Balaji Telefilms Limited

www.balajitelefilms.com

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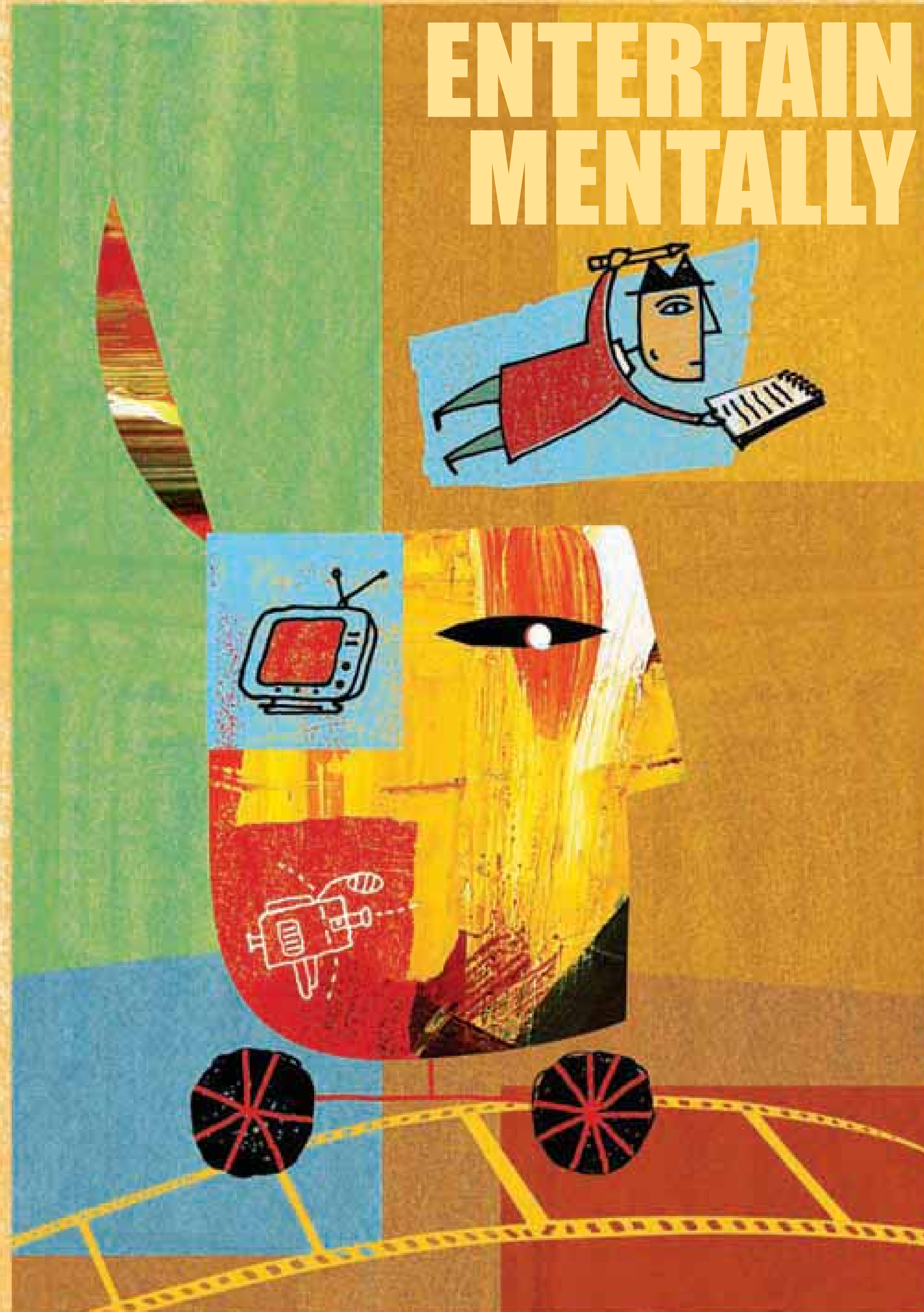
ENTERTAIN MENTALLY



Balaji Telefilms Limited | Annual Report 2007-08

FORWARD-LOOKING STATEMENT

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

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Corporate information

Directors
Jeetendra Kapoor
Shobha Kapoor
Ekta Kapoor
Tusshar Kapoor
Akshay Chudasama
Dhruv Kaji
Pradeep Kumar Sarda
Paul Aiello
John Yu Leung Lau
Ella Wong (Alternate Director to John Lau)

Chief Executive Officer
R. Karthik

Chief Financial Officer
Sandeep Jain

Company Secretary
Alpa Khandor

Statutory Auditors
Deloitte Haskins & Sells
Snehal & Associates

Internal Auditors
PSK & Associates

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Bangalore – 560 040

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Perumthanni, Vallakkadavu,
P.O. Trivandrum – 695 008

There are two ways to read what you have read on the cover of this annual report.

And interestingly we mean it both ways.

At Balaji, we think entertainmentally because that is what keeps us in business.

At Balaji, we also see ourselves not just a producer of canned entertainment but as an entertainment ally, extending across languages, time slots and formats.

PROGRESS IN 2007-08

Operations

18.65% increase in hourly realisations from commissioned programs from Rs. 27.60 lacs in 2006-07 to Rs 32.75 lacs in 2007-08

19 programs ranking among the top-50 on Hindi cable and satellite channels *(Source: TAM ratings HSM MF4+(C&S) for week ended March 29, 2008)*

6 new programs launched across various channels

2 state-of-the-art studios commissioned, taking the total to 34

1571 hours of total programming during the year

Started a new division – the ‘Interactive Media Group’, with the objective of exploring more avenues in media space. With our first such initiative, the Global Indian TV Honours, we achieved phenomenal success and received overwhelming response

54.91% increase in market capitalisation from Rs 82654 lacs (as on 31 March 2007) to Rs 128041 lacs (as on 31 March 2008)

Results

3.62% increase in turnover from Rs 31746.68 lacs in 2006-07 to Rs 32896.85 lacs

10.71% increase in post-tax profit from Rs 7942.82 lacs in 2006-07 to Rs 8793.31 lacs

Subsidiaries:

- Balaji Motion Pictures Ltd., a wholly owned subsidiary of the Company, released 3 movies during the year. Four new film projects i.e. Sarkar Raj, EMI, C Kkompany and Mission Istanbul, are ready for release in first two quarters of 2008-09. The Company achieved a turnover of Rs. 3653.21 lacs and profit after tax of Rs. 549.10 lacs in its first full year of operation.

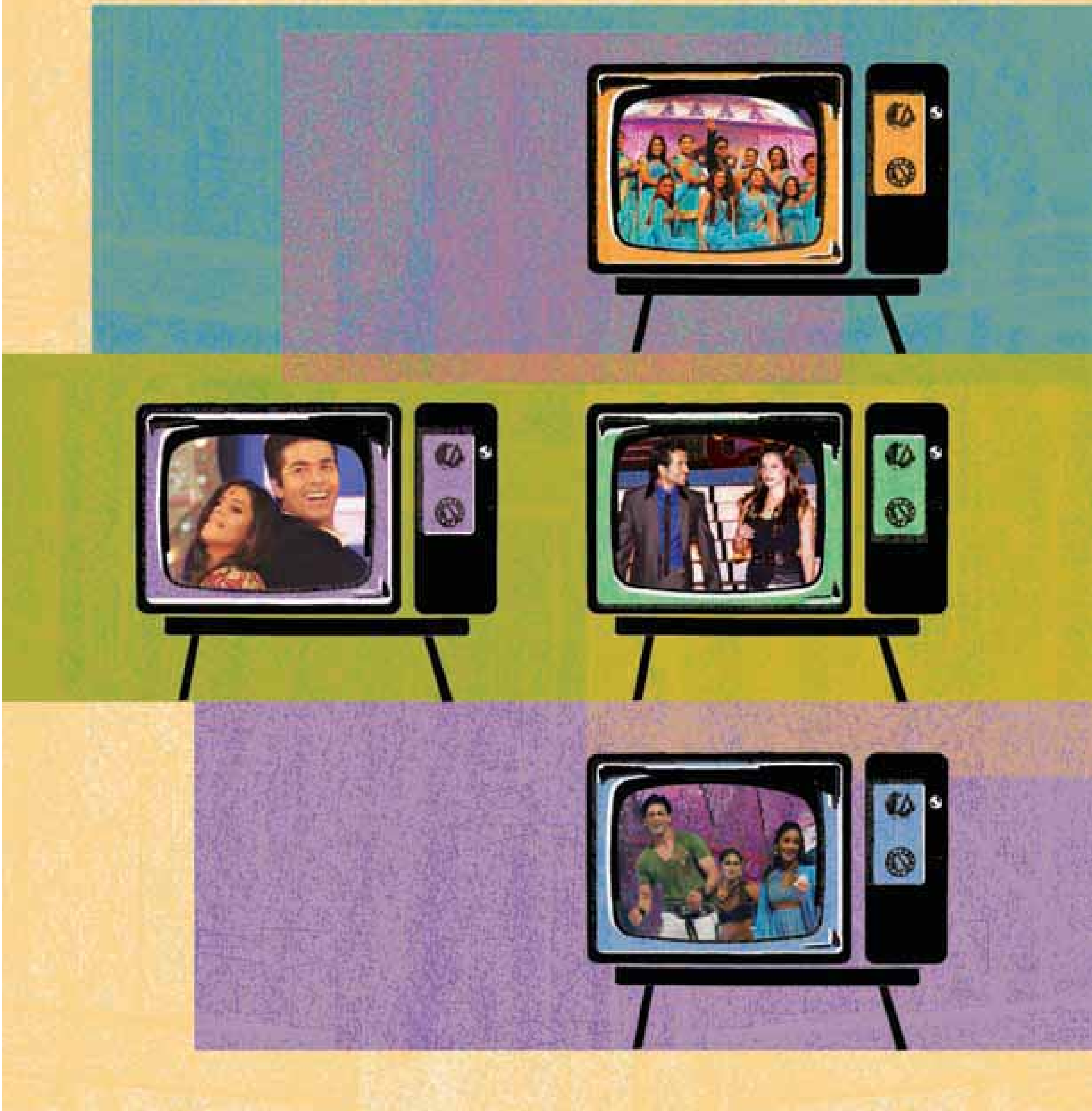
- Balaji Telefilms FZE, a wholly owned overseas subsidiary, had moved production of "Khwaish" to Mumbai from December 2007. The Company achieved a turnover of Rs. 1558.29 lacs and profit of Rs. 289.04 lacs during the year.

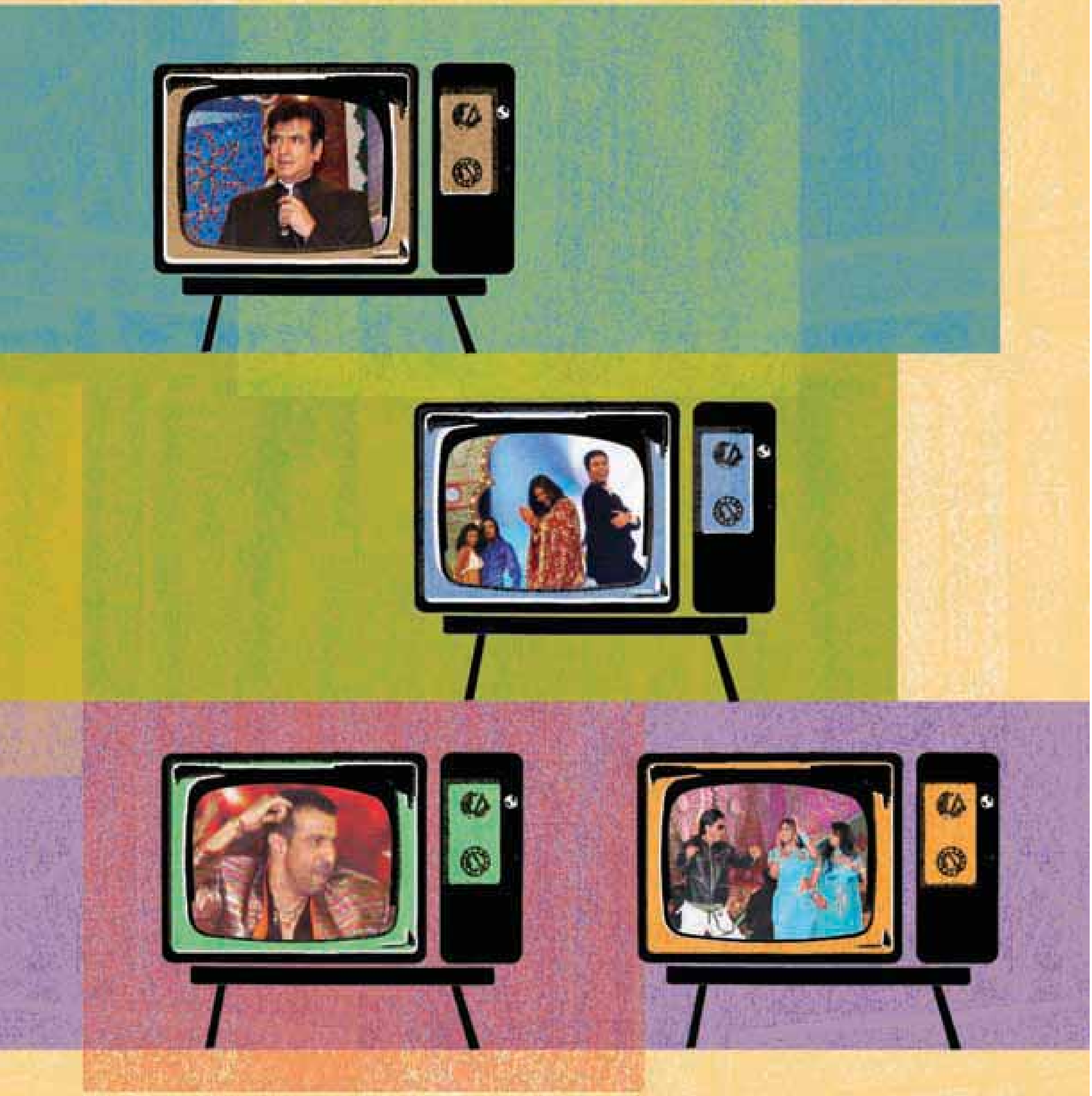
Consolidated financials

- 18.16% increase in turnover from Rs. 32021.68 lacs in 2006-07 to Rs. 37836.42 lacs in 2007-08

- 21.32% increase in profit after tax from Rs. 7925.07 lacs in 2006-07 to Rs. 9614.32 lacs in 2007-08.

GLOBAL INDIAN TV HONOURS





Our Board of Directors at Balaji

Jeetendra Kapoor

Popularly known as Jeetendra to millions of fans, Mr. Kapoor starred in more than 200 films in his illustrious 40 year film career. Beginning his career as a junior artiste with the legendary filmmaker V. Shantaram, Mr. Kapoor won several prestigious awards for his outstanding performance. He became the Company's Chairman on 1st February 2000 and has been leveraging his decades-rich relationships with various television channels, artistes, directors and writers to drive the Company's growth.

Shobha Kapoor

Rising in prominence as one of the most successful Indian television producers, Ms. Shobha Kapoor has been the Company's Managing Director since 10th November 1994. She is responsible for overall operations of the Company.

Ekta Kapoor

Ms Ekta Kapoor has been the Creative Director of the Company since 10th November 1994. Ms Kapoor made a landmark contribution to India's entertainment domain at a very young age. Since her debut as a producer and creative director at 19, she has been instrumental in developing concepts, writing scripts and enriching creative conversion.

Akshay Chudasama

Widely respected in industry circles for his deep insight into corporate laws, Mr. Chudasama has a rich experience in mergers and acquisitions, consumer protection, insurance sector privatisation, dispute resolution and cyber laws. He is the director of the Company since 17th July 2000.

Dhruv Kaji

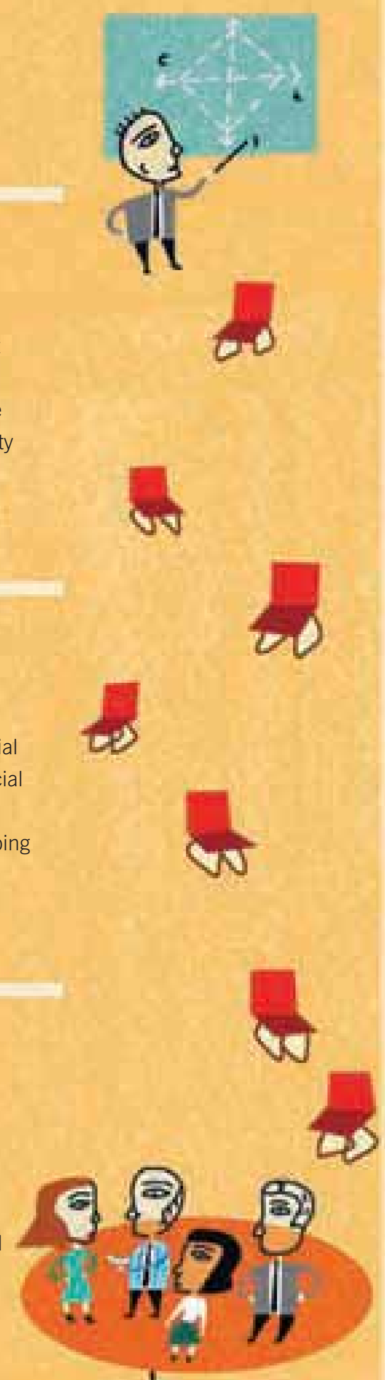
Mr.Kaji is a chartered accountant with a professional experience of more than two decades. Serving as a financial advisor and management consultant with expertise in strategic planning, Mr. Kaji was appointed Director on 2nd September 2004. Possessing a rich experience in evaluating and guiding business projects in India and abroad, Mr Kaji was associated with Raymond Ltd. as the Finance Director and Pinesworth Holding Ltd. (Singapore) as the Executive Director.

Pradeep Kumar Sarda

Chairman of the Sarda Group of Industries, Mr Sarda became the Director of the Company on 17th May 2004. He possesses a rich experience across multiple industry verticals, comprising paper, engineering, construction and real estate. He is also the Chairman of the Governing Board of Ecole Mondiale World School, Mumbai.

Tusshar Kapoor

Mr. Tusshar Kapoor is a management graduate from the University of Michigan and a reputed actor in Bollywood. Mr. Kapoor brings with him rich experience from the film industry.



Paul Aiello

Balaji Telefilms' Director since 20th October 2006. Chief Executive Officer of STAR since March 2007. Joined the Star Group as President in July 2006. Prior to STAR, Paul worked for Morgan Stanley for nine years. Paul has a Ph.D in Economics from the University of Cambridge and a B.A. in Economics and International Relations from the University of Notre Dame, Indiana. He is directly involved in developing strategic and business directions and overseeing overall corporate functions.

John Yu Leung Lau

Balaji Telefilms Director since 24th January 2005. Oversees all financial matters at STAR, including corporate strategy, management and financial reporting, internal audit, treasury and tax. Heads the business development division. He is directly involved in identifying and developing growth opportunities.

Ella Betsy Wong

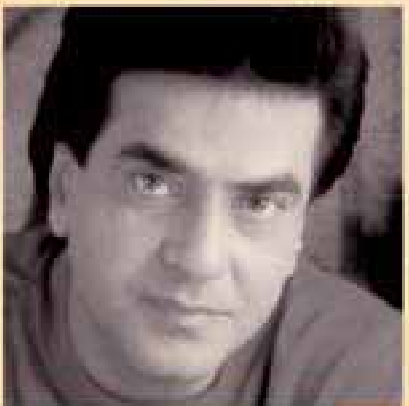
Ms Ella Betsy Wong is Executive Vice President and General Counsel of STAR Group. She heads the legal department, oversees all legal matters for the Group and advices on core business transactions, new business opportunities and partnerships. In addition, Ms Ella is involved in various corporate functions including business analysis and corporate governance.

"Our work in progress is measurable and directly proportionate to our topline"

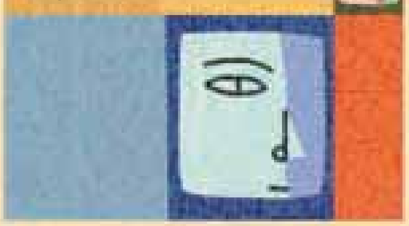
Mr Jeetendra Kapoor reviews the Company's performance in 2007-08.

In the creative business, there is a premium on sustainability. A sustainability of revenues, margins, bottomline and the overall return on capital.

An overview of our business landscape will provide an insight into why our prospects are attractive.



As I see it, the DTH space is expected to be the sunrise sector across the coming decade. Consider the numbers: an industry size of 2.6 million subscribers in May 2007 is expected to grow to 5 million in 2008 and 27 million in 2011



Growth

India's Rs 450-billion entertainment and media industry is expected to grow at an average of 18% over the next five years. The small screen will continue to be an integral part of the industry for an important reason: with a population of 112-million TV viewing households, India is already the third largest television market in the world, growing annually at 7.5% and translating into a 54% penetration. With 12 million TV sets being acquired annually, it would be reasonable to expect that the penetration will increase to 57% by end of 2008-09 and 64% by 2011-12.

What does this mean for our business?

In one word, sustainability. It indicates that more people will watch television and more will pay for the entertainment, thereby increasing the prospects of channels and their respective content providers. Going ahead, I see a win-win across these principal stakeholders - consumers, content providers and distribution companies - will act as the growth locomotive across the industry's entire value chain.

The one reality of the industry that is expected to transform prospects is digitisation. As I see it, the DTH space is expected to be the sunrise sector across the coming decade. Consider the numbers: an industry size of 2.6 million subscribers in May 2007 is expected to grow to 5 million in 2008 and 27 million in 2011, strengthening industry revenues to Rs.100 billion by 2011.

At Balaji, we see this significant expansion translating into wider consumer choice in terms of channels and content, strengthening the prospects of committed content creators like us.

Concern

However, there are concerns and challenges across the horizon as well:

- The Indian television distribution is still dominated by analogue cable, highly fragmented at the local cable operator (LCO) and multi system operator (MSO) levels. India has over 40,000 last mile operators reaching 68 million households. Some 80% of these LCOs showcase a low average of 400-450 subscribers; interestingly, eight large MSOs - only four corporate accounts for a significant 26% of the country's C&S households. This is in contrast to markets like USA, where the top five MSOs and DTH service providers account for 70% of the country's subscribers.
- Addressability is the single largest factor to suppress the growth of India's television industry. An unorganized front-end distribution has translated into an under-reporting as high as 85%. In other words, less than 10 million subscribers out of the total 68 million C&S households are actually reported.
- The result is that Indian broadcasters receive a mere 14 to 17% of the total subscription revenues collected while MSOs receive between four and six per cent. On the other hand, in most developed markets (USA, UK, Japan and Australia), broadcasters account for a high 35 to 40% share of subscription revenues.
- CAS has not gained the desired momentum and a definite sluggishness has been witnessed in the second phase of the CAS rollout.

We see a sustained growth in channel choice, concurrent with the growing number of products that need wider and reasonably priced advertising exposure.

Optimism

From the chairman's position, I see consistent leadership as our biggest challenge as the industry evolves from unorganized to a completely organized entity. I am optimistic for the following reasons:

- Entertainment will gain importance in our fast-paced lives.
- CAS rollout will gradually accelerate as MSOs have installed approximately 400,000 STBs of the total 1.6 million addressable households in the notified areas of Mumbai, Delhi and Kolkata.
- We see niche content finding favour once the pay revenue stream deepens its roots. Business models of niche content broadcasters will thrive largely on pay revenues.
- We see a sustained growth in channel choice, concurrent with the growing number of products that need wider and reasonably priced advertising exposure.
- We see an aggressive line-up of new channels to be launched in the GEC space.
- Within DTH, more new players are expected in 2008. This heralds good news for the industry. With increased competition and greater spends on advertising and customer education, the market will expand just the way the mobile telephony market grew with the advent of competition. With 27 million subscribers expected in FY2011, DTH in India will be one of the most exciting markets in the world with secular room for growth.
- We expect 56 million Indian households to be digitally connected by 2011, of which the lion's share would be on DTH platforms. The Indian DTH market is expected to evolve more on the lines of the telecom market, where the entry of multiple players led to explosive growth.

Strengthening growth in the foreseeable future

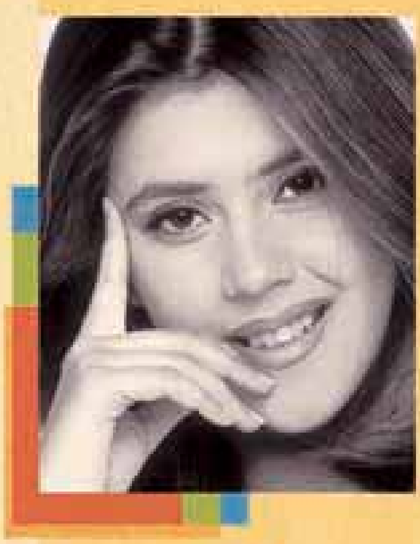
As in the previous years, the Company embarked on a number of business-strengthening initiatives:

- In the future, viewer needs will become increasingly niche and fragmented. Balaji is preparing for this reality and is exploring new formats and genres across different age profiles, income backgrounds and geographic locations.
- In the future, content creators will need to tighten their costs and become competitive. As a resource-focused organisation, Balaji invested in two new studios and cutting-edge infrastructure with a view to service its captive growing needs.
- In the future, content provider will need to diversify and re-align this business model to tap all emerging opportunities within the industry space. Balaji made a successful foray into the events and film distribution space in 2007-08.
- Balaji will also be launching its mythological and reality shows in the coming months.

As is evident from the above, our initiatives will be directly proportionate to our topline over the coming years. Correspondingly, we expect that our combination of de-risked and aggressive approach will translate into enhanced value for all stakeholders.

With regards,

Jeetendra Kapoor
Chairman



The important point to make is that even as we carry the reputation of being the leader in soap content entertainment, the reality is that we consider ourselves to be more equipped of reinventing ourselves today than at any other time in our existence.

"A combination of an insight into what the customer wants and our ability to innovate represents our success drivers"

Ekta Kapoor, Creative Director, outlines her plans for the coming year

Q. For the audience, the distractions are simply growing. What is Balaji doing to retain its audience and TRP?

A. In most businesses, the quickest way to blur the difference between oneself and competitor is through 'authentic' reproduction. By this yardstick, it should be relatively simple for our competitors to create me-too content and eat into our market presence.

This has not happened because Balaji recognises audience mood shifts and moves in the shortest possible time to create customised content. This sense of the instinctive and speed of response represents the success formula of our Company.

This is best demonstrated in our treatment of Kyunki Saas Bhi Kabhi Bahu Thi. Even though this was the eighth year of the program, we continued to evolve the plot in response to changing audience moods without any loss in eye share. We achieved this through a number of initiatives: generation leaps in our script and the substitution of our long-standing protagonist with a younger and more contemporary counterpart. The result is that the program has completed 1700 episodes without compromising its appeal. So if I have to rephrase the reason behind our success: know what the customer will want and moving with speed to provide it!

Q. Shareholders are concerned with the growing competition in the business.

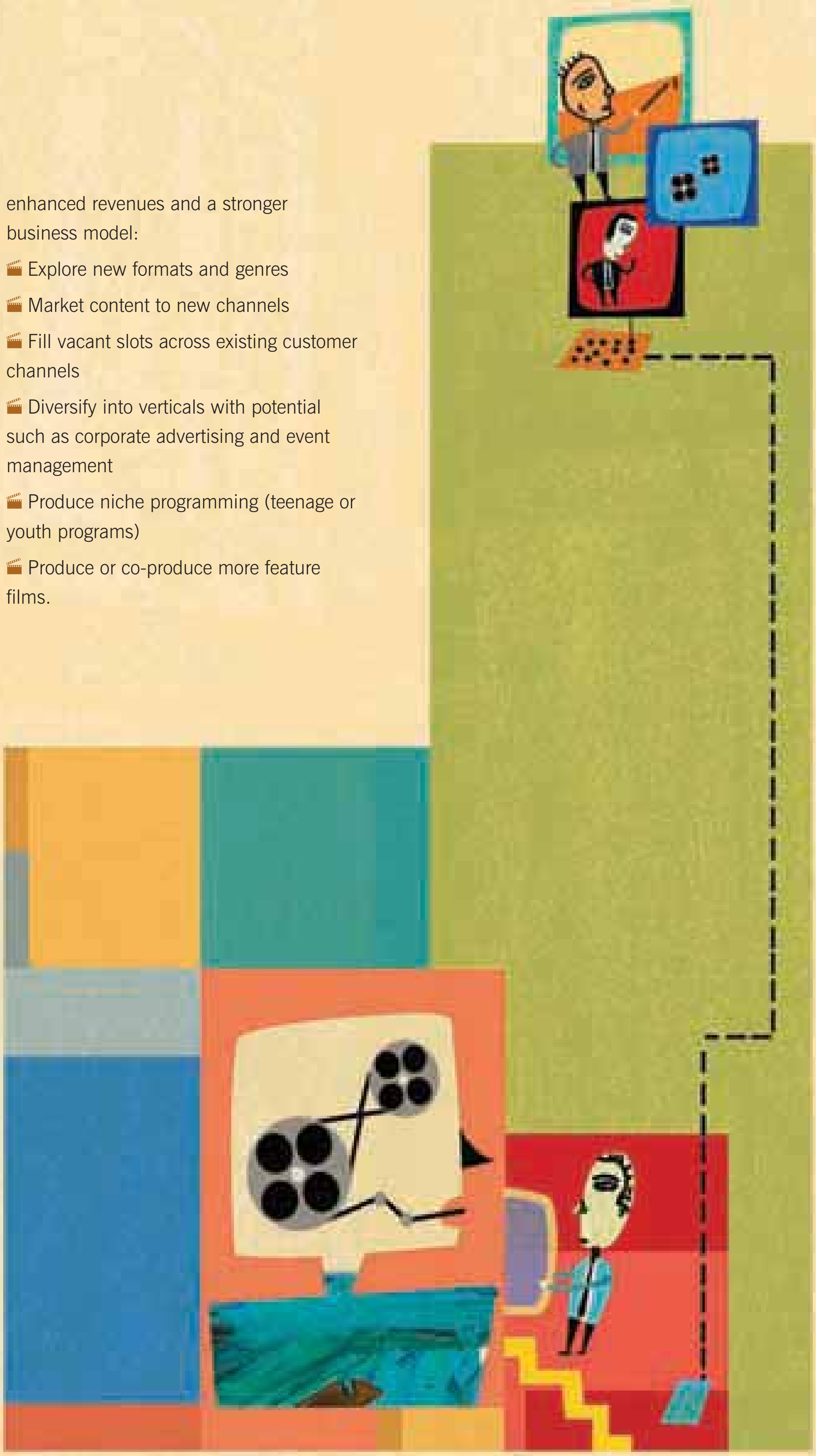
A. My big learning at Balaji has been that it is one thing to get to the top slots but I can tell you that it is different quite another to stay there. It requires you to do a number of things better than your competitors:

- Consistent focus
- Pacy content
- Niche content
- Seamless narrative
- Superior performance
- Newer look through set revamping and costume redefinition

Q. The challenge is to make Balaji a part of audience lives.

A. Absolutely. At Balaji, we are convinced that if we see our role as merely to please

The sense of the instinctive and speed of response represent the success formula of our Company.



the audience then we will fail. Broadly speaking, we need to show them the story of their own lives in a continuously improving way. Our new shows like Kuchh Is Tara and Kahe Naa Kahe all deal with relevant social issues while making a modern societal statement. Besides, we are diversifying into filmmaking, which will help us reach out to a wider multi-geographic audience.

Q. How is Balaji growing from strength to strength?

A. The important point to make is that even as we carry the reputation of being the leader in soap content entertainment, the reality is that we consider ourselves to be more equipped of reinventing ourselves today than at any other time in our existence. As a result, we will progressively evolve beyond our 'soap-friendly' image into new genres like reality, mythological, weekend programming, films and customized content for specific viewer pockets.

Q. What is the key creative concern at the Company or industry?

A. Attrition. As soon as someone leaves, the individual carries away precious intellectual capital nurtured over the years. This can potentially impact quality. In the industry there is also a significant shortage of specialised professionals, making it imperative for us to groom freshers on-the-job into professionals.

Q. What is the outlook for 2008-09?

A. We intend to embark on the following initiatives, which will translate into enhanced revenues and a stronger business model:

- Explore new formats and genres
- Market content to new channels
- Fill vacant slots across existing customer channels
- Diversify into verticals with potential such as corporate advertising and event management
- Produce niche programming (teenage or youth programs)
- Produce or co-produce more feature films.

"Our focus: sustaining leadership, bottomline and TRPs at a time of fragmented viewership"

Shobha Kapoor, Managing Director, reviews the Company's performance and future plans

We hope to capitalise on the resounding distribution success of *'Bhool Bhulaiya'* with even bigger motion picture successes.

Q. What were the Company's highlights in 2007-08?

Over the last few years, we have progressively de-risked our business from a financial perspective; during the year under review, we extended this de-risking discipline to our content creation as well through a number of initiatives:

- We extended soap content – two shows called *Kya Dill Main Hai and Kahe Naa Kahe* – to newly-launched channel 9X.
- We launched Kuchh Is Tara on Sony's prime-time slot.
- We diversified into event management with our first wholly-managed awards show called The Global Indian TV Honours, opening up an entirely new business avenue.

Let me explain the last development. Most of our executives possessed a long-standing content production insight, comprising coordination and scheduling. We now leveraged this expertise to extend into events and award shows. We created a new team to address the challenges of this genre and introduce new perspectives. Going ahead, we are optimistic that this business division will generate attractive revenues and progressively reduce our genre risk exposure.

Q. What is the optimism behind the Company's prospects?

The reasons are varied:

- **Demand for content:** In June 2007, there were as many as 255 channels on air. Assuming that 25 to 30 belong to the general entertainment category and that each channel needs between four to six hours of original content everyday, there is a potential demand for 100-180 hours of programming content per day. Compared to this, Balaji currently produces 375-400 hours of programming every quarter, which presents a tremendous opportunity for growth.
- **Largest provider of Hindi mass entertainment:** This is the most popular genre of entertainment and boasts of the largest share of viewership (38%) and advertising pie (>50%). Most large broadcasters prefer at least one general entertainment channel within their bouquet catering to Hindi mass entertainment. Balaji is the largest provider of such content, making it integral to the business plan of its customer channels.
- **De-risked business model:** The Company's current programming mix is skewed heavily in favour of commissioned programming, insulating itself from market risk. As a result, the Company has retained its focus on content creation.
- **Prime-time on Star Plus:** Star Plus' viewership share is more than 40%, translating into more corporates wanting to advertise on the channel. Prime-time on Star Plus commands the highest advertising rates; Balaji occupies the maximum number of prime-time slots.
- **Presence across broadcasters:** While Star continues to account for over 70% of content acquisition from Balaji, the Company has also started to supply

We diversified into event management with our first wholly-managed awards show called The Global Indian TV Honours, opening up an entirely new business avenue.

content to Zee, Sony and the newly-launched 9X.

Q. What emphasises the Company's continued strength?

Balaji is not complacent. For one, our wholly-owned subsidiary Balaji Motion Pictures Ltd., engaged in film production and distribution, performed commendably during the year under review. We hope to capitalise on the resounding distribution success of *'Bhool Bhulaiya'* with even bigger motion picture successes. It gives me pleasure to announce that starting June 2008, we have four films release lined up over two quarters. These films - C Kkompany, Sarkar Raj, Mission Istanbul and EMI - comprise an attractive star cast, prominent directors and attractive packaging. The costs of these films, created with moderate budgets, are adequately covered through pre-release sales deals leading to effective de-risking.

It will interest shareholders to know that we continued to invest in studio infrastructure during the year under review and have added two new studios, which will help us scale our business in the coming years. Going ahead, we also expect to commission approximately 1 lac sq. ft. of studio space on the outskirts of Mumbai for captive use primarily.

