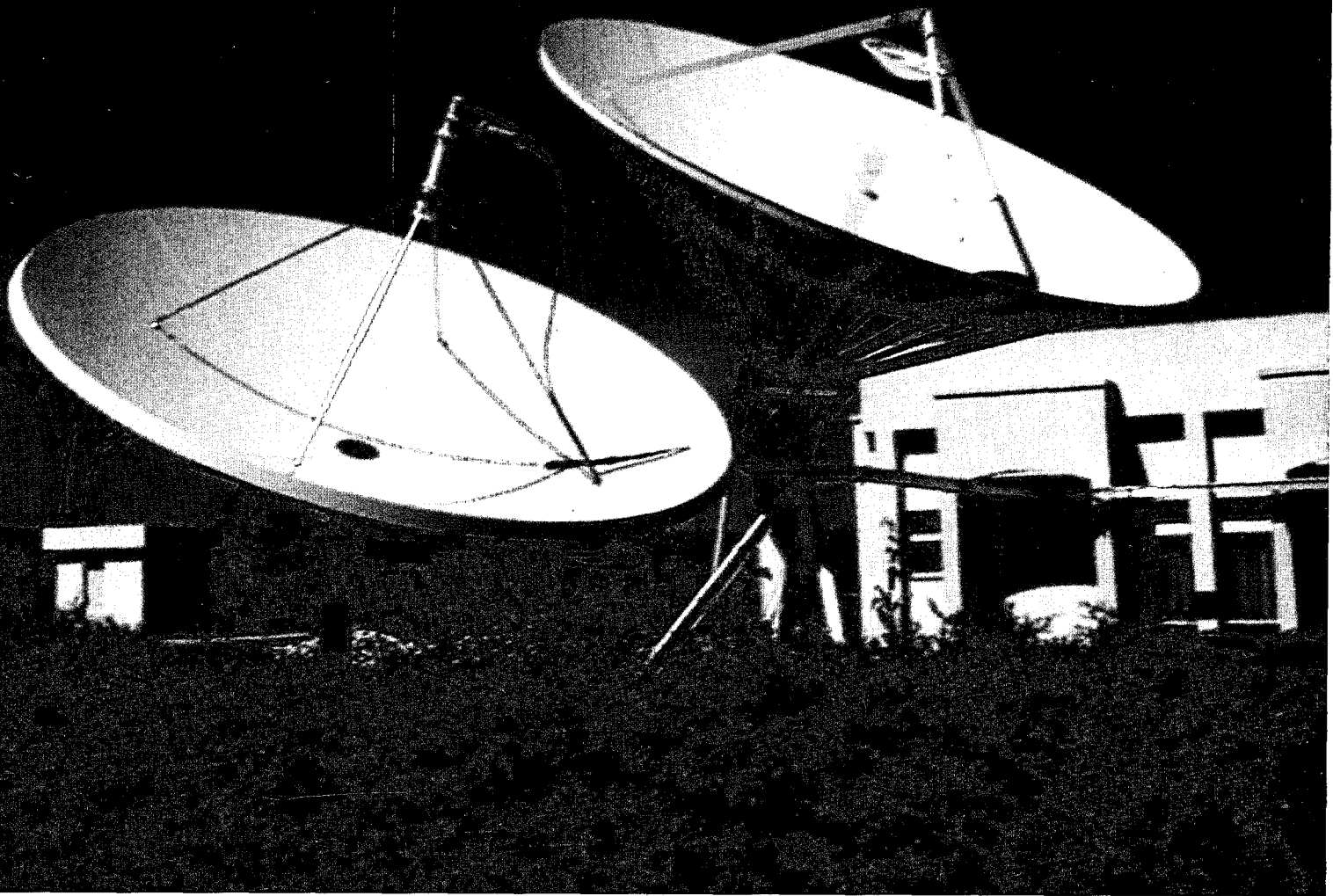




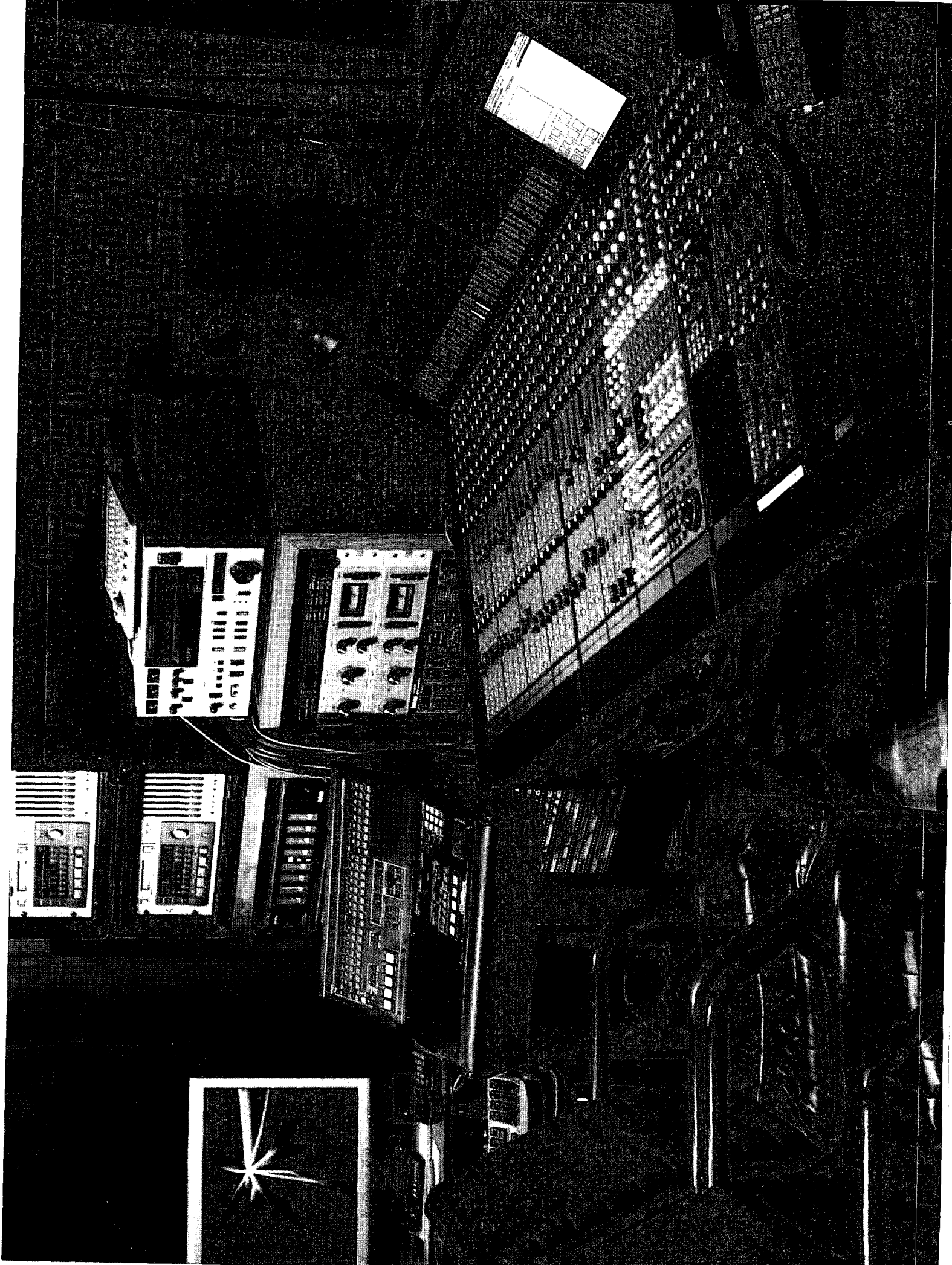
THE PEOPLE'S CHANNEL

RAJ TELEVISION NETWORK LIMITED



ANNUAL REPORT

2006 -2007



CORPORATE OFFICE



32, POES ROAD, SECOND STREET, TEYNAMPET, CHENNAI - 600 018.

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CORPORATE FOOTMARK

Board of Directors :

Mr. M. Raajhendhran
(Managing Director)

Mr. M. Rajratnam
(Director-Content Acquisition)

Mr. M. Ravindran
(Director- Operation)

Mr. M. Raghunathan
(Director-Marketing)

Mr. D. R. Kaarthikeyan
(Independent Director)

Dr. R. Rajagopalan
(Independent Director)

Mr. A. Arjuna Pai
(Independent Director)

Dr. Mohan Kameswaran
(Independent Director)

Company Secretary & Compliance Officer

Mr. Lalit Kumar Mohanty

Statutory Auditor of the Company:

M/s Pratapkaran Paul & Co,
Chartered Accountants,
63, Kamraj Avenue, First Street,
Adyar, Chennai-600 020

Legal Advisor of the Company:

HSB Partners
Advocates
388 (Old No.194), Lloyds Road,
Chennai-600 086

Bankers of the Company:

Canara Bank
563/1, Anna Salai,
Teynampet, Chennai-600 018

State Bank of India
Oversea Branch,
86, Rajaji Salai, Chennai

Indian Bank,
Thousand Lights Branch,
Kannammal Building,
611, Anna Salai,
Thousand Lights, Chennai

Registered Office:

Raj Television Network Limited
32, Poes Road, Second Street,
Teynampet, Chennai - 600 018
Tel: +91- 44 -24334149 - 51
Fax: +91- 44 - 24341260
Email : rajtv@vsnl.com
Website: www.rajtvnet.in

Regional Offices:

Delhi Office:

1416, Ansal Towers
14th Floor, 38,
Nehru Place
New Delhi -110 019

Mumbai Office :

No.11, Hendre Castle
Gohle Road(N), Dadar(W)
Mumbai - 400 028

Bangalore Office:

S-Block, # 808,
Manipal Centre
Dickenson Road,
Bangalore - 560 001

Hyderabad Office:

Journalist Colony,
No.58, Site -A,
Jubilee Hills,
Hyderabad - 500 033

Registrar and Share Transfer Agent :

Cameo Corporate Services Limited
Subramanian Building,
No.1, Club House Road,
Chennai - 600 002
Phone No. 044-28460390-94,
Fax No. 28460129
Email : cameosys@cameoindia.com

From the desk of the MANAGING DIRECTOR



Dear Fellow Shareowners,

Allow me to commence with a heartfelt vote of thanks to you for your support and the faith reposed in our company at the time of the IPO, and thereafter.

In this, my first communication to you as Managing Director and a fellow shareowner of Raj Television Network post the IPO, I propose to take you through the road traversed by our company till date and give you an insight into the road ahead.

The Road Traversed

From a humble beginning as a video rental library, today Raj TV Network has become a formidable player in the Tamil entertainment industry. We realized the importance of Intellectual Property Rights when the industry was in an extremely nascent stage and today our biggest assets are the Film Title Rights worth Rs. 37480 lacs.

Our company entered the capital markets in February 2007, with an Initial Public Offer of Rs. 9170 lacs. I would like to thank every applicant for their overwhelming response.

Strategy

Realizing the growth driver of the future early on and preparing for it has been an integral part of our company's strategy since inception. We were early movers to the Pay Channel mode and that has yielded us good rewards.

This strategy is also reflected in our company's move towards video on demand format, IPTV (broadband) and mobile telephony. These technologies as a platform for delivering television content, are at a nascent stage in India and we believe that they will metamorphosize into major delivery platforms for our content in the future.

Over the years, we have also built a strong network with leading advertisement agencies and corporate clients.

As we grew, we invested in production facilities and today produce most of our content in-house. For this we built a strong team of creative, technical and non-technical employees. The team comprises highly experience people who have been with our company since inception. It has been a business practice to constantly monitor and improve upon the content quality and delivery quality and technological advancements of the programmes on a continuous basis.

