assets in respect of carried forward business losses and unabsorbed depreciation as per Income Tax provisions is recognized only if there is virtual certainty of recoupment of the same out of future taxable income.

(B) NOTES TO THE ACCOUNTS

1. Figures of the previous year have been regrouped, recast and rearranged wherever necessary to make them comparable with the figure of the current year.

2. Guarantee issued by Bank – Nil (Previous year – Nil)

3. No vendors have informed the company of their being registered under the Micro, Small and Medium Enterprise Development Act, 2006. Hence, as per the information available with the company, there are no amounts payable to such vendors as at the year end.

4. Managing Director has been paid remuneration as under:

	2007-08	2006-07
	(Rs.)	(Rs.)
	Nil	1,20,000/-

5. Deferred Tax Liability

	2007-08	2006-07
	(Rs.)	(Rs.)

Depreciation differential 28,822/- 50,634/-

No Deferred tax asset has been recognized on unabsorbed depreciation and carry forward business losses as there is no virtual certainty that the same will be realized out of future profits.

6. Earnings In Foreign Currency – Program Producer Services Rs.87,36,424/- (Previous Year –Rs.1,67,55,705/-), Business Auxilliary Services Rs.8,33,279/- (Previous Year – Nil) & Professional Fess Rs. 2,05,000/- (Previous Year – Nil)

7. Employee Benefits : There are no employee benefits covered under AS15(Revised) given by the Company.

8. As of 31st March, 2008 the Company has purchased and Acquired all the assets, transferred employees, License and Contracts relating to the Education services business of EMDI Institute of Event Management Pvt Ltd.

9. Related Party disclosures:

(A) List of Related Parties

Names of related parties and where transactions have taken place during the year

-
- LA Consultants
 - Value Line Advisors Pvt Ltd.
 - Greycells Communication and Production Pvt ltd
 - Mr. Uday Sinh Wala
 - Systematik Finvest Pvt ltd
-

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(B) Transaction with Related Parties			10. Earning per share:		
Transactions with related parties during the year	2007-08 (Rs.)	2006-07 (Rs.)		2007-08	2006-07
1. Legal & Professional Fees incurred	Nil	15,68,796/-	(a) Net Profit/ (Loss) after tax available for equity shareholders		
2. Share Application money received	28,00,000/-	Nil	(Rs.)	12,25,666	(4,17,890)
3. Loans Repaid by the company	18,50,000/-	11,75,000/-	(b) Weighted average number of equity shares of Rs. 10/- each outstanding during the year		
4. Loans Received by the company	20,85,000/-	6,50,000/-	(No. of shares)	30,91,500	30,91,500
5. Managing Director's Remuneration-Salary	Nil	1,20,000/-	(c) Basic and diluted earnings per share		
			(Rs.)	0.40	(0.14)
(C) Year end Balances of Related Parties			11. Segment information		
Balances of related enterprises at the year end	2007-08 (Rs.)	2006-07 (Rs.)	(a) <u>Primary Segment</u>		
Concept Communications Limited	Nil	1,16,173/-	The company operates only in one business segment viz. production of films and serials from television.		
Jusal Trading Pvt Ltd	Nil	32,00,000/-	(b) <u>Secondary Segment</u>		
Mr. Uday Sinh Wala	68,33,692/-	63,73,111/-	The company has no reportable geographical segments.		
Systematik Finvest Pvt Ltd	10,00,000/-	NIL			
AS PER OUR REPORT OF EVEN DATE. FOR FORD, RHODES, PARKS & CO. CHARTERED ACCOUNTANTS			For and on behalf of board		
S.B.PRABHU PARTNER Membership No: 35296 PLACE : MUMBAI DATED : 27th June,2008			Uday Sinh Wala Director		Bela Desai Director
			Dharmesh Parekh Company Secretary		

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008				
	31st March, 2008		31st March, 2007	
	Amount	Amount	Amount	Amount
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
<u>Cash Flow from Operating Activities</u>				
Net Profit/(Loss) before tax		1,598,463		(264,697)
<u>Adjustment for:</u>				
Depreciation	284,391		289,436	
Preliminary Expenses w/off	48,340		48,340	
		332,731		337,776
Operating Profit/(Loss) before working capital changes		1,931,194		73,079
<u>Adjustment for:</u>				
Increase Decrease in Working Capital				-
Trade and other Receivables	(1,300,381)		(206,534)	
Trade and other Payables	(2,885,322)		(1,636,537)	
Loans and Advances	2,396,893	(1,788,810)	3,187,938	1,344,867
Cash generated from operations		142,384		1,417,946
Direct taxes paid/refund		(34,302)		(705,583)
Cash Flow before extra ordinary items		108,082		712,363
Extra ordinary items		-		-
Net Cash from Operating Activities		108,082		712,363
<u>Cash Flow from Investing Activities</u>				
(Purchase)/Sale of Fixed Assets		(13,371,011)		(243,930)
Net Cash used in Investing Activities		(13,371,011)		(243,930)
<u>Cash Flow from Financing Activities</u>				
Loans received/(repaid) during the year		(3,081,173)		(1,250,000)
Share Application money received		19,426,000		-
Net Cash from Financing Activities		16,344,827		(1,250,000)
Net Increase/(Decrease) in cash and cash equivalents		3,081,898		(781,567)
Cash and cash equivalents at the beginning of the year (Opening Balances)		1,987,236		2,768,803
Cash and cash equivalents at the end of the year (closing Balances)		5,069,134		1,987,236

AUDITORS' REPORT TO THE SHAREHOLDERS

1. We have audited the attached Balance Sheet of Greycells Entertainment Limited as at March 31, 2008, together with the Profit and Loss Account of the Company for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. 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 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
 4. Further to our comments referred to in paragraph (3) 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 the books;
 - c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report are in compliance with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956;
 - e) On the basis of the written representations received from the directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2008 from being appointed as a director in terms of Section 274 (1)(g) of the Companies Act, 1956;
- f) *The Company has not formulated any policy for amortisation of the amount spent on the acquisition of perpetual rights in films/serials. No amortisation has been provided on such perpetual rights including perpetual rights which are already being commercially exploited by the Company. The amount of such amortisation has not been ascertained.*
 - g) *No provision has been made by the Company for possible impairment in the carrying value of perpetual rights in films and serials as required by the Accounting Standard No. 28 - 'Impairment of Assets'. The amount of such possible impairment has not been ascertained.*
 - h) In our opinion and to the best of our information and according to the explanations given to us, and *subject to our comments in paragraphs (f) and (g) above*, the accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008,
 - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date, and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Ford, Rhodes, Parks & Co.
Chartered Accountants