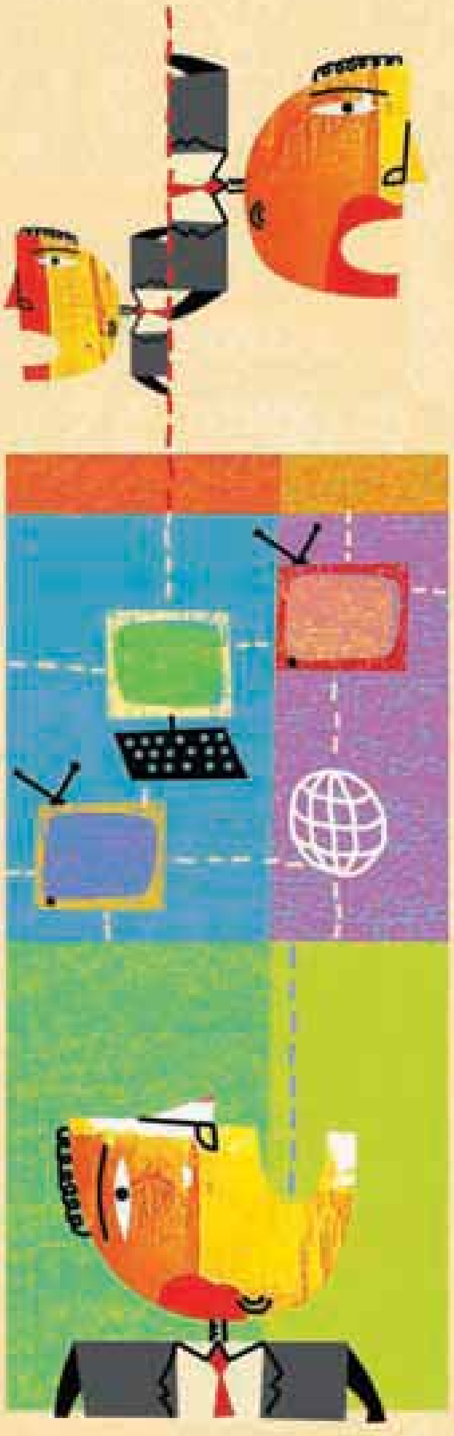
Q. What is the biggest challenge now for the Company?

Sustaining our leadership, bottomline and TRPs in this age of fragmented viewership. The boom in the television industry is slated to garner interest from new players, enhancing cut-throat competition. We will need to concentrate on sustaining market share while foraying into new genres.

Q. What is the outlook for 2008-09?

We expect to emerge stronger with a wider genre exposure. We don't just expect this wider spread to progressively de-risk our business but also expect the programs to generate attractive topline and bottomline. This will enable us to enhance value for our shareholders not only in 2008-09 but across subsequent years as well.

The media and entertainment industry



Overview

India is expected to be the fastest growing global market in entertainment and media spends in five years *(Source: FICCI - PricewaterhouseCoopers (PWC) Global Entertainment and Media Outlook)* and a key catalyst in growing the global entertainment and media industry to a size of US$ 2 trillion by 2011. Based on a compounded annual growth rate (CAGR) of 18.5%, it is already the fastest growing in the Asia-Pacific region.

India finds itself in the midst of an entertainment revolution catalysed by economic liberalization and the subsequent rollout of CAS and DTH. In FY07-08, there was a launch of new channels catering to varied genres in the television media sector as well as a growth in television and cable and satellite homes across the country. In step with this, new players and channels emerged in niche segments like news, fashion, sports, lifestyle, tourism and children.

The players in the entertainment industry can be classified across a three-link chain:

- **First:** Studios (including animation studios) which represent the hardware end of the industry
- **Second:** Content providers
- **Third:** The distribution trolleys, comprising the cable and satellite channels, multiplex theatres, MSOs and DTH players.

The key realities of the sector

Supply → Presently there are approximately 255 channels in the fight for viewership, which has led to a decline in quality programs. Many more channels are likely to be launched across different languages and genres over the immediate future.

Demand → The fragmented viewership has led to an increasing preference for niche channels.

Barriers to entry → The entry barriers in the broadcasting business are high on account of its capital-intensity. Costs comprise transponder leasing, up-linking assets, carriage fees as well as pre and post-production facilities. The entry barriers are lower for content providers and perhaps aggravated by broadcasters who often commission and finance programs directly. In spite of the high entry barrier, a slew of channels are slated to be launched in the near future.

Bargaining powers of suppliers → High for content providers, reflected by the fact that the Company's hourly realisations per hour are increasing. However, terrestrial broadcasters such as Doordarshan and regional broadcasters such as Sun TV actually sells time slots to content providers.

Bargaining power of customers → Relatively high. There is a surfeit of channels and programs to choose from for the viewer. In the near future around 82 more channels across different languages and genres will be launched. The rollout of CAS and DTH services will enable the consumer to choose the channels that he wishes to view, increasing bargaining power.

Competition → High amongst broadcasters especially for general entertainment channels. The Hindi general entertainment space will become more competitive following the entry of the TV18 Group, UTV, NDTV, INX Media (9X).

The role of television

The television industry is one of the leading sectors in India today. A number of foreign companies entered India either through tie-ups or their own Indian entities. It is estimated that the Indian television industry is worth Rs 19,100 crore and expected to grow at a compounded annual rate of 22% over five years.

Following the growth of the television industry is the growth in TV advertisements, expected to grow from Rs 6,600 crore to Rs 12,300 crore by 2011 on the back of a 13% cumulative annual growth rate over five years.

The television industry in India is currently at its prime, contributing the largest share in the total media and entertainment industry. While India is the third largest cable television market in the world, the low penetration levels of pay TV indicates considerable potential.

The buoyancy of the Indian economy and the introduction of new distribution platforms - DTH and IPTV among others – are likely to catalyse industry growth.

Forty per cent Indian households are still without television connectivity. The majority of the industry's revenue is generated through advertisements and subscriptions.

The spread among the lower-income groups is low, offering a wide scope for growth.

In 2007-08, the television media sector continued to witness the launch of new channels catering to varied genres. Along with the growth in television and cable and satellite homes in the country, new players and channels emerged in niche segments like news, fashion, sports, lifestyle, tourism and children.

SWOT analysis

STRENGTHS

1. The media and entertainment sector is one of the fastest growing in India on account of its vast customer reach. The various industry segments - television and film - have a large customer base.
2. The country's growing middle-class with growing disposable incomes has emerged as the mainstay of the media and entertainment industry.
3. There is an appreciable increase in the lifestyle and entertainment spending patterns of the Indian masses.
4. Technological innovations like online distribution channels, web-stores, multi- and megaplexes are complementing the ongoing revolution and growth of the sector.
5. India is the world's largest producer of films by volume – producing almost a thousand films annually. Revenue wise it accounts for only 1 percent of global film industry revenues.

WEAKNESS

1. The media and entertainment sector in India is highly fragmented.
2. A dearth of cohesive production and distribution infrastructure, especially in the case of the music industry.
3. Poor media penetration in the lower socio-economic classes.

OPPORTUNITIES

1. Crossover movies have opened doors to a crossover audience with immense potential for development.
2. The increasing interest of global investors in the sector.
3. The poor media penetration among weaker sections, offering expansion opportunities.
4. The nascent stage of new distribution channels, offering an opportunity for development.
5. Rapid industry de-regulation.
6. Rise in viewership and advertising expenditure.
7. Technological innovations like animations, multiplexes, etc and new distribution channels like mobiles and internet opening up new sectoral opportunities.

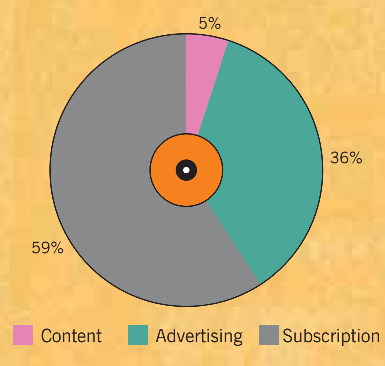
THREATS

1. Piracy and the violation of intellectual property rights pose a major threat.
2. Lack of quality content has emerged as a major concern.
3. Rapid technological innovations are exposing the sector to considerable uncertainty.

ENTERTAINMENT REVOLUTION

The future of India's entertainment industry will be influenced by the interplay of consumerism, advertising spend, content, pricing, technology and regulation. In 2007, the industry grew 17% over the previous year to estimated Rs 513 billion (Source: FICCI - PWC Report). The country's entertainment and the media industry is set to grow at a projected CAGR of 18% to reach Rs 1.157 trillion in 2012 *(Source: FICCI -PWC Report).*

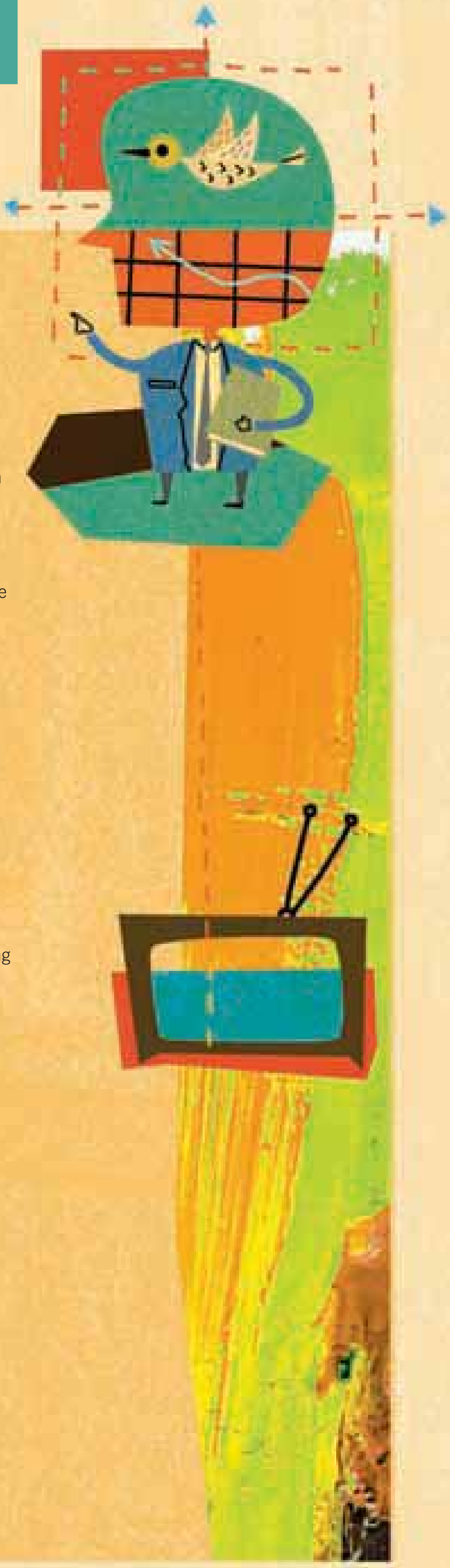
The revenue



(Source: SSKI Research)

At Balaji, we feel that with the wider reach of cable and satellite television, there will be more revenue inflow for broadcasting channels which will be in the interest of content providers.

DE-REGULATION



The government has set a target of converting 20 million C&S households to the digital format by 2010. In this environment, all pay channels will be offered compulsorily on a a la carte basis and bouquets offered at discounts in addition to the a la carte offer.

There would be a ceiling on the maximum retail price of any pay channel, whether new or existing at Rs 5 per channel per subscriber per month (excluding taxes). Broadcasters will continue to be free to fix prices of individual channels within this ceiling.

Digitization is high on the government's priority on account of the benefits that will accrue. This spectrum can be utilized for other related services such as telecommunication, defence, emergency and interactive platforms. Regulation has also played a key role in setting a clear price policy and making it compulsory for all broadcasters to offer feed.

Some of the positive regulations:

- FDI cap on cable: At present, there is a 20% FDI cap on DTH, 49% on cable and 49% for setting up an uplinking facility hub. If cable FDI is brought at par with telecom, there could be an increase in inflow.
- Spectrum: The new spectrum allocation policy recognises the delivery of multiple services over a single network using the same equipment.
- Right of way: State governments provide a right of way to cable operators providing digital services.
- Interconnect regulation: A merged regulatory framework for broadcast and telecommunications covers access to all networks and inter-connect user charges.
- Permitting 100 per cent foreign direct investment (FDI) through the automatic route for film industry and advertising.
- Giving industry status to the films segment.

As sectoral reform accelerates, the following are likely to transpire:

- Wider channel choice to consumers, resulting in a willingness to pay more
- Wider revenue pool leading to increased investments in distribution infrastructure
- Better understanding of viewership patterns, resulting in efficient media spending

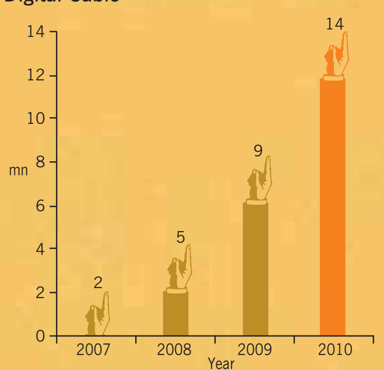
As the sector reforms, this is likely to accelerate Balaji's growth.

SUBSCRIPTION
REVENUE

The average revenue per user (ARPU) for both cable and DTH services will be about Rs 200 and Rs 180 respectively between 2008 and 2012.

According to a research done by a Hong Kong based independent research, the increasing footprint of digitized distribution systems such as DTH could see subscription revenues climbing from $3.8 billion currently to $7.8 billion by 2012 and $12.3 billion by 2017. The number of digital pay-TV subscribers (including cable, DTH and Internet Protocol TV (IPTV)) could grow to 28 million by 2012 and 15 million by 2017.

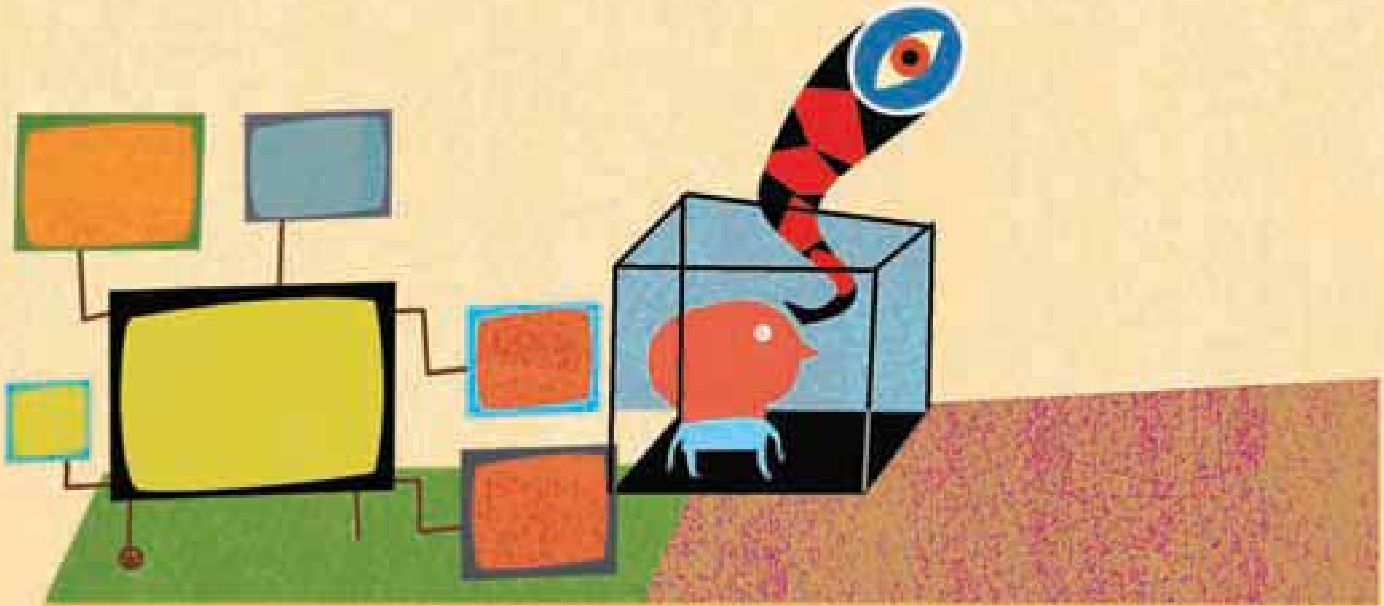
Digital Cable



(Source: SSKI Research)

As direct-to-home telecasts become a reality, we foresee two developments: an increase in ARPUs or at least a levelling out of the tariff disparity between localities within the same city, resulting in an increase in the overall average. This development will enhance realisations for broadcasters and, in turn, benefit content providers like Balaji.

DISTRIBUTION



Digital cable

- CAS Implementation
- Direct customer reach
- STB deployment/HITS
- Estimated 14 mn subscribers by 2010

DTH

- Heavy investments by Dish TV, Tata Sky, Bharti, Reliance, Sun TV
- Projected 16 mn subscribers by 2010

IPTV

- Driven by telecom companies like MTNL and Reliance
- Projected 7 mn subscribers by 2010

Consolidation in existing channel

- Realignment of LCOs and MSOs with large organised players
- Projected 76 mn subscribers by 2010

Migration of distribution platforms

Cable TV has taken off in India with the country emerging as the third-largest market after

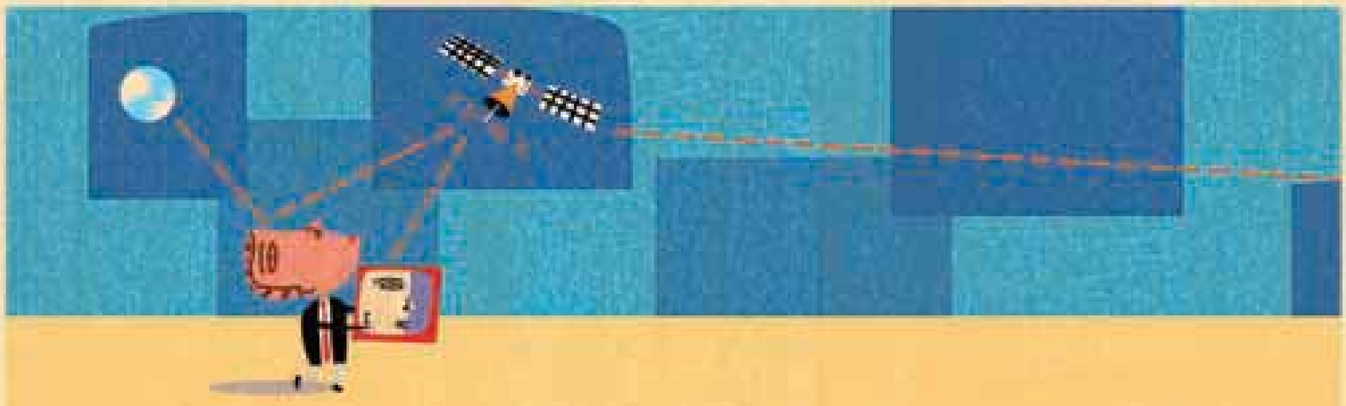
US and China. Almost 70 million households out of a total television-owning population of 112 million are wired by cable. The industry has been growing at a rate of 25% per annum across three years.

The key to the success of the pay model lies in the ‘addressability’ of systems. Encrypted satellite signal would be provided only to authorised viewers. These subscribers/ members would be given a Smart Card to insert in an IRD (Integrated Receiver Decoder).

With the introduction of newer distribution channels like DTH and IPTV, the demand for premium / alternative content will increase, introducing genres like education, teenage and mature content. Balaji, with major diversification initiatives in the pipeline, stands to benefit in a significant way.

CABLE

POTENTIAL



While India is the third largest cable television market in the world, pay TV penetration levels are still low, indicating rich untapped potential.

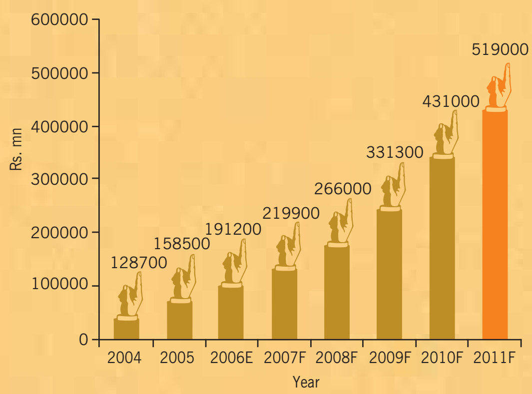
According to a study by a Hong Kong based independent research firm, steady economic growth and increasing cable TV penetration will boost TV advertising growth: from an average annual rate of 19% to reach $3.5 billion by 2012 and $6.3 billion by 2017.

Outlook for television media

The television media in India is at its prime, contributing the largest share in the total media and entertainment industry over the last three years. The television industry grew 18%, the only large sector to grow at a rate higher than the industry average.

A report by FICCI-PWC estimates that the Indian television industry's revenue will grow at a CAGR of 22 per cent from US$ 4.82 billion in 2006 to US$ 13.11 billion by 2011. The buoyancy of the Indian economy, coupled with new distribution platforms like DTH and IPTV among others, is likely to propel the growth of this industry.

Projected Growth of Indian Television Industry



(Source: PWC report)

At Balaji, we see this increase in penetration contributing to cable revenues, enriching broadcasters and the Company.

Name of Serial	Channel	Time-slots	Days of telecast	Start date	End date
Kyunki Saas Bhi Kabhi Bahu Thi	Star Plus	22:30 - 23:00	4 (Mon - Thur)	3rd July 2000	Still on air
Kahaani Ghar Ghar Kii	Star Plus	22:00 - 22:30	4 (Mon - Thur)	16th October 2000	Still on air
Kasautii Zindagii Kay	Star Plus	20:30 - 21:00	4 (Mon - Thur)	29th October 2001	29th February 2008
Karam Apna Apna	Star Plus	14:00 - 14:30	5 (Mon - Fri)	29th August 2006	Still on air
Kayamath	Star Plus	23:00 - 23:30	4 (Mon - Thur)	19th February 2007	Still on air
Kasamh Se	Zee TV	21:00 - 21:30	4 (Mon - Thur)	16th January 2006	Still on air
Kis Desh Mein Hai Meraa Dil	Star Plus	20:30 - 21:00	4 (Mon - Thur)	3rd March 2008	Still on air
Kuchh Is Tara	Sony	21:00 - 21:30	4 (Mon - Thur)	26th November 2007	Still on air
Kahe na Kahe	9X	21:00 - 21:30	4 (Mon - Thur)	12th November 2007	Still on air
Kya Dill Mein Hai	9X	20:00-21:00	2 (Fri - Sat)	1st December 2007	Still on air
Khwaish	Sony	20:00-20:30	4 (Mon - Thur)	16th July 2007	24th April 2008
Kadambarii	Udaya	19:30 - 20:00	5 (Mon - Fri)	13th December 2004	Still on air
Kumkum Bhagya	Udaya	18:30 - 19:00	5 (Mon - Fri)	5th December 2003	4th May 2007
Kalyanee	Gemini	19:30 - 20:00	5 (Mon - Fri)	4th July 2005	Still on air
Kasthuree	Sun TV	18:30 - 19:00	5 (Mon - Fri)	21st August 2006	Still on air
Kalyanee	Surya	20:30 - 21:00	5 (Mon - Fri)	28th August 2006	Still on air

Programming hours

The total hours of programming created by an entertainment content provider indicates its inherent capacity to create content as well as the market's capacity to absorb it.

The total programming hours declined from 1820 in 2006-07 to 1571 in 2007-08. This was mainly due to the shift from five-day to four-day slots and closure of low budget shows. The Company has launched 6 new programs in the 2007-08.

Programming mix

The Company created programs for its customer channels under two broad agreements – sponsored and commissioned. From a risk management perspective, it would be relevant to understand the dynamics behind each:

Sponsored: In this area, the Company creates content but must recover the proceeds from advertisers, not the channel on which the programs are telecast. Prudent risk taking in content creation and marketing is inherent in the business model. After buying telecast slots and receiving free commercial time in return, the Company markets it to the advertiser. If the program becomes popular, there is an attractive prospect for an upward rate revision as a part of the variable revenue model. This includes program/event where IPR of the activity/format rests with us.

While sponsored programming hours decreased 14.03% from 759 in 2006-07 to 652.50 in 2007-08, as a proportion of the Company's turnover it increased from 7.74% in 2006-07 to 8.56% in 2007-08. The average realisations from these programs increased 33.02% to Rs 4.31 lacs per hour during the year under review.

Commissioned: The content is created by the Company at the behest of channel owners. Hence, the Company undertakes no risk in either its creation or marketing. A fee is charged; if the programs are successful (as measured by TRPs), the Company could enjoy upward rate revisions in some cases. These programs balance risk-neutrality and income-enhancement.

While commissioned programming hours decreased from 1060.50 in 2006-07 to 918.50 in 2007-08, as a proportion of the Company's turnover it decreased from 92.26% in 2006-07 to 91.44% in 2007-08; average realisations from these programs increased by 18.65% to Rs 32.75 lacs per hour.

The programming distribution in 2007-08 was as follows:

Programming	2007-08	2006-07
Commissioned (hours)	918.50	1060.50
Sponsored (hours)	652.50	759.00

Language mix

In the entertainment content business, it is critical to leverage an insight into compelling storytelling across different languages but within reasonably identical audience preferences which Balaji has done so successfully over the last few years. While the Company is principally recognized as a Hindi entertainment content provider, it has gradually extended its expertise to more languages. In doing so, it has emerged as a truly national entertainment content provider. The number of non-Hindi languages remained at four in 2007-08 and the Company's position as one of the few multi-lingual production houses remained largely unchallenged. Balaji created content in Hindi, Tamil, Telgu, Malayalam and Kannada, even as Hindi remained its principal driver. Within it, Balaji focused on family-centric mass entertainment, which enjoyed the highest viewership and generated the highest revenue.

Programming matrix across languages (in hours and revenue in Rs./lacs)

Language	2007-08		2006-07	
	Revenues	Programming hours	Revenues	Programming hours
Hindi	30529.24	927.50	29269.81	1060.50
Malayalam	288.39	129.50	424.93	173.00
Tamil	731.19	126.50	448.93	97.50
Kannada	498.34	258.50	807.96	360.00
Telgu	847.19	129.00	774.09	128.50
Total	**32894.35**	**1571.00**	**31725.72**	**1819.50**

Time bands

In the entertainment content business, it is not enough to report a significant number of programming hours. It is important to create programs for a time-slot where it will grab the maximum eyeballs, resulting in the highest TRP and an attractive revenue model.

Balaji's performance was commendable in 2007-08 as 66.23% of the content was aired on the evening prime time band between 7 pm to midnight across its various customer satellite channels, showcasing its programs for bigger eye share and enhanced recall.

Channel-driving capabilities

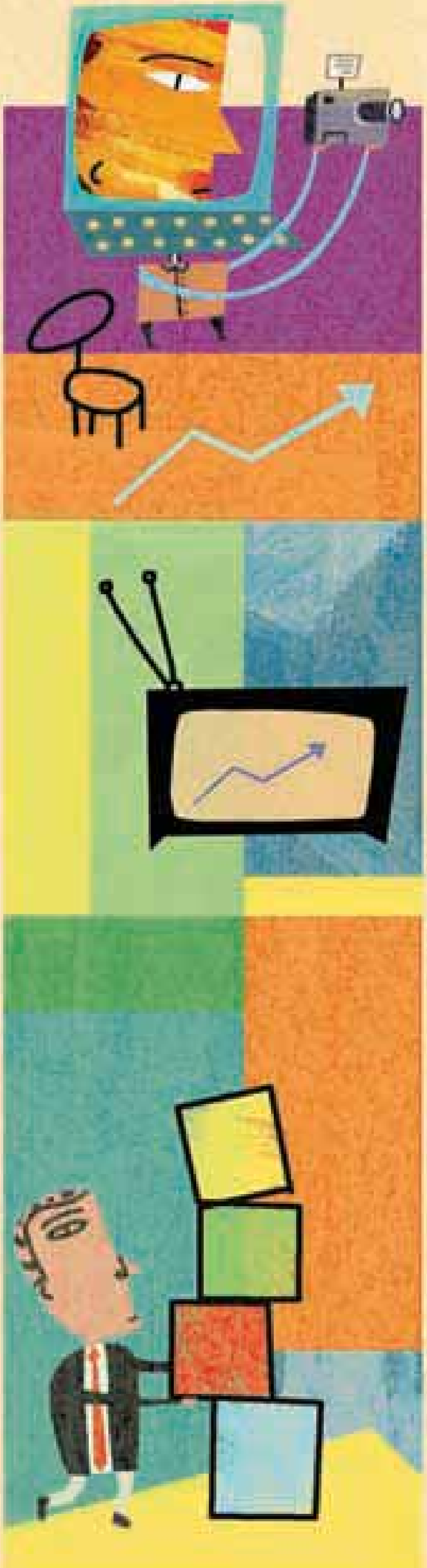
Riveting content with enduring appeal promise business sustainability for content creator and channel partner. During 2007-08, the Company's content enjoyed high audience retention across multiple customer channels. As a result, the Company's serials emerged as prominent TRP grossers for their respective channels.

Channel wise revenues

The ability to customise programs for multiple channels and a widening audience base can potentially lead to long-term growth and sustainability in the entertainment space. This is precisely what the Company achieved, producing programs for Star Plus, Sony, Zee TV, 9X, Sun TV, Surya TV, Gemini TV and Udaya TV over the years. The Company's channel-wise revenue comprised the following:

Programming mix across channels (in hours and revenue in Rs./lacs)

Channel	2007-08		2006-07	
	Revenues	Programming hours	Revenues	Programming hours
Major satellite channels	30529.24	927.50	29269.81	1060.50
Doordarshan	–	–	54.18	90.00
Gemini TV	847.19	129.00	774.09	128.50
Udaya TV	498.34	258.50	753.78	270.00
Surya TV	288.39	129.50	424.93	173.00
Sun TV	731.19	126.50	448.93	97.50
Total	32894.35	1571.00	31725.72	1819.50



Growth drivers

In a competitive business, the Company leveraged its content creation insights to maximise financial returns through the following strategies:

Volume-value mix: The Company optimised its volume-value mix to maximise returns by focussing more on shows with better budgets, reflected in increased per hour realisation.

Genre mix: In the business of entertainment content, lasting success is derived from an ability to extend one's mastery across genres, representing an opportunity for growth and concurrent de-risking. As a future-focused content creator, the Company is extending into reality shows and mythological program, diversifying its genre mix even as mass entertainment continued to be its principal revenue earner.

Conceptualisation: The Company conducted an ideation process and derived concepts were either accepted or rejected, based on the audience feedback.

Shoot management: After ideation and scripting, a production schedule was drawn up comprehensively. The scheduling of artiste requirements, allocation of responsibilities and slotting of equipment requirements were done subsequently. The Company hired only from approved vendors at pre-negotiated volume-based rates, lower than the prevailing market benchmarks, on the basis of requirements. Changes in vendor or artiste rates were effected only subsequent to a prior approval. Costumes were comprehensively coded and their use prudently rotated.

- **Logistics management:** To enhance time management efficiency, lights and equipment were located strategically; every professional was delegated with clear responsibilities for their effective use and co-ordination. Besides, lead times to delivery were managed and monitored from the script stage onwards, ensuring timely delivery.
- **Artiste and technician management:** The Company announced its dates well in advance leading to the timely availability and attendance of its artistes and technicians.
- **Centralised purchase:** The Company made it possible to procure all equipment, properties and consumables round the clock through a single point in-house store. This strategic business unit worked with the objective to reduce dependence on external vendors, provide material on time and generate savings through economies of scale.

Internal audit control: The Company strengthened its audit process, one of its kind in the entertainment industry. Covering more than 15 units, the audit function translated into the following:

- Creation of the first cost-control tier
- A comprehensive log book was maintained for episodes, scenes, scene details, shoot duration, equipment utilisation, scenes per artiste, attendance report and reasons for time over-run / under-performance / non-utilisation of resources (if any). This step accelerated the creation of a rich repository for consistent benchmarking.
- A daily MIS report was prepared and submitted to the senior management to identify and prevent wasteful expenditure.
- Dockets were created to analyse and control variable costs.
- A methodical hiring mechanism was

strengthened, in which the production team documented a resource need, leading to an understanding of whether it was available in-house or needed to be outsourced.

- The synchronisation of various production schedules optimised the use of artistes, technicians and hired property.
- The routing of material procurement, based on a quotation process from multiple vendors, resulted in transparent vendor development.

The process of human resources rationalisation, optimisation in equipment utilisation, enhanced inter-departmental co-ordination and a restructuring of the accounting role, in line with the ABC analysis of their function, translated into attractive savings.

Product evolution

Episode-based television content's biggest advantage over the film medium is that the product can be customized in line with viewer feedback derived through the following sources:

TRP ratings: This industry benchmark helps ascertain the quality of the Company's ongoing performance, inspiring corrective action wherever necessary.

Websites: The Company's website invites and generates audience feedback.

Fan clubs: The various fan clubs dedicated to the serials as well as program actors provide valuable feedback.

Word of mouth: The Company's creative team actively seeks feedback from its circle of influence.

Competition: The Company studies competing content and their respective TRPs to assess audience requirements.

Human resource management

Human Resources Department is one of the Strategic Function looking at the current industry dynamics in the media scenario. Today when there is extreme dearth of talent and attrition rate is breaking all the records, it's important to have a strong Human Resource Department who not only induct new talent in the system but also work on retaining the old talents of the organization. The short term object of the Human Resource Department is to maintain regular inflow of new talent at balanced/ market cost and give appropriate on the job training in order to perform as Performance Standards of the Organization. The Long term objective of the Human Resource Department is to work towards institutionalizing a 'Performance-oriented' culture. The entire Human Resource Systems e.g. Recruitment, Performance Management System, Reward & Recognition has to be aligned with the business objectives. A regular communication channel is maintained with the employees/ professionals through one on one dialogue by the Human Resource Department.

At present, the Company has 110 employees on its rolls.

The Company recruits and retains the best talent, an initiative reinforced through the following initiatives:

Transparency: A visible extrapolation between individual effort, team achievement and above-average remuneration.

Hands-on training: The induction of new recruits onto the production floor under supervisory guidance with ongoing appraisal.

Remuneration: A higher-than-industry average pay scale to attract the best talent.

Pride: A pride in organisational belonging, strengthening retention.

The process of human resources rationalisation, optimisation in equipment utilisation, enhanced inter-departmental co-ordination and a restructuring of the accounting role, in line with the ABC analysis of their function, translated into attractive savings.

2007-08 vs 2006-07

- Turnover increased by 3.62% from Rs. 31746.68 lacs in 2006-07 to Rs 32896.85 lacs in 2007-08
- EBIDTA increased by 9.45% from Rs.12898.99 lacs in 2006-07 to Rs 14118.45 lacs in 2007-08
- Profit before tax increased by 9.13% from Rs. 11773.82 lacs in 2006-07 to Rs 12848.39 lacs in 2007-08
- Profit after tax increased by 10.71% from Rs. 7942.82 lacs in 2006-07 to RS 8793.31 lacs in 2007-08

Margins

The PAT margin of the Company increased from 25.02% in 2006-07 to 26.73% in 2007-08 despite a 1.07% increase in the production cost (quantum). EBIDTA as a proportion of turnover increased from 40.63% in 2006-07 to 42.92% in 2007-08, despite an increase of 4.12% in total expenditure.

(In %)

	2007-08	2006-07	2005-06	2004-05
EBIDTA margin	42.92	40.63	36.51	36.75
Cash profit margin	30.45	28.63	25.88	26.05
Pre-tax profit margin	39.06	37.09	31.38	31.70
PAT margin	26.73	25.02	21.19	20.99

Surplus management

A proportion of resources were reinvested to acquire new studios, props, equipment with the objective to strengthen the Company's competitive edge. Since the amount generated as a surplus from the business was considerably higher than what the Company needed to reinvest, the free-float of resources increased. Balaji invested this free-float in relatively safe financial instruments guided by a prioritised need for safety, liquidity and income.

Average capital employed (Rs / lacs)

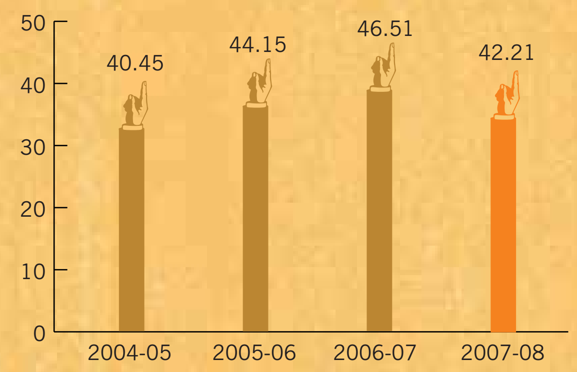
2007-08	2006-07	2005-06	2004-05	4-year CAGR
33450.57	27731.58	23179.91	17875.54	16.96 %

The average capital employed by the Company grew 20.62% in absolute terms over 2006-07 to Rs. 33450.57 lacs largely on account of the increased surplus derived from retained profits. The return on capital employed declined from 46.51% in 2006-07 to 42.21% in 2007-08.