On the production front, we firmly believe that technology is an integral part of our development process. In line with this, we have strived to constantly upgrade our production facilities.

On the broadcasting side we have a three pronged approach. The first one is to constantly innovate and enhance content.

As content producers, it is extremely important to keep a feel of the pulse on the target audience's tastes and preferences. Our content has been customized to meet the expectations of the Tamil speaking population and we offer variety in the form of movies, serials, social debates, cultural, educational, cookery, handicrafts and religious programmes to satisfy the diverse entertainment requirements of the viewers across the spectrum.

This has helped our company to create a niche for itself in the market, strengthening its positioning as the 'People's Channel' with a strong brand equity.

The second is to tap opportunities provided by the regulatory reforms. The introduction of the Conditional Access System (CAS) enables the company to obtain the exact number of subscribers, thus equipping it to get its fair share of subscription revenue from the cable operators. The more the number of regions in which CAS is implemented, the better it will be for the company's subscription revenues.

The third approach is to constantly explore technologically advanced platforms to increase the scope of selling rights of the content. Greater penetration of DTH and IPTV technologies will also give this a boost, without the need for CAS and we are pleased to inform that steps in this direction, have already been taken.

During the year

This year we were the first to initiate the live telecast of India- Bangladesh cricket series in association with Neo Sports, both in the Tamil and Telugu language.

Our company has entered into an agreement with Deepam TV and CEE(I) TV to share its programs and content. Besides, we have signed an agreement with the Singapore Government-owned-TV 12, for exporting content to TV12's Vasantham Central, a popular Channel airing programmes for the Indian community in Singapore.

Our company has started uplinking through VSNL Teleport at Chennai instead of Bangkok, facilitating the live telecast of all the programs from our studios including News. Substantial reduction in Operational Costs is also expected on account of this.

Financial Performance

The sales for the year stood at Rs. 3856 lacs translating into a growth of 22%. At the operating level, our company made a operating profit of Rs. 1610 lacs, a rise of 92% as compared to the previous year. The board has recommended 10% final dividend subject to the shareholder's approval in the AGM and an interim dividend at 5% was paid during the year.

The Road Ahead

In line with the objects stated at the time of the Initial Public Offer, our company has announced its plans to launch 12 new channels over the next two years. License for two out of these have been received.

The channels would cater to the myriad tastes of the viewers and would be targeted across various strata of the society.

The Final Word

I would like to thank my co-workers who are the company's most valuable assets and believe that it is their dedication and commitment that will help us achieve our vision.

Finally, as a listed company, on behalf of the management team at Raj Television Network, I would once again like to thank every shareholder for reposing his confidence in us. We would solicit their support and best wishes to steer the Company ahead, in the years to come.

I sign off assuring you of our very best efforts in the times ahead for the future prosperity of the Company.

Sincere Regards
M. Raajhendhran

CONTROL ROOM

Our Management

EXECUTIVE DIRECTORS

M. Raajhendhran - Managing Director



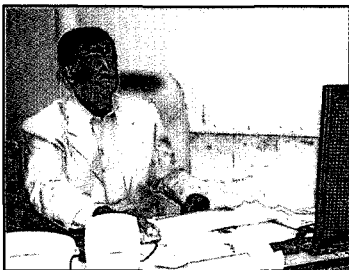
He has been the Managing Director of the company since inception and adopts a hands on style of management. With a modest beginning in the family business of a video publishing house and selling consumer electronics items and audiotapes, he has developed extensive knowledge on retail marketing. A visionary with strong business acumen, he initiated and acquired video rights and started selling Tamil films as pre-recorded video cassettes. This move of creating a vast software library has stood the channel in good stead and has been a critical factor in its success. He is also in charge of the financial affairs of the Company and provides strategic direction to it.

M. Rajaratnam - Director (Content Acquisition)

Highly experienced in retailing of products, he has over a period of two decades, built and nurtured an extensive network of domestic & overseas clients through the sales of pre-recorded video cassettes, which are currently also being sold in other forms of media like Compact Disc (CD), Video CD (VCD), Digital Video Disc (DVD). He is actively involved in content acquisition of the channel and distributing the channel in various territories apart from his role at RAJTV he also heads the Group's business venture, Raj Video Vision.



M. Ravindran - Director - Operations



A graduate in Commerce from the University of Madurai, he oversaw the Raj Group's foray into the content development business, and his responsibilities included production and supply of content to the Doordarshan Metro Channel. He has built strong relationships with various players in the Tamil entertainment industry including leading directors, producers, technicians and artistes. He travels extensively around the globe and is extremely updated with the technical advancements in the entertainment field. At present he looks after the technical aspects of the Broadcasting business as well as the production of entertainment software besides the programming, news and other operational aspects of the Channel.

M Raghunathan - Director - Marketing

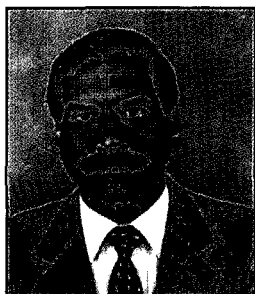
He has been with Raj TV Network for two and a half decades and has extensive selling experience in the video cassette distribution business. He heads the marketing efforts of both the Channels of the company and is also responsible for developing and maintaining relationships with corporate clients and leading advertisement agencies. He has been instrumental in sustaining the broadcasting business, and has contributed significantly towards the growth in advertisement revenues.



NON-EXECUTIVE & INDEPENDENT DIRECTORS

In the best interests of setting high standards of CORPORATE GOVERNANCE, the company has sought and been graced by the services of an eminent board of Independent Directors.

R. Rajagopalan



A retired Director General of Police, Tamil Nadu, he commenced his career in the Indian Army in October 1963. After joining the Indian Police Service in 1968, he had a distinguished career spanning over three decades with the police department. He has held senior positions such as Deputy Inspector General, CBI during 1983 – 1988. He was the Commissioner of Police from 1991 – 1995 and the Director General of National Security Guard during 2001 – 2002. He has held four posts of DGP in Tamil Nadu and was awarded seven medals including President's Police Medal (1992) and the Indian Police Medal for Meritorious Service (1983) He holds a Masters in Business Administration and Law

A. Arjuna Pai

A senior fellow member of The Institute of the Chartered Accountants of India, he is a partner in M/s Menon & Pai, a firm of Chartered Accountants engaged in audit and corporate advisory services. Before associating with M/s Menon & Pai he had occupied various key positions in some of the reputed organizations in Chennai with both financial advisory and administrative role.



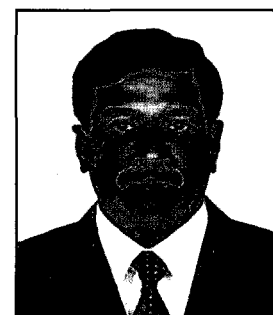
D.R. Kaarhikeyan



He retired from police service after holding eminent positions like Director CBI and Director General of National Human Rights Commission .He holds a graduation degree in Science (Chemistry and Agriculture) and is also a Bachelor of Law. He began his career as a lawyer before he was selected for appointment in the Indian Police Service and in that capacity has held several positions including Director of Police, Academy, Mysore, Karnataka. He has been awarded the President's Police Medal and the Indian Police Medal for Meritorious Service, Delhi Ratna by the All India Conference of Intellectuals, New Delhi, Humanitarian Award from Internal Yoga International, USA for outstanding achievement in service to Humanity. At present he is the torch bearer on matters related to Law, Human Rights and Corporate Affairs.

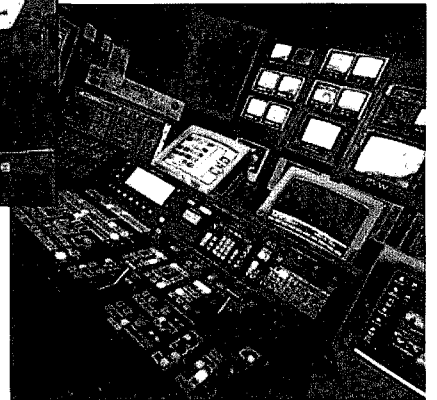
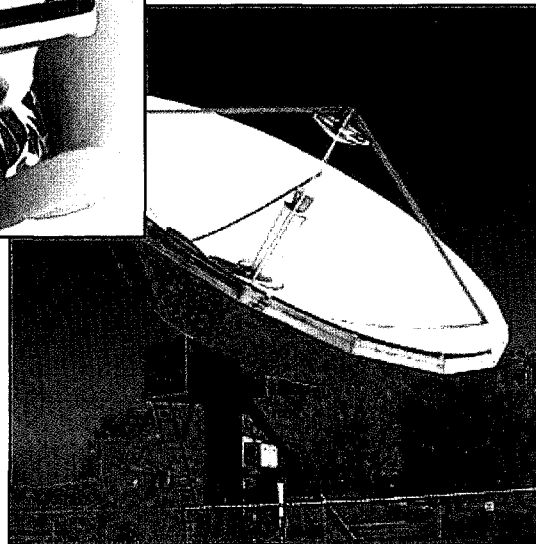
Dr. Mohan Kameswaran

He is a Consultant & Managing Director of Madras ENT Research Foundation. He graduated from Madras Medical College in 1976 and completed his MS in 1981. He has received the National Award - 'Padma Shri' by Government of India for recognition of his distinguished service in the field of medicine in 2006. He was also awarded Indo- Australian Award and has contributed to more than 40 Publications in National and International Journals.



ENTERTAINMENT & MEDIA

On the Growth Track



The Indian Entertainment and Media (E&M) industry is one of the fastest growing sectors in India with 18% CAGR expected through 2006-11. The industry growth emanates primarily from the growth in the overall economy which is now within striking range of a double digit growth figure.

Favourable demographics, the recent opening up of the Entertainment and Media space coupled with a boom in various service segments of the economy like retail, real estate, telecom services and financial services etc have benefited this space to a great extent.

As per the PwC report on Indian E&M Industry 2007, the size of the industry is currently estimated at Rs. 437 billion and is expected to grow to Rs. 1 trillion at 18% CAGR through 2006-2011.

The sector has seen an inflow of USD 88 million of foreign direct investment since the last three years while 13 FDI proposals were approved by the Government in the year 2006.

MACROECONOMIC PARAMETERS

Demographic Impetus

Strong Economic Growth

Rising Income Levels

Growing Urban Class

Development of new sectors

At the macro level, the emergence of the new affluent class has resulted in greater demand of various goods and services which go beyond the basic necessities.

As per McKinsey, income levels are likely to triple in India in the next 20 years, with the country becoming the fifth largest consumer market from twelfth at present. The Indian middle class is expected to surge and income growth in urban areas will be the fastest over the next 20 years with 5.8% CAGR.

Regulatory Reforms

The growth in the Indian E&M industry to a large extent can be attributed to the deregulation undertaken by the government. On the back of regulatory changes and liberalization of the sector there has been significant growth in various media channels.

Highlights of the Regulatory Reforms

- 26% FDI in any print media company.
- Opening up of the radio business to private players and changing the model of revenue sharing to license fees.
- Making the CAS implementation compulsory by 2010 across the television space.

The highlights of the National Readership Survey (NRS) 2006, clearly underline this.

- Reach of press medium increased in 3% to 222mn
- Literacy rose from 69.9% to 71.1%
- Satellite TV reach increased 11% to 230mn
- Cable and Satellite homes increased 12% to 68mn
- The reach of radio increased from 23% to 27% on the back of radio FM, with 76mn individuals listening to it in '05. This number increased to as many as 119mn, translating into a growth of 55% year on year.