S.B. Prabhu
Partner

Place : Mumbai
Date : 27th June, 2008

Membership No. 35296

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 thereof)

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956 (the Act), and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of the audit, we further report that: -

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- (b) The fixed assets of the Company have been physically verified by the management during the year and there were no discrepancies noticed on such physical verification. In our opinion, the frequency of verification is reasonable having regard to the size of the company and the nature of its business.
- (c) During the year, the Company has not disposed off a substantial part of fixed assets so as to affect the going concern status of the Company.
2. The Company did not hold any inventories during the year.
3. (a) The company has granted an interest free loan to a company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.49,82,699/-. The year end balance of loan granted to such company was Rs. Rs.49,82,699/-. The Company has not granted any other loan to companies covered in the register maintained under Section 301 of the Act.

In our opinion, the rate of interest and the other terms and conditions of the aforesaid loans granted by the Company are prima facie prejudicial to the interest of the Company as the same are interest free.

- (b) The Company has taken unsecured loans from one company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year was Rs.10,00,000/- and the year end balance of loans taken from such company was Rs.10,00,000/-.

In our opinion, the rate of interest and the other terms and conditions of the aforesaid loans taken by the Company are not, prima facie, prejudicial to the interest of the Company. We

are unable to comment on whether there are any overdue amounts of such loans as we are informed that there are no terms stipulated for the repayment of these loans.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, with regard to purchase of fixed assets and for the sale of services. During the course of our audit, we have neither been informed nor have we observed any continuing failure to correct major weaknesses in internal controls.
5. a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts and arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- b) Based on the information and explanations given to us, we are unable to comment on whether such transactions exceeding the value of rupees five lakhs in respect of each party during the year have been made at prices which are reasonable having regard to the prevailing market prices, as no comparative prices were available in view of the specialised nature of these transactions.
6. The Company has not accepted any deposits from the public within the meaning of the provisions of Sections 58A and 58AA or any relevant provisions of the Act.
7. The Company has internal audit system during the year. The audit is carried out by an independent firm of Chartered Accountants. In our opinion, the same needs to be strengthened.
8. The Central Government has not prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956, for any of the products of the Company.
9. a) According to the information and explanations given to us by management and on the basis of the examination of the books of account carried out by us, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Excise Duty, Cess and other statutory dues, wherever applicable, with the appropriate authorities. There were no undisputed arrears of statutory dues outstanding

as at 31st March 2008 for a period of more than six months from the date they became payable.

- b) According to the information and explanations given to us by management and the records of the Company examined by us, there were no disputed dues in respect of Income tax, Sales-tax, Custom Duty, Wealth Tax, Service tax, Excise Duty and Cess which have not been deposited.

10. The accumulated losses of the Company as at 31st March 2008, are less than fifty percent of its net worth and the Company has not incurred cash losses during the financial year ended on that date and in the immediately preceding financial year.

11. Based on our audit procedures and the information and explanations given to us by the Management, we are of the opinion that the Company has not defaulted in repayment of its dues to any financial institution or bank. The Company has not issued any debentures during the year.

12. As per the books and records of the Company examined by us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.

13. Clause (xiii) of the Order is not applicable, as the Company is not a chit fund company or nidhi/ mutual benefit fund / society.

14. The Company has not dealt or traded in shares, securities, debentures or other investments during the year.

15. According to the information given to us and as per the records examined by us, the Company has not given any guarantee for the loans taken by others from banks or financial institutions during the year.

16. As per the information and explanations given to us, the Company has not taken/utilised any term loan during the year.

17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

18. The preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act, during the year, in our opinion is not prejudicial to the interest of the Company.

19. The Company has not issued any debentures during the year.

20. The Company has not raised any money by public issue during the year.

21. According to the information and explanations given to us by the management and on the basis of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across nor have we been informed of any instance of fraud on or by the Company during the year.

For Ford, Rhodes, Parks & Co.
Chartered Accountants

S.B.Prabhu
Partner

Place : Mumbai
Date : 27th June, 2008

Membership No. 35296

BALANCE SHEET AS AT 31ST MARCH, 2008					
	Schedule	As At 31st March, 2008		As At 31st March, 2007	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS :					
SHAREHOLDERS FUNDS					
Share Capital	A		30,918,875		30,918,875
Share Application Money Received			25,400,000		5,974,000
Reserves and Surplus	B		29,411,066		29,411,066
UNSECURED LOANS					
From Director		1,160,000		425,000	
From Others		<u>1,000,000</u>	2,160,000	<u>4,816,173</u>	5,241,173
Deferred Tax Liability			20,094		18,088
	TOTAL		<u>87,910,035</u>		<u>71,563,202</u>
APPLICATION OF FUNDS :					
FIXED ASSETS					
Gross Block	C		59,153,223		45,782,212
Less: Depreciation			<u>150,988</u>		<u>59,401</u>
Net Block			59,002,235		45,722,811
INVESTMENTS	D		13,127,278		13,127,278
CURRENT ASSETS, LOANS & ADVANCES					
Current Assets :					
Sundry Debtors	E	5,896,574		3,745,979	-
Cash & Bank Balances	F	5,058,687		1,976,508	
Loans & Advances	G	<u>6,022,017</u>		<u>8,916,381</u>	
			16,977,278		14,638,868
Less: CURRENT LIABILITIES AND PROVISIONS					
Current Liabilities:					
Sundry Creditors	H		1,263,864		3,304,608
Advance Received from Customers			<u>410,000</u>		<u>761,784</u>
Provisions:					
Provision for Tax		630,000	2,303,864	441,000	4,507,392
			<u>14,673,414</u>		<u>10,131,476</u>
MISCELLANEOUS EXPENDITURE					
(To the extent not written off/adjusted)					
Preliminary Expenses			162,800		203,500
PROFIT & LOSS ACCOUNT			<u>944,308</u>		<u>2,378,137</u>
	TOTAL		<u>87,910,035</u>		<u>71,563,202</u>
ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS					
	K				
AS PER OUR REPORT OF EVEN DATE. FOR FORD, RHODES, PARKS & CO. CHARTERED ACCOUNTANTS		For and on behalf of board			
S.B.PRABHU PARTNER Membership No: 35296 PLACE : MUMBAI DATED : 27th June,2008		Uday Sinh Wala Director		Bela Desai Director	
		Dharmesh Parekh Company Secretary			