The capital-output ratio declined from 1.18 in 2006-07 to 1.04 in 2007-08, indicating the commissioning of new assets that were to be progressively utilized. Working capital as a proportion of turnover declined from 27.33 percent in 2006-07 to 17.44% in 2007-08, reflecting better terms of trade with the Company's customer channels.

The Company is at a point where every rupee re-invested in the business is expected to generate significantly higher returns than what stakeholders would have otherwise earned from investments made in risk-free financial securities, justifying additional investments.

Return on average capital employed (%)



Revenue

The Company's operational income increased 3.62% from Rs 31746.68 lacs in 2006-07 to Rs 32896.65 lacs in 2007-08.

Split: The revenue-wise distribution between commissioned and sponsored programming in 2007-08 was as follows:

Rs / lacs

Programming	2007-08	2006-07
Commissioned	30081.74	29286.78
Sponsored	2815.11	2459.90

Balaji continued to focus on the commissioned category, deriving 91.44% of turnover in 2007-08 from this segment. The corresponding figure in 2006-07 was 92.25%. Even as turnover increased, the Company de-risked a major part of its revenues and ventured to make sponsored content only in those languages and channels where it was virtually assured of advertising support.

Customers: The Company commissioned two new shows on Star Plus in 2007-08, two shows on 9X and one on Sony. One show was produced for overseas subsidiary. Two shows on Star Plus went off air during the year.

Profit centre: Each program was appraised as a profit centre; costs, compared with the budgeted target across every episode, comprised artiste, location, prop and people expenses, enabling the Company to take holistic or specific perspectives.

Project life cycle management: The budgetary discipline comprised a holistic perspective of shooting schedules, scene-wise artiste requirements, ongoing shooting progress and final product delivery.

Checks and balances: Non-budgeted expenses needed verification prior to sanction and disbursement, an effective check and balance.

Audit: The Company's actual expenses were compared with the budget through a supervisory audit function, enabling deviations to be corrected in the shortest possible time.

In quantum terms, the Company's total expenditure increased 4.12

percent to Rs. 21776.54 lacs in 2007-08 as against Rs 20913.92 lacs in 2006-07. This was in line with growth in the Company's business, mainly on account of the launch of three new serials leading to a corresponding rise in promotions, equipment, employee and administrative costs.

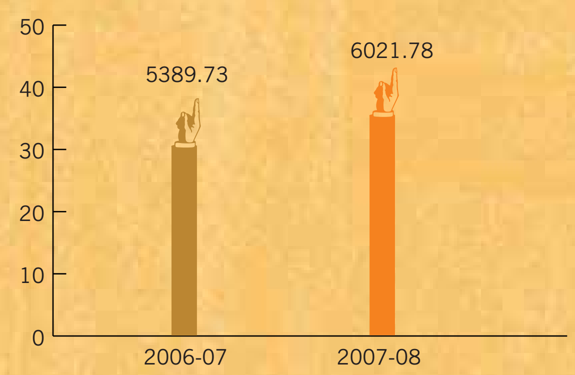
Improved employee benefits and incentivisation enhanced productivity. The employee cost, as a proportion of total income, increased from 3.54 percent in 2006-07 to 3.93% in 2007-08, mainly on account of a revision in remuneration and addition of new employees during the year.

Own funds

Equity capital: The Company's authorised capital comprised 75,000,000 equity shares of a face value of Rs. 2 each. The Issued, Subscribed and Paid-up capital comprised of 65,210,443 equity shares of Rs. 2 each.

Reserves: Reserves represented the lowest cost of funds for the Company, especially when derived from the surpluses created in the business. In 2007-08, the Company's earned reserves increased 20.84% over the previous year from Rs. 29112.23 lacs to Rs 35180.48 lacs. The efficient use of accruals reflected in a growing return on its net worth.

Addition to reserves (Rs./lacs)



NB: Including transfer to deferred tax liability

In absolute terms, the net worth of the Company increased 19.95% from Rs. 30416.44 lacs in 2006-07 to Rs 36484.69 lacs in 2007-08, mainly on account of an increase of 20.84% in reserves.

Gross block

As a progressive organization, the Company continued to invest in its gross block, marked by state-of-the-art equipment and infrastructure.

Gross block increased from Rs. 7767.94 lacs in 2006-07 to Rs 9477.23 lacs in 2007-08 as the Company invested over Rs 1121.42 lacs in production /post-production equipment and new state-of-the art studios.

Over the years, the Company invested in the following items of infrastructure:

Captive sets: This enabled the Company to produce sets in-house and save the cost of hire; it enabled the Company to enhance the quality of sets in line with varied episode and scene requirements; it enabled the Company to re-use sets whenever required with marginal alterations, resulting in a progressive decline in production cost.

Captive equipment: The Company de-risked itself from a dependence on vendor equipment with a captive investment in sophisticated digital equivalents.

Captive post-production facilities: The Company invested in two state-of-the-art post-production suites, which not only accelerated the conversion of recorded material into episodes but also enhanced the flexibility to make an ongoing review of the produced content with the objective of revision and improvement.

Investments

The Company's investments increased from Rs 17875.80 lacs in 2006-07 to Rs 24989.34 lacs in 2007-08. The Company invested its surplus funds in liquid debt funds to preserve capital, liquidate at will and generate a fair return on investments. The Company, as a matter of policy, did not invest in risk instruments. The Company's income from investments was Rs 1607.89 lacs in 2007-08 compared to Rs. 871.62 lacs in 2006-07.

Debtors

The Company's terms of trade strengthened during the year under review. Receivables declined from 80 days in 2006-07 (equivalent to days of income) to 74 days in 2007-08. This improvement was a vindication of the Company's decision to work only with credible customer channels enjoying a strong revenue and business model as well as reflection of the buoyancy in industry earnings as a whole. The proportion of debtors as part of the working capital outlay was 1.20 times in 2007-08 as against 0.77 times in 2006-07.

Inventories

The Company's inventory of programs decreased from 11 days in 2006-07 to 9 days in 2007-08. As a proportion of the working capital, it increased from 7.91% in 2006-07 to 16.69% in 2007-08.

Loans and advances

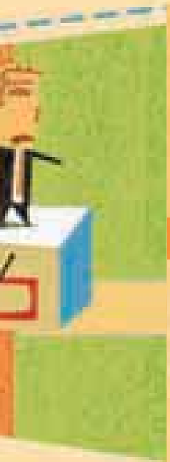
Loans and advances declined from Rs. 4299.52 lacs in 2006-07 to Rs 4047.40 lacs in 2007-08. As a proportion of the working capital, the figure rose from 49.55% in 2006-07 to 70.56% in 2007-08. These loans and advances were considered safe and related to the Company's business.

Tax liability

The intrinsic profitability of the business is reflected in the Company's tax payment of Rs. 4029.55 lacs in 2007-08, conforming to a tax rate of 31.36% in 2007-08. Balaji paid a fringe benefit tax of Rs. 72 lacs during the year (previous year's fringe benefit tax was Rs 71 lacs).

Ratio Analysis

Financial Performance Ratios	Mar-08	Mar-07	Mar-06	Mar-05	Mar-04
Other income / Total Income	4.99%	2.88%	3.01%	2.45%	3.33%
Material cost / Net Sales	49.00%	50.24%	55.79%	54.07%	41.82%
Overheads / Total Income	12.67%	11.74%	10.48%	11.41%	9.20%
Interest / Total Income	0.00%	0.00%	0.01%	0.10%	0.01%
PBDIT / Total Income	40.78%	39.46%	35.41%	35.85%	50.37%
PBDT / Total Income	40.78%	39.46%	35.39%	35.75%	50.36%
Depreciation / Total Income	3.86%	3.54%	5.11%	4.95%	4.34%
Tax / PBT	31.92%	32.37%	33.81%	33.45%	31.97%
Net profit / Total Income	25.40%	24.30%	20.56%	20.48%	30.04%
Cash profit / Total Income	28.93%	27.80%	25.10%	25.41%	35.60%
RONW (PAT / Net Worth)	24.10%	26.11%	23.72%	19.38%	38.38%
RONW (PAT / Average Net Worth)	26.29%	28.64%	25.63%	23.10%	44.18%
ROCE (PBDIT / Average capital employed)	42.21%	46.51%	44.15%	40.45%	74.09%
ROCE (PBDIT / capital employed)	38.70%	42.41%	40.86%	33.92%	64.35%
Capital output ratio (Total Income/ average capital employed)	1.04	1.18	1.25	1.13	1.47
Total income to gross block	3.65	4.21	4.32	3.61	4.21
Total income to working capital	6.04	3.77	5.63	2.91	4.44



Balance Sheet Ratios	Mar-08	Mar-07	Mar-06	Mar-05	Mar-04
Debtors turnover (days)	74	80	82	86	77
Inventory turnover (days)	10	8	15	44	15
Current ratio	1.83	3.39	1.90	3.43	3.12
Quick ratio	1.69	3.20	1.69	2.59	2.75
Cash and equivalents / total assets	69.76%	59.93%	66.12%	53.33%	51.39%
Asset turnover (Total Income / total assets)	0.94	1.06	1.13	0.92	1.23
Gross block / turnover	28.81%	24.47%	23.88%	28.43%	24.58%

Growth Ratios	Mar-08	Mar-07	Mar-06	Mar-05	Mar-04
Growth in Total Income	5.92%	13.08%	43.32%	9.35%	-1.60%
Growth in net sales	3.62%	13.23%	42.50%	10.35%	-4.12%
Growth in PBDIT	9.45%	26.03%	41.56%	-22.18%	-2.01%
Growth in PAT	10.71%	33.68%	43.87%	-25.46%	-3.48%
Growth in cash flow	10.22%	25.25%	41.58%	-21.96%	4.69%

Per Share Data Ratios	Mar-08	Mar-07	Mar-06	Mar-05	Mar-04
Earnings (less extraordinary income)	13.40	12.23	9.15	7.61	10.76
Cash earnings (Rs)	15.36	13.94	11.13	7.86	12.75
Dividend (Rs)	3.50	3.50	3.00	12.64	3.00
Book value (Rs)	55.96	46.65	38.42	32.69	28.03

Shareholder-Related Statistics	Mar-08	Mar-07	Mar-06	Mar-05	Mar-04
Dividend per share (%)	175.00	175.00	150.00	800.00	150.00
Dividend payout ratio	26.12%	28.63%	32.80%	166.11%	27.88%
Price / earnings	14.65	10.37	20.21	11.69	7.85
Price / cash earnings	12.78	9.09	16.61	11.32	6.62
Price / book value (year end)	4.58	3.54	6.28	3.55	3.10
Growth in market capitalisation	54.91%	-31.43%	107.70%	33.40%	53.41%

Margins	Mar-08	Mar-07	Mar-06	Mar-05	Mar-04
EBDITA	42.92%	40.63%	36.51%	36.75%	52.11%
Cash Profit Margin	30.45%	28.63%	25.88%	26.05%	36.83%
Pre Tax Profit Margin	39.06%	37.09%	31.38%	31.70%	47.76%
Pat Margin	26.73%	25.02%	21.19%	20.99%	31.08%

Audience attrition risk

Implication
Audience attention is beginning to fragment in the face of more programs and channels, which could impact the Company's fortunes.

Mitigation
The Company expects that the television industry's reach will expand following a stronger distribution network across India, especially in India's rural areas. Besides, mass entertainment's enduring allure is unlikely to diminish. The Company will strengthen its industry presence through the creation of content for different time slots, channels and genres.

Balaji also specialises in a differentiated kind of story telling, marked by unusual storylines and unexpected twists. Over the years, the Company has also retained audience attention through superior production values (sets, music scores, locations and clothing). There is always a large viewership for such content.

As a proactive content creator, Balaji makes a conscious attempt to arrest viewership attrition (whenever it transpires) through a continuous sampling of audience feedback and correction. As a result, there have been a number of instances when Balaji's serials have reported a rebound in TRPs.

Stagnation Risk

Implication
The number of channels that a content creator can service is limited, and so are the prime time slots available for each channel. So from one perspective, Balaji's revenues may have peaked.

Mitigation
In the opinion of the Company, there is a still a vast potential to be explored within the Company's customer channels and the number of channels that the Company can still supply content to. Even within the prime time slots, there is still room to be explored. In the opinion of the Company, a number of vernacular languages and formats hold out room for growth. The Company is also exploring weekend slots.

Product Risks

Implication
The Company is likely to face challenges from emerging entertainment forms like reality TV.

Mitigation
The Company has finalised two reality shows with its own format. The first show will go on air in the second quarter of 2008-09. The Company is also working on developing more of its own formats for launching new reality shows. The Company is also launching its first mythological show in the second quarter of 2008-09.

Customer Concentration Risk

Implication

For Balaji, business revolves around content sale for few television channels, a fact which can decline its bargaining strength if the channels fail to grow.

Mitigation

Balaji works only with brand-enhancing and financially sound TV channels with whom it enjoys a transparent remuneration structure.As a result, the Company's remuneration is to a large extent influenced by the paying consumer, reducing the role of bargaining.

Language Risk

Implication

A substantial portion (92%) of the Company's revenues was derived from a single language, reflecting over-dependence.

Mitigation

Hindi holds India together. It is either widely spoken or widely understood – or both. Interestingly, it also holds the Indian expatriate population together, as a result of which it remains the second-most widely spoken global language, a reality that is likely to persist. So enhanced presence in Hindi programming only reflects business de-risking. The fact that the Company is enhancing its exposure in the other languages is a sign of its expanding its market.

Creative Risk

Implication

As public preference evolves, there is no guarantee that the Company's content will enjoy popularity over the long run. As in all entertainment business, the presence of a celebrative conceptual head could act as a constraint against scalability.

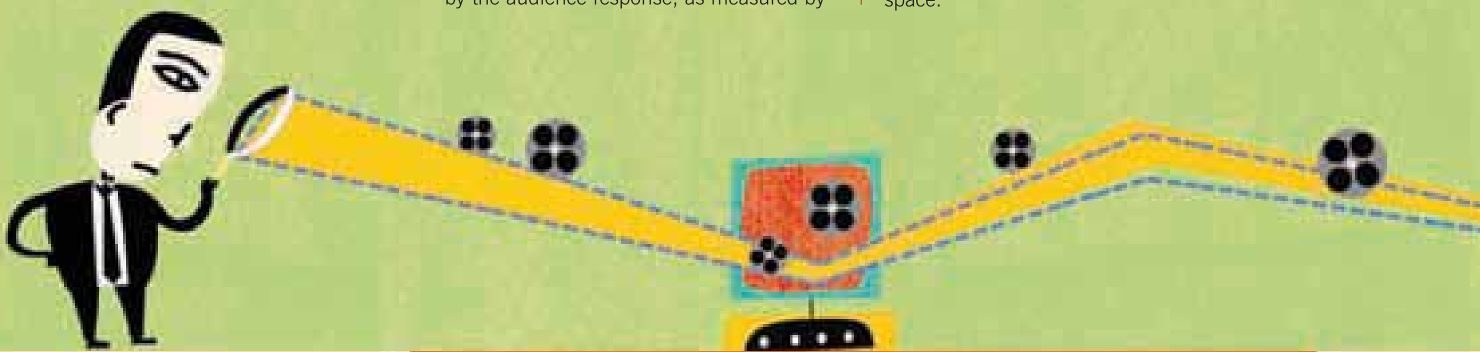
Mitigation

Over the years, the Company has progressively de-risked from such an eventuality. For instance, its mass entertainment production has revolved around multiple contemporary themes to sustain popularity. A second creative tier is responsible for the sustainable management of the program after the initial few episodes are cleared by the creative head.

Competition Risk

Implication
A growth in the number of entertainment content providers may enhance competition and reduce realisations.

Mitigation
In the business of entertainment content, a company's margins are influenced entirely by the audience response, as measured by TRPs. This unambiguous measure works as the litmus test for business growth and sustainability. Besides, the industry is open and the Company's customer channels are free to commission programs from various vendors. The continued acceptance of the Company's products reflects its pre-eminence in the entertainment content space.



Technology Risk

Implication
The Company had invested Rs 1121 lacs in production, post-production and allied equipment during the year ended 31 March 2008. In a business where newer generations of equipment are introduced all the time, their replacement could represent a financial setback.

Mitigation
The Company continues to monitor the technological developments closely and has identified high definition cameras and editing suits suitable for its operations. The orders are being placed with reputed vendors for these equipments. In the opinion of the Company, this represents an adequate initiative against obsolescence. Besides, the aggressive use of the assets resulted in the Company being able to recover the amount invested in them.

Artiste and People Attrition Risk

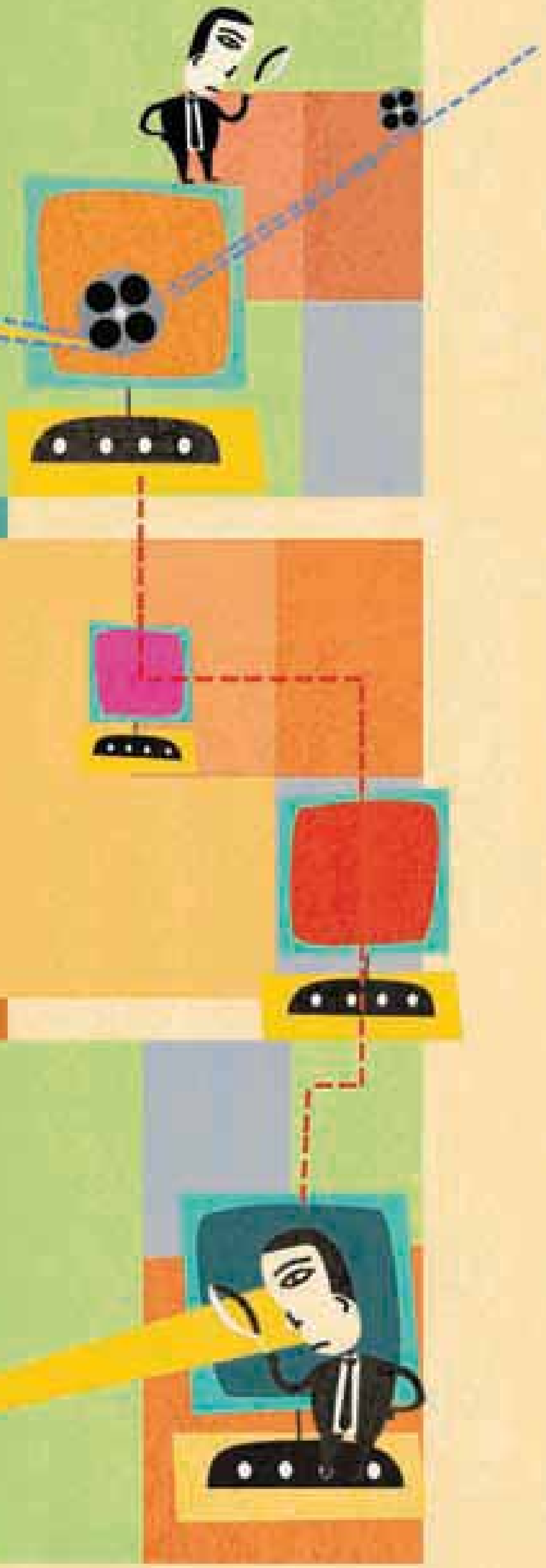
Implication
The Company works with a team comprising of key artistes and professionals. Their attrition can affect serial quality, viewership and TRPs.

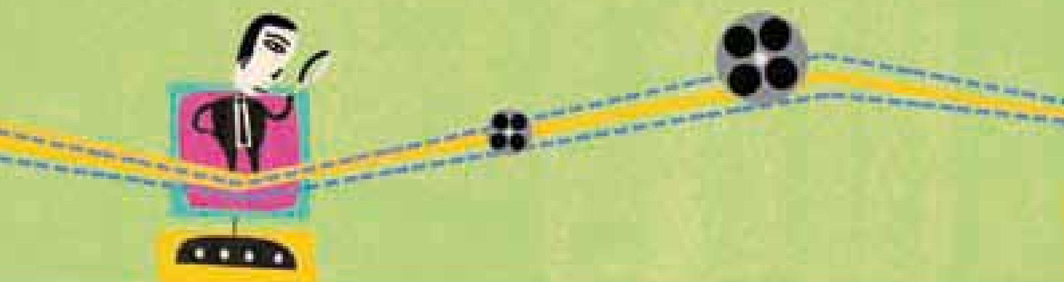
Mitigation
Balaji has always entered into contracts with team members to ensure manning stability. Besides, its compensation structure continues to be amongst the industry's best. As a part of prudent de-risking, the Company has generally encouraged non-artiste-centric scripts, which has not dented viewership even in the event of artiste attrition. Besides, a merit-based professional working environment with challenging job content, performance-oriented appraisal system, attractive growth possibilities, hands-on training, adequate empowerment and multi-level succession planning have all combined to keep attrition minimal.

Regulatory Risk

Implication
A delay in the introduction of CAS and popularization of DTH could lead to potential loss in income.

Mitigation
The appointment of TRAI as the regulator is expected to accelerate the successful implementation of CAS. Two more DTH operators are expected to commence their services very soon and revenues from DTH services are expected to be robust over the coming years.





Working Capital Risk

Implication
On the one hand, the Company suffers from a long receivables cycle while on the other it must remunerate professionals on schedule. Any mismatch could affect the Company's reputation as a preferred employer.

Mitigation
The Company's working capital was funded from internal accruals. This working capital component comprised 15.72 per cent of the Company's total employed capital. Besides, the Company possessed cash and cash equivalents worth Rs 227.32 cr as on 31 March 2008, an adequate hedge against unforeseen resource requirements. Besides, an ongoing audit, centralized purchase, episode progress report and sustained serial cost evaluation helped control costs.

Debt Risk

Implication
In the business of entertainment content, excessive debt could stifle risk taking, since the consumer's response remains unpredictable, a risk in itself.

Mitigation
Over the years, Balaji has emerged as debt-free and funding itself through accruals. As on 31 March 2008, the Company enjoyed a book value of Rs 55.96 with no debt, a comfortable position for future de-risked expansion.

To the members

Your Directors take pleasure in presenting the Fourteenth Annual Report together with the audited statement of accounts of the Company for the year ended 31st March, 2008.

Financial Results

(Rupees in lacs)

Particulars	2007-08	2006-07
Income from operations	32,896.85	31,746.68
Total expenditure	20,506.48	19,788.75
Operating profit	**12,390.37**	**11,957.93**
Interest	0.00	0.42
Depreciation	1,270.06	1,124.75
Operating profit after interest and depreciation	**11,120.31**	**10,832.76**
Other income	1,728.08	941.06
Profit before tax	**12,848.39**	**11,773.82**
Provision for taxation	4,055.08	3,831.00
Net profit after tax	**8,793.31**	**7,942.82**
Balance brought forward from previous year	10,965.09	6,389.65
(Short)/excess provision for tax in respect of earlier years	(54.80)	29.38
Appropriations		
Disposable profits	19,703.60	14,361.85
Proposed dividend	2,282.37	-
Interim dividend	–	2,282.37
Corporate dividend tax	387.89	320.10
Transfer to general reserve	879.33	794.29
Balance carried to Balance Sheet	16,154.01	10,965.09

Results of Operations

The Company continues to perform on a sustained basis with satisfactory results for the year 2007-08.

For the year ended 31st March 2008, the Company earned total revenue of Rs. 34,624.93 lacs, an increase of 5.93% over the previous year's Rs. 32,687.74 lacs. As per the consolidated accounts, the total revenues have grown by 20% from Rs. 32,965.62 lacs to Rs. 39,591.40 lacs in the year under review.

The net profit of the Company for the year increased from Rs. 7,942.82 lacs to Rs. 8,793.31 lacs in the year under review, a growth of 10.70%. As per the consolidated accounts, the net profit for the year was Rs. 9,614.32 lacs as compared to Rs. 7,925.07 lacs in the previous year, a growth of 21. 31%.

A detailed discussion on the business performance is presented in the Management Discussion and Analysis section of the Annual Report.

In April 2007, the Company had announced joint venture with the Star Group for launching regional language channels. Due to certain unforeseen operational issues, this initiative is still on hold and under review.

Appropriations

Dividend

The Directors are pleased to recommend a final dividend of Rs. 3.50 per share (175 per cent on a par value of Rs. 2 per share) for the approval of the members. The final dividend, if declared as above, would involve an outflow of Rs. 2,282.37 lacs towards the dividend (previous year Rs. 2,282.37 lacs) and Rs. 387.89 lacs towards dividend tax (previous year Rs. 320.10 lacs), resulting in a total outflow of Rs. 2,670.26 lacs as against Rs. 2,602.47 lacs in the previous year. Dividend (including dividend tax) as percentage of profit after tax is 30.37%, as compared to 32.77% in the previous year.

Transfer to Reserves

We propose to transfer Rs. 879.33 lacs to the general reserve out of the amount available for appropriations. An amount of Rs. 16,154.01 lacs is proposed to be retained in the profit and loss account.

Subsidiaries

We have two wholly owned subsidiaries: Balaji Motion Pictures Limited (BMPL) and Balaji Telefilms FZE (BTF).

BMPL was established in March 2007 to handle the film related business of the Company. BMPL successfully released three movies during the year. BMPL's four new film projects i.e. Sarkar Raj, EMI, C Kkompany and Mission Istanbul have been tentatively scheduled for release in the first two quarters of this year. BMPL achieved turnover of Rs. 3,653.22 lacs and profit after tax of Rs. 549.11 lacs in its first full year of operations.

BTF was incorporated in Sharjah Airport International Free Zone in September 2006, to provide content to the leading channels of the region. BTF launched its first serial 'Khwaish' in June 2007 on ARY and Sony channel successfully. Due to certain operational issues, the production of the programme was later shifted to India. The production of the serial was discontinued in April 2008 and the Company is now exploring other alternatives in these markets.

Directors

Mr. Jeetendra Kapoor and Mr. Dhruv Kaji retire by rotation at the ensuing Annual General Meeting. Both of them, being eligible, offer themselves for re-appointment.

Ms Ella Wong was appointed as Alternate Director to Mr. John Lau on 22nd May 2008.

The brief resume/details relating to the Directors who are to be re-appointed are furnished alongwith the notice convening the Annual General Meeting.

Your directors recommend their re-appointment at the ensuing Annual General Meeting.

Auditors

M/s. Deloitte Haskins and Sells, Chartered Accountants, Mumbai and M/s. Snehal & Associates, Chartered Accountants, Mumbai, the Joint Auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. They have also confirmed their eligibility and willingness for re-appointment if made the Joint Auditors of the Company and confirmed that, if appointed as auditors for the year 2008–09, their appointment will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Particulars of Employees

Particulars of employees, as required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, are set out as under:

Sr. No.	Name	Age (years)	Designation	Gross remuneration	Qualification	Experience	Date of joining	Previous employment
1	Ashish Gharde*	36	National Head – Human Resource	497,693	B.Com, Masters in Personnel Management	12 years	12/2/2008	Music Broadcast India Private Limited - HR Head
2	Ekta Kapoor	33	Creative Director	42,272,000	N.A.	14 years	10/11/1994	–
3	R. Karthik	39	Chief Executive Officer	4,132,226	M.Sc., MBA	15 years	1/3/2000	Nimbus Communications Ltd Sr. Marketing Executive
4	Sandeep Jain	37	Chief Financial Officer	3,537,167	C.A., C.S.	13 years	3/5/2006	SET Discovery Pvt. Ltd. Senior Manager
5	Shobha Kapoor	59	Managing Director	41,648,000	N.A.	14 years	10/11/1994	–
6	Umesh Ray	44	President Operation	2,706,914	B.Com, LLB, B. Ed.	16 years	1/3/2000	Independent Consultant

Note:

1. The gross remuneration shown above comprises of salary, commission, allowances, the Company's contribution to provident fund, insurance, gratuity under LIC scheme in terms of actual expenditure incurred by the Company and monetary value of the perquisites as per income tax rules.
2. The nature of employment in all cases is contractual. Services of Ms. Shobha Kapoor and Ms. Ekta Kapoor are terminable by twelve month's notice for each. Services of all other employees mentioned above are terminable by either party, by giving three month's notice.
3. None of the above employees mentioned above are related to any Directors of the Company, except for Ms. Shobha Kapoor and Ms. Ekta Kapoor, who are related to each other.
4. Ms Shobha Kapoor holds 9,935,000 shares constituting 15.24% and Ms. Ekta Kapoor holds 9,727,000 shares constituting 14.92% of shares in the Company.
5. * Indicates earnings for part of the year.

Consolidated Financial Statements

In compliance with the Accounting Standard 21 on Consolidated Financial Statements, this Annual Report also includes Consolidated Financial Statements for the financial year 2007-08.

Particulars Under Section 212 of the Companies Act, 1956

As per Section 212 of the Companies Act, 1956, we are required to attach certain documents of our subsidiaries. We have attached the directors' report, auditors' report, balance sheet and profit and loss account of Balaji Motion Pictures Limited, the wholly owned Indian subsidiary of the Company and the statement under section 212 of the holding company's interest in the subsidiaries. We had applied to the Central Government for exemption from attaching the accounts of the Balaji Telefilms FZE, wholly owned overseas subsidiary of the Company (since received). Accordingly, the Annual Report does not contain the financial statements of this subsidiary. We will make available the audited annual accounts and related information of this subsidiary, wherever applicable, upon request by any of our investors. These documents will also be available for inspection during business hours at our registered office. The Company also presents the audited consolidated financial statements in the Annual Report. We believe that the consolidated accounts present a full and fair picture of the state of affairs and financial condition, and are accepted globally.

Auditors' Report

The observations of Auditors in their report read with the relevant notes to accounts in Schedule 16 are self-explanatory and do not require further explanation.

Conservation of Energy

Energy conservation measures taken by the Company

Our operations are not energy intensive. However, significant measures are taken to reduce energy consumption by using energy-efficient computers and by purchasing energy-efficient equipment. We purchase PCs, laptops, air conditioners etc. that meet environmental standards, wherever possible and replace the old equipment with more energy-efficient equipment. Currently, we use CFL fixtures to reduce the power consumption in the illumination system.

Additional investments and proposals, if any, being implemented for reduction of consumption of energy

We constantly evaluate new technologies and invest into this to make our infrastructure more energy efficient.

Impact of the measures and consequent impact on the cost of production of goods

As energy costs comprise a very small part of our total expenses, the financial impact of these measures is not material.

Total energy consumption

Since the Company does not form part of the list of industries specified in the schedule, the same is not applicable to the Company.

Technology Absorption

The Company's research and development initiatives mainly consists of ideation of new subjects for our serials which are used in the creation of new storyline and tracks. The expenses incurred on such initatives are not practically quantifiable.

The Company is an integrated player in the entertainment industry and our business is such that there is limited scope for new technology absorption, adaptation and innovation. However, the Company use the latest technology, wherever possible for better production values as a regular process.

Foreign Exchange Earnings and Outgo

The foreign exchange earnings is Rs. 25,623.73 lacs and the outgo is Rs. 412.27 lacs, including Rs. 177.46 lacs towards capital goods, as given in Point 15 in Schedule 16 (statement of significant accounting policies and notes forming part of accounts) of the financial statement.

Fixed Deposits

The Company has not accepted any fixed deposits and as such, no amount of principal or interest was outstanding as on the balance sheet date.

Corporate Governance

A separate section on corporate governance and a certificate from Auditors of the Company regarding compliance of the conditions of corporate governance as stipulated under clause 49 of the listing agreements with the stock exchanges forms part of this Annual Report.

Certificate of CEO / CFO, inter alia , confirming the correctness of the financial statements, adequacy of the internal measures and reporting of matters to the audit committee in terms of the clause 49 of the listing agreements with stock exchanges, is also attached as a part of this Annual Report.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 and based on the representation received from the operating management, the Directors hereby confirm:

- That in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- That they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- That they 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;
- That they have prepared the annual accounts on a going concern basis.

Acknowledgements

Your Directors takes this opportunity to express their sincere appreciation for the excellent support and co-operation extended by the shareholders, bankers and other business associates. Your Directors further wish to place on record their appreciation of the exemplary contribution made by the employees at all levels, who, through their competence, hard work, solidarity, cooperation and support enabled the Company to achieve consistent growth.

On behalf of the Board of Directors,

Jeetendra Kapoor
Chairman

22nd May 2008
Mumbai

Balaji Telefilms Limited is committed to a strong corporate governance and believes in its indispensability in investor protection. The Company's compliance with the Corporate Governance Code in terms of Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited is given herein below:

Company's philosophy on Corporate Governance

The Company's philosophy on Corporate Governance is as under:

- Ensure that quantity, quality and frequency of financial and managerial information, which management shares with the Board, places the Board members fully in control of the Company's affairs
- Ensure that the Board exercises its fiduciary responsibilities towards Shareholders and Creditors, thereby ensuring high accountability
- Ensure that the extent to which the information is disclosed to present and potential investors is maximised
- Ensure that the Board, the Employees and all concerned are fully committed to maximizing long-term value to the Shareholders and the Company

Composition of Board

The Board currently has nine members, of whom two are Executive Directors. The Board has a non-executive Chairman. At present one third of the strength of the Board of Directors comprises of Independent Directors. Securities and Exchange Board of India (SEBI) has vide its circular dated 8th April 2008 amended clause 49 of the listing agreement whereby if the non-executive chairman is a promoter or related to promoters, atleast one-half of the Board of the Company should consist of independent directors. In view of the said amendment Company will have to have atleast 50% independent directors. The Articles of Association of the Company restricts the total strength of the Board to nine members and hence the Company has not been able broadbase the Board and induct more independent directors to its Board. The Company is seeking members' approval for amendment to the Articles of Association of the Company to give effect to increase in number of directors at the ensuing Annual General Meeting. The Board either directly exercises its powers or functions through Committees. Policy formulation, setting up of goals and evaluation of performance and control functions vest with the Board, while the Committees oversee operational issues.

Five meetings of the Board of Directors were held during the year – on April 19, May 16, July 26 and October 30 in 2007 and on January 22 in 2008. The maximum time gap between any two meetings was not more than four calendar months. None of the Directors of the Company held committee membership of more than ten committees nor committee chairmanships of more than five committees across all companies in which the person was a director.

The names of members of the Board of Directors, their attendance at Balaji Telefilms Limited's Board meetings, last Annual General Meeting (AGM), the number of other directorships and memberships / chairmanships of the committees in various companies are set out below:

Name of the Director	Attendance Particulars		No. of Directorships and Committee Memberships / Chairmanships		
	Board Meetings	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
Mr. Jeetendra Kapoor (P, N)	5	Present	5, +1	3	1
Ms. Shobha Kapoor (P, E)	5	Present	6, + 1	1	0
Ms. Ekta Kapoor (P, E)	5	Not Present	4, +1	1	0
Mr. Akshay Chudasama (N, I)	3	Present	4	1	0

Name of the Director	Attendance Particulars		No. of Directorships and Committee Memberships / Chairmanships		
	Board Meetings	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
Mr. Dhruv Kaji (N, I)	5	Present	4, +1	3	2
Mr. Tusshar Kapoor (P,N*)	4	Not Present	4, +1	0	0
Mr. Pradeep Sarda (N,I)	3	Not Present	20	1	0
Mr. John Lau (N,NI)	5	Present	1, +134	2	0
Mr. Paul Aiello (N, NI)	2	Not Present	2, +54	1	0

P = Promoter; E = Executive; N = Non-Executive; I = Independent; NI = Non-Independent;

+ Directorships of Foreign Companies

* Non-Executive with effect from 26th July 2007

Audit Committee

Terms of Reference

The Audit Committee provides direction to the audit and risk management function in the Company and monitors the quality of internal audit and management audit. The responsibilities of the Audit Committee include overseeing the financial reporting process to ensure proper disclosure of financial statements, recommending appointment / removal of external auditors and fixing their remuneration, reviewing the annual financial statements before submission to the Board, reviewing adequacy of internal control systems, structure and staffing of the internal audit function, reviewing findings of internal investigations and discussing the scope of audit with external auditors.