TELEVISION INDUSTRY

Prior to 1990s, a single government broadcaster provided a limited number of channels. With opening up of this sector, many media companies have shown evinced interest in this space and today there are 115 channels in India. The potential in this space is manifested not only in the interest shown by domestic players but also the major global media houses.

TV industry revenues are expected to grow from Rs 191 billion in CY 2006 to Rs. 519 billion in CY 2011, a 22% CAGR growth. Subscription revenues will be the key growth driver of the Indian TV industry in the next five years.

Today India is the third largest television market in the world, next only to China and the US.

Advertising Spends

Historically, the advertising industry has had a strong correlation with the growth in economy. During '96-06, the advertising industry's growth CAGR was 10.5%, while the economy grew at an average of 8%. The Indian economy has been growing at 8% on an average for the past three years. This will easily translate into a 16% growth for the advertisement industry.

Subscription Revenues

Subscription revenues are one of the most important revenue spinners for the Indian television industry. Subscription revenues will increase both as the industry gradually shifts to pay TV homes as well as increased subscription rates. The strong growth in the economy will drive the demand for televisions and this in turn will enhance the prospects of the pay services.

With greater transparency in television through CAS and DTH, the going will only get better. As CAS will be compulsory by 2010 and implementation in the four major metros of Delhi, Mumbai, Chennai and Kolkata is already underway. The second phase of implementation is expected to cover around 55 cities.

New distribution platforms like DTH and IPTV will only increase the subscriber base and push up the subscription revenues.

KEY DRIVERS

Low Media Penetration

Media penetration varies across socio-economic classes and is poor in lower socio-economic classes, and this leaves a lot of scope for growth. A marginal increase in the penetration levels will translate into huge growth as the absolute figures are high on account of a higher base.

CAS Implementation

The introduction of alternative distribution modes such as CAS, the television distribution chain will be benefited immensely. Under this system, subscribers require to install set-top boxes to receive signals, at the home of the subscriber which tracks the channels viewed by them. A subscriber management system at the MSO's facility, ascertains subscriber volume. The shift from traditional C&S connections to CAS will favour of the broadcasters as they will be in a position to get a fair share of the subscription revenues.

Low Advertising Spend

Indian Advertising spends as a percentage of GDP is only 0.34 per cent, which is far lower than the trend in the developed and developing countries. Advertising revenues being the key revenue spinners for the E&M space, the latter is expected to benefit with the emergence of various service sectors in the economy.

Technological Advancement

Direct -to- Home technology can deliver television signals directly to the consumer via satellite, thus making the LCOs redundant. There is a minimal hardware cost involved for the subscriber, which is compensated for by better quality of viewing.

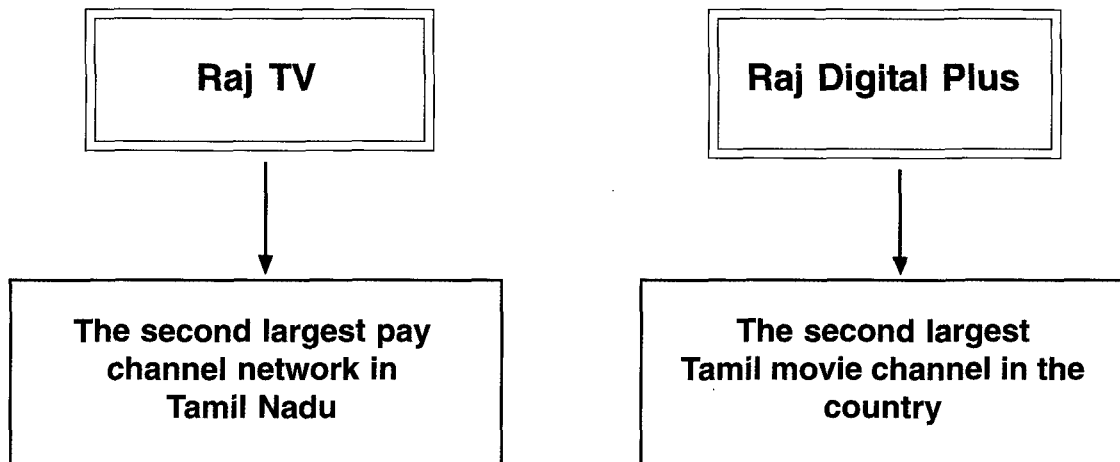
Internet Protocol Television (IPTV) uses internet protocol to transport video signals to the television over high-speed internet connections. With increased broad band connection, this is expected to grow manifold.

Thus with the right infrastructure in place and having established a good brand equity for itself, Raj TV Network is well poised to tap the plethora of opportunities emanating in the E&M industry.

OUR CHANNELS

Programming – a Success Story

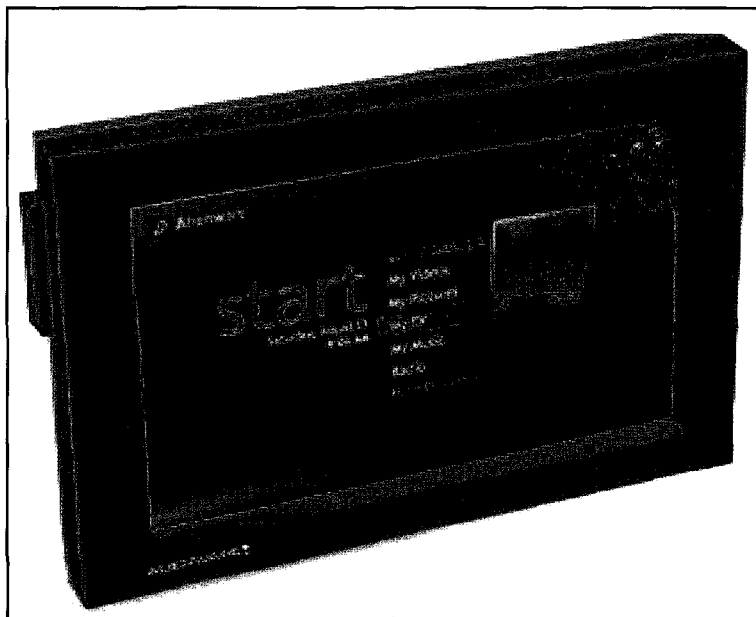
Raj TV Network commenced business in 1994 and is an entertainment media house with two active channels as its key offerings.



The company's geographies encompass the state of Tamil Nadu and the adjoining areas with Tamil speaking population. RAJ TV Network also has international presence as the Tamil speaking population is spread across the Gulf, South-East Asia and America.

A strong brand recall marks Raj TV Network's channels as it has premium content. Both channels run on a 24 hrs per day - 7 days a week basis and have been positioned as a People's channel on account of its diverse content base with a good appeal.

The company also has a Telugu Channel called Vissa TV under another associate company.



RAJ TV

RAJ TV, the flagship channel, commenced broadcasting in October 1994. In the initial years, the company's major source of revenue was airtime sales as it has a vast storehouse of film rights.

The channel's bouquet of offerings includes movies, serials, social debates, cultural, educational, cookery, handicrafts and religious programmes catering to the diverse entertainment requirements of the viewers.

Development of in-house technical capabilities in the content development area by the company made it self reliant as regards the production of most of its serials and content, over a period of time. As a result Raj TV Network also holds propriety rights over most of the content it produces.

Strategy

In house Productions

- Employ directors and other technicians including production houses to produce quality programmes for the channels.

Investment in Technology

- Investment in tele-cine equipment and state of the art post production facilities to constantly upgrade its quality.

Build on the Intellectual Property Base

- The company, over and above the in-house team, hires producers on contract basis, to produce content and purchases certain rights to these programmes, thus adding to its Data-bank.

Reserve Prime time Slots for In House Content

- Prime Time is considered to be 7.00 p.m. to 10:40 p.m. from Monday to Friday, 5.30 p.m. to 10:40 p.m. on Saturdays and 7.30 a.m. to 10:40 p.m. on Sundays.
- Advertisement revenues are received by the sale of time slots to other producers for broadcasting programmes or serials for a fixed fee basis for certain time slots. However, the prime time slots have been retained by the channel for the programmes produced by it.
- Continue the movie segment to attract good viewership.

Benefits

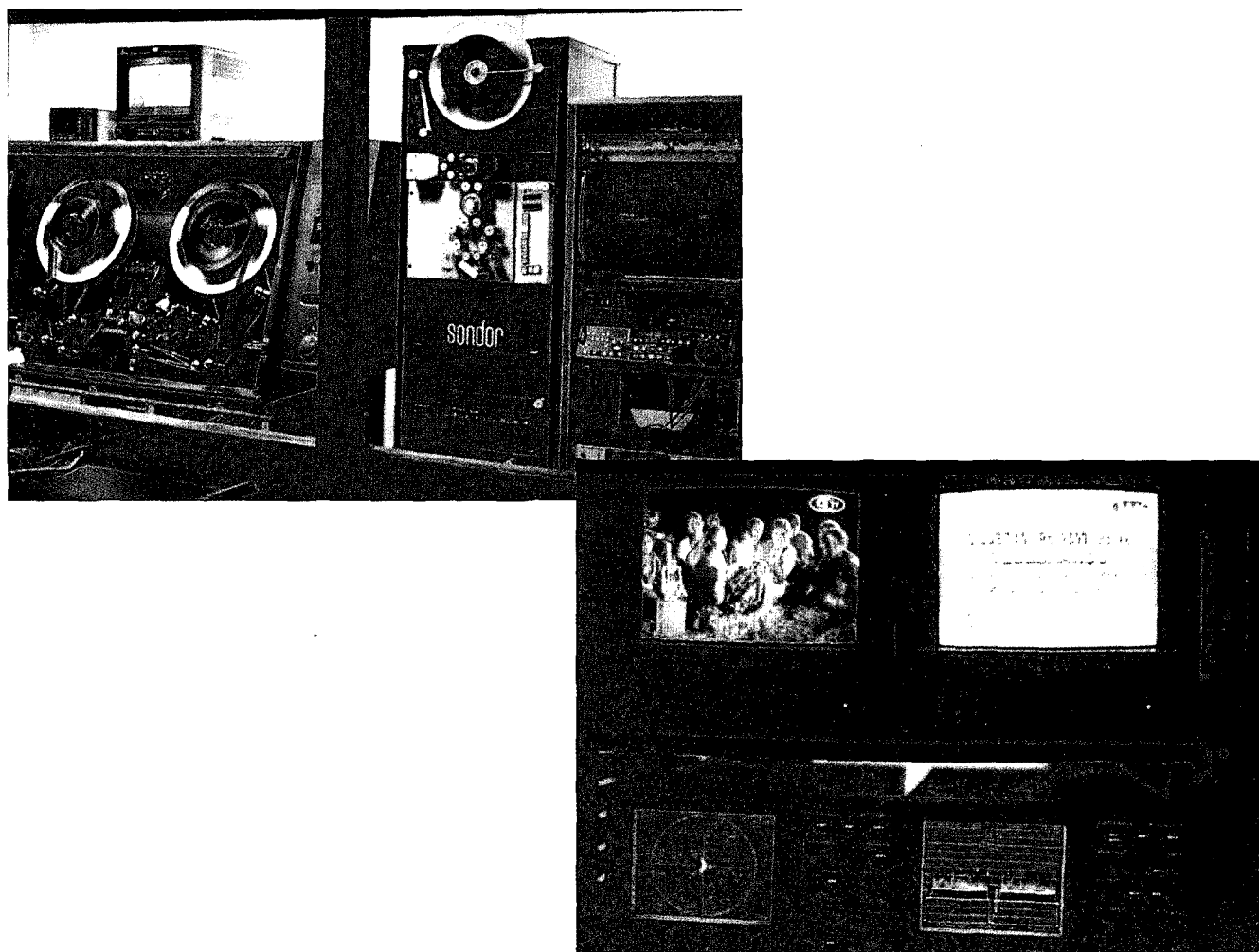
- This strategy enables the company to achieve higher margins as production costs remain under control.
- As a result, quality and the delivery of the content also improve.
- On the back of improved content, the income from advertisement revenue also improves.