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule	Year Ended		Year Ended	
		31 st March, 2008	31 st March, 2007	31 st March, 2007	31 st March, 2007
		Rs.	Rs.	Rs.	Rs.
INCOME					
Sales		9,774,703		23,196,996	
Other Income	I	4,272,879	14,04,7582	1,058,290	24,255,286
		-----		-----	
EXPENDITURE					
Other Expenses	J	12,084,851		23,282,933	
Director's Remuneration		-		1,20,000	
Preliminary Expenses written off		40,700		40,700	
Interest		-		332,687	
Depreciation		91,587		37,553	
		-----	12,217,138	-----	23,813,873
			-----		-----
PROFIT/(LOSS) BEFORE TAX			1,830,444		441,413
Provision for Tax:					
Current Tax			(210,000)		(35,000)
Previous Year Tax Adjustment			(39,608)		-
Deferred Tax Adjustment			(2,007)		(18,088)
Fringe Benefit Tax			(145,000)		(200,000)
			-----		-----
PROFIT/(LOSS) AFTER TAX			1,433,829		1,88,325
Balance of Profit Brought forward from Previous Year			(2,378,137)		(2,566,462)
			-----		-----
Balance carried forward to Balance Sheet			(9,44,308)		(2,378,137)
			-----		-----
Earning Per Share (EPS)-Basic (See note no.8)			0.46		0.06

 ACCOUNTING POLICIES AND
NOTES TO THE ACCOUNTS

K

 AS PER OUR REPORT OF EVEN DATE.
FOR FORD, RHODES, PARKS & CO.
CHARTERED ACCOUNTANTS

For and on behalf of board

 S.B.PRABHU
PARTNER
Membership No: 35296
PLACE : MUMBAI
DATED : 27th June,2008

 Uday Sinh Wala
Director

Dharmesh Parekh
Company Secretary

 Bela Desai
Director

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

	As At 31 st March, 2008 Rs.	As At 31 st March, 2007 Rs.
SCHEDULE 'A'		
SHARE CAPITAL		
AUTHORISED CAPITAL		
8,000,000 Equity Shares of Rs.10/- each	80,000,000	80,000,000
	-----	-----
ISSUED CAPITAL		
3,093,050 Equity Shares of Rs.10/-each fully paid up.	30,930,500	30,930,500
	-----	-----
SUBSCRIBED AND PAID UP CAPITAL		
3,091,500 Equity Shares of Rs.10/-each fully paid up.	30,915,000	30,915,000
Add : Amount paid up on 1550 Forfeited Equity Shares	3,875	3,875
	-----	-----
TOTAL	30,918,875	30,918,875
	-----	-----

SCHEDULE 'B'		
RESERVES AND SURPLUS		
Share Premium A/c		
As per last Balance Sheet	28,530,500	28,530,500
General Reserve		
As per last Balance Sheet	880,566	880,566
Balance in Profit and Loss Account		
	-	-
	-----	-----
TOTAL	29,411,066	29,411,066
	-----	-----

SCHEDULE 'C'

PARTICULARS	GROSS BLOCK AS AT 31.03.07 RS.	ADDITIONS DURING THE YEAR RS.	DISPOSAL DURING THE YEAR RS.	GROSS BLOCK AS AT 31.03.08 RS.	DEPRECIATION UPTO 31.03.07 RS.	DEPRECIATION FOR THE YEAR RS.	CUMMULATIVE DEPRECIATION UPTO 31.03.08 RS.	W. D.V. AS AT 31.03.08 RS.	W. D.V. AS AT 31.03.07 RS.
FURNITURE & FIXTURE	863	700,000	-	700,863	829	6	835	700,028	34
OFFICE EQUIPMENT	55,051	113,235	-	168,286	25,760	5,211	30,971	137,315	29,291
MICROPROCESSORS	243,930	1,211,856	-	1,455,786	32,812	86,370	119,182	1,336,604	211,118
AIRCONDITIONERS	-	230,000	-	230,000	-	-	-	230,000	-
GOODWILL	-	7,635,920	-	7,635,920	-	-	-	7,635,920	-
LIBRARY BOOKS	-	95,000	-	95,000	-	-	-	95,000	-
MOTOR CAR	-	585,000	-	585,000	-	-	-	585,000	-
RADIO SYSTEM	-	400,000	-	400,000	-	-	-	400,000	-
RCS SOFTWARE	-	350,000	-	350,000	-	-	-	350,000	-
SOUND EQUIPMENT	-	50,000	-	50,000	-	-	-	50,000	-
TRADE MARKS	-	2,000,000	-	2,000,000	-	-	-	2,000,000	-
Perpetual Right (Ek Din)	23,912,368	-	-	23,912,368	-	-	-	23,912,368	23,912,368
Perpetual Right (WWR)	15,100,000	-	-	15,100,000	-	-	-	15,100,000	15,100,000
Perpetual Right (Anjuman)	6,470,000	-	-	6,470,000	-	-	-	6,470,000	6,470,000
TOTAL	45,782,212	13,371,011	-	59,153,223	59,401	91,587	150,988	59,002,235	45,722,811
PREVIOUS YEAR	45,538,282	243,930	-	45,782,212	21,848	37,553	59,401	45,722,811	-