The terms and composition of the Audit Committee conform to the requirement of Section 292A of the Companies Act, 1956.

Composition

The composition of the Audit Committee is as follows:

Chairman	:	Mr. Dhruv Kaji
Members	:	Mr. Akshay Chudasama Mr. Jeetendra Kapoor Mr. Pradeep Sarda Mr. John Lau
Secretary	:	Ms. Alpa Khandor
Invitees	:	Representatives of Statutory Auditors and Internal Auditor Mr. Sandeep Jain, Chief Financial Officer

Meetings and Attendance

The details of meetings held during the year, and the attendance thereat are as follows:

Dates of Meetings: May 16, July 26 and October 30 in 2007 and January 22 in 2008.

Attendance

Name of the Director	No. of Meetings attended
Mr. Dhruv Kaji	4
Mr. Akshay Chudasama	3
Mr. Jeetendra Kapoor	4
Mr. Pradeep Sarda	2
Mr. John Lau	4

The Statutory Auditors and Internal Auditor of the Company are invitees to the Audit Committee Meetings. The Audit Committee holds discussions with the Statutory Auditors on "Limited Review" of the quarterly and half yearly accounts, yearly Audit of the Company's accounts and other related matters.

The Company has re-appointed PSK & Associates, Chartered Accountants as Internal Auditor to review the internal control systems of the Company and to report thereon. The report of the Internal Auditor is reviewed by the Audit Committee.

Shareholders' Committee

Terms of Reference

The functions and powers of the Shareholders' Committee include approval / rejection of transfer / transmission and rematerialisation of equity shares, issue of duplicate certificates and supervising the operations of the Registrar and Transfer Agents and also maintaining investor relations and review and redressal of shareholders / investors' grievances / complaints. The details in this respect are given in the General Shareholder Information section of this report.

Composition

The composition of the Shareholders' Committee is as follows:

Chairman	:	Mr. Jeetendra Kapoor
Members	:	Ms. Shobha Kapoor Ms. Ekta Kapoor
Compliance Officer	:	Ms. Alpa Khandor, Company Secretary

Meetings and Attendance

Since there were no requests for rematerialisation or transfer / transmission of shares through out the year and there were no matters requiring attention of the Committee, no meeting of the Committee was held during the year 2007-08.

Remuneration Committee

Terms of Reference

The Committee is entrusted with the role and responsibilities of approving compensation packages of Managing Director/ Whole Time Director, reviewing and approving the performance based incentives to be paid to the Managing Director/ Whole Time Director and reviewing and approving compensation package and incentive schemes of senior managerial personnel.

Composition

The composition of the Remuneration Committee is as follows:

Chairman	:	Mr. Akshay Chudasama
Members	:	Mr. Dhruv Kaji Mr. Jeetendra Kapoor Mr. Pradeep Sarda Mr. John Lau
Compliance Officer	:	Ms. Alpa Khandor Company Secretary

Meetings and Attendance

The details of meetings held during the year, and the attendance thereat are as follows:

Dates of Meeting: - May 16 in 2007 and January 22 in 2008

Attendance

Name of the Director	No. of Meetings attended
Mr. Akshay Chudasama	1
Mr. Dhruv Kaji	2
Mr. Jeetendra Kapoor	2
Mr. Pradeep Sarda	1
Mr. John Lau	2

Remuneration Policy and Details of Remuneration Paid

The remuneration of the Directors is decided by the Board of Directors as per the remuneration policy of the Company within the ceiling approved by shareholders.

No fixed component and performance linked incentives were paid or is payable to the Managing Director and the Creative Director for the year under review, other than the commission @ of 2.5% each, of the net profits of the Company computed in accordance with Sections 349 and 350 of the Companies Act, 1956.

No remuneration was paid to non-executive directors apart from sitting fees and commission at fixed rate of 0.80% to the Chairman and 0.20% of the net profits of the Company computed in accordance with Sections 349 and 350 of the Companies Act, 1956, to all other non-executive directors with a ceiling of Rs. 3 lacs each, as approved by the shareholders by postal ballot result declared on 14th November 2006. The Non-Executive Directors are paid remuneration having regard to the prevalent practice in the Industry and commensurate with their experience. Besides the above remuneration and sitting fees and rent amounting to Rs. 21.60 lacs paid to Mr. Jeetendra Kapoor and Rs. 3.26 lacs paid to Mr. Tusshar Kapoor (refer Note No. B-8 in Schedule 16 'Notes on Accounts', annexed to the Financial Statements of the year), there is no other pecuniary transaction by the Company with Non-Executive Directors.

Details of the remuneration to the Directors for the year ended 31st March 2008

Name	Designation	Remuneration for the year 2007-2008 (in Rs.)						No. of shares held by Non-Executive Directors
		Salary	Perquisites	Commission	Sitting Fees	Employer Contribution to Provident Fund	Total	
Ms. Shobha Kapoor	Managing Director	4800000	4200000	32072000	–	576000	41648000	N.A.
Ms. Ekta Kapoor	Creative Director	5100000	4488000	32072000	–	612000	42272000	N.A.
Mr. Tusshar Kapoor	Director	191935*	161226*	300000	30000	23032*	706193	2030250
Mr. Jeetendra Kapoor	Chairman	–		10263000	75000	–	10338000	4392000
Mr. Akshay Chudasama	Director	–		300000	45000	–	345000	–
Mr. Dhruv Kaji	Director	–		300000	75000	–	375000	–
Mr. Pradeep Sarda	Director	–		300000	45000	–	345000	–
Mr. John Lau	Director	–		300000	75000	–	375000	–
Mr. Paul Aiello	Director	–		300000	30000	–	330000	–

* for the period 1st April 2007 till 26th July 2007, Mr. Tusshar Kapoor was functioning as Executive Director.

None of the directors are related to any other director on the Board, except for Mr. Jeetendra Kapoor, his spouse Ms Shobha Kapoor, daughter Ms. Ekta Kapoor and son Mr. Tusshar Kapoor, who are related to each other.

The agreements with Managing Director and the Creative Director are for a period of five years. The nature of employment of Ms. Shobha Kapoor and Ms. Ekta Kapoor is contractual and terminable by twelve month's notice in writing. If the tenure of the office of Managing Director or Creative Director is terminated before expiration of the agreements, the severance fees would be equivalent to the remuneration for unexpired residue of the tenure or for three years, whichever is shorter. Mr. Tusshar Kapoor's agreement was for a period of three years.

General Body Meetings

The details of Annual General Meetings held in the last three years are given below:

Annual General Meeting	Day, Date	Time	Venue
11th Meeting	Friday, 26th August 2005	3:30 p.m.	'The Club', 197, D. N. Nagar, Andheri (West), Mumbai – 400 053.
12th Meeting	Friday, 18th August 2006	3:30 p.m.	'The Club', 197, D. N. Nagar, Andheri (West), Mumbai – 400 053.
13th Meeting	Thursday, 26th July 2007	4:00 p.m.	'Shri Bhaidas Maganlal Sabhagriha" Swami Bhaktivedanta Marg, J.V.P.D. Scheme, Vile Parle (West), Mumbai – 400 056.

Special resolutions

No special resolution was passed at the last three Annual General Meetings.

One special resolution was passed through postal ballot last year

1. Revision in remuneration of Creative Director of the Company

Details of Voting Pattern

99.99% of shares in assent and 0.01% of shares in dissent

Person who conducted the postal ballot

Nilesh G. Shah, Company Secretary in Practice.

Whether any special resolution is proposed to be conducted through postal ballot

None

Procedure of postal ballot

As per the provisions of the Companies Act, 1956 and rules made thereunder.

Disclosures

1. Related Parties transactions

None of the transactions with any of the related parties were in conflict with interest of the Company. Transactions with the related parties are disclosed in Note No. B - 8 in Schedule 16 "Significant Accounting Policies and Notes on Accounts" annexed to the Financial Statements of the year.

2. Compliances by the Company

The Company has complied with the requirements of the stock exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the stock exchanges, SEBI, or other statutory authorities relating to the above.

3. Though there is no formal Whistle Blower Policy, the Company takes cognizance of complaints made and suggestions given by the employees and others. Even anonymous complaints are looked into and whenever necessary, suitable corrective steps are taken. No employee of the Company has been denied access to the Audit Committee of the Board of Directors of the Company.

4. The Company has laid down a code of conduct for the Directors and Senior Management of the Company. The code has been posted on the website of the Company. A declaration to the effect that the Directors and Senior Managerial Personnel have adhered to the same, signed by the CEO of the Company, forms part of this Report, which alongwith the auditors' certificate on compliance of Clause 49 of the Listing Agreement by the Company is annexed to this report. The Company has complied with all the mandatory requirements of clause 49 of the Listing Agreement.

Re-appointment of Directors

The individual details of Directors seeking re-appointment at the ensuing Annual General Meeting of the Company are annexed to the notice of Annual General Meeting.

Means of Communication

The Company believes that all stakeholders should have access to adequate information, regarding the Company's position to enable them to accurately assess its future potential. In accordance with the applicable guidelines / listing agreements with the stock exchanges, all information which could have a material bearing on Balaji Telefilms Limited's share price is released at the earliest.

The Company's financial results were published in Business Standard, Free Press Journal and Navshakti (regional daily). The financial results and official news releases were displayed on the Company's web site www.balajitelefilms.com. Presentations made to the institutional investors and analysts during the year under review, were displayed on the Company's website. The Company sends a copy of its half-yearly results to each shareholder.

The Financial Results of the Company for each quarter were also put on the web site of Electronic Data Information and Retrieval (EDIFAR) maintained by National Informatics Centre and can also be accessed from the web site www.sebiedifar.nic.in.

Managements' discussion and analysis forms part of the Annual Report, which is being posted to shareholders of the Company.

General Shareholder Information

1. Date of Book Closure

19th July 2008 to 29th July 2008 (both days inclusive).

2. Date, time and venue of the Annual General Meeting

29th July 2008 at 4:30 p.m. at "The Club', 197, D. N. Nagar, Andheri (West), Mumbai – 400 053.

3. Dividend payment

The Board of Directors has recommended final dividend of Rs. 3.50 per share, i.e. 175% for the year ended 31st March, 2008. The final dividend will be paid within the stipulated number of days once it is approved at the Annual General Meeting.

4. Listing on Stock Exchanges

1. Bombay Stock Exchange Limited
   Phiroze Jeejeebhoy Towers,
   Dalal Street, Mumbai – 400 001
   Tel: +91-22-22721233/34,
   Fax:+91-22-22721919/3027
   (Stock Code – 532382)

2. National Stock Exchange of India Limited
   Exchange Plaza, 5th floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.
   Tel: +91-22-26598235 / 36,
   Fax: +91-22-26598237/38
   (Stock Code – BALAJITELE)

5. ISIN

INE794B01026

6. Listing Fees

Paid for both the above Stock Exchanges as per listing agreements

7. Listing on Stock Exchanges outside India

Not applicable

8. Registered Office of Company

C-13, Balaji House, Dalia Industrial Estate,
Opp. Laxmi Industries, New Link Road,
Andheri (West), Mumbai – 400 053.
Tel: +91-22-40698000,
Fax: +91-22-40698181/82
Email: balaji@balajitelefilms.com
Web site: www.balajitelefilms.com

9. Share transfers in physical, communication regarding share certificates, dividends, change in address etc. may be addressed to:

Karvy Computershare Private Limited
(Company's Registrar and Transfer Agents)
Unit: Balaji Telefilms Limited
Plot No.17 to 24, Near Image Hospital, Vittalrao Nagar, Madhapur,
Hyderabad - 500 081.
Tel: +91-40-23420815-820,
Fax: +91-40-23420814
Email: mailmanager@karvy.com

10. Share Transfer System

Shares sent for physical transfer are registered and returned within one month from the date of receipt, if the documents are clear in all respects. The Shareholders' Committee meets as often as required. There were no shares transfers in physical form during the year 2007-2008 and no share transfer pending as on 31st March, 2008.

11. Stock Market Data relating to Shares listed in India

The Company's shares are listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, since 22nd November 2000. The Company's market capitalisation as on 31st March 2008 was Rs. 128041 lacs. The monthly high and low quotations as well as the volume of shares traded during the year are as below:

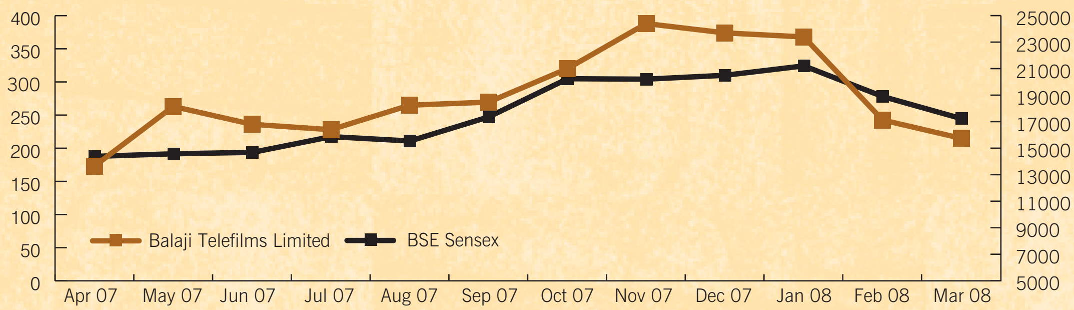
Month	BSE			NSE		
	High	Low	No. of Shares Traded	High	Low	No. of Shares Traded
April	173.00	121.15	7214403	168.75	123.00	11427256
May	263.00	157.00	15729615	245.50	160.00	27008492
June	236.00	196.60	8824263	232.00	199.00	15926565
July	227.95	220.90	5192220	271.90	222.00	10239294
August	264.90	221.05	1344406	255.30	226.00	2976528
September	269.50	235.00	1031808	263.20	243.00	3062962

Month	BSE			NSE		
	High	Low	No. of Shares Traded	High	Low	No. of Shares Traded
October	320.00	256.20	1439689	301.35	262.10	2694612
November	388.00	271.05	1601012	374.90	280.00	3112222
December	373.95	325.00	318636	359.70	336.95	676010
January	367.85	215.00	588357	352.60	242.00	1176939
February	242.50	188.00	1186771	234.65	198.00	2551813
March	214.80	179.05	370351	213.95	176.90	1287595

Fact Sheet

Items	2007-08	2006-07
Earnings per share (Rs.)	13.40	12.23
EPS – Fully diluted (Rs.)	13.40	12.23
Dividend per share (Rs.)	3.50	3.50
Number of shares	6,52,10,443	6,52,10,443
Share price data (Rs.)		
High	388.00	200.80
Low	121.15	98.00
Closing	196.35	126.75

The performance of Balaji Telefilms Limited's equity shares relative to the BSE Sensitive Index (Sensex) is given in the chart below.



12. Investor Service – Complaints / Correspondence Received During the year

Nature of Complaints / Requests	Year ended 31st March 2008	
	Received	Disposed
Receipt of Dividend Warrants for Revalidation	12	12
Change or Correction of Bank Mandate	17	17
Non Receipt of Dividend Warrants	25	25
Non Receipt of Annual Report	7	7

The Company has disposed of all of the investor grievances / correspondence. There is no share transfer pending as on 31st March 2008.

13. Shareholding Pattern of Balaji Telefilms Limited as on 31st March 2008

Category	No. of shares held	Percentage of shareholding
Promoters	26085250	40.00
Foreign Corporate Bodies	16948194	25.99
Foreign Institutional Investors	8889205	13.63
Mutual Funds / UTI	7174242	11.00
Resident Individuals	2967571	4.55
Bodies Corporates	2445597	3.75
Indian Financial Institutions / Banks	394372	0.61
Non Resident Indians	195084	0.30
HUF	90877	0.14
Clearing Members	20000	0.03
Trusts	51	0.00
Grand Total	**65210443**	**100**

14. Distribution of shareholding as on 31st March 2008

Number of Shares	Number of Shareholders	Percent of Total Shareholders	Amount	Percent Holding
1 to 5000	13429	98.49	3185326	2.44
5001 to 10000	75	0.55	542400	0.42
10001 to 20000	39	0.29	608636	0.47
20001 to 30000	13	0.10	327636	0.25
30001 to 40000	8	0.06	296082	0.23
40001 to 50000	3	0.02	133516	0.10
50001 to 100000	17	0.12	1242164	0.95
100001 & above	51	0.37	124085126	95.14
Total	13635	100.00	130420886	100.00

15. Shares under Lock-in

In accordance with SEBI Guidelines, currently no Equity Shares held by promoters are subject to lock-in.

16. Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity:

As on 31st March 2008 the Company did not have any outstanding GDRs/ ADRs/ Warrants or any convertible instruments

17. Dematerialisation of Equity Shares

The Company's shares are traded in dematerialised form. To facilitate trading in dematerialised form there are two depositories, i.e., National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). The Company has entered into agreement with both these depositories. Shareholders can open account with any of the depository participants registered with any of these depositories. As on 31st March 2008 about 99.93% comprising 6,51,62,571 Equity Shares were in the dematerialised form.

18. Financial Calendar (tentative and subject to change)

Particulars	Date
Annual General Meeting	29th July 2008
Financial reporting for 1st quarter ending 30th June 2008	Last week of July, 2008
Financial reporting for 2nd quarter ending 30th September 2008	Last week of October, 2008
Financial reporting for 3rd quarter ending 31st December 2008	Last week of January, 2009
Financial reporting for the year ended 31st March 2009 (audited)	June, 2009
Annual General Meeting for year ended 31st March 2009	August, 2009

19. Plant Locations

The details of regional offices of the Company are available on the inside back cover page of the Annual Report.

20. Investors' Correspondence

Investors' correspondence may be addressed to:

Alpa Khandor, Company Secretary
Balaji Telefilms Limited
C-13, Balaji House, Dalia Industrial Estate,
Opp. Laxmi Industries, New Link Road,
Andheri (West), Mumbai – 400 053.
Tel: +91-22-40698000,
Fax: +91-22-40698181/82
Email: investor@balajitelefilms.com

Any queries relating to the financial statements of the Company be addressed to:

Mr. Sandeep Jain, Chief Financial Officer
Balaji Telefilms Limited
C-13, Balaji House, Dalia Industrial Estate,
Opp. Laxmi Industries, New Link Road,
Andheri (West), Mumbai – 400 053
Tel: +91-22-40698000,
Fax: +91-22-40698181/82
Email: sandeep.jain@balajitelefilms.com

21. Insider Trading

In terms of the SEBI (Prohibition of Insider Trading) Regulations, 1992, the Company has framed code of conduct.

22. Secretarial Audit

A qualified practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with NSDL and CDSL and total issued and listed capital. The secretarial audit report confirms that the total issued / paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

23. Non Mandatory Requirements

a. Chairman of the Board
The Company has non-executive Chairman, who is entitled to maintain a Chairman's office at the Company's expenses. The expenses incurred by him during performance of his duties are reimbursed to him.

b. Remuneration Committee
The Company has appointed a Remuneration Committee since January 2003.

c. Shareholder Rights
The Company has been sending to each shareholder, its half-yearly results, starting from the half-year ended 30th September 2001.

d. Postal Ballot
No resolutions have been proposed to be passed through postal ballot at the ensuing Annual General Meeting.

CEO Declaration

We, Shobha Kapoor, Managing Director and R. Karthik, Chief Executive Officer, of Balaji Telefilms Limited based on confirmation received from all the directors and senior management of the Company, do hereby state that all Board Members and senior management personnel has affirmed compliance with the code of conduct of the Company for the year ended 31st March 2008.

Shobha Kapoor
Managing Director

R. Karthik
Chief Executive Officer

Mumbai, 22nd May 2008

CEO/CFO Certification

We, Shobha Kapoor, Managing Director, R. Karthik, Chief Executive Officer and Mr. Sandeep Jain, Chief Financial Officer of Balaji Telefilms Limited, do hereby certify to the Board that:

a. We have reviewed financial statements and the cash flow statement for the year ended 31st March 2008 and that to the best of our knowledge and belief :

   i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

c. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

d. We have indicated to the auditors and the Audit committee

   i. significant changes in internal control over financial reporting during the year;

   ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

   iii. instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Shobha Kapoor
Managing Director

R. Karthik
Chief Executive Officer

Sandeep Jain
Chief Financial Officer

Mumbai, 22nd May 2008

Certificate on Corporate Governance

To the Members of
BALAJI TELEFILMS LIMITED

We have examined the compliance of conditions of corporate governance by BALAJI TELEFILMS LIMITED, for year ended on 31st March 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We 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.

For **Deloitte Haskins & Sells**
Chartered Accountants

A. Siddharth
Partner

Membership No. 31467

Mumbai, Dated: 22nd May, 2008

For **Snehal & Associates**
Chartered Accountants

Snehal Shah
Proprietor

Membership No. 40016

Mumbai, Dated: 22nd May, 2008

Financial section

Auditor's Report

To,
The Members of
Balaji Telefilms Limited

1. We have audited the attached Balance Sheet of **Balaji Telefilms Limited** as at 31st March, 2008, the Profit and Loss Account and also the Cash Flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

4. Further to our comments in the Annexure referred to above, 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 account as required by law have been kept by the Company, so far as appears from our examination of the books;
   - iii. the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
   - iv. in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report comply with the accounting standards referred in sub-section (3C) of section 211 of the Companies Act, 1956;
   - v. on the basis of 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 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 with the significant accounting policies and 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 case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
     - b) in case of the Profit and Loss Account, of the profit for the year ended on that date; and
     - c) in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Deloitte Haskins & Sells
Chartered Accountants

(A. Siddharth)
Partner
Membership No.: 31467

Place : Mumbai
Dated : 22nd May, 2008

For Snehal & Associates
Chartered Accountants

(Snehal Shah)
Proprietor
Membership No.: 40016

Place : Mumbai
Dated : 22nd May, 2008

ANNEXURE TO AUDITOR'S REPORT

Re: Balaji Telefilms Limited

Referred to in Paragraph 3 of our report of even date

(i) The requirements of clauses (xiii) and (xiv) of paragraph 4 of the Order are not applicable to the Company for the year.

(ii) (a) The Company has maintained proper records, showing full particulars including quantitative details and situation of its fixed assets.

(b) The fixed assets have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification.

(c) There has not been any significant disposal of fixed assets during the year.

(iii) (a) The inventory (tapes) has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company has maintained proper records of inventories. No material discrepancies were noticed on verification.

(iv) (a) The Company has granted interest free loans to the two wholly owned subsidiaries covered in the Register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year is Rs. 2,460.78 lacs and the year end balance is Rs. 2,210.10 lacs.

(b) In our opinion and according to the information and explanations given to us, other terms and conditions of the loans granted by the Company are not prima facie prejudicial to the interest of the Company.

(c) Since there are no repayment schedule with regard to the loans granted, the question of commenting on payment of principal dues does not arise.

(d) The Company has not taken loans from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956. Consequently, requirements of clauses iii(e) to iii(g) of paragraph 4 of the Order are not applicable.

(v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of television serials. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.

(vi) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts/arrangements that need to be entered into the Register maintained under section 301 of the Companies Act, 1956 have been entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts/arrangements entered in the Register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs. 5 lacs in respect of each party during the year have been made at the prices which are reasonable having regard to prevailing market prices at the relevant time or the prices at which transactions for similar services have been made with other parties or as per information available with the Company.

(vii) The Company has not accepted deposits from the public within the meaning of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956, where applicable and the Rules framed there under. We are informed that no Order has been passed by the Company Law Board or the Reserve Bank of India or any Court or any other Tribunal.

(viii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

(ix) The maintenance of cost records has not been prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956.

(x) (a) According to the records of the Company, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues, where applicable, have generally been regularly deposited with appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2008 for a period of more than six months from the dates of them becoming payable.

(b) According to the information and explanations given to us, there are no cases of non-deposit with appropriate authorities of disputed dues of sales tax, income tax, custom duty, wealth tax, service tax, excise duty and cess.

(xi) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the financial year covered by our report and the immediately preceding financial year.

(xii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company does not have borrowings from financials institutions and has not issued debentures.

(xiii) In our opinion and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xv) The Company has not obtained term loans during the year hence the question of commenting on application thereof does not arise.

(xvi) 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.

(xvii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 during the year.

(xviii) No debentures have been issued by the Company and hence the question of creating security or charge in respect thereof does not arise.

(xix) During the year, the Company has not raised money by public issue(s).

(xx) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For Deloitte Haskins & Sells
Chartered Accountants

(A. Siddharth)
Partner
Membership No.: 31467

Place : Mumbai
Dated : 22nd May, 2008

For Snehal & Associates
Chartered Accountants

(Snehal Shah)
Proprietor
Membership No.: 40016

Place : Mumbai
Dated : 22nd May, 2008

BALANCE SHEET As at 31st March, 2008

(Rupees in lacs)

	Schedule No.	31st March, 2008		31st March, 2007	
I. SOURCES OF FUNDS					
1 Shareholders' funds					
A. Share capital	1	1,304.21		1,304.21	
B. Reserves and surplus	2	35,180.48		29,112.23	
			36,484.69		30,416.44
2 Deferred tax liability (net)			430.88		477.35
Total			**36,915.57**		**30,893.79**
II. APPLICATION OF FUNDS					
1 Fixed assets	3				
Gross block		9,477.23		7,767.94	
Less : depreciation		5,048.91		3,809.90	
Net block		4,428.32		3,958.04	
Capital work in progress		1,762.20		382.54	
			6,190.52		4,340.58
2 Investments	4		24,989.34		17,875.80
3 Current assets, loans and advances					
A. Inventories	5	957.41		686.75	
B. Sundry debtors	6	6,854.25		6,684.33	
C. Cash and bank balances	7	761.66		638.03	
D. Loans and advances	8	4,047.40		4,299.52	
		12,620.72		12,308.63	
Less : Current liabilities and provisions					
A. Current liabilities	9	4,142.92		3,455.84	
B. Provisions	10	2,742.09		175.38	
		6,885.01		3,631.22	
Net current assets			5,735.71		8,677.41
Total			**36,915.57**		**30,893.79**
Significant accounting policies and notes on accounts	16				

As per our attached report of even date

For DELOITTE HASKINS & SELLS
Chartered Accountants

A. SIDDHARTH
(Partner)
Membership No. 31467
Place : Mumbai
Date : 22nd May, 2008

For SNEHAL & ASSOCIATES
Chartered Accountants

SNEHAL SHAH
(Proprietor)
Membership No. 40016
Place : Mumbai
Date : 22nd May, 2008

For and on behalf of Balaji Telefilms Limited

Jeetendra Kapoor
(Chairman)

Shobha Kapoor
(Managing Director)

Dhruv Kaji
(Director)

Alpa Khandor
(Company Secretary)

Sandeep Jain
(Chief Financial Officer)

Place : Mumbai
Date : 22nd May, 2008

PROFIT AND LOSS ACCOUNT For the year ended 31st March, 2008

(Rupees in lacs)

	Schedule No.	For the Year 2007-08	Previous Year 2006-07
INCOME			
Turnover		32,896.85	31,746.68
Other income	11	1,728.08	941.06
Total		**34,624.93**	**32,687.74**
EXPENDITURE			
Cost of production of television serials / feature films	12	16,120.17	15,949.54
Employee costs	13	1,361.93	1,157.13
Administrative and other expenses	14	3,024.38	2,682.08
Interest	15	–	0.42
Depreciation / Amortisation		1,270.06	1,124.75
Total		**21,776.54**	**20,913.92**
PROFIT BEFORE TAX		**12,848.39**	**11,773.82**
Provision for tax			
Current tax (including Rs. 4.55 lacs (previous year Rs. 4.00 lacs) for wealth tax)		(4,029.55)	(3,740.00)
Deferred tax		46.47	(20.00)
Fringe Benefit Tax		(72.00)	(71.00)
PROFIT AFTER TAX		**8,793.31**	**7,942.82**
(Short)/Excess provision for tax in respect of earlier years		(54.80)	29.38
Balance brought forward from previous year		10,965.09	6,389.65
AMOUNT AVAILABLE FOR APPROPRIATION		**19,703.60**	**14,361.85**
Appropriation			
1) Interim dividend		–	2,282.37
2) Transferred to general reserve		879.33	794.29
3) Proposed dividend		2,282.37	–
4) Corporate dividend tax		387.89	320.10
BALANCE CARRIED TO BALANCE SHEET		**16,154.01**	**10,965.09**
Basic and diluted earnings per share		**13.40**	**12.23**
(Refer note 10 of Schedule 16)			
Significant accounting policies and notes on accounts	16		

As per our attached report of even date

For DELOITTE HASKINS & SELLS
Chartered Accountants

A. SIDDHARTH
(Partner)
Membership No. 31467
Place : Mumbai
Date : 22nd May, 2008

For SNEHAL & ASSOCIATES
Chartered Accountants

SNEHAL SHAH
(Proprietor)
Membership No. 40016
Place : Mumbai
Date : 22nd May, 2008

For and on behalf of Balaji Telefilms Limited

Jeetendra Kapoor
(Chairman)

Shobha Kapoor
(Managing Director)

Dhruv Kaji
(Director)

Alpa Khandor
(Company Secretary)

Sandeep Jain
(Chief Financial Officer)

Place : Mumbai
Date : 22nd May, 2008

Cash Flow Statement For the year ended 31st March, 2008

(Rupees in lacs)

	For the Year 2007-08		Previous Year 2006-07	
A Cash flow from operating activities				
Profit before tax	**12,848.39**		**11,773.82**	
Adjustments for:				
Depreciation / amortisation	1,270.06		1,124.75	
Bad debts written off	81.22		208.22	
Provision for doubtful debts	11.23		–	
Loss on sale / discard of fixed assets(net)	27.25		59.40	
Profit on sale of long term investments (non trade) (net)	(998.07)		(526.38)	
Excess provision of earlier years written - back	(89.78)		(51.25)	
Interest expenses	–		0.42	
Interest/dividend income	(607.10)		(345.24)	
Operating profit before working capital changes	12,543.20		12,243.74	
(Increase) / Decrease in trade and other receivable	(282.99)		16.55	
(Increase) / Decrease in inventories	(270.66)		475.07	
Increase in trade payables	832.99		16.99	
		12,822.54		**12,752.35**
Direct taxes paid and fringe benefit tax paid		(3,850.57)		(3,732.74)
Net cash from operating activities (a)		**8,971.97**		**9,019.61**
B Cash flow from investing activities				
Purchase of fixed assets	(3,157.05)		(1,395.13)	
Sale of fixed assets	9.80		3.40	
Purchase of investments	(9,279.61)		(4,803.60)	
Sale of investments	6,014.14		3,861.64	
Investments in subsidiary	(2,850.00)		(168.87)	
Loans / Advances to subsidiaries	(139.99)		(2,070.11)	
Income from investments	607.10		345.24	
Net cash (used in) investing activities (b)		**(8,795.61)**		**(4,227.43)**
C Cash flow from financing activities				
Interest paid	–		(0.42)	
Dividend paid	(52.73)		(4,182.67)	
Corporate dividend tax paid	–		(594.47)	
Net cash (used in) financing activities (c)		**(52.73)**		**(4,777.56)**
Net increase in cash and Cash equivalents (a+b+c)		**123.63**		**14.62**
Cash and cash equivalent at the beginning of the year	638.03		623.41	
Cash and cash equivalents at the end of the year	761.66		638.03	

As per our attached report of even date

For and on behalf of Balaji Telefilms Limited

For DELOITTE HASKINS & SELLS
Chartered Accountants

A. SIDDHARTH
(Partner)
Membership No. 31467
Place : Mumbai
Date : 22nd May, 2008

Jeetendra Kapoor
(Chairman)

Shobha Kapoor
(Managing Director)

Dhruv Kaji
(Director)

For SNEHAL & ASSOCIATES
Chartered Accountants

SNEHAL SHAH
(Proprietor)
Membership No. 40016
Place : Mumbai
Date : 22nd May, 2008

Alpa Khandor
(Company Secretary)

Sandeep Jain
(Chief Financial Officer)

Place : Mumbai
Date : 22nd May, 2008

SCHEDULES FORMING PART OF BALANCE SHEET

(Rupees in lacs)

		As at 31st March, 2008	As at 31st March, 2007
1	**SHARE CAPITAL**		
Authorised			
75,000,000	equity shares of Rs. 2/- each	1,500.00	1,500.00
Issued, Subscribed and Paid-up			
65,210,443	equity shares of Rs. 2/- each	1,304.21	1,304.21
Note:			
6,500,000	equity shares of the original value of Rs. 10/- each were allotted as fully paid up bonus shares by capitalisation of surplus in Profit and Loss account.		
	Total	**1,304.21**	**1,304.21**

2 RESERVES AND SURPLUS

	As at 31st March, 2008	As at 31st March, 2007
Share premium account		
As per last Balance sheet	14,785.61	14,785.61
General reserve		
As per last Balance sheet	3,361.53	2,567.24
Add: Transfered from Profit and Loss account	879.33	794.29
	4,240.86	3,361.53
Surplus in Profit and Loss account	16,154.01	10,965.09
Total	**35,180.48**	**29,112.23**

3 FIXED ASSETS

(Rupees in lacs)

Particulars	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 1st April, 2007	Additions	Deductions	As at 31st March, 2008	Upto 31st March, 2007	For the year	On Deductions	Upto 31st March, 2008	As at 31st March, 2008	As at 31st March, 2007
Buildings	235.75	220.86	–	456.61	23.38	3.92	–	27.30	429.31	212.37
Plant and machinery - Computers	594.72	88.87	–	683.59	349.43	102.36	–	451.79	231.80	245.29
Plant and machinery - Others	1,623.50	201.27	–	1,824.77	517.06	120.06	–	637.12	1,187.65	1,106.44
Studios and sets	4,065.90	831.28	5.10	4,892.08	2,545.26	923.06	2.55	3,465.77	1,426.31	1,520.64
Vehicles	568.75	156.03	62.47	662.31	152.16	54.50	28.42	178.24	484.07	416.59
Furniture and fixtures	232.49	10.12	–	242.61	51.57	14.76	–	66.33	176.28	180.92
Computers	242.27	17.75	0.53	259.49	140.43	37.22	0.08	177.57	81.92	101.84
Office equipment	179.28	64.01	–	243.29	25.94	9.19	–	35.13	208.16	153.34
Electrical fittings	25.28	6.68	–	31.96	4.67	1.23	–	5.90	26.06	20.61
Lease Hold Improvements	–	180.52	–	180.52	–	3.76	–	3.76	176.76	–
Total	**7,767.94**	**1,777.39**	**68.10**	**9,477.23**	**3,809.90**	**1,270.06**	**31.05**	**5,048.91**	**4,428.32**	**3,958.04**
Previous Year	**6,695.15**	**1,520.03**	**447.24**	**7,767.94**	**3,069.59**	**1,124.75**	**384.44**	**3,809.90**	**3,958.04**	
Capital work in progress									1,762.20	382.54

Note:

Building includes Rs. 220.86 lacs (previous year Rs. Nil), being cost of ownership premises in co-operative society including cost of shares of face value of Rs. 0.01 lac received under Bye-law of the society, yet to be transferred in the name of the Company.