This strategy has enhanced the viewership for the channel resulting in higher ratings and increased advertisement revenues. The development of an intellectual property asset base which generates revenues through sale/use of such content and will benefit Raj TV Network in the long run.

RAJ DIGITAL PLUS

The other flagship channel of the company, Raj Digital Plus is also a pay channel and it showcases movies. It was the first 24 hour Tamil movie channel launched for the Tamil speaking population and at present there are only two 24 – hour Tamil movie satellite channels available in Tamil Nadu. The content on the channel comprises Tamil movies, movie clippings, songs and trailers. The channel also shows other film based programs such as comedy clips and views of celebrities and stars. The films which are screened and the songs which are aired on the channel are predominantly from the channel's portfolio.

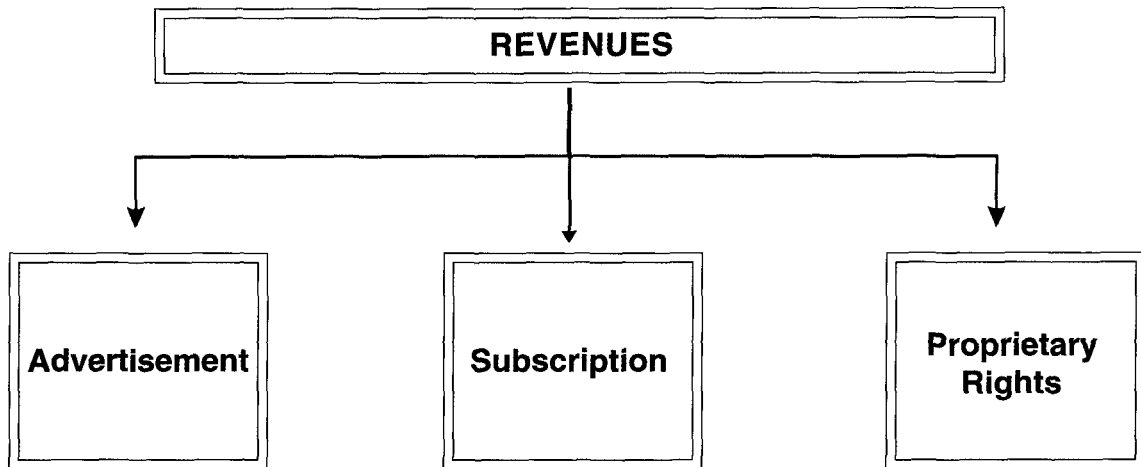
The network intends to procure more film broadcasting rights for screening on this channel. Raj Television Network also procures rights to screen trailers, new songs and movie clips.



REVENUE DRIVERS

Our Sources of Income

Raj TV Network has pay channels with proprietary rights over content.



ADVERTISEMENTS

| Prominent Agencies | Prominent Corporates |
|------------------------------------|-------------------------|
| Hindustan Thomson Associates (HTA) | Hindustan Lever Limited |
| Ogilvy & Mather | Godrej Group |
| Initiative Media (Lintas) | Smithkline Beecham |
| Madison | Paras Pharmaceuticals |
| Chaitra Leo Burnett (CLB) | Procter & Gamble |
| Mc Cann Erickson | Nestle |
| Starcom | Coke |
| MediaCom | Pepsi |
| FCB Ulka Advertising | Whirlpool |
| Trikaya Grey | Colgate |
| Ambience | Jyothi Laboratories |

KEY FEATURES OF ADVERTISEMENT REVENUES

Rate Structure

- A common rate structure is in place for both the channels.

Time Slots

- Rates are classified on the basis of time slots such as primetime, half-prime time and non-prime time.

Title Sponsor

- Title sponsors pay a premium fee to be the main sponsor of the programme. This Title sponsor receives extra benefits by being the main sponsor and gets the first spot during the programme. Usually, there is no long term commitment with a Title Sponsor and it is limited to a period of 4 weeks. It is then renewed on a rollover basis for a time frame, mutually agreed upon.

SUBSCRIPTION REVENUES

It is in the form of a fee, based on the number of subscribers declared by the cable operators. A major concern in relation to this model is the underreporting of subscribers by many cable operators which results in lower revenues for the Company.

This situation is being slowly addressed by the introduction of the Conditional Access System (CAS) and Direct to home service (DTH), which at present is implemented only in Chennai and is now being implemented in Delhi, Kolkata & Mumbai.

PROPRIETARY RIGHTS

Export of Films

Raj TV Network leverages on its vast film library and garners revenues by selling distribution of films and music rights. A huge Tamil Speaking population is present across the globe and especially across the Middle East, Japan, USA, Fiji, Russia and other Asian countries like Sri Lanka. This has in-turn provided a ready market for South Indian Movies.

Moreover, with technological advancement the quality of Indian Films has touched new heights and is going global. With this increased awareness, Indian films with subtitles in various international languages will enable the company to spread its geographies.



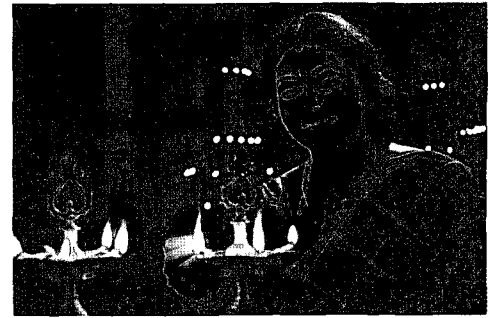
Content Syndication

The company has entered into an agreement with the Sri Lanka Rupavahini Corporation (SLRC) for international content syndication. Under the agreement, several film titles shall be made available on a monthly basis. These films shall be down linked by SLRC at Colombo for re-telecast on its network for single time airing and the content of the films down linked cannot be used for any future programming. Software will also be provided for telecast as half hour episodes by the channel. Revenues accrue by sale of one time broadcast or other rights from such content syndication and expect this to increase in the near future.

Raj TV is continuously exploring such other opportunities to increase the revenues from the film rights it holds.

Distribution and Infrastructure

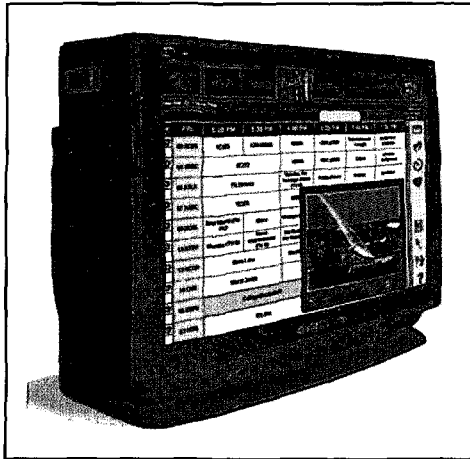
The Company has entered into an agreement with VISSA Television Network Limited, a Promoter Group Company in April 2006 with regard to the grant of the exclusive distribution rights worldwide of its channels, for a period of five years.



Aru Maname

Distribution of Content over Internet

The agreement with **Dot Com Infoway** is for international distribution of the company's content over the internet. Under the agreement, the revenue sharing is based on an amount earned per viewer on a 50:50 basis and the transaction shall be completed online. The distribution of content through the Internet via Broadband format is a step towards the **IPTV medium**, in line with the technological developments..



The agreement with **Numtv.com** is towards distributing the company's content over the internet among their subscribers. Numtv.com shall download the signals of RAJ and would play it to suit various prime times. The Company is also evaluating video on demand on this network. Revenue sharing is based on an amount earned per viewer on a 50:50 basis and all transactions can be monitored online. With numtv.com, RAJ has been first entrant in to the **IPTV space**.

An agreement has been entered into, for providing movie content on the 'Video-on-demand' format. Raj TV Network will provide **Videsh Sanchar Nigam Limited** with movie titles which will be made available on their network and VSNL will remit 40% of the gross fees to Raj TV Network.



FINANCIAL SNAPSHOTS

Growing Numerically

PROFIT AND LOSS STATEMENT

Rs. Lacs

| Particulars | FY - 2005-06 | FY - 2006-07 |
|--------------------------------------------------|--------------|--------------|
| Sales | 3151 | 3856 |
| Other Income | 40 | 27 |
| Total Income | 3191 | 3884 |
| Operational Expenses | 1357 | 1035 |
| Administration and Selling Expenses | 666 | 868 |
| Establishment Expenses | 326 | 370 |
| PBDIT | 841 | 1610 |
| Interest & Finance Charges | 107 | 110 |
| PBDT | 734 | 1500 |
| Depreciation | 173 | 178 |
| Profit / (Loss) Before Taxation | 561 | 1322 |
| Prior Period Adjustment | 1266 | 91 |
| Extraordinary Income | 5 | 0 |
| Taxation | 637 | 491 |
| Profit / (Loss) After Taxation | 1194 | 923 |
| Equity Capital | 178 | 1298 |
| Reserves (Excluding revaluation Reserves) | 3265 | 8749 |

BALANCE SHEET

Rs. Lacs

| Particulars | FY - 2005-06 | FY - 2006-07 |
|---------------------------------|--------------|--------------|
| SOURCES OF FUNDS | | |
| Equity Share Capital | 178 | 1298 |
| Reserves & Surplus | 3265 | 8749 |
| Total Shareholder's Fund | 3443 | 10047 |
| Loans | 639 | 666 |
| Deferred Tax Liability | 445 | 641 |
| Total Liabilities | 4527 | 11354 |