**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET
AS AT 31ST MARCH, 2008**

SCHEDULE 'D' : INVESTMENTS

NAME OF THE COMPANY	NO OF SHARES / DEBS AS AT 31-3-2008	NO OF SHARES / DEBS AS AT 31-3-2007	COST AS ON 31-3-2008 RS.	COST AS ON 31-3-2007 RS.
LONG TERM INVESTMENTS IN SHARES / DEBENTURES :				
A FULLY PAID-UP EQUITY SHARES (QUOTED)				
i). LISTED & QUOTED				
Chettinad Cement Corporation Ltd.	200	200	2,253	2,253
JCT Ltd.	468	468	9,191	9,191
Tata Iron & Steel Co. Ltd.	50	50	4,000	4,000
Maharashtra Seamless Ltd.	500	500	59,250	59,250
Kovilpatti L. R. Flour Mills Ltd.	1,100	1,100	207,075	207,075
G. V. Films Ltd.	1,200	1,200	68,509	68,509
Keynote Corporate Services Ltd.	250	250	15,000	15,000
			-----	-----
			365,278	365,278
Less : Provision for Diminution In Value Of Shares			238,000	238,000
			-----	-----
		TOTAL - i	127,278	127,278
			-----	-----
ii). LISTED BUT NOT TRADED				
Unit Trust of India - 1964	50	50	802	802
The Narang Industries Ltd.	1,500	1,500	29,125	29,125
Mipco Seamless Rings (Guj) Ltd.	40	40	819	819
Orient Fin. Corp. Ltd.	100	100	1,000	1,000
Punjab Anand Batteries Ltd.	300	300	3,450	3,450
Raasi Cement Ltd.	100	100	2,000	2,000
Swedeshi Industries & Leasing Ltd.	500	500	5,000	5,000
			-----	-----
			42,196	42,196
Less : Provision for Diminution In Value Of Shares			42,196	42,196
			-----	-----
		TOTAL - ii	-	-
			-----	-----
		TOTAL A (i +ii)	127,278	127,278
			-----	-----
B FULLY PAID-UP EQUITY SHARES (UNQUOTED)				
i). IN OTHERS:				
A L B Share Tdg. Co. Ltd.	1,000	1,000	10,000	10,000
Karad Trustee & Executor Co. Ltd.	50	50	500	500
Fairgrowth Fin Ser Ltd	10,000	10,000	100,000	100,000
Sesa Industries Ltd	10	10	225	225
Grey Cells Communication & Production Pvt Ltd (F.V Rs.10/-)	50,000	50,000	13,000,000	13,000,000
			-----	-----
			13,110,725	13,110,725
Less : Provision for Diminution In Value Of Shares			110,725	110,725
			-----	-----
		TOTAL B	13,000,000	13,000,000
			-----	-----
C FULLY PAID-UP DEBENTURES (UNQUOTED)				
17% J.K Synthetics Ltd.	220	220	25,128	25,128
13.5% Mazda Ind ltd	140	140	11,445	11,445
			-----	-----
			36,573	36,573
Less : Provision for Diminution In Value Of Debentures			36,573	36,573
			-----	-----
		TOTAL C	-	-
			-----	-----
TOTAL INVESTMENTS		TOTAL A + B + C	13,127,278	13,127,278
			-----	-----

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

	As At 31 st March, 2008		As At 31 st March, 2007	
	Rs.	Rs.	Rs.	Rs.
	AS ON 31-3-2008		AS ON 31-3-2007	
	Cost Rs.	Mkt Value Rs.	Cost Rs.	Mkt Value Rs.
Aggregate of Quoted Investments	365,278	349,230	365,278	431,696
Aggregate of Investment Listed but not Traded	42,196		42,196	
Aggregate of Unquoted Investments	13,147,298		13,147,298	
	-----		-----	
	13,554,772		13,554,772	
	-----		-----	
SCHEDULE 'E'				
SUNDRY DEBTORS				
(Unsecured)				
Debts outstanding for more than six months				
Considered Good		2,576,938		2,673,770
Considered Doubtful		-		-
Others		3,319,636		1,072,209
		-----		-----
TOTAL		5,896,574		3,745,979
		-----		-----
SCHEDULE 'F'				
CASH AND BANK BALANCES :				
Cash on hand		461,333		973,454
Balances with Scheduled Bank :				
In Fixed Deposit		-		-
In Current Account	4,597,354	4,597,354	1,003,054	1,003,054
	-----		-----	
TOTAL		5,058,687		1,976,508
		-----		-----
SCHEDULE 'G'				
LOANS AND ADVANCES :				
Loans		5,037,500		5,965,500
Advances Recoverable in Cash or in kind or for value to be received		491,188		2,286,245
		-----		-----
Advance tax & TDS		5,528,688		8,251,745
		493,329		664,636
		-----		-----
TOTAL		6,022,017		8,916,381
		-----		-----
SCHEDULE 'H'				
CURRENT LIABILITIES AND PROVISIONS				
CURRENT LIABILITIES				
Sundry Creditors		1,263,864		3,304,608
Advance from Customers		410,000		761,784
		-----		-----
		1,673,864		4,066,392
PROVISIONS				
Provision for Tax		630,000		441,000
		-----		-----
TOTAL		2,303,864		4,507,392
		-----		-----

**SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE
YEAR ENDED 31ST MARCH, 2008**

	Year Ended		Year Ended	
	31 st March, 2008	31 st March, 2008	31 st March, 2007	31 st March, 2007
	Rs.	Rs.	Rs.	Rs.
SCHEDULE 'I'				
OTHER INCOME				
Foreign Duty Refund	18,705		9,166	
Other Misc Income	213,506		854,904	
Interest Income	0		3,740	
Scrap Sale	8,370		0	
Provision No longer Required written back	2,069,830		190,481	
Loans not Payable written back	116,173		0	
Derivative Income	1,846,295	4,272,879		1,058,291
		-----	-----	
TOTAL		4,272,879		1,058,291
		-----	-----	
SCHEDULE 'J'				
EXPENSES				
Events , Films Expenses		6,016,443		13,597,164
Salaries and other benefits		1,319,271		443,837
Professional Fees		-		2,607,350
Membership and Subscription		2,560		34,530
Business Promotion		14,244		315,055
Registration Charges -Seminar		195,095		218,466
Advertisement		24,458		
Foreign Exchange Loss		437,965		
Loans & Advances Written Off		561,500		
Auditors Remuneration :				
Audit Fees	30,000		30,000	
Taxation matters	15,000		15,000	
Others			15,000	
Others	-----	45,000	-----	60,000
Duties & Taxes		25,275		13,383
Conveyance Expenses		41,811		49,526
Travelling Expenses		413,454		1,852,153
Office Expenses		1,583,595		1,340,001
Stationery , Printing & zerox		102,231		150,344
Communication Charges		378,315		471,887
Legal and Professional Charges		893,444		2,063,396
Bank Charges		3,584		2,497
Miscellaneous Expenses		26,607		63,345
		-----	-----	
TOTAL		12,084,851		23,282,933
		-----	-----	

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

Schedule 'K' - ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

(A) SIGNIFICANT ACCOUNTING POLICIES:

- (i) **Accounting Convention**
The Accompanying Financial Statements have been prepared in accordance with the historical cost convention and in accordance with the Companies Act, 1956 and in all material aspects with applicable accounting standards issued by the Institute of Chartered Accountants of India.
- (ii) **Revenue Recognition**
 - (a) The Company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis.
 - (b) The company follows prudential norms for income recognition and provisioning for non-performing assets as prescribed by Reserve Bank of India for non-banking financial companies.
 - (c) Dividend:
Dividend is accounted for as and when declared.
- (iii) **Fixed assets and depreciation**
 - a) Fixed assets are carried at cost of acquisition less accumulated depreciation.
 - b) The company has provided depreciation on written down value method at the rates prescribed under Schedule XIV to the Companies Act, 1956 as applicable.
- (iv) **Investments**
Investments are capitalized at cost of acquisition plus incidental expenses and are classified into two categories, viz. current or long term. Provision for diminution in the value of investments is made in accordance with Accounting Standard 13 issued by the Institute of Chartered Accountants of India.
- (v) **Contingent Liabilities**
During the year under review there were no contingent liabilities.
- (vi) **Taxation**
Provision for taxation has been made in accordance with the income tax laws prevailing for the relevant assessment years.
- (vii) **Deferred Taxation**
Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method at the current rate of tax, to the extent that the timing differences are expected to crystallise as deferred tax charge/benefit in the profit and loss account and as deferred tax asset/liabilities in the Balance Sheet. Deferred Tax assets in respect of carried forward business

losses and unabsorbed depreciation as per Income Tax provisions is recognized only if there is virtual certainty of recoupment of the same out of future taxable income.

(B) NOTES TO THE ACCOUNTS

- 1. Figures of the previous year have been regrouped, recast and rearranged wherever necessary to make them comparable with the figure of the current year.
- 2. Guarantee issued by Bank – Nil (Previous year – Nil)
- 3. No vendors have informed the company of their being registered under the Micro, Small and Medium Enterprises Development Act, 2006. Hence, as per the information available with the company, there are no amounts payable to such vendors as at the year end.
- 4. Managing Director has been paid remuneration as under:

	2007-08	2006-07
	(Rs.)	(Rs.)
	Nil	1,20,000/-
- 5. Earnings In Foreign Currency – Programme Producer Services Rs. 87,36,424/- (Previous Year – 1,67,55,705/), Business Auxilliary Services Rs.8,33,279/- (Previous Year – Nil) and Professional Fees Rs.2,05,000/- (Previous Year – Nil)
- 6. Deferred tax liability of Rs. 20,094/- (Previous Year-18088/-) as on 31.03.2008 is on account of timing difference in respect of depreciation differential. No Deferred tax asset has been recognized on unabsorbed depreciation and carry forward business losses as there is no virtual certainty that the same will be realized out of future profits.
- 7. Employee Benefits : There are no employee benefits covered under AS-15 (Revised) given by the Company.
- 8. As of 31st March, 2008 , the Company has Purchased and Acquired all the assets , transferred employees, License and Contracts relating to the Education Services business of EMDI Institute of Event Management Pvt Ltd.

**9. (A) Related Party disclosures:
List of Related Parties**

Names of related parties and where transactions have taken place during the year

LA Consultants
Value Line Advisors Pvt Ltd
Grey Cells Communication & Production Pvt Ltd
Mr. Uday Singh Wala
Systematik Finvest Pvt Ltd

(B) Transaction with Related Parties			10. Earning per share:		
			2007-08	2006-07	
Transactions with related parties during the year					
	2007-08	2006-07			
	(Rs.)	(Rs.)			
1. Legal & Professional Fees incurred	Nil	15,68,796/-	(a) Net Profit/ (Loss) after tax available for equity shareholders (Rs.)	14,33,829	1,88,325
2. Share Application money	28,00,000/-	Nil	(b) Weighted average number of equity shares of Rs. 10/- each outstanding during the year (No. of shares)	30,91,500	30,91,500
3. Loans Repaid by the company	18,50,000/-	11,75,000/-	(c) Basic and diluted earnings per share (Rs.)	0.46	0.06
4. Loans Received by the company	20,85,000/-	6,50,000/-			
5. Managing Director's Remuneration-Salary	Nil	1,20,000/-			
(C)Year end Balances of Related Parties			11. Segment information		
			(a) Primary Segment		
Balances of related enterprises at the year end	2007-08	2006-07	The company operates only in one business segment viz. production of films and serials from television.		
	(Rs.)	(Rs.)	(b) Secondary Segment		
Grey Cells Communication and Productions P. Ltd.	49,82,698/-	50,32,815/-	The company has no reportable geographical segments.		
Mr. Uday Sinh Wala	11,76,155/-	7,15,574/-			
Systematik Finvest Pvt Ltd	10,00,000/-	NIL			
AS PER OUR REPORT OF EVEN DATE. FOR FORD, RHODES, PARKS & CO. CHARTERED ACCOUNTANTS			For and on behalf of board		
S.B.PRABHU PARTNER Membership No: 35296 PLACE : MUMBAI DATED : 27th June,2008			Uday Sinh Wala Director		Bela Desai Director
			Dharmesh Parekh Company Secretary		