SCHEDULES FORMING PART OF BALANCE SHEET

4 INVESTMENTS

(Rupees in lacs)

	Face Value (In Rupees)	NUMBERS As at 31st March, 2008	NUMBERS As at 31st March, 2007	VALUE As at 31st March, 2008	VALUE As at 31st March, 2007
LONG TERM INVESTMENTS (NON TRADE)					
UNQUOTED					
EQUITY SHARES OF SUBSIDIARY COMPANIES (FULLY PAID UP)					
Balaji Telefilms FZE	AED 150,000	1	1	18.87	18.87
Balaji Motion Pictures Limited	10.00	30,000,000	1,500,000	3,000.00	150.00
IN UNITS OF MUTUAL FUNDS					
ABN Amro FTP - Series 10 - Plan B - Inst. Growth	10.00	1,000,000	–	100.00	–
ABN Amro FTP - Series 8 Yly Plan C - Inst. Growth	10.00	1,500,000	–	150.00	–
Birla FTP - Series - O - Growth	10.00	1,000,000	1,000,000	100.00	100.00
Birla FTP - Quarterly - Series 9 - Dividend - Payout	10.00	–	500,000	–	50.00
Birla FTP - Series - P - Growth	10.00	1,000,000	1,000,000	100.00	100.00
Birla FTP - Series - AA - Growth	10.00	1,000,000	–	100.00	–
Birla FTP - Series - AB - Growth	10.00	1,000,000	–	100.00	–
Birla FTP - Series - AD - Growth	10.00	2,000,000	–	200.00	–
Birla FTP - Series - AE - Growth	10.00	2,000,000	–	200.00	–
Birla FTP - Series - AJ - Growth	10.00	2,000,000	–	200.00	–
Birla FTP - Series - AL - Growth	10.00	1,500,000	–	150.00	–
Birla FTP - Series - X - Growth	10.00	2,000,000	–	200.00	–
Birla FTP - Series - Y - Growth	10.00	2,000,000	–	200.00	–
Birla Income Plus - Growth	10.00	423,668	–	150.00	–
Birla Sunlife Liquid Plus - Institutional - Weekly Dividend Reinvestment	10.00	2,983,472	–	300.00	–
Birla Sunlife Special Situtation Fund - Growth	10.00	977,995	–	100.00	–
DBS Chola FMP - Series 6 (Qtrly Plan - 3) - Dividend	10.00	–	1,000,000	–	100.00
DSP Merrill Lynch - Floating Rate - Reg - Growth	10.00	–	2,655,243	–	300.00
DSP Merrill Lynch Floating Rate Fund - Institutional Plan - Growth	1,000.00	–	49,378	–	500.00
DSP Merrill Lynch FMP- Institutional - 18 Months - Series 1 - Growth	10.00	2,000,000	–	200.00	–
DSP Merrill Lynch FMP- Institutional - 15 Months - Series 2 - Growth	10.00	1,500,000	–	150.00	–
DSP Merrill Lynch Strategic Bond Fund - Regular Plan - Monthly Dividend Reinvestment	1,000.00	10,292	–	103.26	–
DSP Merrill Lynch Strategic Bond Fund - Institutional Plan - Growth	1,000.00	48,923	–	500.00	–
DSP Merrill Lynch Liquid Plus - Institutional Plan - Weekly Dividend Reinvestment	1,000.00	52,054	–	521.03	–
DWS Fixed Term Fund - Series 10 - Growth Plan	10.00	–	3,000,000	–	300.00
DWS Fixed Term Fund - Series 14 - Growth Plan	10.00	–	2,000,000	–	200.00
DWS Fixed Term Fund - Series 16 - Institutional Plan - Growth Option	10.00	–	2,000,000	–	200.00
DWS Fixed Term Fund Series 28 - Dividend Option	10.00	–	3,000,000	–	300.00
DWS Fixed Term Fund - Series 33 - Growth	10.00	1,000,000	–	100.00	–
DWS Money Plus Fund - Regular Plan - Weekly Dividend Reinvestment	10.00	3,120,627	–	314.53	–
DWS Money Plus Fund - Institutional Plan - Weekly Dividend Reinvestment	10.00	5,215,306	–	523.67	–
FT MIP Plan A - Quarterly Dividend	10.00	2,324,101	2,091,533	273.78	246.11
Grindlays Fixed Maturity - 7th Plan B - Growth	10.00	–	2,767,987	–	300.00
Grindlays Floating Rate Fund - Short Term - Plan C - Growth	10.00	–	9,161,956	–	1,000.00
HDFC Monthly Income Plan Short Term Fund - Quarterly Dividend	10.00	2,539,860	2,399,885	260.30	245.70
HDFC FMP 13M March 2006 (1) - Institutional Plan - Gorwth	10.00	–	2,000,000	–	200.00
HDFC FMP 16M January 2007 (3) - Wholesale Plan Growth	10.00	1,000,000	1,000,000	100.00	100.00

SCHEDULES FORMING PART OF BALANCE SHEET

4 INVESTMENTS *(Contd.)*

(Rupees in lacs)

	Face Value (In Rupees)	NUMBERS As at 31st March, 2008	NUMBERS As at 31st March, 2007	VALUE As at 31st March, 2008	VALUE As at 31st March, 2007
HDFC FMP 18M November 2007 - Wholesale Plan Growth	10.00	2,000,000	–	200.00	–
HDFC FMP 13M June 2006 (1) - Institutional Plan - Gorwth	10.00	–	5,000,000	–	500.00
HDFC FMP 26M August 2006 (1) - Institutional Plan - Gorwth	10.00	1,000,000	1,000,000	100.00	100.00
HDFC FMP 181D December 2007 - Institutional Plan - Dividend	10.00	2,000,000	–	200.00	–
HDFC Equity Fund - Dividend	10.00	507,692	507,692	200.00	200.00
HDFC Income Fund - Dividend Reinvestment	10.00	4,303,695	–	457.87	–
HDFC Cash Management Fund - Savings Plus Plan-Wholesale - Daily Dividend	10.00	2,312,897	–	232.02	–
HDFC Short Term Plan - Dividend Reinvestment	10.00	5,066,319	–	526.40	–
HSBC Fixed Term Series - 4 - Growth	10.00	–	3,000,000	–	300.00
HSBC Floating Rate Fund - Short Term - Institutional Option - Growth	10.00	–	950,814	–	100.00
HSBC Liquid Plus - Institutional - Weekly Dividend	10.00	–	2,525,685	–	252.99
HSBC Fixed Term Series 9 - Growth	10.00	–	3,000,000	–	300.00
HSBC Fixed Term Series 22 - Institutional - Growth	10.00	2,000,000	2,000,000	200.00	200.00
HSBC Fixed Term Series 15 - Institutional - Growth	10.00	–	1,000,000	–	100.00
HSBC Fixed Term Series 32 - Institutional - Growth	10.00	3,000,000	–	300.00	–
HSBC Fixed Term Series 33 - Institutional - Growth	10.00	2,000,000	–	200.00	–
ING Vysya Fixed Maturity Fund Series - XV - Growth Option	10.00	–	3,000,000	–	300.00
ING Vysya Fixed Maturity Fund Series - VII - Growth Option	10.00	–	3,000,000	–	300.00
ING Vysya Fixed Maturity Fund Series - XXXI - Growth Option	10.00	2,000,000	–	200.00	–
ING Vysya Fixed Maturity Fund Series - XXXII - Growth Option	10.00	1,000,000	–	100.00	–
ING Vysya Fixed Maturity Fund Series - XXXVIII - Growth Option	10.00	1,000,000	–	100.00	–
JM Equity and Derivative Fund - Growth	10.00	–	4,745,852	–	500.00
JM Arbitrage Advantage Fund - Growth Plan	10.00	2,000,000	2,000,000	200.00	200.00
JM Agri & Infra Fund - Growth Plan	10.00	1,500,000	–	150.00	–
JM Contra Fund - Growth Plan	10.00	977,995	–	100.00	–
JM Fixed Maturity Fund - Series VII - 18 Months Plan - Institutional Growth Plan	10.00	2,500,000	–	250.00	–
JM Fixed Maturity Fund - Series VII - 15 Months Plan - Institutional Growth Plan	10.00	1,000,000	–	100.00	–
JP Morgan India Smaller Companies Fund - Growth Plan	10.00	977,995	–	100.00	–
Kotak FMP Series 14 - Growth	10.00	–	3,000,000	–	300.00
Kotak FMP Series 26 - Growth	10.00	–	4,000,000	–	400.00
Kotak Equity Arbitrage Fund - Dividend	10.00	2,156,626	2,033,220	219.77	206.71
Kotak FMP 3M Series 12 - Dividend	10.00	–	1,000,000	–	100.00
Kotak FMP 3M Series 13 - Dividend	10.00	–	2,000,000	–	200.00
Kotak FMP 3M Series 14 - Dividend	10.00	–	3,000,000	–	300.00
Kotak FMP 6M Series 2 - Dividend	10.00	–	512,460	–	51.25
Kotak FMP 15M Series 1 - Growth	10.00	–	2,000,000	–	200.00
Kotak FMP 16M Series 1 - Growth	10.00	1,000,000	1,000,000	100.00	100.00
Kotak Wealth Builder Series 1 - Growth	10.00	1,000,000	1,000,000	100.00	100.00
Kotak Bond (Short Term) - Monthly Dividend	10.00	8,391,199	–	843.96	–
Kotak Bond (Regular) - Monthly Dividend	10.00	4,662,967	–	508.22	–
Kotak FMP 13M Series 4 - Institutional - Growth	10.00	2,000,000	–	200.00	–
Kotak FMP 14M Series 3 - Institutional - Growth	10.00	2,000,000	–	200.00	–
Kotak FMP 16M Series 2 - Institutional - Growth	10.00	2,000,000	–	200.00	–

SCHEDULES FORMING PART OF BALANCE SHEET

4 INVESTMENTS *(Contd.)*

(Rupees in lacs)

	Face Value (In Rupees)	NUMBERS As at 31st March, 2008	NUMBERS As at 31st March, 2007	VALUE As at 31st March, 2008	VALUE As at 31st March, 2007
Kotak FMP 17M Series 1 - Institutional - Growth	10.00	1,500,000	–	150.00	–
Lotus India FMP - 3 Months - Series IV - Institutional Dividend	10.00	–	1,000,000	–	100.00
Lotus India FMP - 14 Months - Series III - Institutional Growth	10.00	2,000,000	–	200.00	–
Lotus India FMP - 15 Months - Series II - Institutional Growth	10.00	2,000,000	–	200.00	–
Lotus India FMP - 3 Months - Series XXII - Dividend	10.00	1,013,174	–	101.32	–
Lotus India FMP - 375 Days - Series I - Institutional Growth	10.00	1,000,000	–	100.00	–
LIC MF FMP Series 20 - 14 Months Growth Plan	10.00	1,000,000	1,000,000	100.00	100.00
LIC MF FMP Series 15 - 13 Months Growth Plan	10.00	–	1,500,000	–	150.00
LIC MF FMP Series 32 - 13 Months Growth Plan	10.00	2,000,000	–	200.00	–
LIC MF FMP Series 34 - 16 Months Growth Plan	10.00	2,000,000	–	200.00	–
Principal Income Fund - Short Term - Institutional Plan - Growth	10.00	–	1,750,011	–	200.00
Principal Fixed Maturity Plan (FMP - 31) - Series III - Institutional Growth Plan - Nov 06	10.00	–	1,000,000	–	100.00
Principal Fixed Maturity Plan - II (FMP 29) 460 Days Plan - Aug06	10.00	–	2,000,000	–	200.00
Principal Fixed Maturity Plan (FMP 27) 385 Days Series II	10.00	–	3,000,000	–	300.00
Principal PNB Fixed Maturity Plan (FMP 39) 385 Days Series V	10.00	5,000,000	–	500.00	–
Principal PNB Fixed Maturity Plan (FMP 40) 385 Days Series VI	10.00	1,000,000	–	100.00	–
Principal MIP plus - Monthly Dividend Reinvestment	10.00	3,701,663	–	447.31	–
Prudential I.C.I.C.I. Flexible Income Plan - Dividend	10.00	449,077	420,214	49.52	46.48
Prudential I.C.I.C.I. Short Term Plan - Cumulative Option	10.00	2,737,958	2,737,958	350.00	350.00
Prudential I.C.I.C.I. FMP Series - XII - Institutional 1 Dividend	10.00	–	2,109,092	–	210.91
Prudential I.C.I.C.I. FMP Series 30 - 13 Months Plan - Institutional - Growth	10.00	–	4,000,000	–	400.00
Prudential I.C.I.C.I. FMP Series 34 - 16 Months Plan - Institutional - Growth	10.00	2,000,000	2,000,000	200.00	200.00
Prudential I.C.I.C.I. Equity & Derivatives Fund - Income Optimiser - Retail Dividend	10.00	1,033,333	1,000,000	103.50	100.00
Prudential I.C.I.C.I. FMP SERIES 41 -19 Months Plan - Retail Cumulative	10.00	2,500,000	–	250.00	–
Prudential I.C.I.C.I. FMP SERIES 42 -16 Months Plan - Institutional Growth	10.00	2,000,000	–	200.00	–
Reliance Equity Opportunities Fund - Dividend Plan	10.00	653,357	599,085	122.56	113.57
Reliance Monthly Interval Fund - Series I - Retail Dividend Plan	10.00	–	2,000,000	–	200.00
Reliance Fixed Horizon Fund - Institutional Plan C - Series I - Institutional Growth Plan	10.00	5,000,000	5,000,000	500.00	500.00
Reliance Fixed Horizon Fund I - Annual Plan - Series III - Retail Growth Plan	10.00	–	2,000,000	–	200.00
Reliance Fixed Horizon Fund II - Annual Plan - Series III - Institutional Growth Plan	10.00	2,000,000	2,000,000	200.00	200.00
Reliance Fixed Horizon Fund II - Annual Plan - Series IV - Institutional Growth Plan	10.00	1,000,000	1,000,000	100.00	100.00
Reliance Fixed Horizon Fund I - Quarterly Plan - Series IV - Dividend Option	10.00	–	3,000,000	–	300.00
Reliance Fixed Horizon Fund I - Retail Plan-Annual Plan-Series I -Retail Growth Plan	10.00	–	2,000,000	–	200.00
Reliance Fixed Tenor Fund Plan - B - Growth Option	10.00	3,000,000	3,000,000	300.00	300.00
Reliance Fixed Horizon Fund IV - Annual Plan - Series II - Institutional Growth Plan	10.00	1,500,000	–	150.00	–
Reliance Fixed Horizon Fund IV - Annual Plan - Series 7 - Institutional Growth Plan	10.00	2,000,000	–	200.00	–

SCHEDULES FORMING PART OF BALANCE SHEET

4 INVESTMENTS *(Contd.)*

(Rupees in lacs)

	Face Value (In Rupees)	NUMBERS As at 31st March, 2008	NUMBERS As at 31st March, 2007	VALUE As at 31st March, 2008	VALUE As at 31st March, 2007
Reliance Fixed Horizon Fund IV - Annual Plan - Series 5 - Institutional Growth Plan	10.00	2,000,000	–	200.00	–
Reliance Fixed Horizon Fund IV - Annual Plan - Series 1 - Institutional Growth Plan	10.00	2,000,000	–	200.00	–
Reliance Fixed Horizon Fund IV - Series 5 - Institutional Growth Plan	10.00	2,000,000	–	200.00	–
Reliance Fixed Horizon Fund IV - Series 6 - Institutional Growth Plan	10.00	2,000,000	–	200.00	–
Reliance Fixed Horizon Fund VII - Annual Plan - Series 1 - Institutional Growth Plan	10.00	1,000,000	–	100.00	–
Reliance Interval Fund Quarterly Plan - Series i - Institutional Dividend Plan	10.00	3,223,210	–	322.33	–
Reliance Natural Resources Fund - Growth Plan - Growth Option	10.00	977,995	–	100.00	–
Reliance Fixed Horizon Fund VI - Series 2 - Institutional Dividend Plan	10.00	1,000,000	–	100.00	–
SBI Debt Fund Series - 13 Months (November 06) - Growth	10.00	–	1,000,000	–	100.00
Standard Chartered Fixed Maturity 10th Plan - Growth	10.00	–	2,000,000	–	200.00
Standard Chartered Fixed Maturity Plan - Quarterly Series 3 - Dividend	10.00	–	1,014,760	–	101.48
Standard Chartered Liquid Manager - Plus - Monthly Dividend	1,000.00	–	31,738	–	317.71
Standard Chartered Fixed Maturity Plan - Yearly Series 7 - Growth	10.00	1,000,000	–	100.00	–
Standard Chartered Fixed Maturity Arbitrage Fund - Series 1 - Plan B - Growth	10.00	1,000,000	–	100.00	–
Sundaram BNP Paribas Fixed Term Plan Series XXI - 16 Months - Growth	10.00	1,000,000	1,000,000	100.00	100.00
Sundaram BNP Paribas Liquid Plus Super Inst. Div Rein Weekly	10.00	5,136,267	–	519.99	–
Sundaram BNP paribas Fixed Term 367 Days Plan I Inst - Growth	10.00	2,000,000	–	200.00	–
Tata Floating Rate Short Term Institutional Plan - Growth	10.00	–	5,692,492	–	600.00
Tata Fixed Horizon Fund Series 7 - Scheme B - Growth - Institutional Plan	10.00	1,000,000	1,000,000	100.00	100.00
Tata Fixed Investment Plan - 1 Scheme A - Institutional Plan - Growth	10.00	2,000,000	–	200.00	–
Tata Fixed Horizon Fund Series 14 Scheme B - IG - Growth	10.00	1,500,000	–	150.00	–
Tata Fixed Horizon Fund Series 13 Scheme B - IG - Growth	10.00	3,000,000	–	300.00	–
Templeton India Short Term Income Plan Growth	1,000.00	11,283	11,283	150.00	150.00
Templeton Quarterly Interval Plan - Plan A - Institutional - Dividend Reinvestment	10.00	1,050,561	–	105.05	–
UTI - Fixed Term Income Fund - Series 1 - Plan 18 - Q3 Growth Plan	10.00	–	3,000,000	–	300.00
UTI - Fixed Maturity Plan (YFMP/0906) Growth Plan	10.00	–	2,000,000	–	200.00
UTI Fixed Maturity Plan Yearly Series YFMP/1006 Growth Plan	10.00	–	1,000,000	–	100.00
UTI Fixed Term Income Fund Series I - Plan 16 - Institutional Growth Plan	10.00	3,000,000	3,000,000	300.00	300.00
UTI Fixed Maturity Plan (HFMP / 0207) - Dividend Plan - Re-investment	10.00	–	1,007,424	–	100.74
UTI Fixed Term Income Fund - Series II Plan 16 - Institutional Growth Plan	10.00	1,000,000	1,000,000	100.00	100.00
UTI - Fixed Maturity Plan Yearly Series / 0606 Growth Plan	10.00	–	3,000,000	–	300.00
UTI Fixed Term Income Fund Series - III Plan 20 - Institutional Growth	10.00	2,000,000	–	200.00	–
UTI Fixed Maturity Plan Yearly Series YFMP/0807 - Inst. Growth	10.00	1,000,000	–	100.00	–
UTI Fixed Income Interval Fund Annual Interval Plan Series III - Inst. Growth Plan	10.00	2,000,000	–	200.00	–
UTI Fixed Income Interval Fund Annual Interval Plan Series II - Institutional Growth Plan	10.00	3,000,000	–	300.00	–
UTI Fixed Income Interval Fund - Quarterly Plan Series - III - Institutional Dividend Plan - Reinvestment	10.00	1,007,965	–	100.80	–
				24,476.06	17,362.52
QUOTED					
6.75% Tax free Bonds of Unit Trust of India of Rs.100/- each		500,000	500,000	513.28	513.28
Total				24,989.34	17,875.80

SCHEDULES FORMING PART OF BALANCE SHEET

4 INVESTMENTS *(Contd.)*

(Rupees in lacs)

Notes		Cost	Market Value
1	Aggregate of Quoted Invetsments.... (a)	513.28	503.00
	Previous Year.... (i)	513.28	498.00
	Aggregate of Unquoted investments .... (b)	24,476.06	
	Previous Year .... (ii)	17,362.52	
	Total.... (a + b)	24,989.34	
	Previous year.... (i + ii)	17,875.80	

2 **Details of investments purchased and sold during the year** (Rupees in lacs)

Particulars	Nos.	Cost
Templeton Floating Rate Income Fund Long Term Plan Institutional Option - Dividend Reinvestment	4,990,080	516.14
UTI Fixed Maturity Plan Quarterly Series QFMP / 0607/II - Institutional Dividend Plan - Payout	2,000,000	200.00
Hsbc Cash Fund - Institutional Plan - Weekly Dividend	3,213,420	336.18
HSBC Liquid Plus - Institutional - Weekly Dividend	4,178,962	419.34
Birla FTP - Quarterly - Series 12 - Dividend - Payout	1,000,000	100.00
DWS Credit Opportunities cash Fund - Dividend Plan	12,319,671	1,238.91
DWS Quarterly Interval Fund - Series 1 - Dividend Plan	2,068,484	206.85
ICICI Prudential FMP Series - XII - Institutional 1 Dividend Reinvestment	13,034	1.30
ING Liquid Plus Fund - Institutional Weekly Dividend	10,373,877	1,041.89
Kotak Flexi Debt Scheme	5,207,606	522.38
Kotak FMP 6M Series 2 - Dividend	3,394	0.34
Kotak FMP 3M Series 12 - Dividend	22,443	2.24
Kotak FMP 3M Series 14 - Dividend	69,868	6.99
Kotak FMP 3M Series 22 - Dividend	1,000,000	100.00
Kotak FMP 3M Series 13 - Dividend	36,601	3.71
Lotus India FMP - 3 Months - Series IV - Institutional Dividend	23,363	2.34
Principal Floating Rate Fund FMP Insti. Option - Dividend Reinvestment Weekly	2,061,120	206.17
Standard Chartered Liquidity Manager - Plus - Monthly Dividend	919	9.19
Standard Chartered Fixed Maturity Plan - Quarterly Series 9 - Dividend	20,947	2.10
DBS Chola Fixed Maturity Plan - Series 7 (Quarterly Plan - 4)	1,000,000	100.00

Details of investments purchased and sold during the previous Year (Rupees in lacs)

Particulars	Nos.	Cost
Birla Cash Plus - Institutional Plan Weekly Dividend	3,697,370	400.00
Birla Cash Plus - Institutional Plan Weekly Dividend	1,387,296	150.00
Birla Cash Plus - Institutional Plan Weekly Dividend	147,329	15.92
DSP Merrill Lynch Floating Rate Fund Weekly - Dividend	28,386	2.85
DSPML Liquidity Fund - Institutional - Monthly Dividend	53,330	533.41
DSPML Liquidity Fund - Institutional - Monthly Dividend	14,989	150.00
DSPML Short Term Fund - Dividend	966,482	101.40
Duetsche Floating Rate Fund Regular Plan - Mtly Dividend	39,354	4.03
Dws Fixed Term Fund - Series 13 - Dividend - 90 Days	500,000	50.00
DWS Fixed term Fund - Series 22 - Dividend	3,000,000	300.00
DWS Money Plus Fund - Regular Plan - Weekly Dividend	2,020,221	202.88
Grindlays Floating Rate Fund - Long Term Plan A Monthly Dividend	7,917	0.79
Grindlays Floating Rate Fund - Short Term - Monthly Dividend	12,851	1.29
Hdfc Cash Mgmt Fund - Saving Plan - Weekly Dividend	46,892	4.98
Hdfc Cash Mgmt Fund - Saving Plus Plan - Weekly Dividend	2,992,071	300.00
Hdfc Cash Mgmt Fund - Saving Plus Plan - Weekly Dividend	325,507	32.60

SCHEDULES FORMING PART OF BALANCE SHEET

4 INVESTMENTS *(Contd.)*

Details of investments purchased and sold during the previous Year (Contd.) (Rupees in lacs)

Particulars	Nos.	Cost
Hdfc Floating Rate Income Fund - ST Plan Dividend	12,342	1.25
Hsbc Cash Fund - Institutional - Monthly Dividend	39,856	4.17
JM High Liquidity - Institutional - Weekly Dividend	7,440	0.75
Kotak Fixed Maturity Plan - 3M Series 7 - Dividend	3,000,000	300.00
Kotak Fixed Maturity Plan 3M Series 4	500,000	50.00
Kotak Floater Short Term Monthly Dividend	27,597	2.76
Kotak Liquid-Institutional Premium Plan - Weekly Dividend	48,144	4.83
Kotak Liquid-Institutional Premium Plan - Weekly Dividend	2,986,709	300.00
Pru ICICI Floating Rate Plan -Dividend	37,403	3.76
Reliance Fixed Horizon Fund - I - Qly Plan B - Series III - Dividend	1,000,000	100.00
Standard Chartered Fixed Maturity 7th Plan	3,000,000	300.00
Tata Monthly Income Fund - Monthly Dividend	99,587	11.46
Templeton Treasury Management Account - Daily Dividend	64	0.97
UTI Liquid Cash Plan Institutional - Daily Income Option	506	5.16

(Rupees in lacs)

	As at 31st March, 2008	As at 31st March, 2007
5 INVENTORIES		
Television serials	944.69	669.49
Tapes	12.72	17.26
Total	**957.41**	**686.75**

6 SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for a period exceeding six months	48.55	180.88
Other debts	6,816.93	6,503.45
	6,865.48	6,684.33
Less: Provision	11.23	–
Total	**6,854.25**	**6,684.33**
Notes:		
1) Considered Good	6,854.25	6,684.33
Considered Doubtful	11.23	–
	6,865.48	**6,684.33**
2) Sundry Debtors includes debts due from Company under the same management within the meaning of sub-section(1B) of Section 370 of the Companies Act, 1956 as follows:		
Balaji Telefilms FZE	224.00	–

SCHEDULES FORMING PART OF BALANCE SHEET

(Rupees in lacs)

	As at 31st March, 2008	As at 31st March, 2007
7 CASH AND BANK BALANCES		
Cash on hand	30.29	44.18
Balances with scheduled banks		
In Current accounts	670.88	296.91
In Fixed deposits accounts (over which bank has a lien)	60.49	296.94
	731.37	593.85
Total	**761.66**	**638.03**

	As at 31st March, 2008	As at 31st March, 2007
8 LOANS AND ADVANCES (Unsecured, Considered good)		
Loans /Advances to Subsidiary Companies	2,210.10	2,070.11
Advances recoverable in cash or in kind or for value to be received	746.39	706.41
Advance tax (net)	141.10	524.73
Fringe benefit tax (net)	1.50	30.60
Deposits *	948.31	967.67
Total	**4,047.40**	**4,299.52**
Notes:		
1. * Includes deposits given to directors for property taken on lease from them	736.60	736.60
2. Maximum amount outstanding at any time during the year for above deposits	736.60	736.60
3. Loan / Advances to subsidiaries (Interest free loans with no repayment schedule)		
- Balaji Telefilms FZE	258.06	359.46
Maximum balance outstanding at any time during the year	508.60	359.46
- Balaji Motion Pictures Limited	1,952.04	1,710.65
Maximum balance outstanding at any time during the year	1,952.18	1,710.65

	As at 31st March, 2008	As at 31st March, 2007
9 CURRENT LIABILITIES		
Sundry creditors		
(i) Total outstanding dues to micro enterprises and small enterprises (refer note 7 of Schedule 16)	–	–
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	3,683.01	3,182.66
	3,683.01	3,182.66
Advances received from customers	11.76	8.03
Unclaimed Dividend *	12.95	65.68
Other liabilities	435.20	199.47
Total	**4,142.92**	**3,455.84**

* - Appropriate amount shall be transferred to “Investor Education and Protection Fund” if and when due.

	As at 31st March, 2008	As at 31st March, 2007
10 PROVISIONS		
For tax (net)	68.43	175.38
For Leave Encashment / Gratuity	3.40	–
For Proposed dividend	2,282.37	–
For Corporate dividend tax	387.89	–
Total	**2,742.09**	**175.38**

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

(Rupees in lacs)

	For the Year 2007-08		Previous Year 2006-07	
11 OTHER INCOME				
Interest on:				
Fixed deposits with banks (gross)	45.52		22.01	
(Tax deducted at source Rs. 9.52 lacs (previous year Rs. 5.26 lacs))				
Tax Free Bonds	33.75		33.75	
Income tax refund	–		29.23	
Staff loan	2.72	81.99	1.05	86.04
Insurance Claim Received		20.24		10.73
Dividend on long term investments (non trade)		527.83		259.20
Excess provision of earlier years written back		89.78		51.25
Profit on sale of long term investments (non trade) (net)		998.07		526.38
Bad debts recovered		1.00		0.90
Miscellaneous income		9.17		6.56
Total		1,728.08		941.06

12 COST OF PRODUCTION OF TELEVISION SERIALS / FEATURE FILMS				
Opening stock of television serials / feature films and tapes		686.75		1,161.82
Add: Cost of production				
Purchase of costumes and dresses	226.11		574.89	
Purchase of tapes	322.88		363.70	
Payments to and provision for artistes, junior artistes, dubbing artistes fees	3,887.29		4,059.51	
Payments to and provision for directors, technicians and other fees	5,850.63		4,817.09	
Shooting and location expenses	1,630.88		1,781.93	
Telecasting fees	840.62		956.12	
Uplinking charges / Special dispatch charges	488.34		449.27	
Food and refreshments	443.84		397.12	
Set properties and equipment hire charges	1,264.24		1,134.87	
Other production expenses	1,436.00	16,390.83	1,258.53	15,793.03
		17,077.58		16,954.85
Less: Cost of feature films transferred to subsidiary Company		–		318.56
Less: Closing stock of television serials / tapes		957.41		686.75
Total		16,120.17		15,949.54

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

(Rupees in lacs)

	For the Year 2007-08	Previous Year 2006-07
13 EMPLOYEE COSTS		
Salaries, wages and bonus *	1,291.20	1,100.45
Contribution to Provident and Other funds *	36.61	33.54
Staff welfare expenses	34.12	23.14
Total	1,361.93	1,157.13

Note: * Includes Managerial Remuneration (refer note 4 of Schedule 16)

	For the Year 2007-08	Previous Year 2006-07
14 ADMINISTRATIVE AND OTHER EXPENSES		
Electricity and water charges	374.80	316.23
Lease rent	618.33	456.10
Rates and taxes	69.47	19.10
Insurance	165.65	216.37
Repairs and maintenance		
– Building	6.63	2.56
– Plant and machinery	29.59	21.49
– Others	265.45	207.05
Travelling and conveyance expenses	222.43	182.11
Legal and professional charges	446.26	374.90
Communication charges	55.33	58.78
Loss on sale / discard of fixed assets (net)	27.25	59.40
Donations	44.24	13.10
Bad debts written off	81.22	208.22
Provision for doubtful debts	11.23	–
Director's sitting fees	3.75	4.05
Advertisement and sales promotion expenses	29.60	19.36
Miscellaneous expenses	573.15	523.26
Total	3,024.38	2,682.08

	For the Year 2007-08	Previous Year 2006-07
15 INTEREST		
On cash credit account	–	0.42
Total	–	0.42

SCHEDULES FORMING PART OF ACCOUNTS

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES:

Basis of accounting

The financial statements are prepared under the historical cost convention on accrual basis of accounting and in accordance with generally accepted accounting principles in India.

Fixed assets

Fixed assets are stated at cost of acquisition or construction. They are stated at historical cost less accumulated depreciation and impairment loss, if any.

Depreciation / Amortisation

Depreciation on fixed assets is provided on straight line basis in accordance with provisions of the Companies Act, 1956 at the rates and in the manner specified in schedule XIV of this Act except for the following fixed assets where higher rates of depreciation have been applied:

Studios and sets @ 33.33%

Plant and machinery - Computers @ 16.21%

Leasehold improvements are amortised over the period of lease

Investments

Current investments are carried at lower of cost and fair value. Long term investments are carried at cost. However, when there is a decline, other than temporary, the carrying amount is reduced to recognise the decline.

Inventories

Items of inventory are valued at lower of cost and net realisable value. Cost is determined on the following basis :

Tapes	: First In First Out
Television serials/ feature films	: Average cost
Unamortised cost of feature films	: The cost of feature films is amortised in the ratio of current revenue to expected total revenue. At the end of each accounting period, balance unamortised cost is compared with net expected revenue. If net expected revenue is less than unamortised cost, the same is written down to net expected revenue.

Revenue recognition

a) In respect of sponsored programmes, revenue is recognised as and when the relevant episodes of the programmes are telecast.

b) In respect of commissioned programmes, revenue is recognised as and when the relevant episodes of the programmes are delivered to the channels.

c) In respect of films, revenue is recognised in accordance with the terms and conditions of the agreements on or after the first theatrical release of the films.

In all other cases, revenue (income) is recognised when no significant uncertainty as to its determination or realisation exists.

Employee benefits

a) Post employment benefits and other long term benefits

   i) Defined Contribution Plans:

   The Company contributes towards Provident Fund and Family Pension Fund. Liability in respect thereof is determined on the basis of contribution as required under the Statue / Rules.

   ii) Defined Benefit Plans:

   The trustees of Balaji Telefilms Limited Employees Group Gratuity Scheme have taken a Group Gratuity cum Life Assurance Policy from the Life Insurance Corporation of India (LIC).

   Contributions are made to LIC in respect of gratuity based upon actuarial valuation done at the end of every financial year using 'Projected Unit Credit Method' Major drivers in actuarial assumptions, typically, are years of service and employee compensation. Gains and losses on changes in actuarial assumptions are accounted in the profit and loss account.

b) Short Term Employee Benefits:

   Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

SCHEDULES FORMING PART OF ACCOUNTS

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

Foreign currency transactions

Transactions in foreign currency are recorded at the original rates of exchange in force at the time the transactions are effected. At the year end, monetary items denominated in foreign currency are reported using the closing rates of exchange. Exchange differences arising thereon and on realisation / payment of foreign exchange are accounted in the relevant year as income or expense.

Borrowing costs

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

Taxes on income

Tax expense comprises both current and deferred tax at the applicable enacted / substantively enacted rates. Current tax represents the amount of income tax payable/ recoverable in respect of the taxable income/ loss for the reporting period. Deferred tax represents the effect of timing differences between taxable income and accounting income for the reporting period that originate in one period and are capable of reversal in one or more subsequent periods.

Provisions and Contingencies

Provisions are recognised when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognised nor disclosed.

Impairment loss

Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amounts. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Intangible assets

Intangible assets are stated at cost of acquisition less amortisation. Teleserial rights are amortised on a straight-line basis over the period of the agreement(s).

B NOTES ON ACCOUNTS

(Rupees in lacs)

		As at 31st March, 2008	As at 31st March, 2007
1.	Estimated amount of contracts remaining to be executed on capital account and not provided for:	2,525.00	286.84
2.	The Company has applied to the Office of the Commissioner of Sales- tax, Mumbai, to ascertain whether the Company's sales are liable to tax under the Sales- tax laws. The matter is still pending before the Sales -tax authority.		
3.	Contingent liabilities in respect of Claim against the Company not acknowledged as debts This represents demand raised by a Prasar Bharti Broadcasting Corporation of India. The Company is of the view that the claim is not valid. Legal proceedings have been initiated for quashing the said demand. The amount disclosed is the minimum liability on this count excluding interest thereon which is presently not quantifiable.	495.00	–

SCHEDULES FORMING PART OF ACCOUNTS

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

4. **Managerial remuneration under section 198 of the Companies Act, 1956 to Directors (including to the Managing Director)**

(included under the head "Employee Costs" refer Schedule 13) (Rupees in lacs)

	For the Year 2007-08	Previous Year 2006-07
Salary	100.92	96.00
Perquisites	88.49	79.44
Commission	762.07	720.21
Contribution to Provident Fund	12.11	11.52
Total	**963.59**	**907.17**

5. **Computation of net profit in accordance with section 198 read with section 309 of the Companies Act, 1956:** (Rupees in lacs)

	For the Year 2007-08		Previous Year 2006-07	
Profit before tax		**12,848.39**		**11,773.82**
Add: Managerial remuneration	963.59		907.17	
Provision of Doubful Debts	11.23		–	
Directors sitting fees	3.75		4.05	
		978.57		911.22
		13,826.96		**12,685.04**
Less: Profit on sale of long term investments (non-trade) (net)	998.07		526.38	
		998.07		526.38
Net Profit for the year		**12,828.89**		**12,158.66**
Commission @ 2.50% each to the Executive Directors		641.44		607.94
Commission @ 0.80% to the Chairman		102.63		97.27
Commission @ 0.20% to other Non-Executive Directors, restricted to Rs. 3 lacs each		18.00		15.00

6. **Payment to auditors** (Rupees in lacs)

	For the Year 2007-08	Previous Year 2006-07
a) as auditors	15.00	13.00
b) as advisor, or in any other capacity, in respect of - taxation matters	0.03	2.50
c) in any other manner (certification work, etc)	5.75	4.00
d) as expenses	0.05	0.15
Total	**20.83**	**19.65**

7. The Company has not received any intimation from 'suppliers' regarding the status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure requirement in this regard as per Schedule VI to the Companies Act, 1956 could not be provided.

8. **Related Party Disclosures**

a) Name of related parties and description of relationship.