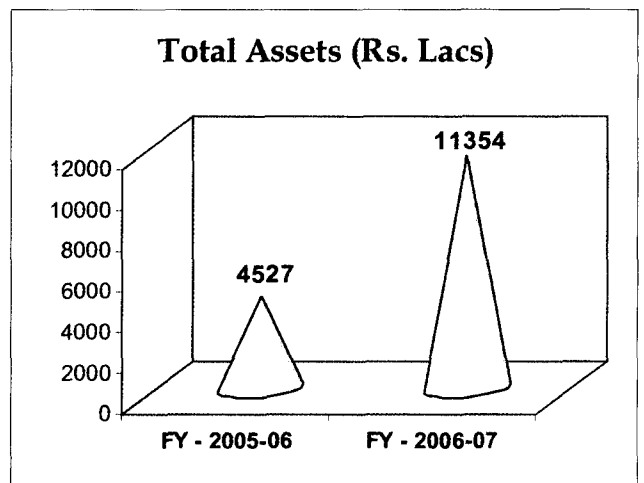
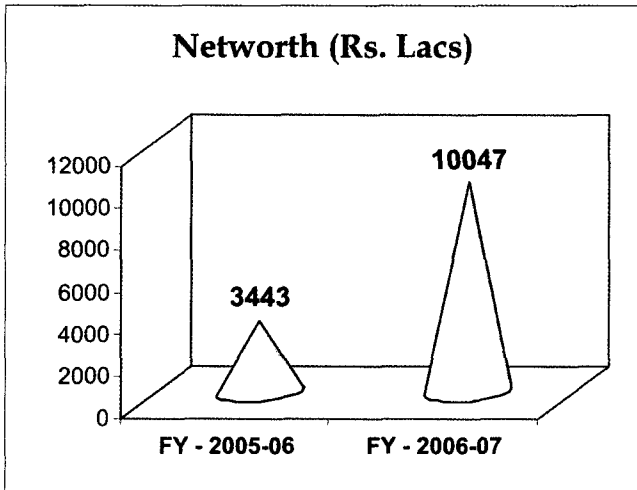
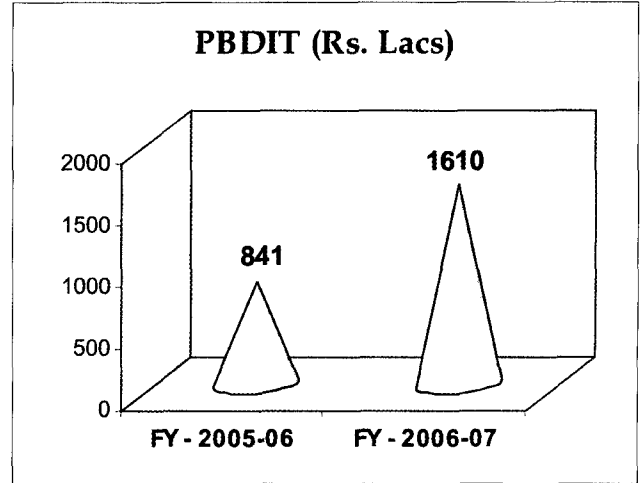
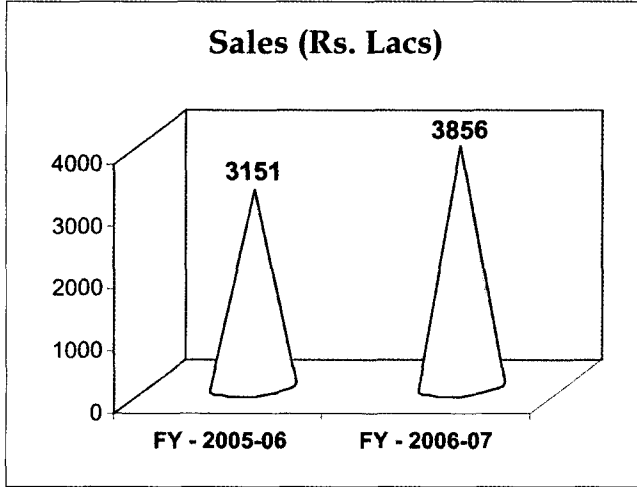
BALANCE SHEET

Rs. Lacs

| Particulars | FY - 2005-06 | FY - 2006-07 |
|---------------------------------------------------------|--------------|--------------|
| APPLICATION OF FUNDS | | |
| Gross Block | 4030 | 4104 |
| Less: Depreciation | 812 | 990 |
| Net Block | 3218 | 3114 |
| Total Fixed Assets | 3218 | 3114 |
| Investments | - | - |
| Gross Current Assets | 2014 | 9184 |
| Less: Current Liabilities & Provisions | 704 | 1526 |
| Net Current Assets | 1310 | 7658 |
| Miscellaneous Expenditure to the extent not written off | - | 582 |
| Total Assets | 4527 | 11354 |
| NETWORTH | 3443 | 10047 |

FINANCIAL SNAPSHOTS

Growing Visually



OUR ASSET BASE

The Tangibles.....

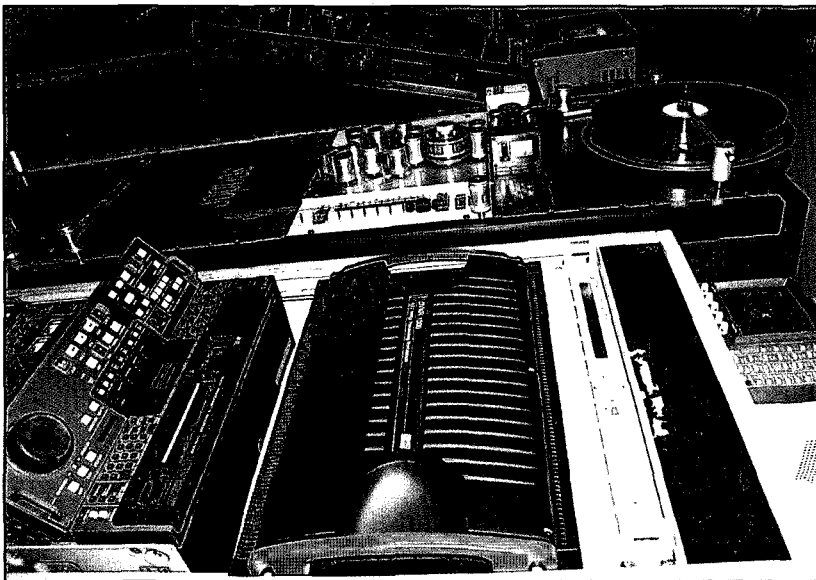
PRODUCTION FACILITIES

Raj Television Network Limited currently operates out of its head office in Chennai. It is a self-owned building that has a built up area of about 12,000 square feet spread over five floors and a basement.

The Company has its software library, newsroom, recording studio, production, editing, mastering and dubbing studios located in the same building. The Company also owns adjoining plots of land admeasuring 19167 square feet and there are plans to build a state-of-the-art-studio therein.

As a technology driven company, it proposes to invest in purchasing new equipment required for better production of content and adding facilities like sets, reputed anchors for their shows, graphic designing and animations. Also on the agenda are plans to acquire new content from reputed producers and production houses to broad base the range and quality of the programmes aired on the channel.

The current production facility is proposed to be expanded by building a new studio, having a basement, ground floor and a first floor. It will be an AC studio with proper fire fighting equipment and a building management system; in an adjoining plot owned by the Company. The proposed constructed area will approximate 27466 sq feet.



Content

With a very good insight into the taste and preferences of the viewers, Raj TV Network has successfully carved a niche for itself. It provides myriad programmes targeted at various sections of the society.

Films

The Company has a bank of around 1384 movie titles comprising several A grade movies and other popular ones. It has a variety of old classics and recent blockbusters and the channel runs the movies on prime times depending upon

the demands of the viewers. The company's Film Satellite Rights were valued at around Rs. 375 crores by an independent valuer, Sundaram S. Iyer, Corporate Consultant, in September 2006. The rights that are acquired from other producers include, broadcast rights through satellite, DVD, VCD, cable distribution, internet and mobile phone broadcasting rights. For new movies, rights are generally obtained after a period of two to three years from the release of the film in the theatres. It can be obtained earlier by payment of a premium to the producers.

Religious and Cultural Programs

Raj TV constantly endeavours to understand the requirement of viewers and positions itself accordingly with innovative content. In line with this strategy, the company sensed the need for religious and cultural content.

Over the years, Raj TV has built up a library of more than 1000 hours of Religious and Cultural content with a potential to aggregate 100 hours of content every year. Its network broadcasts classical concerts and spiritual tourism related programmes apart from discourses by spiritual gurus, thus catering to this niche segment in the domestic as well as international markets.

Serials

Serials include multi-episodes based categories ranging from drama, comedy to crime, etc. For weekly serials the minimum number of episodes produced are 14, whereas for mega serials the episodes go up to 80. RAJ TV's serial "Geethanjali" has completed 1000 episodes, reflecting its success in understanding the pulse of the Tamil speaking population.

Other telecasts like the 50th year celebration of the current Tamil Nadu Chief Minister and also his 84th birth anniversary have boosted the company's viewership substantially.

Devotional Content

Raj TV also runs a devotional programme in the morning, targeted at the older section of the viewers, which is unique by itself and has received a good response from viewers.

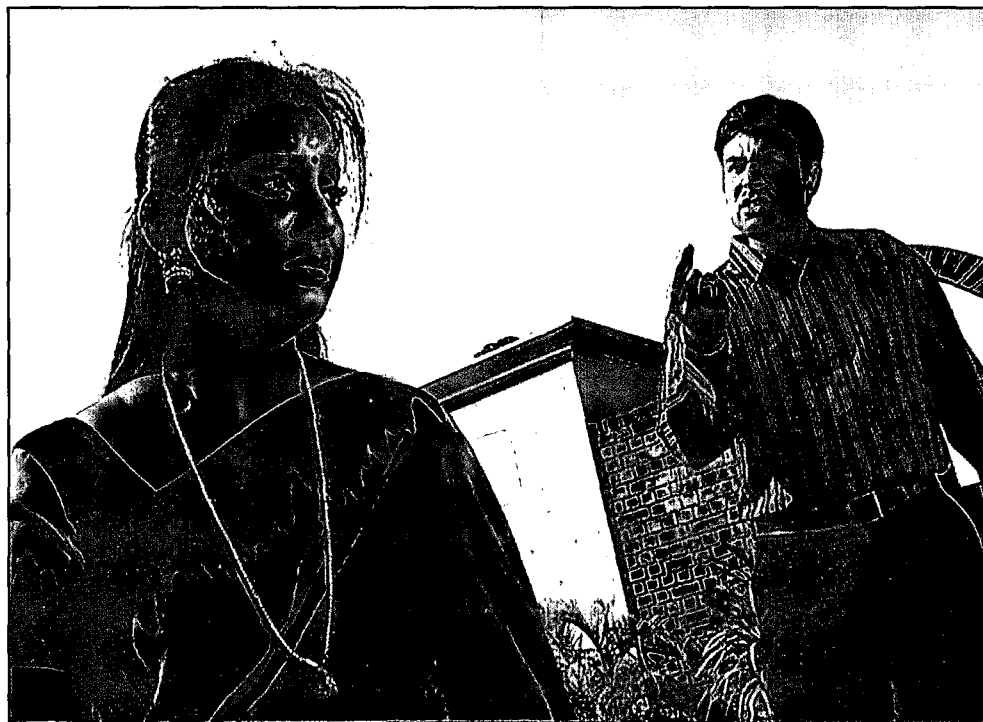
Seizing opportunities in terms of understanding the viewer's requirements early and targeting it with innovative content has stood the company in good stead. This is backed by a good editing team and censor reviews to adhere to the society standards.



Movie Based Talk Show

OUR ASSET BASE

The Intangibles...



Mahanathi

Rich Content Library- Films

The Company has a bank of more than 1350 movie titles, comprising latest blockbusters to old classics, to cater to the diverse tastes of the audience. The company's **Film Satellite Rights** (~ 1308 films), valued from an independent valuer, Sundaram S. Iyer, Corporate Consultant, and stood at around **Rs. 375 crores** in the report dated September 11, 2006. This bank also has excellent re-run revenue generating capabilities through export revenues by selling distribution of films and music rights.

In-House Production

Raj Television network produces most of its serials and other content over which it holds proprietary rights. This approach has stood the company in good stead by facilitating better control over costs. Also, it provides the flexibility to constantly improve upon the quality and delivery of the content; factors that have a direct bearing on the ratings and viewership of the channel. It has enabled the channels to sustain their margins on advertisement revenues. The company additionally engages outside producers on contract basis, to produce content and purchases certain rights to these programmes, thus adding to its data base

Geographical Expansion

A large number of Tamil and Malayalam speaking people have settled in different parts of the world especially in America, Srilanka, Singapore, Malaysia, Europe, South Africa, Mauritius, Australia and Fiji. Add to it the increasing popularity and fan-following of South Indian film & television industry, the overseas markets with the expatriate population is pregnant with potential. Opportunities are present in the form of broadcasting the channels in these regions as well as export revenues from distribution of films and music rights through various mediums.



Intellectual Property Rights (IPR)

Most of the content on Raj Television Network's Channels is produced by the company. This gives them proprietary right over the content. Moreover, the company also purchases certain rights to programmes, produced by external producers, for its channels and makes them a part of its data base. This strategy has helped built its intellectual property asset base and is a potential revenue generator through sale/use of such content. The IPR asset base shall provide the necessary backup for future expansions in India and abroad.