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	31 st March, 2008		31 st March, 2007	
	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
<u>Cash Flow from Operating Activities</u>				
Net Profit/(Loss) before tax		1,830,444		441,413
<u>Adjustment for:</u>				
Depreciation	91,587		37,553	
Preliminary Expenses w/off	40,700		40,700	
	-		-	
	-----	132,287	-----	78,253
Operating Profit/(Loss) before working capital changes		1,962,731		519,666
<u>Adjustment for:</u>				
Trade and other Receivables	(2,150,595)		(325,886)	
Trade and other Payables	-		788,632	
Loans and Advances	2,723,057	572,462	(319,798)	142,948
	-----	-----	-----	-----
Cash generated from operations		2,535,193		662,614
Direct taxes paid/refund		(34,302)	-	(557,573)
		-----		-----
Cash Flow before extra ordinary items		2,500,891		105,041
Extra ordinary items		-		-
		-----		-----
Net Cash from Operating Activities		2,500,891		105,041
		-----		-----
<u>Cash Flow from Investing Activities</u>				
(Purchase)/Sale of Fixed Assets		(13,371,011)		(243,930)
		-----		-----
Net Cash used in Investing Activities		(13,371,011)		(243,930)
		-----		-----
<u>Cash Flow from Financing Activities</u>				
Loans received/(repaid) during the year		(3,081,173)		(525,000)
Share Application money received		19,426,000		-
		-----		-----
Net Cash from Financing Activities		16,344,827		(525,000)
		-----		-----
Net Increase/(Decrease) in cash and cash equivalents		5,474,707		(663,889)
		-----		-----
Cash and cash equivalents at the beginning of the year (Opening Balances)		1,976,508		2,640,397
		-----		-----
Cash and cash equivalents at the end of the year (closing Balances)		7,451,215		1,976,508
		-----		-----

BALANCE ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

CIN Number L65910MH1983PLC030838 State Code 1 1
Balance Sheet Date 3 1 0 3 2 0 0 8

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

Public Issue	Bonus Issue
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Right Issue	Private Placement
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

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

Total Liabilities	Total Assets
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

Sources of Funds :

Paid-up Capital	Reserves & Surplus
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Secured Loans	Unsecured Loans
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Deferred Tax Liability	
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	

Application of Funds :

Net Fixed Assets	Investments
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Net Current Assets	Misc. Expenditure
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Accumulated Losses	
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	

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

Turnover	Total Expenditure
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Profit Before Tax	Profit After Tax
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Earnings Per Share in Rs.	Dividend rate %
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

V Generic Names of Principal Products / Services of Company (As per Monetary Terms)

Item Code No. N. A.
(ITC Code)
Product Description NOT APPLICABLE

AS PER OUR REPORT OF EVEN DATE.
FOR FORD, RHODES, PARKS & CO.
CHARTERED ACCOUNTANTS

For and on behalf of board

S.B.PRABHU
PARTNER
Membership No: 35296
PLACE : MUMBAI
DATED : 27th June, 2008

Uday Sinh Wala
Director
Dharmesh Parekh
Company Secretary

Bela Desai
Director

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

- | | | | |
|---|---|---|---|
| 1 | Name of the Subsidiary | : | Grey Cells Communication and Production Pvt. Ltd.
(Formerly known as Grey Cells Media Pvt. Ltd.) |
| 2 | Financial year of the subsidiary ended on | : | 31st March 2008 |
| 3 | Date from which it became a subsidiary | : | 31st October, 2005 |
| 4 | Shares of the Subsidiary held by the Company on the above date | | |
| | a) Number and Face Value | : | 50,000 Equity Shares of Rs. 10/- each |
| | b) Extent of Holding | : | 100% |
| 5 | Net aggregating amount of profits/(losses) of the subsidiary for the above financial year of the subsidiary so far as they concern members of the Company | | |
| | a) dealt with in the accounts of the Company for the period ended 31st March 2007 | : | NIL |
| | b) not dealt with in the accounts of the Company for the period ended 31st March 2008 | : | (2,54,221) |
| 6 | Net aggregating amount of profits/(losses) for the previous financial years of the subsidiary, since it became a subsidiary so far as they concern members of the Company | | |
| | a) dealt with in the accounts of the Company for the period ended 31st March 2008 | : | NIL |
| | b) not dealt with in the accounts of the Company for the period ended 31st March 2008 | : | (38,71,446) |

AS PER OUR REPORT OF EVEN DATE.
FOR FORD, RHODES, PARKS & CO.
CHARTERED ACCOUNTANTS

S.B.PRABHU
PARTNER
Membership No: 35296
PLACE : MUMBAI
DATED : 27th June, 2008

For and on behalf of board

Uday Sinh Wala
Director
Dharmesh Parekh
Company Secretary

Bela Desai
Director

DIRECTORS' REPORT

To,
The Members of
Grey Cells Communication & Production Private Limited

Your Directors present the Fifth Annual Report and the Audited Annual Accounts for the year ended March 31, 2008.

Operations

During the year under review, the Company incurred a loss of Rs. 2,54,221/- as against a loss of Rs. 7,06,111/- for the previous year.

Fixed Deposits

The Company has not accepted any fixed deposit within the meaning of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

Conservation of Energy, Technology Absorption and Foreign Exchange Earning/ Outgo

Since the Company does not own any manufacturing facility, the provisions of 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. During the year under review the Company didn't have any foreign exchange earning and outgo.

Employee Relation

Relations between the employees and the management continued to remain cordial during the year under review. The Directors hereby place on record their appreciation of the efficient and loyal services rendered by the Company's employees at all levels.

Particulars of Employees

Since the Company did not have any employees drawing more than Rs.2,00,000/- per month during the year, therefore information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is not furnished.