Name of the Related Party	**Relationship**
Mr. Jeetendra Kapoor	Key management person
Mrs. Shobha Kapoor	Key management person
Ms. Ekta Kapoor	Key management person
Mr. Tusshar Kapoor	Key management person
Mrs. Nirmala Sood	Relative of key management personnel
Mr. Ramesh Sippy	Relative of key management personnel
Balaji Telefilms FZE Balaji Motion Pictures Limited	Subsidiary Company (control exist)

SCHEDULES FORMING PART OF ACCOUNTS

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

b) Details of Transactions with related parties during the year (Rupees in lacs)

	Column number (refer note II below)							
Nature of Transacitions	1		2		3		Total	
	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous Year
Advances given								
Balaji Telefilms FZE	149.14	359.46	–	–	–	–	149.14	359.46
Balaji Motion Pictures Limited	2,692.52	–	–	–	–	–	2,692.52	–
Investments								
Balaji Motion Pictures Limited	2,850.00	–	–	–	–	–	2,850.00	–
Turnover								
Balaji Telefilms FZE	272.00	–	–	–	–	–	272.00	–
Assets transferred								
Balaji Motion Pictures Limited	–	1,710.65	–	–	–	–	–	1,710.65
Directors sitting fees								
Mr. Jeetendra Kapoor	–	–	0.75	0.75	–	–	0.75	0.75
Mr. Tusshar Kapoor	–	–	0.30	–	–	–	0.30	–
Rent								
Mr. Jeetendra Kapoor	–	–	21.60	14.40	–	–	21.60	14.40
Mrs. Shobha Kapoor	–	–	249.60	124.98	–	–	249.60	124.98
Mr. Tusshar Kapoor	–	–	4.80	2.40	–	–	4.80	2.40
Others	0.14	–	–	0.18	–	–	0.14	0.18
Advances Recovered/ Adjusted								
Balaji Telefilms FZE	250.54	–	–	–	–	–	250.54	–
Balaji Motion Pictures Limited	2,451.13	–	–	–	–	–	2,451.13	–
Remuneration								
Mrs. Shobha Kapoor	–	–	416.48	391.57	–	–	416.48	391.57
Ms. Ekta Kapoor	–	–	422.72	391.57	–	–	422.72	391.57
Mr. Jeetendra Kapoor	–	–	102.63	97.27	–	–	102.63	97.27
Others	–	–	6.76	11.76	–	1.20	6.76	12.96
Dividend paid								
Mrs. Shobha Kapoor	–	–	–	645.78	–	–	–	645.78
Ms. Ekta Kapoor	–	–	–	632.26	–	–	–	632.26
Mr. Jeetendra Kapoor	–	–	–	361.89	–	–	–	361.89
Mr. Tusshar Kapoor	–	–	–	131.97	–	–	–	131.97
Others	–	–	–	–	–	0.62	–	0.62
Amount payable as at 31st March, 2008								
Mrs. Shobha Kapoor	–	–	328.70	311.28	–	–	328.70	311.28
Ms. Ekta Kapoor	–	–	329.48	311.28	–	–	329.48	311.28
Mr. Jeetendra Kapoor	–	–	102.63	97.27	–	–	102.63	97.27
Others	–	–	3.00	0.98	–	0.10	3.00	1.08

SCHEDULES FORMING PART OF ACCOUNTS

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

b) Details of Transactions with related parties during the year (Contd.)

(Rupees in lacs)

	Column number (refer note II below)							
Nature of Transacitions	1		2		3		Total	
	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous Year
Amount receivable as at 31st March, 2008								
Mrs. Shobha Kapoor *	–	–	330.00	330.00	–	–	330.00	330.00
Mr. Jeetendra Kapoor *	–	–	306.60	306.60	–	–	306.60	306.60
Mr. Tusshar Kapoor *	–	–	100.00	100.00	–	–	100.00	100.00
Balaji Telefilms FZE	482.06	359.46	–	–	–	–	482.06	359.46
Balaji Motion Pictures Limited	1,952.04	1,710.65	–	–	–	–	1,952.04	1,710.65
Others	–	–	–	–	–	–	–	–

* Deposits for lease property

Notes:

I. There are no provision for doubtful debts, amounts written off or written back during the year in respect of debts due from or due to related parties.

II. Column number represents,
   1. Subsidiary companies
   2. Key management personnel
   3. Relatives of key management personnel

9. Segment Information:

(A) Information about primary segments

The Company has considered business segment as the primary segment for disclosure. The reportable business segments are as under:

(a) Commissioned Programmes : Income from sale of television serials to channels

(b) Sponsored Programmes : Income from telecasting of television serials on channels

(c) Other : feature films

(Rupees in lacs)

	Commissioned programmes		Sponsored programmes		Others		Total	
	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous Year
REVENUE								
From External Customers	30,081.74	29,286.78	2,815.11	2,459.90	–	–	32,896.85	31,746.68
Add: Inter Segment sale	–	–	–	–	–	–	–	–
Total Revenue	**30,081.74**	**29,286.78**	**2,815.11**	**2,459.90**	**–**	**–**	**32,896.85**	**31,746.68**
RESULTS								
Segment result	14,800.08	14,105.38	822.68	562.32	–	(46.25)	15,622.76	14,621.45
Unallocable Corporate (expenses)/ income (net)							(4,382.26)	(3,718.83)
Operating Profit							11,240.50	10,902.62
Interest Expense							–	(0.42)
Interest income/Dividend on Long - Term Investments							609.82	345.24
Profit on sale of Long - Term Investments (non trade)							998.07	526.38
Provision for tax							(4,055.08)	(3,831.00)
Profit after tax							8,793.31	7,942.82

SCHEDULES FORMING PART OF ACCOUNTS

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

(Rupees in lacs)

	Commissioned programmes		Sponsored programmes		Others		Total	
	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous Year
OTHER INFORMATION								
Segment assets	12,030.07	10,061.10	972.96	1,177.30	–	–	13,003.03	11,238.40
Unallocated Corporate assets							30,797.55	23,286.61
Total assets							**43,800.58**	**34,525.01**
Segment liabilities	2,776.94	2,277.68	157.60	187.37	–	19.69	2,934.54	2,484.74
Unallocated Corporate liabilities							4,381.35	1,623.83
Total Liabilities							**7,315.89**	**4,108.57**
Capital expenditure	2,501.08	1,116.59	–	–	–	–	2,501.08	1,116.59
Depreciation / Amortisation	1,145.48	1,008.69	–	–	–	–	1,145.48	1,008.69
Significant Non cash expenses other than depreciation								
Loss on sale / discard of fixed assets (net)							27.25	59.40
Provision for doubtful debts							11.23	–
Bad debts written off							81.22	208.22

(B) Segment information for secondary segment reporting (by geographical segment)

The Company has to reportable geographical segments based on location of customers:

i) Revenue from customers within India - local

ii) Revenue from customers Outside India - export

	Outside India		Within India		Total	
	Current year	Previous year	Current year	Previous year	Current year	Previous Year
A) Revenue (Turnover)	25,623.73	26,459.79	7,273.12	5,286.89	32,896.85	31,746.68
B) Carrying amount of assets	4,340.98	5,158.30	11,355.90	8,227.44	15,696.88	13,385.74
C) Addition to fixed assets	–	–	3,157.05	1,395.13	3,157.05	1,395.13

10. Earnings per Share

Earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year as under :

	For the Year 2007-08	Previous Year 2006-07
Net profit after tax as per the Profit and Loss account - (Rs. in lacs)	8,793.31	7,942.82
(Short)/Excess provision for tax in respect of earlier years - (Rs. in lacs)	(54.80)	29.38
(A) Profit for the year attributable to equity share holders - (Rs. in lacs)	8,738.51	7,972.20
(B) Weighted average number of equity shares outstanding during the year (Nos.)	65,210,443	65,210,443
(C) Earnings per share - Basic and diluted (Rs.)	13.40	12.23
(D) Nominal value of shares (Rs.)	2	2

SCHEDULES FORMING PART OF ACCOUNTS

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

11. Components of Deferred Tax Assets / (Liabilities)

(Rupees in lacs)

		As at 31st March, 2008	As at 31st March, 2007
Difference between the books and tax written down values of fixed assets		(435.77)	(477.35)
Provision for doubtful debts		3.82	–
Disallowance under the Income Tax Act, 1961		1.07	–
Deferred tax asset/ (liability)-net	Total	**(430.88)**	**(477.35)**

12. Lease Transactions

a) The Company has taken certain premises on non-cancellable operating lease basis. The tenure of leases ranges from 11 to 60 months Future lease rentals in respect of fixed assets taken on non-cancelable operating lease basis are as follows:

(Rupees in lacs)

	As at 31st March, 2008	As at 31st March, 2007
1) Amount due within 1year	392.68	74.40
2) Amount due later than 1year and not later than 5 years	273.59	199.80
3) Amount due later than 5 years	–	–
	666.27	274.20

b) The Company has taken certain premises on cancellable operating lease basis. The tenure of the lease ranges from 11 to 36 months

c) Amount of lease rentals charged to the profit and loss account in respect of operating leases is Rs. 618.33 lacs (previous year Rs. 456.10 lacs)

13. Employee Benefits

a) Defined Contribution Plans

Both the employees and the Company make predetermined contributions to the provident fund. Amount recognised as expense amounts to Rs. 36.35 lacs (previous year Rs. 28.16 lacs)

b) Defined Benefit Plans

(Rupees in lacs)

		Gratuity (Funded)	
		2007-08	2006-07
I	**Reconciliation of liability recognised in the Balance Sheet**		
	Fair Value of plan assets as at the end of the year	14.96	13.72
	Present Value of Obligation as at the end of the year	14.22	12.02
	Net (assets) in the Balance Sheet	(0.74)	(1.70)
II	**Movement in net liability recognised in the Balance Sheet**		
	Net (assets) as at the beginning of the year	(1.70)	(2.71)
	Net expense recognised in the profit and loss account	0.96	5.99
	Contribution during the year	–	(4.98)
	Net (assets) as at the end of the year	(0.74)	(1.70)
III	**Expense Recognised in the profit and loss account (Under the head**		
	"Payment to and provision for employees" Ref Schedule 13)		
	Current Service Cost	3.35	1.47
	Interest Cost	1.23	0.54
	Expected Return on Plan assets	(1.10)	(1.03)
	Actuarial (gains)/losses	(2.52)	5.01
	Expense charged to Profit and Loss Account	0.96	5.99

SCHEDULES FORMING PART OF ACCOUNTS

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

b) Defined Benefit Plans (Contd.)

(Rupees in lacs)

		Gratuity (Funded)	
		2007-08	2006-07
IV	**Return on Plan Assets**		
	Expected return on plan assets	(1.10)	(1.03)
	Actuarial (gains) / losses	(0.14)	0.24
	Actual return on plan assets	(1.24)	(0.79)
V	**Reconciliation of defined benefits commitments**		
	Commitments at beginning of the year	12.02	5.35
	Current Service Cost	3.35	1.47
	Interest Cost	1.23	0.54
	Actuarial (gains)/losses	(2.38)	4.77
	Benefits paid	–	(0.11)
	Settlement cost	–	–
	Commitments at year end	14.22	12.02
VI	**Reconciliation of plan assets**		
	Fair Value of plan assets at beginning of the year	13.72	8.07
	Expected return on plan assets	1.10	1.03
	Actuarial gains/(losses)	0.14	(0.24)
	Employer contribution	–	4.98
	Benefits paid	–	(0.12)
	Fair Value of plan assets at year end	14.96	13.72
VII	**Actuarial Assumptions**		
	Mortality Table (LIC)	1994-96	1994-96
		(Ultimate)	(Ultimate)
	Discount Rate (per annum)	8%	8%
	Expected Rate of return on Plan assets (per annum)	8%	8%
	Rate of escalation in Salary (per annum)	5%	5%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

(Rupees in lacs)

		For the Year 2007-08	Previous Year 2006-07
14.	Exchange gain included in the profit and loss account	0.08	–

15. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of part II of schedule VI of the Companies Act, 1956 (to the extent applicable)

(Rupees in lacs)

		For the Year 2007-08	Previous Year 2006-07
a.	Expenditure in foreign currency		
	Travelling expenses	234.81	83.23
b.	Earnings in foreign exchange:		
	Export of television software/ serials	25,623.73	26,459.79
c.	CIF value of imports		
	Capital goods	177.46	15.82

SCHEDULES FORMING PART OF ACCOUNTS

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

d. Amount remitted during the financial year in foreign currency on account of dividends:

The Company has not made any remittance in foreign currency on account of dividend and does not have information as to the extent to which remittances in foreign currency on account of dividends have been made by or on behalf of non-resident shareholders. The particulars of dividend paid to non-resident shareholders are as under:-

(Rupees in lacs)

	For the Year 2007-08	Previous Year 2006-07
Amount of Dividend (Rupees in lacs)		
Year to which dividend relates		
a) Final dividend for the financial year 2005-2006	–	1,956.31
b) Interim dividend for the financial year 2006-2007	–	2,282.37
Number of non-resident shareholders		
Year to which dividend relates		
a) Final dividend for the financial year 2005-2006	–	196
b) Interim dividend for the financial year 2006-2007	–	411
Number of equity shares held by them on which dividend was due		
Year to which dividend relates		
a) Final dividend for the financial year 2005-2006	–	149,697
b) Interim dividend for the financial year 2006-2007	–	317,944
Amount remitted (net of tax) to banks or power holders in India of the non-resident shareholders (Rupees in lacs)		
Year to which dividend relates		
a) Final dividend for the financial year 2005-2006	–	4.49
b) Interim dividend for the financial year 2006-2007	–	11.13

16. Figures of the previous year have been regrouped wherever necessary to correspond with those of the current year.

Signatures to Schedule 1 to 16

As per our attached report of even date

For DELOITTE HASKINS & SELLS
Chartered Accountants

A. SIDDHARTH
(Partner)
Membership No. 31467
Place : Mumbai
Date : 22nd May, 2008

For SNEHAL & ASSOCIATES
Chartered Accountants

SNEHAL SHAH
(Proprietor)
Membership No. 40016
Place : Mumbai
Date : 22nd May, 2008

For and on behalf of Balaji Telefilms Limited

Jeetendra Kapoor
(Chairman)

Shobha Kapoor
(Managing Director)

Dhruv Kaji
(Director)

Alpa Khandor
(Company Secretary)

Sandeep Jain
(Chief Financial Officer)

Place : Mumbai
Date : 22nd May, 2008

BALANCE SHEET ABSTRACT

Information pursuant to the provisions of Part IV of the Schedule VI to the Companies Act, 1956

I. Registration Details

Registration No. 11–8 2 8 0 2

State Code 1 1

Balance Sheet Date 31 03 2008

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

Public Issue	Right Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	NIL

III. Position of Mobilisation and deployment of Funds (Amount in Rs. thousands)

Total Liabilities	Total Assets
3648469	3648469

Sources of Funds

Paid-up Capital	Reserves and Surplus
130421	3518048
Secured Loans	Unsecured Loans
NIL	NIL

Application of Funds

Net Fixed Assets	Investments
619052	2498934
Net Current Assets	Miscellaneous Expenditure
573571	NIL
Accumulated Losses	Deferred Tax Liability (Net)
NIL	(43088)

IV. Performance of Company (Amount in Rs. thousands)

Turnover	Total Expenditure
3462493	2177654
Profit/(Loss) before Tax	Profit/(Loss) after Tax
1284839	879331
Earning per Share (in Rs.)*	Interim Dividend rate (%)
13.40	175

* REFER NOTE NO. 10 OF SCHEDULES 16

V. Generic names of three principal products / services of the Company (as per monetary terms)

Item Code No. Not Applicable

Product Description Television Serials

Auditor's Report

To,
The Board of Directors
Balaji Telefilms Limited

We have audited the attached consolidated balance sheet of Balaji Telefilms Limited Group, as at 31st March, 2008, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Balaji Telefilms Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

Financial statements of a subsidiary, which reflect total assets of Rs. 6,100.85 lacs as at 31st March, 2008, total revenue of Rs. 3,653.22 lacs and cash flows amounting to Rs. (75.50) lacs for the year then ended, have been audited by one of us.

We did not audit the financial statements of a subsidiary, whose financial statements reflect total assets of Rs. 784.79 lacs as at 31st March, 2008, total revenue of Rs. 1,558.35 lacs and cash flows amounting to Rs. (2.14) lacs for the year then ended. These financial statements and other financial information have been audited by another auditor whose report has been furnished to us, and our opinion is based solely on the report of this auditor.

We report that the consolidated financial statements have been prepared by Balaji Telefilms Limited's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements notified by Companies (Accounting Standards) Rules, 2006.

Based on our audit and on consideration of the report of the another auditor on the separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached 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 Balaji Telefilms Limited Group as at 31st March, 2008;

(b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and

(c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For Deloitte Haskins & Sells
Chartered Accountants

(A. Siddharth)
Partner
Membership No.: 31467

Place : Mumbai
Dated : 22nd May, 2008

For Snehal & Associates
Chartered Accountants

(Snehal Shah)
Proprietor
Membership No.: 40016

Place : Mumbai
Dated : 22nd May, 2008

CONSOLIDATED BALANCE SHEET As at 31st March, 2008

(Rupees in lacs)

	Schedule No.	31st March, 2008		31st March, 2007	
I. SOURCES OF FUNDS					
1 Shareholders' funds					
A. Share capital	1	1,304.21		1,304.21	
B. Reserves and surplus	2	35,983.75		29,094.48	
			37,287.96		30,398.69
2 Deferred tax liability (net)			430.94		477.30
Total			**37,718.90**		**30,875.99**
II. APPLICATION OF FUNDS					
1 Fixed Assets	3				
Gross block		9,479.22		7,864.37	
Less : depreciation		5,049.08		3,813.78	
Net block		4,430.14		4,050.59	
Capital work in progress		1,772.20		382.54	
			6,202.34		4,433.13
2 Investments	4		21,970.47		17,706.93
3 Current assets, loans and advances					
A. Inventories	5	1,844.59		1,253.92	
B. Sundry debtors	6	7,469.21		6,959.33	
C. Cash and bank balances	7	833.02		787.03	
D. Loans and advances	8	6,900.83		3,642.50	
		17,047.65		12,642.78	
Less : Current liabilities and provisions					
A. Current liabilities	9	4,758.24		3,723.46	
B. Provisions	10	2,743.32		183.39	
		7,501.56		3,906.85	
Net current assets			**9,546.09**		**8,735.93**
Total			**37,718.90**		**30,875.99**
Significant accounting policies and notes on accounts	16				

As per our attached report of even date

For DELOITTE HASKINS & SELLS
Chartered Accountants

A. SIDDHARTH
(Partner)
Membership No. 31467
Place : Mumbai
Date : 22nd May, 2008

For SNEHAL & ASSOCIATES
Chartered Accountants

SNEHAL SHAH
(Proprietor)
Membership No. 40016
Place : Mumbai
Date : 22nd May, 2008

For and on behalf of Balaji Telefilms Limited

Jeetendra Kapoor
(Chairman)

Shobha Kapoor
(Managing Director)

Dhruv Kaji
(Director)

Alpa Khandor
(Company Secretary)

Sandeep Jain
(Chief Financial Officer)

Place : Mumbai
Date : 22nd May, 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the year ended 31st March, 2008

(Rupees in lacs)

	Schedule No.	For the Year 2007-08	Previous Year 2006-07
INCOME			
Turnover		37,836.42	32,021.68
Other income	11	1,754.98	943.94
Total		**39,591.40**	**32,965.62**
EXPENDITURE			
Cost of production / acquisition of television serials / films	12	19,535.42	16,195.75
Employee costs	13	1,396.78	1,157.71
Administrative and other expenses	14	3,413.76	2,719.07
Interest	15	–	0.42
Depreciation / Amortisation		1,289.32	1,128.63
Total		**25,635.28**	**21,201.58**
PROFIT BEFORE TAX		**13,956.12**	**11,764.04**
Provision for tax			
Current tax (including Rs.4.55 lacs (previous year Rs. 4.00 lacs) for wealth tax)		(4,314.55)	(3,748.02)
Deferred tax		46.36	(19.95)
Fringe Benefit Tax		(73.60)	(71.00)
PROFIT AFTER TAX		**9,614.33**	**7,925.07**
(Short)/Excess provision for tax in respect of earlier years		(54.80)	29.38
Balance brought forward from previous year		10,947.34	6,389.65
AMOUNT AVAILABLE FOR APPROPRIATION		**20,506.87**	**14,344.10**
Appropriation			
1) Interim dividend		–	2,282.37
2) Transferred to general reserve		879.33	794.29
3) Proposed dividend		2,282.37	–
4) Corporate dividend tax		387.89	320.10
BALANCE CARRIED TO BALANCE SHEET		**16,957.28**	**10,947.34**
Basic and diluted earnings per share (Refer note 8 of Schedule 16)		**14.66**	**12.20**
Significant accounting policies and notes on accounts	16		

As per our attached report of even date

For and on behalf of Balaji Telefilms Limited

For DELOITTE HASKINS & SELLS
Chartered Accountants

A. SIDDHARTH
(Partner)
Membership No. 31467
Place : Mumbai
Date : 22nd May, 2008

Jeetendra Kapoor
(Chairman)

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Dhruv Kaji
(Director)

For SNEHAL & ASSOCIATES
Chartered Accountants

SNEHAL SHAH
(Proprietor)
Membership No. 40016
Place : Mumbai
Date : 22nd May, 2008

Alpa Khandor
(Company Secretary)

Sandeep Jain
(Chief Financial Officer)

Place : Mumbai
Date : 22nd May, 2008

CONSOLIDATED CASH FLOW STATEMENT For the year ended 31st March, 2008

(Rupees in lacs)

	For the Year 2007-08		Previous Year 2006-07	
A Cash flow from operating activities				
Profit before tax	13,956.12		11,764.04	
Adjustments for:				
Depreciation / Amortisation	1,289.32		1,128.63	
Bad debts written off	81.22		208.22	
Provision for doubtful debts	96.15		–	
Loss on sale / discard of fixed assets(net)	105.80		59.40	
Profit on sale of long term investments (non trade) (net)	(998.07)		(526.38)	
Excess provision of earlier years written -back	(89.78)		(51.25)	
Interest expenses	–		0.42	
Interest/dividend income	(614.55)		(345.24)	
Operating profit before working capital changes	13,826.21		12,237.84	
(Increase) in trade and other receivable	(4,240.54)		(1,671.55)	
(Increase) in inventories	(590.67)		(92.10)	
Increase in trade payables	1,181.93		284.61	
		10,176.93		10,758.80
Direct taxes paid and fringe benefit tax paid		(4,262.96)		(3,732.74)
Net cash from operating activities (a)		**5,913.97**		**7,026.06**
B Cash flow from investing activities				
Purchase of fixed assets	(3,174.13)		(1,491.56)	
Sale of fixed assets	9.80		3.40	
Purchase of investments	(9,279.61)		(4,803.60)	
Sale of investments	6,014.14		3,861.64	
Income from investments	614.55		345.24	
Net cash (used in) investing activities(b)		**(5,815.25)**		**(2,084.88)**
C Cash flow from financing activities				
Interest paid	–		(0.42)	
Dividend paid	(52.73)		(4,182.67)	
Corporate dividend tax paid	–		(594.47)	
Net cash used in financing activities (c)		**(52.73)**		**(4,777.56)**
Net increase in cash and cash equivalents (a+b+c)		**45.99**		**163.62**
Cash and cash equivalent as at beginning of the year	787.03		623.41	
Cash and cash equivalents as at end of the year	833.02		787.03	

As per our attached report of even date

For DELOITTE HASKINS & SELLS
Chartered Accountants

A. SIDDHARTH
(Partner)
Membership No. 31467
Place : Mumbai
Date : 22nd May, 2008

For SNEHAL & ASSOCIATES
Chartered Accountants

SNEHAL SHAH
(Proprietor)
Membership No. 40016
Place : Mumbai
Date : 22nd May, 2008

For and on behalf of Balaji Telefilms Limited

Jeetendra Kapoor
(Chairman)

Shobha Kapoor
(Managing Director)

Dhruv Kaji
(Director)

Alpa Khandor
(Company Secretary)

Sandeep Jain
(Chief Financial Officer)

Place : Mumbai
Date : 22nd May, 2008

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

(Rupees in lacs)

	As at 31st March, 2008	As at 31st March, 2007
1 SHARE CAPITAL		
Authorised		
75,000,000 equity shares of Rs. 2/- each	1,500.00	1,500.00
Issued, Subscribed and Paid-up		
65,210,443 equity shares of Rs. 2/- each	1,304.21	1,304.21
Note:		
6,500,000 equity shares of the original value of Rs. 10/- each were allotted as fully paid up bonus shares by capitalisation of surplus in Profit and Loss account.		
Total	**1,304.21**	**1,304.21**

2 RESERVES AND SURPLUS

Share premium account		
As per last Balance sheet	14,785.61	14,785.61
General reserve		
As per last Balance sheet	3,361.53	2,567.24
Add: Transfered from Profit and Loss account	879.33	794.29
	4,240.86	3,361.53
Surplus in Profit and Loss account	16,957.28	10,947.34
Total	**35,983.75**	**29,094.48**

3 FIXED ASSETS

(Rupees in lacs)

	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
Particulars	As at 1st April, 2007	Additions	Deductions	As at 31st March, 2008	Upto 31st March, 2007	For the year	On Deductions	Upto 31st March, 2008	As at 31st March, 2008	As at 31st March, 2007
Buildings	235.75	220.86	–	456.61	23.38	3.92	–	27.30	429.31	212.37
Plant and machinery - Computers	594.72	88.87	–	683.59	349.43	102.36	–	451.79	231.80	245.29
Plant and machinery - Others	1,653.98	201.27	30.48	1,824.77	518.31	120.06	1.25	637.12	1,187.65	1,135.67
Studios and sets	4,124.77	835.12	67.81	4,892.08	2,547.68	941.65	23.56	3,465.77	1,426.31	1,577.09
Vehicles	568.75	156.03	62.47	662.31	152.16	54.50	28.42	178.24	484.07	416.59
Furniture and fixtures	237.66	10.12	5.17	242.61	51.70	14.76	0.13	66.33	176.28	185.96
Computers	244.18	20.76	3.69	261.25	140.51	37.88	0.66	177.73	83.52	103.67
Office equipment	179.28	64.24	–	243.52	25.94	9.20	–	35.14	208.38	153.34
Electrical fittings	25.28	6.68	–	31.96	4.67	1.23	–	5.90	26.06	20.61
Lease Hold Improvements	–	180.52	–	180.52	–	3.76	–	3.76	176.76	–
Sub Total	**7,864.37**	**1,784.47**	**169.62**	**9,479.22**	**3,813.78**	**1,289.32**	**54.02**	**5,049.08**	**4,430.14**	**4,050.59**
Previous Year	**6,695.15**	**1,616.46**	**447.24**	**7,864.37**	**3,069.59**	**1,128.63**	**384.44**	**3,813.78**	**4,050.59**	
Capital work in progress									1,772.20	382.54

Note:

Building includes Rs. 220.86 lacs (previous year Rs. Nil), being cost of ownership premises in co-operative society including cost of shares of face value of Rs. 0.01 lac received under Bye-law of the society, yet to be transferred in the name of the Company.

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

4 INVESTMENTS

(Rupees in lacs)

	Face Value (In Rupees)	NUMBERS As at 31st March, 2008	NUMBERS As at 31st March, 2007	VALUE As at 31st March, 2008	VALUE As at 31st March, 2007
LONG TERM INVESTMENTS (NON TRADE)					
UNQUOTED					
IN UNITS OF MUTUAL FUNDS					
ABN Amro FTP - Series 10 - Plan B - Inst. Growth	10.00	1,000,000	–	100.00	–
ABN Amro FTP - Series 8 Yly Plan C - Inst. Growth	10.00	1,500,000	–	150.00	–
Birla FTP - Series - O - Growth	10.00	1,000,000	1,000,000	100.00	100.00
Birla FTP - Quarterly - Series 9 - Dividend - Payout	10.00	–	500,000	–	50.00
Birla FTP - Series - P - Growth	10.00	1,000,000	1,000,000	100.00	100.00
Birla FTP - Series - AA - Growth	10.00	1,000,000	–	100.00	–
Birla FTP - Series - AB - Growth	10.00	1,000,000	–	100.00	–
Birla FTP - Series - AD - Growth	10.00	2,000,000	–	200.00	–
Birla FTP - Series - AE - Growth	10.00	2,000,000	–	200.00	–
Birla FTP - Series - AJ - Growth	10.00	2,000,000	–	200.00	–
Birla FTP - Series - AL - Growth	10.00	1,500,000	–	150.00	–
Birla FTP - Series - X - Growth	10.00	2,000,000	–	200.00	–
Birla FTP - Series - Y - Growth	10.00	2,000,000	–	200.00	–
Birla Income Plus - Growth	10.00	423,668	–	150.00	–
Birla Sunlife Liquid Plus - Institutional - Weekly Dividend Reinvestment	10.00	2,983,472	–	300.00	–
Birla Sunlife Special Situtation Fund - Growth	10.00	977,995	–	100.00	–
DBS Chola FMP - Series 6 (Qtrly Plan - 3) - Dividend	10.00	–	1,000,000	–	100.00
DSP Merrill Lynch - Floating Rate - Reg - Growth	10.00	–	2,655,243	–	300.00
DSP Merrill Lynch Floating Rate Fund - Institutional Plan - Growth	1,000.00	–	49,378	–	500.00
DSP Merrill Lynch FMP- Institutional - 18 Months - Series 1 - Growth	10.00	2,000,000	–	200.00	–
DSP Merrill Lynch FMP- Institutional - 15 Months - Series 2 - Growth	10.00	1,500,000	–	150.00	–
DSP Merrill Lynch Strategic Bond Fund - Regular Plan - Monthly Dividend Reinvestment	1,000.00	10,292	–	103.26	–
DSP Merrill Lynch Strategic Bond Fund - Institutional Plan - Growth	1,000.00	48,923	–	500.00	–
DSP Merrill Lynch Liquid Plus - Institutional Plan - Weekly Dividend Reinvestment	1,000.00	52,054	–	521.03	–
DWS Fixed Term Fund - Series 10 - Growth Plan	10.00	–	3,000,000	–	300.00
DWS Fixed Term Fund - Series 14 - Growth Plan	10.00	–	2,000,000	–	200.00
DWS Fixed Term Fund - Series 16 - Institutional Plan - Growth Option	10.00	–	2,000,000	–	200.00
DWS Fixed Term Fund Series 28 - Dividend Option	10.00	–	3,000,000	–	300.00
DWS Fixed Term Fund - Series 33 - Growth	10.00	1,000,000	–	100.00	–
DWS Money Plus Fund - Regular Plan - Weekly Dividend Reinvestment	10.00	3,120,627	–	314.53	–
DWS Money Plus Fund - Institutional Plan - Weekly Dividend Reinvestment	10.00	5,215,306	–	523.67	–
FT MIP Plan A - Quarterly Dividend	10.00	2,324,101	2,091,533	273.78	246.11
Grindlays Fixed Maturity - 7th Plan B - Growth	10.00	–	2,767,987	–	300.00
Grindlays Floating Rate Fund - Short Term - Plan C - Growth	10.00	–	9,161,956	–	1,000.00
HDFC Monthly Income Plan Short Term Fund - Quarterly Dividend	10.00	2,539,860	2,399,885	260.30	245.70
HDFC FMP 13M March 2006 (1) - Institutional Plan - Gorwth	10.00	–	2,000,000	–	200.00
HDFC FMP 16M January 2007 (3) - Wholesale Plan Growth	10.00	1,000,000	1,000,000	100.00	100.00
HDFC FMP 18M November 2007 - Wholesale Plan Growth	10.00	2,000,000	–	200.00	–
HDFC FMP 13M June 2006 (1) - Institutional Plan - Gorwth	10.00	–	5,000,000	–	500.00
HDFC FMP 26M August 2006 (1) - Institutional Plan - Gorwth	10.00	1,000,000	1,000,000	100.00	100.00

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

4 INVESTMENTS *(Contd.)*

(Rupees in lacs)

	Face Value (In Rupees)	NUMBERS As at 31st March, 2008	NUMBERS As at 31st March, 2007	VALUE As at 31st March, 2008	VALUE As at 31st March, 2007
HDFC FMP 181D December 2007 - Institutional Plan - Dividend	10.00	2,000,000	–	200.00	–
HDFC Equity Fund - Dividend	10.00	507,692	507,692	200.00	200.00
HDFC Income Fund - Dividend Reinvestment	10.00	4,303,695	–	457.87	–
HDFC Cash Management Fund - Savings Plus Plan - Wholesale - Daily Dividend	10.00	2,312,897	–	232.02	
HDFC Short Term Plan - Dividend Reinvestment	10.00	5,066,319	–	526.40	–
HSBC Fixed Term Series - 4 - Growth	10.00	–	3,000,000	–	300.00
HSBC Floating Rate Fund - Short Term - Institutional Option - Growth	10.00	–	950,814	–	100.00
HSBC Liquid Plus - Institutional - Weekly Dividend	10.00	–	2,525,685	–	252.99
HSBC Fixed Term Series 9 - Growth	10.00	–	3,000,000	–	300.00
HSBC Fixed Term Series 22 - Institutional - Growth	10.00	2,000,000	2,000,000	200.00	200.00
HSBC Fixed Term Series 15 - Institutional - Growth	10.00	–	1,000,000	–	100.00
HSBC Fixed Term Series 32 - Institutional - Growth	10.00	3,000,000	–	300.00	–
HSBC Fixed Term Series 33 - Institutional - Growth	10.00	2,000,000	–	200.00	–
ING Vysya Fixed Maturity Fund Series - XV - Growth Option	10.00	–	3,000,000	–	300.00
ING Vysya Fixed Maturity Fund Series - VII - Growth Option	10.00	–	3,000,000	–	300.00
ING Vysya Fixed Maturity Fund Series - XXXI - Growth Option	10.00	2,000,000	–	200.00	–
ING Vysya Fixed Maturity Fund Series - XXXII - Growth Option	10.00	1,000,000	–	100.00	–
ING Vysya Fixed Maturity Fund Series - XXXVIII - Growth Option	10.00	1,000,000	–	100.00	–
JM Equity and Derivative Fund - Growth	10.00	–	4,745,852	–	500.00
JM Arbitrage Advantage Fund - Growth Plan	10.00	2,000,000	2,000,000	200.00	200.00
JM Agri & Infra Fund - Growth Plan	10.00	1,500,000	–	150.00	–
JM Contra Fund - Growth Plan	10.00	977,995	–	100.00	–
JM Fixed Maturity Fund - Series VII - 18 Months Plan - Institutional Growth Plan	10.00	2,500,000	–	250.00	–
JM Fixed Maturity Fund - Series VII - 15 Months Plan - Institutional Growth Plan	10.00	1,000,000	–	100.00	–
JP Morgan India Smaller Companies Fund - Growth Plan	10.00	977,995	–	100.00	–
Kotak FMP Series 14 - Growth	10.00	–	3,000,000	–	300.00
Kotak FMP Series 26 - Growth	10.00	–	4,000,000	–	400.00
Kotak Equity Arbitrage Fund - Dividend	10.00	2,156,626	2,033,220	219.77	206.71
Kotak FMP 3M Series 12 - Dividend	10.00	–	1,000,000	–	100.00
Kotak FMP 3M Series 13 - Dividend	10.00	–	2,000,000	–	200.00
Kotak FMP 3M Series 14 - Dividend	10.00	–	3,000,000	–	300.00
Kotak FMP 6M Series 2 - Dividend	10.00	–	512,460	–	51.25
Kotak FMP 15M Series 1 - Growth	10.00	–	2,000,000	–	200.00
Kotak FMP 16M Series 1 - Growth	10.00	1,000,000	1,000,000	100.00	100.00
Kotak Wealth Builder Series 1 - Growth	10.00	1,000,000	1,000,000	100.00	100.00
Kotak Bond (Short Term) - Monthly Dividend	10.00	8,391,199	–	843.96	–
Kotak Bond (Regular) - Monthly Dividend	10.00	4,662,967	–	508.22	–
Kotak FMP 13M Series 4 - Institutional - Growth	10.00	2,000,000	–	200.00	–
Kotak FMP 14M Series 3 - Institutional - Growth	10.00	2,000,000	–	200.00	–
Kotak FMP 16M Series 2 - Institutional - Growth	10.00	2,000,000	–	200.00	–
Kotak FMP 17M Series 1 - Institutional - Growth	10.00	1,500,000	–	150.00	–
Lotus India FMP - 3 Months - Series IV - Institutional Dividend	10.00	–	1,000,000	–	100.00