Investment in Technology

Besides the rights on distribution of films, the company has proactively acquired rights for broadcasting through various mediums like satellite, DVD, VCD, cable distribution, internet and mobile. It has already entered into agreements for the distribution of our Company's content over the internet with Dot Com Infoway and Num TV, marking a foray in IPTV Technology. Also the agreement with VSNL will provide the company's movie content on the 'Video-on-demand' format. It highlights the company's ability to explore and take advantage of new technologies for increasing their viewership and revenues.

Strong and Visionary Management

The promoters of Raj Television Network have been in the media & entertainment business for over two decades. They have grown from strength to strength from a modest beginning of a video rental library to being a formidable player in the Tamil entertainment industry, having film title rights worth Rs. 374.83 crore. They have established a robust network with various players in the industry, leading advertisement agencies, corporate clients. It was the management's vision to go in for pay channels and built an Intellectual Property Rights Asset base which will drive the company's growth in future. The company's move towards video on demand format, IPTV (broadband) and mobile telephony reinstates the confidence in their foresight.

Established distribution and client network

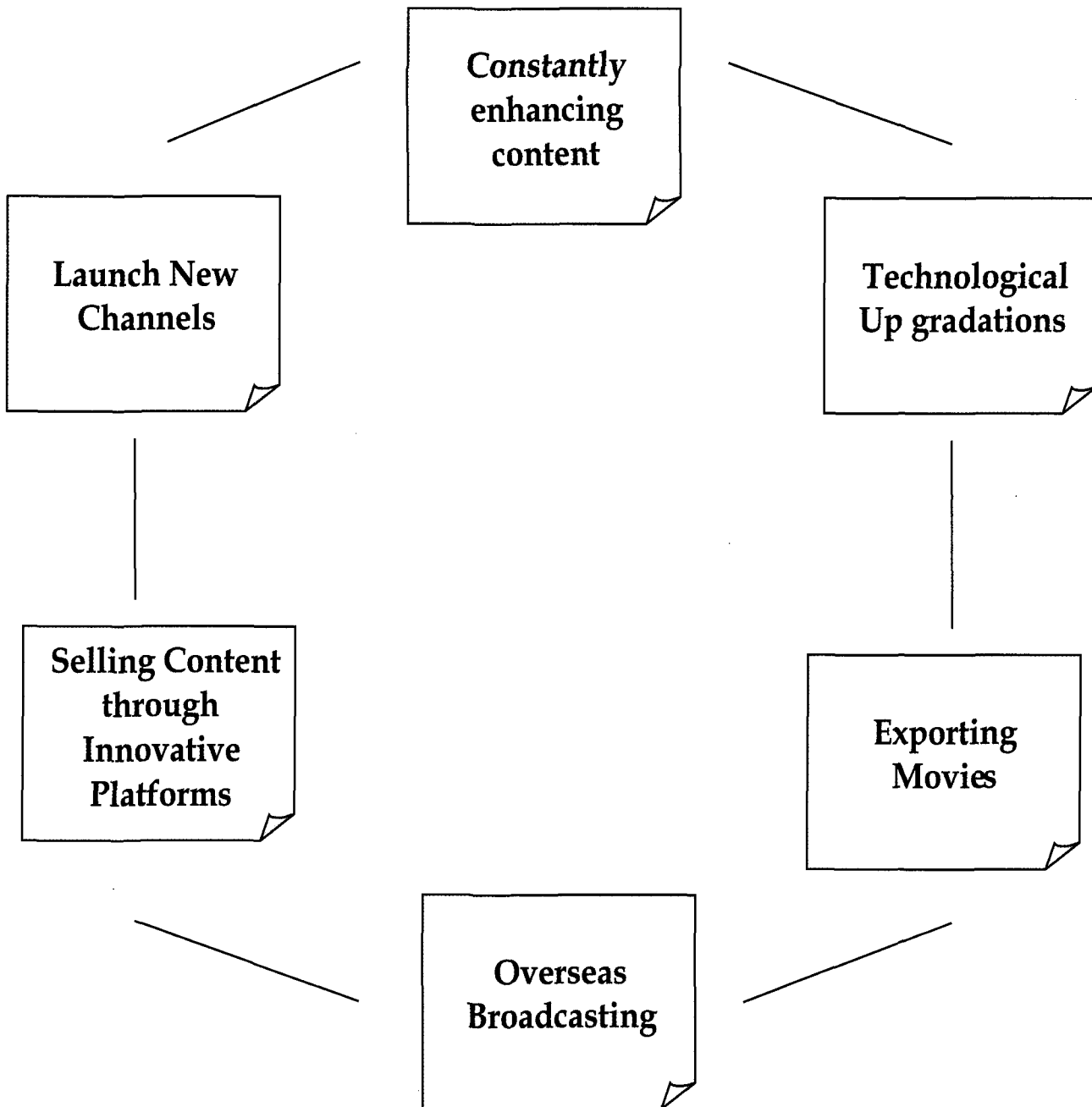
Being a pay channel the company has a distribution team for collection of subscription revenues from cable operators. It has developed a strong network with cable operators, the importance of which cannot be understated. The marketing team actively forges relationships with major advertisers and constantly strengthens it.

OUR INITIATIVES

Future Growth Drivers

Raj Television Network, started in 1994, currently operates 2 channels viz. the flagship channel Raj TV catering to the general entertainment and Raj Digital Plus (RDP) which is a 24 x 7 Tamil Movie Channel.

The company's strategy has always been integrated with its goals.



Increasing Market Share

Raj TV has announced its plans to launch 12 new channels within the next 2 years. The company proposes to enhance its bouquet of channels by launching a new entertainment channel, having international appeal. It will be a multi-content channel and targeted at youth entertainment thereby addressing this niche genre.

Raj Musix

Targeted at the youth, the music channel is also expected to be launched by the end of the financial year.

Raj News

Another initiative with news as the major content will also be launched simultaneously. It will be a 24X7 News Channel

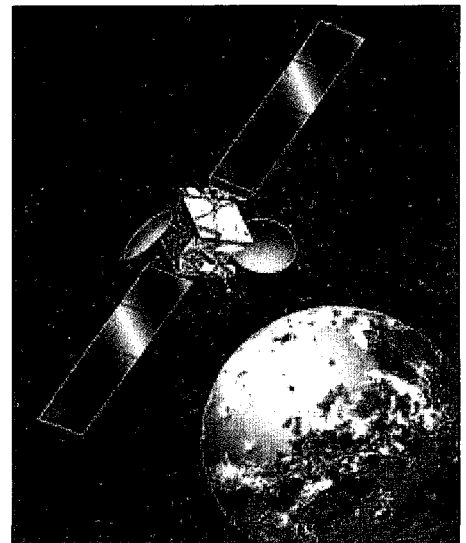
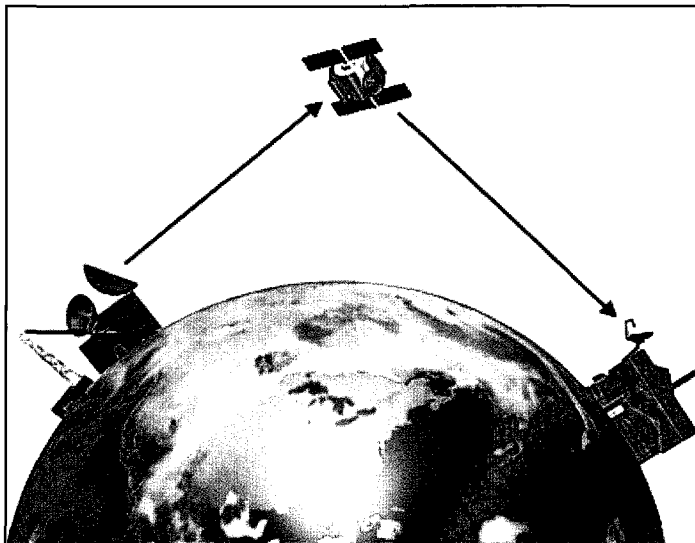
The net proceeds from the recent IPO in February 2007 Rs.58 Crore will be utilized towards funding these expansion plans for launching new channels, content production, development and construction of new studio and development of distribution channel.

Exports and Overseas Revenues

Apart from launching new channels, the company has signed an agreement with the Singapore Government owned TV 12 for exporting content to TV12's Vasantham Central, a popular Channel airing programmes for the Indian community in Singapore. The agreement will be for a period of two years. Raj TV's popular bouquet of programmes will be shared here, which will include Movies, Serials, Soaps, Game shows, Realty shows, News and other variety of programmes.

Vasantham Central, is one of the biggest Indian Television stations outside of India. A free to air channel, it will give the company access to its one million viewers. The channel has also won international recognition for some of its programmes. Marking Raj TV's first entry into the South East Asian Market this foray will also provide the company with an insight into the taste and preferences of the local market and strengthen its position accordingly.

On similar lines, the company proposes to tie up with a Sri Lanka broadcaster and target countries like Malaysia, Fiji, Thailand, UK, USA, etc with sizeable Tamil populations.





THE PEOPLE'S CHANNELS

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RAJ TELEVISION NETWORK LIMITED

Regd. Off: 32, Poes Rod, Second Street, Teyanampet, Chennai-600 018, Tel: 044-24334149/50

NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of the Company will be held on Friday, September 28, 2007, at Image Auditorium, MRC Nagar, R.A Puram, Chennai-600 028, at 10.00 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007, Profit and Loss Account for the year ended on that date and Reports of Auditors and Directors thereon.
2. To confirm the payment of interim dividend and declare a final dividend on equity shares.
3. To appoint a Director in place of Mr. M. Ravindran, who retires by rotation and being eligible offers himself for reappointment
4. To appoint a Director in place of Mr. M. Raghunathan, who retires by rotation and being eligible offers himself for reappointment
5. To appoint Auditors and to fix their remuneration, if thought fit, by passing with or without modification, the following Resolution as an **Ordinary Resolution**:

"RESOLVED THAT M/s. Pratapkar Paul & Co., Chartered Accountants, Chennai – 600 020, the retiring auditors be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as may be decided by the Board of Directors".

SPECIAL BUSINESS:

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

"RESOLVED THAT Pursuant to section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re enactment thereof, Mr. D. R. Kaarthikeyan, who was appointed as an additional Director pursuant to the provisions of section 260 of the Companies Act, 1956 and holds office up to the date of this Annual General Meeting of the Company, in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation under the Articles of Association of the Company".

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

"RESOLVED THAT Pursuant to section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or reenactment thereof, Mr. A. Arjun Pai, who was appointed as an additional Director pursuant to the provisions of section 260 of the Companies Act, 1956 and holds office up to the date of this Annual General Meeting of the Company, in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation under the Articles of Association of the Company".

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

"RESOLVED THAT Pursuant to section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or reenactment thereof, Dr. R. Rajagopalan, who was appointed as an

additional Director pursuant to the provisions of section 260 of the Companies Act, 1956 and holds office up to the date of this Annual General Meeting of the Company, in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation under the Articles of Association of the Company”.

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

“RESOLVED THAT Pursuant to section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or reenactment thereof, Dr. Mohan Kameswaran, who was appointed as an additional Director pursuant to the provisions of section 260 of the Companies Act, 1956 and holds office up to the date of this Annual General Meeting of the Company, in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation under the Articles of Association of the Company”.