Auditors

M/s. Anil A. Masand & Co., Chartered Accountants, the Auditors of the Company retires at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Directors' Responsibility Statement

In terms of Section 217 (2AA) of the Companies Act, 1956, in relation to financial statements for the year ended 31st March, 2008, the Board of Directors confirm/state that:

- i. In the preparation of the Annual Accounts the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2008 and of the loss of the Company for the year ended as on that date;
- iii. The Directors have 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;
- iv. The Directors have prepared the Annual Accounts on a going concern basis.

Acknowledgements

We are thankful to our Banker Citibank for their extended co-operation with us during the year. We expect the same in the next year also.

For and on behalf of the Board of Directors

Place: Mumbai
Date: 24th June, 2008

Chairman

AUDITORS' REPORT

To the Members of the Grey Cells Communication and Production Private Limited We have audited the attached Balance Sheet of **Grey Cells Communication and Production Private Limited**, as at 31st March 2008, and the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

- 1) We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 2) This report does not include a statement on matters specified in paragraphs 4 and 5 of the Companies (Auditors Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, since in our opinion and according to the information and explanations given to us, the said Order is not applicable to the company.
- 3) Further to our comments, we report that:
 - i) 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;
 - ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of these books;
 - iii) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the above referred books of account;
 - iv) In our opinion, the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - v) On the basis of the written representations received from the Directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In so far as it relates to the Balance Sheet, of the state of affairs of the Company as at March 31, 2008 and
 - b) In so far as it relates to the Profit and Loss Account, of the Loss for the year ended on that date.

For ANIL A. MASAND & CO.
Chartered Accountants

(ANIL A. MASAND)

Proprietor

Membership No. - 37245

Place: MUMBAI
Date : 24th June, 2008

GREY CELLS COMMUNICATION AND PRODUCTION PVT. LTD.

BALANCE SHEET AS AT 31ST MARCH, 2008					
	Schedule	As At 31 st March, 2008		As At 31 st March, 2007	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Capital	A	500,000		500,000	
Reserves and Surplus		-		-	
		500,000		500,000	
LOAN FUNDS					
Unsecured	B	10,157,537		10,157,537	
Deferred Tax Liability		8,728		32,546	
		<u>10,666,265</u>		<u>10,690,081</u>	
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	C	1,617,215		1,617,215	
Less Depreciation		845,987		653,184	
Net Block		771,228		964,031	
CURRENT ASSETS, LOANS AND ADVANCES					
INVENTORIES					
Stock -in-Trade		4,582,019		4,582,019	
Work in Progress		800,000		1,194,410	
Sundry Debtors		2,047,036		2,084,932	
Cash and Bank Balances		10,447		10,728	
Loans and Advances		1,638,193		1,780,053	
	D	9,077,695		9,652,142	
LESS: CURRENT LIABILITIES AND PROVISIONS					
Liabilities	E	2,131,232		2,674,143	
Provisions		-		-	
		<u>2,131,232</u>		<u>2,674,143</u>	
Net Working Capital		6,946,463		6,977,999	
Miscellaneous Expenditure to the extent not written off or adjusted	F	2,948,573		2,748,051	
		<u>10,666,265</u>		<u>10,690,081</u>	
Significant Accounting Policies and Notes forming part of the Accounts					
	H				
As per our attached report of even date					
For ANIL A. MASAND & CO.			For and on behalf of the Board		
Chartered Accountants					
(ANIL A. MASAND)			UDAY SINH WALA		
Proprietor			DIRECTOR		
Membership No.: 37245			SIMERON GHEI		
Mumbai			DIRECTOR		
24th June, 2008					

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

Schedule	Year Ended 31 st March, 2008 Rs.	Year Ended 31 st March, 2007 Rs.
INCOME:		
Sales	-	-
	-----	-----
	-	-
EXPENDITURE:		
Purchases: Events, Films & Projects	-	-
Office, Administration and Other Expenses	G 61,417	49,820
	-----	-----
	61,417	49,820
Profit / (Loss) before Depreciation	(61,417)	(49,820)
Depreciation	192,804	251,883
	-----	-----
Profit / (Loss) before Interest	(254,221)	(301,703)
Interest	-	404,408
	-----	-----
Profit / (Loss) before Taxation	(254,221)	(706,111)
Previous Year Adjustments	22,241	-
Provision for Taxation :		
Current Tax	-	-
Deferred Tax	23,818	99,895
Balance carried to Balance Sheet	(208,162)	(606,216)
<i>Significant Accounting Policies and Notes forming part of the Accounts</i>	H	

As per our attached report of even date

For ANIL A. MASAND & CO.

Chartered Accountants

For and on behalf of the Board

(ANIL A. MASAND)
Proprietor
Membership No.: 37245
Mumbai
24th June, 2008

UDAY SINH WALA
DIRECTOR

SIMERON GHEI
DIRECTOR

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

	As At 31 st March, 2008 Rs.	As At 31 st March, 2007 Rs.
SCHEDULE - F		
MISCELLANEOUS EXPENSES		
i) Preliminary Expenses	7,640	15,280
Less: Written Off	7,640	7,640
	-	7,640
ii) Profit & Loss account		
Balance as per Last Balance Sheet	2,740,411	2,134,195
Add: Profit / (Loss) for the year	208,162	606,216
	2,948,573	2,740,411
	2,948,573	2,748,051
SCHEDULE - G		
OFFICE, ADMIN. AND OTHER EXPENSES		
Remuneration to Auditors	15,000	15,000
Bad Debts Written Off	37,896	-
Membership & Subscription	-	400
Income tax Paid (04-05)	-	3,004
Sundry Expenses	-	394
Office Expenses	-	5,350
Legal & Professional Fees	-	17,346
Filing Fees	600	-
Preliminary Expenses Written Off	7,640	7,640
FINANCE CHARGES		
Bank Charges	281	686
TOTAL	61,417	49,820

SCHEDULE H - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS:**A. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES:****I. ACCOUNTING CONCEPTS:**

- i. Accounting policies not specifically referred to otherwise are consistent with generally accepted accounting principles.
- ii. Mercantile System of Accounting is followed and Income and Expenditure are accounted on accrual basis.
- iii. Financial statements are based on historical cost. These costs are not adjusted to reflect the impact of the changing value in purchasing power of money.