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

4 INVESTMENTS *(Contd.)*

(Rupees in lacs)

	Face Value (In Rupees)	NUMBERS As at 31st March, 2008	NUMBERS As at 31st March, 2007	VALUE As at 31st March, 2008	VALUE As at 31st March, 2007
Lotus India FMP - 14 Months - Series III - Institutional Growth	10.00	2,000,000	–	200.00	–
Lotus India FMP - 15 Months - Series II - Institutional Growth	10.00	2,000,000	–	200.00	–
Lotus India FMP - 3 Months - Series XXII - Dividend	10.00	1,013,174	–	101.32	–
Lotus India FMP - 375 Days - Series I - Institutional Growth	10.00	1,000,000	–	100.00	–
LIC MF FMP Series 20 - 14 Months Growth Plan	10.00	1,000,000	1,000,000	100.00	100.00
LIC MF FMP Series 15 - 13 Months Growth Plan	10.00	–	1,500,000	–	150.00
LIC MF FMP Series 32 - 13 Months Growth Plan	10.00	2,000,000	–	200.00	–
LIC MF FMP Series 34 - 16 Months Growth Plan	10.00	2,000,000	–	200.00	–
Principal Income Fund - Short Term - Institutional Plan - Growth	10.00	–	1,750,011	–	200.00
Principal Fixed Maturity Plan (FMP - 31) - Series III - Institutional Growth Plan - Nov06	10.00	–	1,000,000	–	100.00
Principal Fixed Maturity Plan - II (FMP 29) 460 Days Plan - Aug06	10.00	–	2,000,000	–	200.00
Principal Fixed Maturity Plan (FMP 27) 385 Days Series II	10.00	–	3,000,000	–	300.00
Principal PNB Fixed Maturity Plan (FMP 39) 385 Days Series V	10.00	5,000,000	–	500.00	–
Principal PNB Fixed Maturity Plan (FMP 40) 385 Days Series VI	10.00	1,000,000	–	100.00	–
Principal MIP plus - Monthly Dividend Reinvestment	10.00	3,701,663	–	447.31	–
Prudential I.C.I.C.I. Flexible Income Plan - Dividend	10.00	449,077	420,214	49.52	46.48
Prudential I.C.I.C.I. Short Term Plan - Cumulative Option	10.00	2,737,958	2,737,958	350.00	350.00
Prudential I.C.I.C.I. FMP Series - XII - Institutional 1 Dividend	10.00	–	2,109,092	–	210.91
Prudential I.C.I.C.I. FMP Series 30 - 13 Months Plan - Institutional - Growth	10.00	–	4,000,000	–	400.00
Prudential I.C.I.C.I. FMP Series 34 - 16 Months Plan - Institutional - Growth	10.00	2,000,000	2,000,000	200.00	200.00
Prudential I.C.I.C.I. Equity & Derivatives Fund - Income Optimiser - Retail Dividend	10.00	1,033,333	1,000,000	103.50	100.00
Prudential I.C.I.C.I. FMP SERIES 41 -19 Months Plan - Retail Cumulative	10.00	2,500,000	–	250.00	–
Prudential I.C.I.C.I. FMP SERIES 42 -16 Months Plan - Institutional Growth	10.00	2,000,000	–	200.00	–
Reliance Equity Opportunities Fund - Dividend Plan	10.00	653,357	599,085	122.56	113.57
Reliance Monthly Interval Fund - Series I - Retail Dividend Plan	10.00	–	2,000,000	–	200.00
Reliance Fixed Horizon Fund - Institutional Plan C - Series I - Institutional Growth Plan	10.00	5,000,000	5,000,000	500.00	500.00
Reliance Fixed Horizon Fund I - Annual Plan - Series III - Retail Growth Plan	10.00	–	2,000,000	–	200.00
Reliance Fixed Horizon Fund II - Annual Plan - Series III - Institutional Growth Plan	10.00	2,000,000	2,000,000	200.00	200.00
Reliance Fixed Horizon Fund II - Annual Plan - Series IV - Institutional Growth Plan	10.00	1,000,000	1,000,000	100.00	100.00
Reliance Fixed Horizon Fund I - Quarterly Plan - Series IV - Dividend Option	10.00	–	3,000,000	–	300.00
Reliance Fixed Horizon Fund I - Retail Plan-Annual Plan-Series I - Retail Growth Plan	10.00	–	2,000,000	–	200.00
Reliance Fixed Tenor Fund Plan - B - Growth Option	10.00	3,000,000	3,000,000	300.00	300.00
Reliance Fixed Horizon Fund IV - Annual Plan - Series II - Institutional Growth Plan	10.00	1,500,000	–	150.00	–
Reliance Fixed Horizon Fund IV - Annual Plan - Series 7 - Institutional Growth Plan	10.00	2,000,000	–	200.00	–
Reliance Fixed Horizon Fund IV - Annual Plan - Series 5 - Institutional Growth Plan	10.00	2,000,000	–	200.00	–

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

4 INVESTMENTS *(Contd.)*

(Rupees in lacs)

	Face Value (In Rupees)	NUMBERS As at 31st March, 2008	NUMBERS As at 31st March, 2007	VALUE As at 31st March, 2008	VALUE As at 31st March, 2007
Reliance Fixed Horizon Fund IV - Annual Plan - Series 1 - Institutional Growth Plan	10.00	2,000,000	–	200.00	–
Reliance Fixed Horizon Fund IV - Series 5 - Institutional Growth Plan	10.00	2,000,000	–	200.00	–
Reliance Fixed Horizon Fund IV - Series 6 - Institutional Growth Plan	10.00	2,000,000	–	200.00	–
Reliance Fixed Horizon Fund VII - Annual Plan - Series 1 - Institutional Growth Plan	10.00	1,000,000	–	100.00	–
Reliance Interval Fund Quarterly Plan - Series i - Institutional Dividend Plan	10.00	3,223,210	–	322.33	–
Reliance Natural Resources Fund - Growth Plan - Growth Option	10.00	977,995	–	100.00	–
Reliance Fixed Horizon Fund VI - Series 2 - Institutional Dividend Plan	10.00	1,000,000	–	100.00	–
SBI Debt Fund Series - 13 Months (November 06) - Growth	10.00	–	1,000,000	–	100.00
Standard Chartered Fixed Maturity 10th Plan - Growth	10.00	–	2,000,000	–	200.00
Standard Chartered Fixed Maturity Plan - Quarterly Series 3 - Dividend	10.00	–	1,014,760	–	101.48
Standard Chartered Liquid Manager - Plus - Monthly Dividend	1,000.00	–	31,738	–	317.71
Standard Chartered Fixed Maturity Plan - Yearly Series 7 - Growth	10.00	1,000,000	–	100.00	–
Standard Chartered Fixed Maturity Arbitrage Fund - Series 1 - Plan B - Growth	10.00	1,000,000	–	100.00	–
Sundaram BNP Paribas Fixed Term Plan Series XXI - 16 Months - Growth	10.00	1,000,000	1,000,000	100.00	100.00
Sundaram BNP Paribas Liquid Plus Super Inst. Div Rein Weekly	10.00	5,136,267	–	519.99	–
Sundaram BNP paribas Fixed Term 367 Days Plan I Inst - Growth	10.00	2,000,000	–	200.00	–
Tata Floating Rate Short Term Institutional Plan - Growth	10.00	–	5,692,492	–	600.00
Tata Fixed Horizon Fund Series 7 - Scheme B - Growth - Institutional Plan	10.00	1,000,000	1,000,000	100.00	100.00
Tata Fixed Investment Plan - 1 Scheme A - Institutional Plan - Growth	10.00	2,000,000	–	200.00	–
Tata Fixed Horizon Fund Series 14 Scheme B - IG - Growth	10.00	1,500,000	–	150.00	–
Tata Fixed Horizon Fund Series 13 Scheme B - IG - Growth	10.00	3,000,000	–	300.00	–
Templeton India Short Term Income Plan Growth	1,000.00	11,283	11,283	150.00	150.00
Templeton Quarterly Interval Plan - Plan A - Institutional - Dividend Reinvestment	10.00	1,050,561	–	105.05	–
UTI - Fixed Term Income Fund - Series 1 - Plan 18 - Q3 Growth Plan	10.00	–	3,000,000	–	300.00
UTI - Fixed Maturity Plan (YFMP/0906) Growth Plan	10.00	–	2,000,000	–	200.00
UTI Fixed Maturity Plan Yearly Series YFMP/1006 Growth Plan	10.00	–	1,000,000	–	100.00
UTI Fixed Term Income Fund Series I - Plan 16 - Institutional Growth Plan	10.00	3,000,000	3,000,000	300.00	300.00
UTI Fixed Maturity Plan (HFMP / 0207) - Dividend Plan - Re-investment	10.00	–	1,007,424	–	100.74
UTI Fixed Term Income Fund - Series II Plan 16 - Institutional Growth Plan	10.00	1,000,000	1,000,000	100.00	100.00
UTI - Fixed Maturity Plan Yearly Series / 0606 Growth Plan	10.00	–	3,000,000	–	300.00
UTI Fixed Term Income Fund Series - III Plan 20 - Institutional Growth	10.00	2,000,000	–	200.00	–
UTI Fixed Maturity Plan Yearly Series YFMP/0807 - Inst. Growth	10.00	1,000,000	–	100.00	–
UTI Fixed Income Interval Fund Annual Interval Plan Series III - Inst. Growth Plan	10.00	2,000,000	–	200.00	–
UTI Fixed Income Interval Fund Annual Interval Plan Series II - Institutional Growth Plan	10.00	3,000,000	–	300.00	–
UTI Fixed Income Interval Fund - Quarterly Plan Series - III - Institutional Dividend Plan - Reinvestment	10.00	1,007,965	–	100.80	–
				21,457.19	17,193.65
QUOTED					
6.75% Tax free Bonds of Unit Trust of India of Rs.100/- each		500,000	500,000	513.28	513.28
Total				21,970.47	17,706.93

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

4 INVESTMENTS *(Contd.)*

(Rupees in lacs)

Notes	Cost	Market Value
1 Aggregate of Quoted Invetsments.... (a)	513.28	503.00
Previous Year.... (i)	513.28	498.00
Aggregate of Unquoted investments .... (b)	21,457.19	
Previous Year .... (ii)	17,193.65	
Total.... (a + b)	21,970.47	
Previous year.... (i + ii)	17,706.93	

2 Details of investments purchased and sold during the year (Rupees in lacs)

Particulars	Nos.	Cost
Templeton Floating Rate Income Fund Long Term Plan Institutional Option - Dividend Reinvestment	4,990,080	516.14
UTI Fixed Maturity Plan Quarterly Series QFMP / 0607/II - Institutional Dividend Plan - Payout	2,000,000	200.00
Hsbc Cash Fund - Institutional Plan - Weekly Dividend	3,213,420	336.18
HSBC Liquid Plus - Institutional - Weekly Dividend	4,178,962	419.34
Birla FTP - Quarterly - Series 12 - Dividend - Payout	1,000,000	100.00
DWS Credit Opportunities cash Fund - Dividend Plan	12,319,671	1,238.91
DWS Quarterly Interval Fund - Series 1 - Dividend Plan	2,068,484	206.85
ICICI Prudential FMP Series - XII - Institutional 1 Dividend Reinvestment	13,034	1.30
ING Liquid Plus Fund - Institutional Weekly Dividend	10,373,877	1,041.89
Kotak Flexi Debt Scheme	5,207,606	522.38
Kotak FMP 6m Series 2 - Dividend	3,394	0.34
Kotak FMP 3M Series 12 - Dividend	22,443	2.24
Kotak FMP 3M Series 14 - Dividend	69,868	6.99
Kotak FMP 3M Series 22 - Dividend	1,000,000	100.00
Kotak FMP 3M Series 13 - Dividend	36,601	3.71
Lotus India FMP - 3 Months - Series IV - Institutional Dividend	23,363	2.34
Principal Floating Rate Fund FMP Insti. Option - Dividend Reinvestment Weekly	2,061,120	206.17
Standard Chartered Liquidity Manager - Plus - Monthly Dividend	919	9.19
Standard Chartered Fixed Maturity Plan - Quarterly Series 9 - Dividend	20,947	2.10
DBS Chola Fixed Maturity Plan - Series 7 (Quarterly Plan - 4)	1,000,000	100.00

Details of investments purchased and sold during the previous Year (Rupees in lacs)

Particulars	Nos.	Cost
Birla Cash Plus - Institutional Plan Weekly Dividend	3,697,370	400.00
Birla Cash Plus - Institutional Plan Weekly Dividend	1,387,296	150.00
Birla Cash Plus - Institutional Plan Weekly Dividend	147,329	15.92
DSP Merrill Lynch Floating Rate Fund Weekly - Dividend	28,386	2.85
DSPML Liquidity Fund - Institutional - Monthly Dividend	53,330	533.41
DSPML Liquidity Fund - Institutional - Monthly Dividend	14,989	150.00
DSPML Short Term Fund - Dividend	966,482	101.40
Duetsche Floating Rate Fund Regular Plan - Mtly Dividend	39,354	4.03
Dws Fixed Term Fund - Series 13 - Dividend - 90 Days	500,000	50.00
DWS Fixed term Fund - Series 22 - Dividend	3,000,000	300.00
DWS Money Plus Fund - Regular Plan - Weekly Dividend	2,020,221	202.88
Grindlays Floating Rate Fund - Long Term Plan A Monthly Dividend	7,917	0.79
Grindlays Floating Rate Fund - Short Term - Monthly Dividend	12,851	1.29
Hdfc Cash Mgmt Fund - Saving Plan - Weekly Dividend	46,892	4.98

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

4 INVESTMENTS *(Contd.)*

Details of investments purchased and sold during the previous Year (Contd.) (Rupees in lacs)

Particulars	Nos.	Cost
Hdfc Cash Mgmt Fund - Saving Plus Plan - Weekly Dividend	2,992,071	300.00
Hdfc Cash Mgmt Fund - Saving Plus Plan - Weekly Dividend	325,507	32.60
Hdfc Floating Rate Income Fund - ST Plan Dividend	12,342	1.25
Hsbc Cash Fund - Institutional - Monthly Dividend	39,856	4.17
JM High Liquidity - Institutional - Weekly Dividend	7,440	0.75
Kotak Fixed Maturity Plan - 3M Series 7 - Dividend	3,000,000	300.00
Kotak Fixed Maturity Plan 3M Series 4	500,000	50.00
Kotak Floater Short Term Monthly Dividend	27,597	2.76
Kotak Liquid-Institutional Premium Plan - Weekly Dividend	48,144	4.83
Kotak Liquid-Institutional Premium Plan - Weekly Dividend	2,986,709	300.00
Pru ICICI Floating Rate Plan -Dividend	37,403	3.76
Reliance Fixed Horizon Fund - I - Qly Plan B - Series III - Dividend	1,000,000	100.00
Standard Chartered Fixed Maturity 7th Plan	3,000,000	300.00
Tata Monthly Income Fund - Monthly Dividend	99,587	11.46
Templeton Treasury Management Account - Daily Dividend	64	0.97
UTI Liquid Cash Plan Institutional - Daily Income Option	506	5.16

(Rupees in lacs)

	As at 31st March, 2008	As at 31st March, 2007
5 INVENTORIES		
Television serials / films	1,831.87	1,236.66
Tapes	12.72	17.26
Total	**1,844.59**	**1,253.92**

6 SUNDRY DEBTORS

(Unsecured)		
Debts outstanding for a period exceeding six months	48.55	180.88
Other debts	7,516.81	6,778.45
	7,565.36	6,959.33
Less: Provision	96.15	–
Total	**7,469.21**	**6,959.33**
Notes:		
1) Considered Good	7,469.21	6,959.33
Considered Doubtful	96..15	–
	7,565.36	6,959.33

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

(Rupees in lacs)

	As at 31st March, 2008	As at 31st March, 2007
7 CASH AND BANK BALANCES		
Cash on hand	33.38	44.84
Bank balances		
- with Scheduled banks		
In Current accounts	727.30	431.81
In Fixed deposits accounts (over which bank has a lien)	60.49	296.94
- with others		
In Current accounts	11.85	13.44
	799.64	742.19
Total	833.02	787.03

8 LOANS AND ADVANCES		
(Unsecured, Considered good)		
Advances recoverable in cash or in kind or for value to be received	5,587.18	2,113.45
Advance tax (net)	258.87	524.73
Fringe benefit tax (net)	1.50	30.60
Deposits *	1,053.28	973.72
Total	6,900.83	3,642.50
Notes		
1. * Includes deposits given to directors for property taken on lease from them	836.60	736.60
2. Maximum amount outstanding at any time during the year for above deposits	836.60	736.60

9 CURRENT LIABILITIES		
Sundry creditors		
(i) Total outstanding dues to micro enterprises and small enterprises	–	–
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	3,758.84	3,436.26
	3,758.84	3,436.26
Advances received from customers	498.66	8.03
Unclaimed Dividend *	12.95	65.68
Other liabilities	487.79	213.49
Total	4,758.24	3,723.46

* - Appropriate amount shall be transferred to "Investor Education and Protection Fund" if and when due.

10 PROVISIONS		
For tax (net)	68.43	183.39
For Leave Encashment / Gratuity	4.63	–
For Proposed dividend	2,282.37	–
For Corporate dividend tax	387.89	–
Total	2,743.32	183.39

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rupees in lacs)

	For the Year 2007-08		Previous Year 2006-07	
11 OTHER INCOME				
Interest on:				
Fixed deposits with banks (gross)	52.97		22.01	
(Tax deducted at source Rs. 10.34 lacs (previous year Rs. 5.26 lacs))				
Tax Free Bonds	33.75		33.75	
Income tax refund	–		29.23	
Staff loan	2.72	89.44	1.05	86.04
Insurance Claim Received		20.24		10.73
Dividend on long term investments (non trade)		527.83		259.20
Excess provision of earlier years written back		89.78		51.25
Profit on sale of long term investments (non trade) (net)		998.07		526.38
Rent Received		–		–
Bad debts recovered		1.00		0.90
Exchange Gain (Net)		19.45		2.88
Miscellaneous income		9.17		6.56
Total		**1,754.98**		**943.94**

	For the Year 2007-08		Previous Year 2006-07	
12 COST OF PRODUCTION / ACQUISITION OF TELEVISION SERIALS / FILMS				
Opening stock of television serials / films and tapes		1,253.92		1,161.82
Add: Cost of production				
Acquisition Cost	2,338.00		250.00	
Purchase of costumes and dresses	233.88		591.02	
Purchase of tapes / raw stock	465.92		365.67	
Payments to and provision for artistes, junior artistes, dubbing artistes fees	4,167.55		4,096.59	
Payments to and provision for directors, technicians and other fees	6,184.16		4,860.34	
Shooting and location expenses	1,767.41		1,828.21	
Telecasting fees	840.62		956.12	
Uplinking charges / Special dispatch charges	488.34		449.27	
Food and refreshments	507.16		408.64	
Set properties and equipment hire charges	1,304.64		1,149.18	
Negative processing charges	92.60		–	
Commission	106.81		–	
Other production expenses	1,629.00	20,126.09	1,332.81	16,287.85
	21,380.01		17,449.67	
Less: Closing stock of television serials / films and tapes		1,844.59		1,253.92
Total		**19,535.42**		**16,195.75**

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rupees in lacs)

	For the Year 2007-08	Previous Year 2006-07
13 EMPLOYEE COSTS		
Salaries, wages and bonus *	1,321.95	1,101.03
Contribution to Provident and Other funds *	36.85	33.54
Staff welfare expenses	37.98	23.14
Total	1,396.78	1,157.71

Note:

* Includes Managerial Remuneration (refer note 5 of Schedule 16)

(Rupees in lacs)

	For the Year 2007-08	Previous Year 2006-07
14 ADMINISTRATIVE AND OTHER EXPENSES		
Electricity and water charges	396.90	316.77
Lease rent	701.14	463.18
Rates and taxes	141.48	19.84
Insurance	165.66	216.37
Repairs and maintenance		
– Building	6.63	2.56
– Plant and machinery	29.59	21.49
– Others	267.13	207.05
Travelling and conveyance expenses	237.90	185.05
Legal and professional charges	463.07	374.90
Communication charges	56.43	59.38
Loss on sale / discard of fixed assets (net)	105.80	59.40
Donations	44.29	13.10
Bad debts written off	81.22	208.22
Provision for doubtful debts	96.15	–
Director's sitting fees	3.75	4.05
Advertisement and sales promotion expenses	30.04	19.36
Miscellaneous expenses	586.58	533.07
Preliminary Expenses	–	15.28
Total	3,413.76	2,719.07

15 INTEREST		
On cash credit account	–	0.42
Total	–	0.42

SCHEDULES FORMING PART OF CONSLIDATED ACCOUNTS

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

Basis of consolidation

Accounts of Balaji Telefilms Limited and its subsidiaries 'Balaji Motion Pictures Limited' and 'Balaji Telefilms FZE' have been consolidated in accordance with generally accepted principles and is in conformity with the Accounting Standard (AS) 21 'Consolidated Financial Statements' notified by Companies (Accounting Standards) Rules, 2006.

Basis of accounting

The financial statements are prepared under the historical cost convention on accrual basis of accounting and in accordance with generally accepted accounting principles in India.

Fixed assets

Fixed assets are stated at cost of acquisition or construction. They are stated at historical cost less accumulated depreciation and impairment loss, if any.

Depreciation / Amortisation

Depreciation on fixed assets is provided on straight line basis in accordance with provisions of the Companies Act, 1956 at the rates and in the manner specified in schedule XIV of this Act except for the following fixed assets where higher rates of depreciation have been applied:

Studios and sets @ 33.33%

Plant and machinery - Computers @ 16.21%

Leasehold improvements are amortised over the period of lease

Investments

Current investments are carried at lower of cost and fair value. Long term investments are carried at cost. However, when there is a decline, other than temporary, the carrying amount is reduced to recognise the decline.

Inventories

Items of inventory are valued at lower of cost and net realisable value. Cost is determined on the following basis :

Tapes	: First In First Out
Television serials/ feature films	: Average cost
Unamortised cost of feature films	: The cost of feature films is amortised in the ratio of current revenue to expected total revenue. At the end of each accounting period, balance unamortised cost is compared with net expected revenue. If net expected revenue is less than unamortised cost, the same is written down to net expected revenue.

Revenue recognition

a) In respect of sponsored programmes, revenue is recognised as and when the relevant episodes of the programmes are telecast.

b) In respect of commissioned programmes, revenue is recognised as and when the relevant episodes of the programmes are delivered to the channels.

c) In respect of films, produced / co-produced / acquired, revenue is recognised in accordance with the terms and conditions of the agreements on or after the first theatrical release of the films.

   In all other cases, revenue (income) is recognised when no significant uncertainty as to its determination or realization exists.

Employee benefits

a) Post employment benefits and other long term benefits:

   i) Defined Contribution Plan:

      The Company contributes towards Provident Fund and Family Pension Fund. Liability in respect thereof is determined on the basis of contribution as required under the Statue / Rules.

   ii) Defined Benefit Plans:

      The trustees of Balaji Telefilms Limited Employees Group Gratuity Scheme have taken a Group Gratuity cum Life Assurance Policy from the Life Insurance Corporation of India (LIC).

      Contributions are made to LIC in respect of gratuity based upon actuarial valuation done at the end of every financial year using 'Projected Unit Credit Method' Major drivers in actuarial assumptions, typically, are years of service and employee compensation. Gains and losses on changes in actuarial assumptions are accounted in the profit and loss account.

SCHEDULES FORMING PART OF CONSLIDATED ACCOUNTS

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

b) Short Term Employee Benefits:

Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

Foreign currency transactions

Transactions in foreign currency, including in respect of foreign operations integral in nature, are recorded at the original rates of exchange in force at the time the transactions are effected. At the year end, monetary items, including those of foreign operations integral in nature, denominated in foreign currency are reported using the closing rates of exchange. Exchange differences arising thereon and on realization/ payment of foreign exchange are accounted for in the relevant year as income or expense.

Borrowing costs

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

Taxes on income

Tax expense comprises both current and deferred tax at the applicable enacted / substantively enacted rates. Current tax represents the amount of income tax payable/ recoverable in respect of the taxable income/ loss for the reporting period. Deferred tax represents the effect of timing differences between taxable income and accounting income for the reporting period that originate in one period and are capable of reversal in one or more subsequent periods.

Provisions and Contingencies

Provisions are recognised when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognised nor disclosed.

Impairment loss

Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amounts. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Intangible assets

Intangible assets are stated at cost of acquisition less amortisation. Teleserial rights are amortised on a straight-line basis over the period of the agreement(s).

B. NOTES ON ACCOUNTS TO CONSOLIDATED FINANCIAL STATEEMENTS

1. Details of Subsidiaries included in Consolidated Financial Statements

Name	Country of Incorporation	% of Ownership interest / voting power
Balaji Motion Pictures Limited	India	100%
Balaji Telefilms FZE	United Arab Emirates (UAE)	100%

SCHEDULES FORMING PART OF CONSLIDATED ACCOUNTS

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

(Rupees in lacs)

		As at 31st March, 2008	As at 31st March, 2007
2.	Estimated amount of contracts remaining to be executed on capital account and not provided for	2,533.00	286.84
3.	Balaji Telefilms Limited (The Parent Company) has applied to the Office of the Commissioner of Sales- tax, Mumbai, to ascertain whether the Company's sales are liable to tax under the Sales- tax laws. The matter is still pending before the Sales-tax authority.		
4.	Contingent liabilities in respect of Claim against the Parent Company not acknowledged as debts	495.00	–
	This represents demand raised by a Prasar Bharti Broadcasting Corporation of India. The Parent Company is of the view that the claim is not valid. Legal proceedings have been initiated for quashing the said demand. The amount disclosed is the minimum liability on this count excluding interest thereon which is presently not quantifiable.		

5. **Managerial remuneration under section 198 of the Companies Act, 1956 to Directors (including to the Managing Director)**

(included under the head "Employee Costs" refer Schedule 13)

(Rupees in lacs)

	For the Year 2007-08	Previous Year 2006-07
Salary	104.92	96.00
Perquisites	91.85	79.44
Commission	762.07	720.21
Contribution to Provident Fund	12.11	11.52
Total	**970.95**	**907.17**

6. Related Party Disclosures

(a) Name of related parties and description of relationship.

Name of the Related Party	Relationship
Mr. Jeetendra Kapoor	Key management person
Mrs. Shobha Kapoor	Key management person
Ms. Ekta Kapoor	Key management person
Mr. Tusshar Kapoor	Key management person
Mrs. Nirmala Sood	Relative of key management personnel
Mr. Ramesh Sippy	Relative of key management personnel

SCHEDULES FORMING PART OF CONSLIDATED ACCOUNTS

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

b) Details of Transactions with related parties during the year (Rupees in lacs)

	Column number (refer note II below)					
Nature of Transacitions	1		2		Total	
	Current year	Previous year	Current year	Previous year	Current year	Previous Year
Directors sitting fees						
Mr. Jeetendra Kapoor	0.75	0.75	–	–	0.75	0.75
Mr. Tusshar Kapoor	0.30	–	–	–	0.30	–
Rent						
Mr. Jeetendra Kapoor	21.60	14.40	–	–	21.60	14.40
Mrs. Shobha Kapoor	249.60	124.98	–	–	249.60	124.98
Mr. Tusshar Kapoor	4.80	2.40	–	–	4.80	2.40
Others	0.57	0.18	–	–	0.57	0.18
Remuneration						
Mrs. Shobha Kapoor	416.48	391.57	–	–	416.48	391.57
Ms. Ekta Kapoor	422.72	391.57	–	–	422.72	391.57
Mr. Jeetendra Kapoor	102.63	97.27	–	–	102.63	97.27
Others	14.12	11.76	0.68	1.20	14.80	12.96
Dividend paid						
Mrs. Shobha Kapoor	–	645.78	–	–	–	645.78
Ms. Ekta Kapoor	–	632.26	–	–	–	632.26
Mr. Jeetendra Kapoor	–	361.89	–	–	–	361.89
Mr. Tusshar Kapoor	–	131.97	–	–	–	131.97
Others	–	–	–	0.62	–	0.62
Amount payable as at 31st March, 2008						
Mrs. Shobha Kapoor	328.70	311.28	–	–	328.70	311.28
Ms. Ekta Kapoor	329.48	311.28	–	–	329.48	311.28
Mr. Jeetendra Kapoor	102.63	97.27	–	–	102.63	97.27
Others	3.92	0.98	0.68	0.10	4.60	1.08
Amount receivable as at 31st March, 2008						
Mrs. Shobha Kapoor *	330.00	330.00	–	–	330.00	330.00
Mr. Jeetendra Kapoor *	306.60	306.60	–	–	306.60	306.60
Mr. Tusshar Kapoor *	100.00	100.00	–	–	100.00	100.00
Ms. Ekta Kapoor *	100.00	–	–	–	100.00	–
Others	–	–	–	–	–	–

* Deposits for lease property

Notes:

I. There are no provision for doubtful debts, amounts written off or written back during the year in respect of debts due from or due to related parties.

II. Column number represents,
   1. Key management personnel
   2. Relatives of key management personnel

SCHEDULES FORMING PART OF CONSLIDATED ACCOUNTS

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

7. **Segment Information:**

(A) Information about primary segments

The Group has considered business segment as the primary segment for disclosure. The reportable business segments are as under:

(a) Commissioned Programmes : Income from sale of television serials to channels

(b) Sponsored Programmes : Income from telecasting of television serials on channels

(c) Feature Films : Income from Films

(Rupees in lacs)

	Commissioned Programmes		Sponsored Programmes		Feature Films		Elimination		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
REVENUE										
From External Customers	29,809.74	29,286.78	4,373.46	2,459.90	3,653.22	275.00	–	–	37,836.42	32,021.68
Add: Inter Segment sale	272.00	–		–		–	(272.00)	–	–	–
Total Revenue	**30,081.74**	**29,286.78**	**4,373.46**	**2,459.90**	**3,653.22**	**275.00**	**(272.00)**	**–**	**37,836.42**	**32,021.68**
RESULTS										
Segment result	14,655.24	14,105.38	1,454.19	562.32	912.96	(21.25)	–	–	17,022.39	14,646.45
Unallocable Corporate Expenses									(4,681.62)	(3,753.61)
Operating Profit									12,340.77	10,892.84
Interest Expense									–	(0.42)
Interest income/Dividend on Long-Term Investments									617.28	345.24
Profit on sale of Long-Term Investments (non trade)									998.07	526.38
Provision for tax									(4,341.79)	(3,838.97)
Profit after tax									9,614.33	7,925.07
OTHER INFORMATION										
Segment assets	11,806.07	10,061.10	1,733.01	1,562.63	5,911.86	1,960.65	–	–	19,450.94	13,584.38
Unallocated Corporate assets									25,769.52	21,198.46
Total assets									**45,220.46**	**34,782.84**
Segment liabilities	2,776.94	2,277.68	175.13	228.68	597.79	246.00	–	–	3,549.86	2,752.36
Unallocated Corporate liabilities									4,382.64	1,631.79
Total Liabilities									**7,932.50**	**4,384.15**
Capital expenditure	2,501.08	1,116.59	–	94.52	–	–	–	–	2,501.08	1,211.11
Depreciation	1,145.48	1,008.69	18.56	3.80	–	–	–	–	1,164.04	1,012.49
Significant Non cash expenses other than depreciation										
Loss on sale / discard of fixed assets (net)									97.54	59.40
Provision for doubtful debts									96.15	–
Bad debts written off									81.22	208.22

(B) Segment information for secondary segment reporting (by geographical segment)

The Group has two reportable geographical segments based on location of customers:

i) Revenue from customers within India - local

ii) Revenue from customers Outside India - export

	Outside India		Within India		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
A) Revenue (Turnover)	26,022.15	26,734.79	11,814.27	5,286.89	37,836.42	32,021.68
B) Carrying amount of assets	4,761.36	5,820.46	17,395.24	9,913.09	22,156.60	15,733.55
C) Addition to fixed assets	–	92.55	3,159.04	1,395.13	3,159.04	1,487.68

SCHEDULES FORMING PART OF CONSLIDATED ACCOUNTS

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

8. **Earnings per Share**

Earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year as under :

	For the Year 2007-08	Previous Year 2006-07
Net profit after tax as per the Profit and Loss account - (Rs. in lacs)	9,614.33	7,925.07
(Short)/Excess provision for tax in respect of earlier years - (Rs. in lacs)	(54.80)	29.38
(A) Profit for the year attributable to equity share holders - (Rs. in lacs)	9,559.53	7,954.45
(B) Weighted average number of equity shares outstanding during the year (Nos.)	65,210,443	65,210,443
(C) Earnings per share - Basic and diluted (Rs.)	14.66	12.20
(D) Nominal value of shares (Rs.)	2	2

9. **Components of Deferred Tax Assets / (Liabilities)**

(Rupees in lacs)

	As at 31st March, 2008	As at 31st March, 2007
Difference between the books and tax written down values of fixed assets	(435.98)	(477.35)
Provision for doubtful debts	3.82	–
Preliminary expenses u/s 35D of the Income Tax Act, 1961	0.04	0.05
Disallowance under the Income Tax Act, 1961	1.18	–
Deferred tax asset/ (liability)-net Total	**(430.94)**	**(477.30)**

10. **Lease Transactions**

a) The Company has taken certain premises on non-cancellable operating lease basis. The tenure of leases ranges from 11 to 60 months Future lease rentals in respect of fixed assets taken on non-cancelable operating lease basis are as follows:

(Rupees in lacs)

	As at 31st March, 2008	As at 31st March, 2007
1) Amount due within 1year	396.91	74.40
2) Amount due later than 1year and not later than 5 years	282.39	199.80
3) Amount due later than 5 years	–	–
	679.30	**274.20**

a) The Company has taken certain premises on cancellable operating lease basis. The tenure of the lease ranges from 11 to 36 months

b) Amount of lease rentals charged to the profit and loss account in respect of operating leases is Rs. 701.14 lacs (previous year Rs. 463.18 lacs)

11. Figures of the previous year have been regrouped wherever necessary to correspond with those of the current year.

Signatures to Schedule 1 to 16

As per our attached report of even date

For DELOITTE HASKINS & SELLS
Chartered Accountants

A. SIDDHARTH
(Partner)
Membership No. 31467
Place : Mumbai
Date : 22nd May, 2008

For SNEHAL & ASSOCIATES
Chartered Accountants

SNEHAL SHAH
(Proprietor)
Membership No. 40016
Place : Mumbai
Date : 22nd May, 2008

For and on behalf of Balaji Telefilms Limited

Jeetendra Kapoor
(Chairman)

Shobha Kapoor
(Managing Director)

Dhruv Kaji
(Director)

Alpa Khandor
(Company Secretary)

Sandeep Jain
(Chief Financial Officer)

Place : Mumbai
Date : 22nd May, 2008

STATEMENT PURSUANT TO SECTION 212 AND 212 (8) OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN SUBSIDIARY COMPANIES FOR THE YEAR 2007-08

Name of the Subsidiary Company	Balaji Motion Pictures Limited	Balaji Telefilms FZE
1. The Financial year/period of the Subsidiary Companies ended on	31st March, 2008	31st March, 2008 - (Refer note 1)
2. Date from which they became Subsidiary Companies	9th March, 2007-Being the date of incorporation.	3rd September, 2006- Being the date of incorporation.
3 a. Number of shares held by the Company with its nominees in the subsidiaries at the end of the financial year of the Subsidiary Companies	30,000,000	1
b. Extent of interest in subsidiary Company	100%	100%
4. The Net aggregate amount of the Subsidiary Companies Profit/(loss) so far as it concerns the members of the Company.		
a) Not dealt with in the Company's accounts		
i) for the financial year ended 31st March, 2008	Rs. 54,910,737	AED 2,645,752 Rs. 28,904,841
ii) for the previous financial years of the Subsidiary Companies since they became the Company's subsidiaries	Rs. 61,313	AED (208,637) Rs. (2,469,219)
b) Dealt with in the Company's accounts		
i) for the financial year ended 31st March, 2008	NIL	NIL
ii) for the previous financial years of the Subsidiary Companies since they became the Company's subsidiaries	NIL	NIL

Notes:

1. The statutory financial year of the subsidiary- Balaji Telefilms-FZE ends on 30th June, however for the purpose of the Consolidation, the accounts of the subsidiary has been drawn up to the period ended 31st March, 2008 (1st April, 2007 to 31st March, 2008) and same has been audited by the firm of the Chartered Accountants.
2. Figures in bracket represent loss.