Regd. Office:
32, Poes Road, IInd St,
Teynampet,
Chennai-600 018
Date: 27 July, 2007

By Order of the Board of Directors

Lalit Kumar Mohanty
Company Secretary

NOTES:

1. **A member entitled to attend and vote at the Annual General Meeting (the meeting) is entitled to appoint a proxy to attend and vote on a poll instead of himself and proxy need not be a member of the Company. The proxy form appointing proxy to be valid must be deposited at the Registered office of the Company not less than forty-eight hours before the commencement of the meeting. A proxy form is appended with the attendance slip.**
2. Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 relating to the Special Business to be transacted at the meeting is annexed hereto.
3. The register of Members and Share Transfer Books of the Company shall remain closed from 19th September 2007 to 28th September 2007 (both days inclusive).
4. Dividend on equity shares upon its declaration shall be paid to those shareholders whose names appear in the Register of Members on record date.
5. Members/ Proxies are requested to bring their Attendance Slip duly filled in along with their Annual Report to the meeting and Corporate Members intending to attend through their authorized representatives are requested to send a duly certified copy of the Board Resolution / valid Power of Attorney authorizing their representatives to attend and vote on their behalf.
6. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Number and those who hold in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.
7. In case of joint holders, only Sole/First joint holder will be entitled to vote.
8. Members are hereby requested to send all correspondence concerning transfer, transmission, subdivision, consolidation of shares or any other share related matters and / or any change in the address to the Common Registrar and Share transfer Agent Viz; Cameo Corporate Services Limited, Subramanian Building, No. 1, Club House Road, Chennai-600 002, Phone No.044-28460390-94, FaxNo.28460129, Email:Cameosys@cameoindia.in

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT,1956 ITEM NOS. 7, 8, 9 AND 10

Mr. D. R. Kaarthikeyan, Mr. A. Arjuna Pai, Dr. R. Rajagopalan and Dr. Mohan Kameswaran were appointed as Additional Directors by the Board of Directors of the Company in their meeting held on 14th October 2006 under section 260 of the Companies Act, 1956 and Article-133 of the Articles of Association of the Company. All these Directors shall hold office up to the date of ensuing Annual General Meeting and being eligible offer themselves for re appointment as Director.

Again, in terms of Section 257 of the companies Act, 1956, the Company has received notice in writing from four members signifying their intention to propose the canditure of Mr. D. R. Kaarthikeyan, Mr. A. Arjuna Pai, Dr. R. Rajagopalan and Dr. Mohan Kameswaran for the office of Director.

Keeping in view their enriched knowledge and expertise, the Board considers, it will be in the interest of the Company, to appoint Mr. D. R. Kaarthikeyan, Mr. A. Arjuna Pai, Dr. R. Rajagopalan and Dr. Mohan Kameswaran as Directors of the Company subject to retire by rotation. Brief information in respect of proposed reappointment of the Directors in terms of the Listing Agreement are provided as addendum to this notice.

The Board recommends the resolutions set out in the item nos. 7, 8, 9 and 10 for your approval.

None of the Directors except Mr. D. R. Kaarthikeyan, Mr. A. Arjuna Pai, Dr. R. Rajagopalan and Dr. Mohan Kameswaran is interested in the resolutions.

By Order of the Board of Directors

Regd. Office:
32, Poes Road, IInd St,
Teynampet,
Chennai-600 018
Date: 27 July, 2007

Lalit Kumar Mohanty
Company Secretary

INFORMATION ON THE PROPOSED APPOINTMENT / REAPPOINTMENT OF THE DIRECTORS IN TERMS OF LISTING AGREEMENT.

1. Mr. D. R. Kaarthkeyan

Mr. D. R. Kaarthkeyan, aged 68 is a Bachelor in Science and Law. Starting with career as a lawyer he joined in Indian Police Service holding various positions such as Superintendent of Police, Director -CBI, Director General of National Human Rights Commission etc. During his long career life, he has been awarded with various awards such as President's police award, Indian Police Medal, Delhi Ratna, Humanitarian award etc. He is currently acting as advisor on law, human rights and corporate affairs. He is also Director of Taj Gvk Hotels & Resorts, Hyderabad, Akruiti Nirman Private Limited, Star Health & Allied Insurance Co. Limited and Sri Krishna Sweets USA Inc. He is the Chairman of Shareholders/ Investors Grievance Committee to the Company. He does not hold any share in the Company.

2. Dr. R. Rajagopalan

Dr. R. Rajagopalan, aged 66 has bachelor's degree in Science and Master's degree in Business Administration and Law and also Doctorate degree to his credit. He has long career graph as IPS Officer in different positions like Superintendent of Police, Director General of Police, Commissioner of police etc. Also he has served the Indian army in class-I officer cadre as LT./Capt. in corps of EME, Indian army. He has also performed 8 times Kailash and Mansarovar Yatra as L.O.. for MEA. He has been awarded with several medals like War Service Medal, President's Police Medal, and Indian Police Medal. He does not hold directorship in any other Public limited company. He is the Chairman of Remuneration Committee and member of Audit Committee of the Company. He does not hold any share in the Company.

3. Mr. A. Arjuna Pai

Mr. A. Arjuna Pai, aged 71 is a Fellow member of the Institute of Chartered Accountants of India. Mr. Pai has vast knowledge and experience in industry and administration. Presently he is an active partner of reputed Chartered Accountants firm, M/s Menon & Pai, based at Chennai since 1998 imparting advisory and other professional services in the area of Taxation, Accounting, Business Valuation, Business Process Outsourcing, Secretarial services, other legal and corporate services with a big client base of reputed companies, firms and individuals. He does not hold directorship in any other Public limited company. He is the Chairman of Audit Committee. He does not hold any share in the Company.

4. Dr. Mohan Kameswaran

Dr. Mohan Kameswaran, aged 52 is a graduate from Madras Medical College and has done his Master degree in Medical Science in 1981 from the Institute of Otorhinolatyngology, Chennai. Dr. Kameswaran is the Consultant & Managing Director of Madras ENT Research Foundation Pvt. Ltd. He has been awarded Padmashri from the Government of India in 2006 for his long service in Medical Science. He was also awarded Indo-Australian award for his remarkable contribution in the medical science He is also an active writer in both national & international journals. He does not hold any share in the Company.

DIRECTORS' REPORT

Dear Members

Your Directors take pleasure in presenting the Thirteenth Annual Report together with the Audited Statement of Accounts of the Company for the year ended March 31, 2007.

Financial Results

The Financial Performance of your Company for the year ended March 31, 2007 is summarized below:

(Rs. Lakhs)

| Particulars | For the year ended | |
|------------------------------------------------|-----------------------------|-----------------------------|
| | 31 st March 2007 | 31 st March 2006 |
| Total Income | 3883.79 | 3190.97 |
| Total Expenses | 2273.44 | 2350.05 |
| Operating Profit | 1610.34 | 840.92 |
| Profit after Depreciation and financial charge | 1322.31 | 561.06 |
| Add: Prior Period Adjustment | 91.23 | 1270.51 |
| Profit Before tax | 1413.55 | 1831.56 |
| Provision for Taxation (net) | 491.03 | 637.28 |
| Profit after Tax | 922.51 | 1194.28 |
| Interim Dividend | 8.92 | - |
| Tax on Interim Dividend | 1.25 | - |
| Proposed Dividend | 129.78 | - |
| Tax on Proposed Dividend | 22.06 | - |
| Amount transferred to general Reserve | 46.12 | - |
| Balance carried forward | 714.37 | 1194.20 |

Profit

The Sales of the Company for the Financial Year has increased by 22 % over the previous year and the operating profit has increased by 92% over the Previous year.

Dividend

Your Directors have recommended a final dividend of 10% (Rs.1.00 per equity share on par value of Rs.10/- each) for the financial year 2006-07 to those share holders holding shares as on the record date. You may note that Board of Directors in its meeting held on 07th August 2006 had declared an interim dividend of Rs.0.50/- per equity share, i.e. 5% on par value of Re 10/- each. Total dividend recommended and declared for the financial year 2006-07 is 15%.

Public Deposits:

During the year under review, the Company has not accepted any deposit from the public or its employees.

Business Outlook

With Government's open policy towards the media market, the Company is expecting sustainable growth during the years to come. As Company believes that "Content is King", so with its strong content base from latest blockbuster to old classics, the company is very much optimistic and committed to fly in the media wind with optimum growth and value. As most of its programs and contents are produced indigenously or in-house born, so the company has the edge of the proprietary rights over the other players. As the Indian Television industry becoming more popular across the globe and Tamil speaking peoples are spreading world over, the Company has also procured international rights for Tamil and Telugu films produced in India to reach the global market. Significantly, the company has entered into content syndication agreement with Sri Lanka Rupavahini Corporation (SLRC) for international content syndication. Under this agreement we shall make available several film titles on monthly basis for retelecast in Sri Lanka. We have also the innovations of redesigning our content base in to different diversified areas like short films, game shows, comics and other entertainment of all time demand. Moreover, the Company has signed an agreement with TV-12, a Singapore Government owned Television Channel to share its contents for the Tamil generations residing there.

Future Projects

As a part of its growth and business plan, the company is going to build its own ultra modern Studio with state of art in order to expand the production facility with all the advanced technologies and systems. With this infrastructure the company would be able to penetrate market more cost effectively.

The Company also proposes to enhance its bouquet of channels by adding another 12 Channels covering all the south languages; Tamil, Telugu, Malayalam and Kannada exclusively of News and Business Channels, Music Channels and Cartoon Channels. With industrial revolution and capital market pulse vibrating both urban and rural investors it has outlined the architect of some business channels to reach the prudent investors by disseminating before hand market information and better innovation for best investment and entrepreneurship. Further, since the Indian generations and more particularly south Indian genders live and breathe for entertainment and music, the Company has also outlined four music channels to cater the needs of all sections of people in the society with all kinds of entertainment. Again since the animation and cartoons are now gaining popularity as a media for the young and children groups, the company has also planned cartoon channels with different taste and flavor of programs.

Initial Public Offer (IPO) of the Company

You all were aware that the Company has successfully completed its initial public offer (IPO) by issue of 35,71,244 Equity Shares of face value of Rs.10/- each at a issue price of Rs.257/- (including premium of Rs.247/- per share) consisting of fresh issue of 22,73,694 equity shares and an offer for sale of 12,97,550 equity shares by the selling shareholders. The shares of the Company got the listing and trading permission with both Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) on 16th March 2007. The board extends its thanks to all the investors for investing in the Company and putting their trust on the company for future growth and expansion of the business

Listing Agreement

On the listing of the shares with both BSE and NSE, the company has entered into agreement with the Exchanges and has complied with all the requirement of the listing agreement. The Company has also paid all the listing fees and there is no arrear till date.

Corporate Governance

The Code of Corporate Governance is applied to your company after the listing of the Company in the Stock Exchange. However, your Company is committed to maintain the highest standard of Corporate Governance and is adhering to all the requirements set out by Security Exchange Board of India's corporate governance practice.

A report on Corporate Governance together with Auditors' Certificate on compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange in India is provided as an annexure to this Report.

Management's Discussion and Analysis Report

Management's Discussion and Analysis Report for the year under review as stipulated under clause 49 of the Listing Agreement with the Stock Exchange in India is presented in a separate Annexure forming part of the Annual Report.

Directors

Pursuant to Section 260 of the Companies Act, 1956 and clause 133 of Articles of Association of the Company, Mr. D. R. Kaarthikeyan, Mr. A. Arjun Pai, Dr. R. Rajagopalan and Dr. Mohan Kameswaran were appointed as additional directors with effect from 14th October 2006 and would hold the office up to the date of the coming Annual General Meeting. The Company has received Notices from Members of the Company under Section 257 of the Companies Act, 1956 proposing their appointment as Directors. Your Board has recommended their reelection with effect from the Annual General Meeting.

In accordance with the Articles of Association of the Company, Mr. M. Ravindran and Mr. M. Raghunathan, Directors of the Company retire at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. Your Board recommends their reelection.

Auditors

M/s Pratapkaran Paul & Co, Chartered Accountants, Chennai, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment. The Board recommends their reappointment.