II. FIXED ASSETS AND DEPRECIATION:

- i. Fixed Assets are stated at their original cost less accumulated depreciation.
- ii. Depreciation on all assets has been provided on Written Down Value basis in the manner and at the rates prescribed by Schedule XIV of the Companies Act, 1956.

III. INVENTORIES:

- i. Completed telefilms have been stated in stock in trade at cost.
- ii. Events / Serials Under production are stated in work in progress at cost.

IV. RETIREMENT BENEFITS:

Gratuity and Leave encashment benefits available to employees are accounted on cash basis.

V. TAX ON INCOME :

Deferred tax is recognised on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversing in one or more subsequent periods.

VI. CONTINGENT LIABILITIES:

There are no contingent liabilities against the company.

B. NOTES FORMING PART OF THE ACCOUNTS:

- 1 The accumulated losses of the Company have substantially eroded its net worth. The management has however prepared the financial statements for the year on a 'going concern basis'.
- 2 Estimated amount of contracts remaining to be executed on capital account and not provided for RS. NIL.
- 3 Sundry Creditors, Loans and Advances (*given and taken*) are as per Books of account only and are subject to confirmation and / or reconciliation, if any.
- 4 In the opinion of the Board, Current Assets, Loans and Advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.
- 5 Significant Accounting Policies followed by the Company are as stated in Part A of this schedule.
- 6 The Statement giving other particulars in terms of Schedule IV of the Companies Act, 1956 is attached.
- 7 Previous year figures are regrouped wherever necessary.
- 8 Payment to and Provision for Auditors :

	2007-2008	2006-2007
Audit Fees	15,000	15,000
Other Work	-	-
	15,000	15,000
- 9 Director's Remuneration NIL NIL
- 10 Deffered Tax liability as on 31-03-2008

	2007-2008	2006-2007
Difference in Depreciation as per book and Income tax	8,728	32,546

SIGNATURES TO SCHEDULE A TO H

As per our attached report of even date
For **ANIL A. MASAND & CO.**
Chartered Accountants
(ANIL A. MASAND)
Proprietor
Membership No.: 37245
Mumbai, 24th June, 2008

For and on behalf of the Board

UDAY SINH WALA
DIRECTOR

SIMERON GHEI
DIRECTOR

GREY CELLS COMMUNICATION AND PRODUCTION PVT. LTD.

BALANCE ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (PART IV)

I Registration Details

Registration Number

		1	4	1	6	5	6
--	--	---	---	---	---	---	---

State Code

1	1
---	---

Balance Sheet Date

3	1	0	3	2	0	0	8
---	---	---	---	---	---	---	---

II Capital Raised during the year ended 31st March, 2007, (Amount in '000 Rs.):

Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL
Others	NIL
Total	NIL

III. Position of Mobilisation and Deployment of Funds as at 31st March, 2008:

Total Liabilities	10,666
Total Assets	10,666

Sources of Funds:

Paid up Capital	500
Reserves and Surplus	-
Secured Loans	-
Unsecured Loans	10,158
Other Liabilities	-
Total	10,658

Application of Funds:

Net Fixed Assets	771
Investments	-
Net Current Assets	6,946
Miscellaneous Expenditure	2,949
Total	10,666

IV. Performance of the Company for the year ended 31st March, 2008:

i. Turnover (incl. Other Income)	-
ii. Total Expenditure	61
iii. Profit before Tax	(254)
iv. Profit after Tax	(208)
v. Earning per Share (Face value Rs. 10)	(0.04)
vi. Dividend Rate %	Nil

V. Products of the Company:

Item Code No.

N.	A.			
----	----	--	--	--

(ITC Code)

Product Description NOT APPLICABLE

As per our attached report of even date

FOR AND ON BEHALF OF THE BOARD

FOR ANIL A. MASAND & CO.

Chartered Accountants

(ANIL A. MASAND)

Proprietor

Membership No.: 37245

Mumbai

24th June, 2008

UDAY SINH WALA

DIRECTOR

SIMERON GHEI

DIRECTOR



GREY CELLS ENTERTAINMENT LIMITED

VMDL Campus, 4th Floor, Opp Lilavati Hospital, Bandra Reclamation, Mumbai – 400 050
(Please complete this Attendance Slip and hand it over at the entrance of the meeting hall)

ATTENDANCE SLIP

I hereby record my presence at the Annual General Meeting of the Shareholders of the Company being held on Monday, September 22, 2008 at 9.00 a.m at VMDL Campus, 4th Floor, Opp Lilavati Hospital, Bandra Reclamation, Mumbai – 400 050

Folio No. _____ No. of Shares held _____

DP Id. _____ Client Id. _____

Name of the Shareholder: _____

(1st name)

(Joint Holder)

Name of Proxy _____

(To be filled in case of the proxy attends instead of shareholder)

Signature of Shareholder/Proxy* _____

* Strike out whichever is not applicable

Tear Here

PROXY FORM



GREY CELLS ENTERTAINMENT LIMITED

VMDL Campus, 4th Floor, Opp Lilavati Hospital, Bandra Reclamation, Mumbai – 400 050
(Please complete this Attendance Slip and hand it over at the entrance of the meeting hall)

Folio No. _____ No. of Shares held _____

DP Id. _____ Client Id. _____

I/We _____ of

_____ being a member/members of GREYCELLS ENTERTAINMENT LIMITED hereby appoint _____ of

_____ or failing him/her _____ of

_____ as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Monday, September 22, 2008 or any adjournment thereof.

Signed this _____ day of _____ 2008

Affix a
Re. 1/-
Revenue
Stamp

Note : The proxy form must be returned so as to reach 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 shareholder of the Company.

BOOK POST

If undelivered please return to:



GREYCELLS ENTERTAINMENT LIMITED

VMDL Campus, 4th Floor, Opp. Lilavati Hospital,
Bandra Reclamation, Mumbai - 400 050