As per our attached report of even date

For DELOITTE HASKINS & SELLS
Chartered Accountants

A. SIDDHARTH
(Partner)
Membership No. 31467
Place : Mumbai
Date : 22nd May, 2008

For SNEHAL & ASSOCIATES
Chartered Accountants

SNEHAL SHAH
(Proprietor)
Membership No. 40016
Place : Mumbai
Date : 22nd May, 2008

For and on behalf of Balaji Telefilms Limited

Jeetendra Kapoor
(Chairman)

Shobha Kapoor
(Managing Director)

Dhruv Kaji
(Director)

Alpa Khandor
(Company Secretary)

Sandeep Jain
(Chief Financial Officer)

Place : Mumbai
Date : 22nd May, 2008

The particulars of Subsidiary Company as required by Approval No. 47/289/2008-CL-III dated 27th June, 2008 of Ministry of Corporate Affairs, Government of India, issued under section 212 (8) of the Companies Act, 1956 are as follows:

Name of Subsidiary Company	Reporting Currency	Capital	Reserves	Total Assets	Total Liabilities	Investment	Turnover/ Total Income	Profit Before Taxation	Provision for Taxation	Profit After Taxation	Proposed Dividend
Balaji Telefilms FZE	INR	1,638,750	26,625,481	78,479,716	78,479,716	–	155,829,338	28,904,841	–	28,904,841	–
	AED	150,000	2,437,115	7,183,498	7,183,498	–	14,263,555	2,645,752	–	2,645,752	–

As on 31.03.2008: 1 AED = 10.925

DIRECTORS' REPORT

The Directors present their Second Annual Report together with the audited accounts of the Company for the year ended 31st March, 2008.

FINANCIAL RESULTS

The summarised results are as follows: (Rupees)

Particulars	For the year 2007-08	Previous period 2006-07
Income		
Turnover	365,321,999	27,500,000
Other income	758,847	–
Total	**366,080,846**	**27,500,000**
Expenditure	282,482,135	25,000,000
Profit before depreciation, interest & tax	83,598,711	2,500,000
Interest	–	–
Depreciation	16,637	1,642,060
Profit before tax	83,582,074	857,940
Tax	28,671,337	796,627
Profit after tax	54,910,737	61,313
Balance brought forward from previous period	61,313	–
Total	**54,972,050**	**61,313**
Appropriations		
General reserve	–	–
Balance carried to the balance sheet	54,972,050	61,313

OPERATIONS AND BUSINESS PERFORMANCE

This was the first full year of operations of the Company. The Company released 3 movies during the year and achieved total income of Rs. 3,660.81 lacs and profit after tax of Rs. 549.11 lacs. The Company has a strong line up for the next year and is in the process of scaling up the business.

FINANCIAL STATEMENTS

The Audited Financial Statements for the year ended 31st March, 2008 is annexed to this Report.

TRANSFER TO RESERVES

The Company does not propose to transfer any amount to the reserves. An amount of Rs. 54,972,050 is proposed to be retained in the Profit and Loss Account.

DIVIDEND

Your Board has not recommended any dividend for the year ended 31st March, 2008 to conserve recourses for future plans.

SHARE CAPITAL

During the year under review the Authorised Capital was increased from Rs. 2,000 lacs to Rs. 3,500 lacs and the Paid-up Capital was increased from Rs.150 lacs to Rs. 3,000 lacs. All the shares are held by Balaji Telefilms Limited, the holding Company and its nominees.

MATERIAL CHANGES AND COMMITMENTS

In our view, there are no material changes and commitments occurred between end of the current financial year 2007-08 and the date of this report, which have effect over the financial position of the Company.

DIRECTORS

During the year, Mr. Jeetendra Kapoor, Ms. Shobha Kapoor and Ms. Ekta Kapoor, who were the first directors of the Company and Mr. Tusshar Kapoor, Mr. Dhruv Kaji and Mr. John Lau, who were appointed as additional directors on 27th March, 2007, were appointed as director of the Company in the first Annual General Meeting of the Company held on 31st May, 2007. Mr. Tusshar Kapoor was appointed as a whole time director designated as Executive Director of the Company for three years with effect from 1st August, 2007. Ms. Ella Wong was appointed as Alternate Director to Mr. John Lau on 22nd May, 2008.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Jeetendra Kapoor and Mrs. Shobha Kapoor shall retire by rotation and being eligible, offer themselves for reappointment. Your directors recommend their reappointment at the ensuing Annual General Meeting. A brief profile of the Directors is as below:-

Jeetendra Kapoor

Popularly known as Jeetendra to millions of fans, Mr. Kapoor starred in more than 200 films in his illustrious 40 year film career. Beginning his career as a junior artiste with the legendary filmmaker V. Shantaram, Mr. Kapoor won several prestigious awards for his outstanding performance. He has progressively leveraged his network of relationships in the industry for the Company's benefit.

Mr. Kapoor is the Chairman of the Board and a member of the Board's Audit and Remuneration Committee. He currently holds one share in the Company as nominee of Balaji Telefilms Limited, the holding Company.

Shobha Kapoor

Ms. Kapoor is one of the most successful Indian television producers. Her years of varied experience in the entertainment industry, holds immense value to the Company. She currently holds one share in the Company as nominee of Balaji Telefilms Limited, the holding Company.

AUDITORS

The auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed. You are requested to appoint the Auditors to hold office from the conclusion of the ensuing Annual General Meeting till conclusion of the next Annual General Meeting.

AUDITORS REPORT

The comment given by auditors in para (ix) (a) of annexure to their report for the financial year ended 31st March, 2008 is suitably explained in para B – 4 of the Schedule 15 (Significant accounting policies and notes on accounts) to the annual accounts.

AUDIT COMMITTEE

Pursuant to Section 292A of the Companies Act, 1956 the Audit Committee was constituted on 26th July, 2007. The Audit Committee consists of Mr. Dhruv Kaji - Chairman, Mr. Jeetendra Kapoor and Mr. John Lau. All the members are non-executive directors of the Company.

FIXED DEPOSITS

The Company has not accepted any fixed deposits and as such, no amount of principal or interest was outstanding as on the balance sheet date.

DISCLOSURE OF PARTICULARS

As required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant information regarding conservation of energy and technology absorption is as given below:

Conservation of Energy:

The operations of the Company are not energy intensive. Adequate measures and steps have been taken to reduce energy consumption, wherever possible. The Company, wherever feasible, has bought star rated equipments, which are energy efficient. Further the Company has spread awareness among the employees on the need to conserve energy, which is well adopted by the employees. We constantly evaluate new technologies and invest into this to make our infrastructure more energy efficient. As energy cost forms a very small part of the total cost, the impact on cost is not material.

Technology Absorption:

The Company is in the Media and Entertainment industry and carries out research and innovation, on need basis, in creating content in various segments of entertainment as part of its regular on going business.

Our business is such that there is not much scope for new technology absorption, adaptation and innovation. However, your Company continues to use the latest technologies for improving the productivity and quality of its services and products, wherever possible.

Foreign Exchange Earnings and Outgo

Earning in foreign exchange was Rs. 10,500,000 (Previous year Rs. 27,500,000). Expenditure in foreign exchange was Rs. 777, 508 (Previous year Rs. Nil).

PARTICULARS OF EMPLOYEES

Particulars of employees for the year ended 31st March, 2008 as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975, are as under:

Sr.	Name of the Employee	Designation & Nature of Duties	Gross Remuneration (Rs.)	Nature of Employment	Qualification	Experience	Date of Joining	Age (yr)	Last employment	Name of Director or Manager, who is relative	% of Equity Shares held
1	Mr. Nandu Ahuja	Chief Operating Officer	928,628	Employee	B.Com.	27 Years in Film Trade	5/11/2007	45	Adlabs Films Limited as Indian Distribution Head	N.A.	Nil
2	Mr. Ramesh Sippy	Chief Executive Officer	72,745	Employee	B.Sc.	40 Years in Film Trade	25/3/2008	64	Self - Employed (Film Distribution)	Ms. Shobha Kapoor	Nil

Notes:

1. Both employees were in service for part of the year.
2. The nature of employment in all cases is contractual.
3. The gross remuneration shown above comprises of salary, allowances, gratuity under LIC scheme in terms of actual expenditure incurred by the Company and monetary value of the perquisites as per income tax rules.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to requirement under Section 217 (2AA) of the Companies Act, 1956 and based on the representation received from the operating management, the Directors hereby confirm:

a). That in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;

b). That they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;

c). That they 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;

d). That they have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

Your Directors express their appreciation for the contribution made by the employees and their dedicated service and commitment to the Company's growth.

For and on behalf of the Board of Directors,

Mumbai
22nd May, 2008

Jeetendra Kapoor
Chairman

Auditors' Report

To,
The Members of
Balaji Motion Pictures Limited

1. We have audited the attached Balance Sheet of Balaji Motion Pictures Limited as at 31st March, 2008, the Profit and Loss Account and also the Cash Flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

4. Further to our comments in the Annexure referred to above, we report that:
   (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books;
   (c) the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
   (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
   (e) on the basis of 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 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;
   (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the significant accounting policies and 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 case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
      (ii) in case of the Profit and Loss Account, of the profit for the year ended on that date; and
      (iii) in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Deloitte Haskins & Sells
Chartered Accountants

A. Siddharth
Partner
Membership no. 31467
Mumbai, dated, 22nd May, 2008

ANNEXURE TO AUDITOR'S REPORT

Re: Balaji Motion Pictures Limited

(referred to in paragraph 3 of our report of even date)

(i) The requirements of clauses (ii),(x), (xiii) and (xiv) of paragraph 4 of the Order are not applicable to the Company for the year.

(ii) (a) The Company has maintained proper records, showing full particulars including quantitative details and situation of its fixed assets.

(b) The fixed assets have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification.

(c) There has not been any substantial disposal of fixed assets during the year.

(iii) (a) The Company has not granted loans to companies, firms and other parties covered in the Register maintained under section 301 of the Companies Act, 1956. Consequently requirements of clauses (iiia) to (iiid) of paragraph 4 of the Order are not applicable.

(b) The Company has taken interest free loan from the holding Company being a party covered in the Register maintained under section 301 of the Companies Act, 1956. In respect of the said loans, the maximum amount outstanding at any time during the year is Rs. 195,218,068/- and year end balance is Rs. 195,203,930/-

(c) In our opinion and according to the information and explanations given to us, other terms and condition on which loans have been taken from a party listed in the Register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.

(d) The Principal amounts are payable on demand in respect of the said loans.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of films. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.

(v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts/arrangements that need to be entered into the Register maintained under section 301 of the Companies Act, 1956 have been entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts/arrangements entered in the Register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs 500,000/- in respect of each party during the year have been made at the prices which are reasonable having regard to prevailing market prices at the relevant time or the prices at which transactions for similar services have been made with other parties or as per information available with the Company.

(vi) The Company has not accepted deposits from the public within the meaning of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956, where applicable, and the Rules framed thereunder. We are informed that no Order has been passed by the Company Law Board or the Reserve Bank of India or any Court or any other Tribunal.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

(viii) The maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956.

(ix) (a) In our opinion and according to the information and explanations given to us, the Company has generally been regular in depositing undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues, where applicable, with the appropriate authorities *except in respect of Maharashtra Value Added Tax (MVAT)*. There are no arrears of outstanding statutory dues as at the last day of the financial year for a period of more than six months from the dates of them becoming payable.

(b) According to the information and explanations given to us, there are no cases of non-deposit with appropriate authorities of disputed dues of sales tax /income-tax / customs duty / wealth-tax / service tax / excise duty / cess.

(x) The Company does not have borrowings from financial institutions and bank and has not issued debentures. Consequently the question of commenting on default in repayment of dues in respect thereof does not arise.

(xi) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xii) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xiii) The Company has not obtained any term loans during the year and hence the question of commenting on application thereof does not arise.

(xiv) 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.

(xv) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.

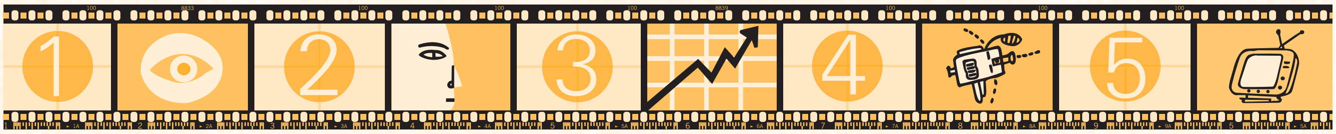
(xvi) No debentures have been issued by the Company and hence the question of creating security or charge in respect thereof does not arise.

(xvii) During the year, the Company has not raised money by public issue(s).

(xviii) To the best of our knowledge and belief, and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For Deloitte Haskins & Sells
Chartered Accountants

A. Siddharth
Partner
Membership no. 31467
Mumbai, dated, 22nd May, 2008



BALANCE SHEET As at 31st March, 2008

	Schedule No.	31st March, 2008		31st March, 2007	
		Rupees	Rupees	Rupees	Rupees
I SOURCES OF FUNDS					
1 Shareholders' funds					
A. Share capital	1	300,000,000		15,000,000	
B. Reserves and surplus	2	54,972,050		61,313	
			354,972,050		15,061,313
2 Loan Funds					
Unsecured Loans					
Other Loans and advances from others - Holding Company			195,203,930		171,065,047
3 Deferred tax liability (net)			6,034		–
Total			550,182,014		186,126,360
II. APPLICATION OF FUNDS					
1 Fixed assets	3				
Gross block		199,369		–	
Less : depreciation		16,637		–	
Net block		182,732		–	
Add: Capital work in progress		1,000,000		–	
			1,182,732		–
2 Deferred tax asset (net)			–		5,303
3 Current assets, loans and advances					
A. Inventories	4	86,590,995		31,855,766	
B. Sundry debtors	5	10,915,873		27,500,000	
C. Cash and bank balances	6	5,939,603		13,489,680	
D. Loans and advances	7	505,455,688		136,709,281	
		608,902,159		209,554,727	
Less : Current liabilities and provisions					
A. Current liabilities	8	59,779,480		22,631,740	
B. Provisions	9	123,397		801,930	
		59,902,877		23,433,670	
Net current assets			548,999,282		186,121,057
Total			550,182,014		186,126,360
Significant accounting policies and notes on accounts	15				

As per our attached report of even date

For DELOITTE HASKINS & SELLS
Chartered Accountants

A. SIDDHARTH
(Partner)
Membership No. 31467

Place : Mumbai
Date : 22nd May, 2008

For and on behalf of Balaji Motion Pictures Limited

Jeetendra Kapoor
(Chairman)

Shobha Kapoor
(Director)

Tusshar Kapoor
(Executive Director)

Dhruv Kaji
(Director)

Nitesh Shrivastava
(Company Secretary)

Place : Mumbai
Date : 22nd May, 2008

PROFIT AND LOSS ACCOUNT For the year ended 31st March, 2008

	Schedule No.	For the Year 2007-2008	Previous Period 2006-2007
		Rupees	Rupees
INCOME			
Turnover	10	365,321,999	27,500,000
Other income	11	758,847	–
Total		366,080,846	27,500,000
EXPENDITURE			
Cost of films produced / acquired	12	274,025,916	25,000,000
Employee costs	13	2,986,292	–
Administrative and other expenses	14	5,469,927	1,642,060
Depreciation		16,637	–
Total		282,498,772	26,642,060
PROFIT BEFORE TAX		83,582,074	857,940
Provision for tax			
Current tax		(28,500,000)	(801,930)
Deferred tax		(11,337)	5,303
Fringe benefit tax		(160,000)	–
PROFIT AFTER TAX		54,910,737	61,313
Balance brought forward from previous period		61,313	–
BALANCE CARRIED TO BALANCE SHEET		54,972,050	61,313
Basic and diluted earnings per share (Refer note 8 of Schedule 15)		4.05	0.04
Significant accounting policies and notes on accounts	15		

As per our attached report of even date

For DELOITTE HASKINS & SELLS
Chartered Accountants

A. SIDDHARTH
(Partner)
Membership No. 31467

Place : Mumbai
Date : 22nd May, 2008

For and on behalf of Balaji Motion Pictures Limited

Jeetendra Kapoor
(Chairman)

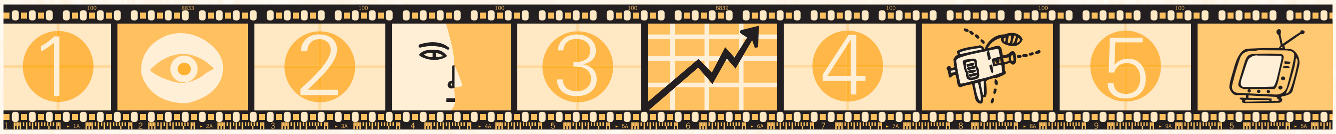
Shobha Kapoor
(Director)

Tusshar Kapoor
(Executive Director)

Dhruv Kaji
(Director)

Nitesh Shrivastava
(Company Secretary)

Place : Mumbai
Date : 22nd May, 2008



CASH FLOW STATEMENT For the year ended 31st March, 2008

		For the Year 2007-2008		Previous Period 2006-2007	
		Rupees	Rupees	Rupees	Rupees
A	**Cash flow from operating activities**				
	Profit before tax	83,582,074		857,940	
	Adjustments for:				
	Depreciation	16,637		–	
	Interest income	(744,709)		–	
	Operating profit before working capital changes	82,854,002		857,940	
	(Increase) in trade and other receivable	(340,385,185)		(164,209,281)	
	(Increase) in inventories	(54,735,229)		(31,855,766)	
	Increase in trade payables	37,271,137		22,631,740	
			(274,995,275)		**(172,575,367)**
	Direct taxes and fringe benefit tax paid		(41,239,025)		–
	Net cash from operating activities (a)		**(316,234,300)**		**(172,575,367)**
B	**Cash flow from investing activities**				
	Purchase of fixed assets	(1,199,369)		–	
	Interest income	744,709		–	
	Net cash (used in) investing activities (b)		**(454,660)**		**–**
C	**Cash flow from financing activities**				
	Proceeds from Issue of Shares	285,000,000		15,000,000	
	Loan/ Advances from Holding Company (net)	24,138,883		171,065,047	
	Net cash from financing activities (c)		**309,138,883**		**186,065,047**
	Net increase in cash and Cash equivalents (a+b+c)		**(7,550,077)**		**13,489,680**
	Cash and cash equivalent at the beginning of the year	13,489,680		–	
	Cash and cash equivalents at the end of the year	5,939,603		13,489,680	

As per our attached report of even date

For DELOITTE HASKINS & SELLS
Chartered Accountants

A. SIDDHARTH
(Partner)
Membership No. 31467

For and on behalf of Balaji Motion Pictures Limited

Jeetendra Kapoor
(Chairman)

Shobha Kapoor
(Director)

Tusshar Kapoor
(Executive Director)

Dhruv Kaji
(Director)

Nitesh Shrivastava
(Company Secretary)

Place : Mumbai
Date : 22nd May, 2008

Place : Mumbai
Date : 22nd May, 2008

SCHEDULES FORMING PART OF BALANCE SHEET

	As at 31st March, 2008	As at 31st March, 2007
	Rupees	Rupees
1 SHARE CAPITAL		
Authorised		
35,000,000 (Previous Period 20,000,000) equity shares of Rs. 10/- each	350,000,000	200,000,000
Issued, Subscribed and Paid-up		
30,000,000 (Previous Period 1,500,000) Equity shares of Rs. 10/- each	300,000,000	15,000,000
(All the above shares are held by Balaji Telefilms Limited, the holding Company and its nominees)		
Total	**300,000,000**	**15,000,000**

	As at 31st March, 2008	As at 31st March, 2007
2 RESERVES AND SURPLUS		
Surplus in Profit and Loss account	54,972,050	61,313
Total	**54,972,050**	**61,313**

3 FIXED ASSETS

(Rupees)

	GROSS BLOCK			DEPRECIATION			NET BLOCK	
Particulars	As at 1st April, 2007	Additions	As at 31st March, 2008	Upto 31st March, 2007	For the year	Upto 31st March, 2008	As at 31st March, 2008	As at 31st March, 2007
Computers	–	176,869	176,869	–	16,103	16,103	160,766	–
Office equipment	–	22,500	22,500	–	534	534	21,966	–
Sub Total	**–**	**199,369**	**199,369**	**–**	**16,637**	**16,637**	**182,732**	**–**
Previous Period	–	–	–	–	–	–	–	
Capital work in progress							1,000,000	–

SCHEDULES FORMING PART OF BALANCE SHEET

	As at 31st March, 2008 Rupees	As at 31st March, 2007 Rupees
4 INVENTORIES		
Films	86,590,995	31,855,766
Total	86,590,995	31,855,766
5 SUNDRY DEBTORS		
(Unsecured and considered good)		
Debts outstanding for a period exceeding six months	–	–
Other debts	10,915,873	27,500,000
Total	10,915,873	27,500,000
6 CASH AND BANK BALANCES		
Cash on hand	298,040	–
Balances with scheduled bank		
In Current account	5,641,563	13,489,680
Total	5,939,603	13,489,680
7 LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received (refer note 3)	483,597,173	136,709,281
Advance tax (net)	11,777,095	–
Deposits *	10,081,420	–
Total	505,455,688	136,709,281
Notes:		
1.* Includes deposit given to a director for property taken on lease.	10,000,000	–
2. Maximum amount outstanding at any time during the year for above deposit	10,000,000	–
3. Includes advances towards acquisition of rights in films under production/ co-production aggregating to Rs. 482,833,302/- (Preious Period Rs. 136,709,281 /-)		

	As at 31st March, 2008 Rupees	As at 31st March, 2007 Rupees
8 CURRENT LIABILITIES		
Sundry creditors		
(i) Total outstanding dues to micro enterprises and small enterprises (refer note 5 of Schedule 15)	–	–
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	5,830,549	21,229,240
	5,830,549	21,229,240
Advances received from customers	48,690,000	–
Other liabilities	5,258,931	1,402,500
Total	59,779,480	22,631,740
9 PROVISIONS		
For tax (net)	–	801,930
For Leave encashment / Gratuity	123,397	–
Total	123,397	801,930

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	For the Year 2007-2008 Rupees	Previous Period 2006-2007 Rupees
10 TURNOVER		
Sale of Film rights acquired	331,386,990	27,500,000
Share of Income from Co- Production	33,935,009	–
Total	365,321,999	27,500,000
11 OTHER INCOME		
Interest on:		
Fixed deposits with banks (gross)	744,709	–
(Tax deducted at source Rs. 81,885/- (previous period Rs. Nil))		
Rent Received	14,138	–
Total	758,847	–

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	For the Year 2007-2008		Previous Period 2006-2007	
	Rupees	Rupees	Rupees	Rupees
12 COST OF FILMS PRODUCED / ACQUIRED				
Opening stock of films		31,855,766		–
Add: Cost of production / acquisition				
Cost of films transferred from Holding Company	–		31,855,766	
Acquisition Cost	233,800,000		25,000,000	
Purchase of costumes and dresses	533,519		–	
Purchase of tapes / raw stock	13,630,789		–	
Payments to and provision for artistes, junior artistes, dubbing artistes fees	17,608,661		–	
Payments to and provision for directors, technicians and other fees	21,546,067		–	
Shooting and location expenses	9,937,962		–	
Food and refreshments	2,602,885		–	
Set properties and equipment hire charges	3,777,121		–	
Negative processing charges	9,260,272		–	
Commission	10,680,634		–	
Other production expenses	5,383,235	328,761,145	–	56,855,766
		360,616,911		56,855,766
Less: Closing stock of films		86,590,995		31,855,766
Total		274,025,916		25,000,000

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	For the Year 2007-2008	Previous Period 2006-2007
	Rupees	Rupees
13 EMPLOYEE COSTS		
Salaries, wages and bonus*	2,957,256	–
Provision for Gratuity	24,003	–
Staff welfare expenses	5,033	–
Total	2,986,292	–

Note: *Includes Managerial Remuneration (refer note 2 of Schedule 15)

	For the Year 2007-2008	Previous Period 2006-2007
14 ADMINISTRATIVE AND OTHER EXPENSES		
Lease rent	56,552	–
Rates and taxes	1,678,637	–
Insurance	796	–
Repairs and maintenance – Others	74,209	–
Travelling and conveyance expenses	1,269,449	–
Legal and professional charges	1,599,745	–
Communication charges	53,355	–
Donations	5,000	–
Preliminary expenses written off	–	1,528,400
Advertisement and sales promotion expenses	44,236	–
Miscellaneous expenses	687,948	113,660
Total	5,469,927	1,642,060

SCHEDULE FORMING PART OF THE ACCOUNTS

15 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention on accrual basis of accounting and in accordance with generally accepted accounting principles in India.

Fixed assets

Fixed assets are stated at cost of acquisition or construction. They are stated at historical cost less accumulated depreciation and impairment loss, if any.

Depreciation

Depreciation on fixed assets is provided on straight line basis in accordance with provisions of the Companies Act, 1956 at the rates and in the manner specified in schedule XIV of this Act.

Inventories

Items of inventory are carried at lower of cost and net realizable value. Cost is determined on the following basis:

Films : Average Cost

Unamortised cost of films : The cost of films is amortised in the ratio of current revenue to expected total revenue. At the end of each accounting period, balance unamortised cost is compared with net expected revenue. If net expected revenue is less than unamortised cost, the same is written down to net expected revenue.

Revenue recognition

In respect of films, produced / co-produced / acquired, revenue is recognised in accordance with the terms and conditions of the agreements on or after the first theatrical release of the films.

In other cases, revenue (income) is recognized when no significant uncertainty as to its determination or realization exists.

Employee benefits

Defined benefit plans:

In respect of gratuity, provision is made based upon the actuarial valuation done at the end of every financial year using 'Projected Unit Credit Method'. Major drivers in actuarial assumptions, typically, are years of service and employee compensation. Gains and losses on changes in actuarial assumptions are accounted in the profit and loss account.

SCHEDULE FORMING PART OF THE ACCOUNTS

15 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

Foreign currency transactions

Transactions in foreign currency are recorded at the original rates of exchange in force at the time the transactions are effected. At the year end, monetary items denominated in foreign currency are reported using the closing rates of exchange. Exchange differences arising thereon and on realisation / payment of foreign exchange are accounted in the relevant year as income or expense.

Taxes on income

Tax expense comprises both current and deferred tax at the applicable enacted / substantively enacted rates. Current tax represents the amount of income tax payable/ recoverable in respect of the taxable income/ loss for the reporting period. Deferred tax represents the effect of timing differences between taxable income and accounting income for the reporting period that originate in one period and are capable of reversal in one or more subsequent periods.

Provisions and Contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognized nor disclosed.

Impairment loss

Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amounts. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

B. NOTES ON ACCOUNTS

	As at 31st March, 2008	As at 31st March, 2007
	Rupees	Rupees
1. Estimated amount of contracts remaining to be executed on capital account and not provided for:	800,000	–

2. Managerial remuneration under section 198 of the Companies Act, 1956 to Director (included under the head "Employee Costs" refer Schedule 13)

	For the Year 2007-2008	Previous Period 2006-2007
	Rupees	Rupees
Salary	400,000	–
Perquisites	336,000	–
Total	736,000	–

3. Payment to auditors

a) as auditors	500,000	100,000
b) for service tax	61,800	12,240
Total	561,800	112,240

4. The Government of Maharashtra has covered sale of Rights of cinematographic films under Maharashtra Value Added Tax Act, 2002 (MVAT). The Company has collected Rs.47,00,000/- towards MVAT on satellite rights but is yet to deposit it with the authorities, as the trade associations i.e. Indian Motion Pictures Distribution Association and The Film & TV Producer's Guilds of India have submitted representation to the authorities for withdrawing MVAT on such sale. The amount will be withheld till final disposal of the matter by the authorities.

SCHEDULE FORMING PART OF THE ACCOUNTS

15 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

5. The Company has not received any intimation from 'suppliers' regarding the status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure requirement in this regard as per Schedule VI to the Companies Act, 1956 could not be provided.

6. Related Party Disclosures

   (a) Name of related parties and description of relationship.

Name of the Related Party	Relationship
Ms. Ekta Kapoor	Key management person
Mr. Tusshar Kapoor	Key management person
Mr. Ramesh Sippy	Relative of key management personnel
Balaji Telefilms Limited	Holding Company (Control Exist)

   (b) Details of Transactions with related parties during the year

(Rupees)

	Column number (refer note II below)							
Nature of Transacitions	1		2		3		Total	
	Current Year	Previous Period	Current Year	Previous Period	Current Year	Previous Period	Current Year	Previous Period
Advances Received								
Balaji Telefilms Limited	269,251,552	–	–	–	–	–	269,251,552	–
Issue of Shares								
Balaji Telefilms Limited	285,000,000	–	–	–	–	–	285,000,000	–
Assets transferred from								
Balaji Telefilms Limited	–	171,065,047	–	–	–	–	–	171,065,047
Rent Paid								
Ms. Ekta Kapoor	–	–	56,552	–	–	–	56,552	–
Rent received								
Balaji Telefilms Limited	14,138	–	–	–	–	–	14,138	–
Advances Repaid / Adjusted								
Balaji Telefilms Limited	245,112,669	–	–	–	–	–	245,112,669	–
Remuneration								
Mr. Tusshar Kapoor	–	–	736,000	–	–	–	7,36,000	–
Others	–	–	–	–	67,741	–	67,741	–
Amount payable as at 31st March, 2008								
Balaji Telefilms Limited	195,203,930	171,065,047	–	–	–	–	195,203,930	171,065,047
Others	–	–	92,000	–	67,741	–	159,741	–
Amount receivable as at 31st March, 2008								
Ms. Ekta Kapoor *	–	–	10,000,000	–	–	–	10,000,000	–

* Deposit for lease property

Notes:

I. There are no provision for doubtful debts, amounts written off or written back during the year in respect of debts due from or due to related parties.

II. Column number represents,
   1. Holding Company
   2. Key management personnel
   3. Relative of key management personnel

7. The primary segment of the Company is business segment which comprises of carrying on the business of production and / or distribution of motion pictures and films. As the Company operates in a single primary business segment, therefore the question of disclosing the primary segment information does not arise. The Company has only one reportable geographical segment and hence the question of disclosures for secondary segment does not arise.

8. Earnings per share

   Earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year as under :

	For the Year 2007-2008	Previous Period 2006-2007
(A) Net profit after tax as per the Profit and Loss account (Rs.)	54,910,737	61,313
(B) Weighted average number of equity shares outstanding during the year (Nos.)	13,553,279	1,500,000
(C) Earnings per share - Basic and diluted (Rs.)	4.05	0.04
(D) Nominal value of shares (Rs.)	10	10

9. Components of deferred tax assets/(liabilities)

	As at 31st March, 2008 Rupees	As at 31st March, 2007 Rupees
Difference between the books and tax written down values of fixed assets	(20,944)	–
Preliminary expenses	3,977	5,303
Disallowances under the Income Tax Act, 1961	10,933	–
Deferred tax asset/(liability)-net total	(6,034)	5,303

SCHEDULE FORMING PART OF THE ACCOUNTS

15 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

10. Lease Transactions:

a) The Company has taken a premise on non-cancellable operating lease basis. The tenure of the lease is for 36 months Future lease rentals in respect of the same is as follows:

	As at 31st March, 2008	As at 31st March, 2007
	Rupees	Rupees
1) Amount due within 1 year	543,084	–
2) Amount due later than 1 year and not later than 5 years	1,111,320	–
3) Amount due later than 5 years	–	–
	1,654,404	–

b) Amount of lease rentals charged to the profit and loss account in respect of operating leases is Rs.56,552/- (previous period Rs.Nil)

c) Furture minimum sub-lease payments expected to be received under non-cancelable sub-lease are Rs. 351,000/- (Previous period Rs. Nil)

d) Amount of sub-lease rentals recognized to the profit and loss account is Rs.14,138/- (previous period Rs. Nil)

11. Employee Benefits

Defined Benefit Plans — Rupees

	Gratuity (Unfunded)	
	2007-08	2006-07
I Reconciliation of liability recognized in the Balance Sheet		
Fair Value of plan assets as at the end of the year	–	–
Present Value of Obligation as at the end of the year	24,003	–
Net liability in the Balance Sheet	24,003	–
II Movement in net liability recognized in the Balance Sheet		
Net (asset) / liability as at the beginning of the year	–	–
Net expense recognized in the profit and loss account	24,003	–
Contribution during the year	–	–
Net liability as at the end of the year	24,003	–
III Expense Recognized in the profit and loss account (Under the head "Payment to and provision for employees" Ref. Schedule 13)		
Current Service Cost	24,003	–
Interest Cost	–	–
Expected Return on Plan assets	–	–
Actuarial (gains) / losses	–	–
Expense charged to Profit and Loss Account	24,003	–
IV Reconciliation of defined benefits commitments		
Commitments at beginning of the year	–	–
Current Service Cost	24,003	–
Interest Cost	–	–
Actuarial (gains) / losses	–	–
Benefits paid	–	–
Settlement cost	–	–
Commitments at year end	24,003	–
V Actuarial Assumptions		
Mortality Table (LIC)	1994-96 (Ultimate)	–
Discount Rate (per annum)	8%	–
Expected Rate of return on Plan assets (per annum)	8%	–
Rate of escalation in Salary (per annum)	5%	–

SCHEDULE FORMING PART OF THE ACCOUNTS

15 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

12. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of part II of schedule VI of the Companies Act, 1956 (to the extent applicable)

	For the Year 2007-2008	Previous Period 2006-2007
	Rupees	Rupees
a) Expenditure in foreign currency		
Travelling and Conveyance Expenses	777,508	–
b) Earnings in foreign exchange:		
Export of Satellite and Distribution Rights	10,500,000	27,500,000

13. Figures of the previous period are for 23 days and hence not comparable with those of the current year. Figures for the previous period have been regrouped wherever necessary to correspond with those of the current year.

Signatures to Schedule 1 to 15

As per our attached report of even date

For and on behalf of
Balaji Motion Pictures Limited

For DELOITTE HASKINS & SELLS
Chartered Accountants

A. SIDDHARTH
(Partner)
Membership No. 31467

Jeetendra Kapoor
(Chairman)

Shobha Kapoor
(Director)

Tusshar Kapoor
(Executive Director)

Dhruv Kaji
(Director)

Nitesh Shrivastava
(Company Secretary)

Place : Mumbai
Date : 22nd May, 2008

Place : Mumbai
Date : 22nd May, 2008

BALANCE SHEET ABSTRACT

Information pursuant to the provisions of Part IV of the Schedule VI to the Companies Act, 1956

I Registration Details

Registration No.	U22300MH2007PLC168515		
Balance sheet date	31st March, 2008	State Code	11

II Capital raised during the year (Amount in Rs. thousands)

Public issue	NIL	Rights Issue	NIL
Bonus issue	NIL	Private Placement	285,000

III Position of Mobilisation and deployment of funds (Amount in Rs. thousands)

Total Liabilities	550,176	Total Assets	550,176
Sources of funds			
Paid-up capital	300,000	Reserves and Surplus	54,972
Secured Loans	–	Unsecured Loans	195,204
Application of funds			
Net Fixed Assets	1,183	Investments	–
Net Current Assets	548,999	Miscellanoeus Expenditure	–
Accumulated Losses	–	Deferred tax liability (net)	(6)

Performance of the Company (Amount in Rupees thousands)

Turnover	366,081	Total Expenditure	282,499
Profit/(Loss) before tax	83,582	Profit /(Loss) after tax	54,911
Earnings Per Share (Rs.)*	4.05	Interim Dividend rate	0%

* Refer Note No. 8 of Schedule 15

IV Generic names of three principal products / services of the Company (as per monetary terms)

Item Code No.	Not applicable
Product Description	Feature Films