Auditor's Report

The Auditor's Report to the members does not contain any qualification or adverse remarks on the financial reporting and disclosure of the company.

Director's Responsibility Statement

In terms of and pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors, in relation to the Annual Statement of Accounts for financial year 2006-2007, state and confirm that:

- a) The Accounts had been prepared on a 'going concern' basis and in such preparation the applicable accounting standards had been followed with proper explanation relating to material departures;
- b) Your Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year, and of the profit of the Company for that year; and
- c) Your Directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 as amended, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

CEO/CFO Certification

A certificate regarding the financial Statement and other matters as required under Clause 49 (V) of the Listing Agreement with Stock Exchanges has been certified by the Managing Director and submitted to the board.

Conservation of energy, Technology absorption, Foreign exchange earning and outgo

Information required to be provided under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 in relation to Conservation of Energy and Technology Absorption are currently not applicable to the Company.

Particulars of foreign currency earnings and outgo during the year are given in Schedule 16B, Note 10 to the Notes to the Accounts forming part of the Annual Accounts

| | Current Year | (In Rupees) Previous Year |
|--------------------------|---------------------|--------------------------------------|
| Foreign Exchange Earning | 81,06,274 | 1,85,04,874 |
| Foreign Exchange Outgo | 1,77,27,004 | 2,49,73,156 |

Particulars of Employees

During the year under review, none of the employees were covered under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975,

Acknowledgements

Your Directors take this opportunity to place on record their appreciation of the dedication and commitment of employees at all levels that have contributed to the success of your Company. Your Directors thank and express their gratitude for the support and co-operation received from the Central and State Governments – mainly the Ministry of Information and Broadcasting and the Department of Telecommunication and other stakeholders including viewers, producers, vendors, financial institutions, bankers, investors, service providers as well as other regulatory and governmental authorities.

On behalf of the Board

Place : Chennai
Date : July 27, 2007

Raajhendhran M.
Chairman

CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges)

MANDATORY REQUIREMENTS

Company's Philosophy

The mandatory requirement of clause 49 of the listing agreement was not applicable to your Company before the Company got listed with BSE and NSE on 16th March 2007. Even though it was voluntary before the listing, still the Company believes the ideology of Corporate Governance as a corporate citizen. The Company's Philosophy on Corporate Governance is to protect and ensure creation of value for its stakeholders. Raj TV believes in the principles of sound Corporate Governance with the objectives of Commitment, transparency and accountability while accomplishing businesses operation and management of the Company. The Company continuously endeavors to improve in these aspects and has started its process of follow up of the same footprint on an ongoing basis.

BOARD OF DIRECTORS

A) Board Composition

Company's Board has an optimum combination of Executive and Non-Executive Directors to ensure independent functioning. Non- Executive Directors include persons amongst eminent professionals with sharp edge of expertise in business, finance, taxation, technology and administration. The Board consists of eight Directors with four independent Directors. Mr. M. Raajhendhran, Managing Director is the Chairman of the Board who acts under guide and supervision of the Board.

The Composition of the Board, attendance of each Director at the meetings held during the year as well as number of Directorship in other Indian Public Companies and Number of Committee position held as on March 31, 2007 are as follows:

| Name of the Director | Category | No. of Board Meetings held during the year | | Attendance at the last AGM | No. of Directorship held in other Indian public Companies | Number of Committee membership held in other Companies |
|-------------------------|----------------------|--------------------------------------------|----------|----------------------------|-----------------------------------------------------------|--------------------------------------------------------|
| | | Held | Attended | | | |
| Mr. Raajhendhran M. | Managing Director | 9 | 9 | Yes | 1 | Nil |
| Mr. M. Rajratnam | Whole time Director | 9 | 9 | Yes | 1 | Nil |
| Mr. M. Ravindran | Whole time Director | 9 | 9 | Yes | 1 | Nil |
| Mr. M. Rangunathan | Whole time Director | 9 | 9 | Yes | 1 | Nil |
| Mr. D. R. Kaarthikeyan* | Independent Director | 9 | 2* | No** | 2 | Nil |
| Mr. A. Arjuna Pai* | Independent Director | 9 | 2* | No** | Nil | Nil |
| Dr. R. Rajagopalan* | Independent Director | 9 | 2* | No** | Nil | Nil |
| Dr. Mohan Kameswaran* | Independent Director | 9 | Nil* | No** | Nil | Nil |

* Appointed on 14th October 2006.

** Appointed after AGM.

(B) Board Procedure

Board Meetings of the Company are called by giving proper notice. The Company Secretary in consultation with Chairman/ Whole-time Directors drafts agenda of the Board meetings. All major agenda items backed up by comprehensive background informations are sent well in advance of the date of the Board meetings to enable the Board to take informed decision. Any Board member may in consultation with the Chairman bring up any matter for consideration by the Board. Heads of Departments of Finance and Strategic Planning are normally invited to the Board meetings to provide necessary insights into the working of the Company and for discussing corporate strategies. The Board periodically reviews Compliance Reports in respect of laws and regulations applicable to the Company in succeeding meeting.

During the financial year under review, 9 meetings of the Board were held on May 14, 2006, July 7, 2006, July 24, 2006, August 7, 2006, September 8, 2006, October 14, 2006, January 11, 2007, February 24, 2007 and March 7, 2007. The gap between two Board Meetings was maximum three months as prescribed under Clause 49 of the Listing Agreement.

Audit Committee

The Board has constituted a duly qualified Audit Committee. The Chairman of the Committee, Mr. A. Arjuna Pai is an Independent Director.

The Broad terms of reference including the composition, name and meetings held and attended during the year are as below:

| Name of the Director | Status and Category | No. of Meetings | |
|----------------------|------------------------------------------------|-----------------|----------|
| | | Held | Attended |
| Mr. A. Arjuna Pai | Chairman- Independent & Non Executive Director | 2 | 2 |
| Dr. R. Rajagopalan | Member- Independent & Non Executive Director | 2 | 2 |
| Mr. M. Ravindran | Member- Executive Director | 2 | 2 |

The role and the powers of the Audit Committee are as per the guidelines set out in the Listing Agreement with the Stock Exchanges and provisions of Section 292A of the Companies Act, 1956. The Committee meets periodically and reviews:

- Audited and un-audited financial results,
- Business plans, and various reports placed by the Management,
- Discussion on different issues that could be of vital concern to the Company including reliability of financial statements/other management information, adequacy of provisions for liabilities and whether the audit tests are appropriate and scientifically carried out in accordance with Company's business and size of operations.
- Advise on different issues including risk management and hedging against future risk.

The Audit Committee also reviews adequacy of disclosures and compliance with all relevant laws.

During the year, Audit Committee met for 2 times viz. October 14, 2006 and January 11, 2007 Statutory Auditors, Head of Finance of the Company attend the meeting as invitee of the Committee.

The Company Secretary is the Secretary of the Audit Committee.

Remuneration Committee

The Remuneration Committee of the Company comprises of Dr. R. Rajagopalan, Non-Executive Independent Director as Chairman, Mr. A. Arjun Pai and Mr. D. R. Kaarthikeyan, Non Executive Independent Directors. The Company Secretary is the Secretary of the Committee.

The terms of reference of the Remuneration Committee, inter alia, consist of reviewing the overall remuneration policy, employment agreements and other terms and conditions of Executive Directors. The remuneration of Executive Directors is decided by the Board of Directors on the recommendation of the Remuneration Committee within the overall ceiling approved by shareholders. During the year under review, there was no revision or increment of remuneration of Executive Directors.

The salary Paid to the Executive Directors during the period under review are as follows.

| Name and Designation | Period | Salary and Perquisites (Amount in Rs.) |
|----------------------------------------|--------------------------|-------------------------------------------|
| Mr. M. Raajhendhran, Managing Director | 01-04-2006 to 31-03-2007 | 15,00,000/- |
| Mr. M. Rajaratnam, Director | 01-04-2006 to 31-03-2007 | 15,00,000/- |
| Mr. M. Ravindran, Director | 01-04-2006 to 31-03-2007 | 15,00,000/- |
| Mr. M. Raghunathan, Director | 01-04-2006 to 31-03-2007 | 15,00,000/- |
| Mrs. Amudha Raajendhran, Director | 01-04-2006 to 31-07-2006 | 5,00,000/- |
| Mrs. Aruna Rajaratnam, Director | 01-04-2006 to 31-07-2006 | 5,00,000/- |
| Mrs. V. Ravindran, Director | 01-04-2006 to 31-07-2006 | 5,00,000/- |
| Mrs. Usharani Raghunathan, Director | 01-04-2006 to 31-07-2006 | 5,00,000/- |

During the year under review, the Company has paid sitting fees of Rs. 10,000 per Director for attending Board meeting to Non-Executive Directors. No fees has been paid to the Non executive Directors for attending the Committee Meetings of the Board during the year under review. Besides the sitting fees, the company has no pecuniary relationship or transaction with Non-Executive Directors.

Shareholders and Investors Grievance Committee

Even though it was not mandatory before listing of the Company, the Company has constituted a Shareholders and Investors Grievance Committee of the Board. The Committee comprises of Mr. D. R. Kaarthikeyan, Non Executive Independent Director as Chairman, Mr. M. Raajhendhran, Managing Director and Mr. M. Ravindran, Executive Director as Member. The Company Secretary is the Secretary of the Committee.

Main function of the Shareholders and Investor Grievance Committee is to ensure efficient transfer of shares and proper and timely attendance of investors' grievances.

Mr. Lalit Kumar Mohanty, Company Secretary is the Compliance Officer of the Company. During the year under review, Share Transfer and Investor Grievance Committee met 2 times on October 14, 2006 and January 11, 2007. These meetings were attended by all committee members.

The Company has appointed M/S Cameo Corporate Services Limited, Chennai as Registrar and Share transfer Agent for the Company to take care of all share related issues.

General Body Meeting

The Company usually calls and holds the Annual general Meeting of the Shareholders after giving due notice to the members. The details of locations, date and time of last three Annual general Meetings are as follows: -

| Financial Year | Location | Date | Time |
|----------------|--------------------------------------------------------------------------------------------|--------------------|------------|
| 2003-2004 | Registered office of the Company at; 32, Poes Road, IInd Street Teynampet, Chennai-600 018 | September 30, 2004 | 10.30 A.M. |
| 2004-2005 | Registered office of the Company at; 32, Poes Road, IInd Street Teynampet, Chennai-600 018 | September 30, 2005 | 10.30 A.M. |
| 2005-2006 | Registered office of the Company at; 32, Poes Road, IInd Street Teynampet, Chennai-600 018 | August 30, 2006 | 11.30 A.M. |

Passing of special resolution through postal ballot was not applicable before the Shares of the Company got listed on 16th March 2007 and the Company has not passed any special resolution through postal ballot after listing.

Disclosures

There are no materially significant related party transactions having any potential conflict with interests of the Company at large. Transactions with related parties are disclosed elsewhere in the Annual Report.

The Financial statements of the Company are prepared on accrual system of accountings in accordance with Generally Accepted Accounting Principles in India along with the Accounting Standards issued by the Institute of Chartered Accountants of India and the Provisions of the Companies Act, 1956

There has not been any instance of non-compliance by the Company and no penalties or strictures imposed by SEBI or Exchanges or any statutory authority on any matter relating to capital markets, during the last year.

The Company also follows the guidelines laid in the Standards on Secretarial Practice of The Institute of Company Secretaries of India relating to meetings of Board and its Committees, General Meetings etc. as a regular practice

Code of Conduct

After the listing of the shares, the Company has laid down and adopted Code of Conduct for Members of the Board of Directors and Senior Management of the Company. The Code has been posted on Company's website viz. www.rajtvnet.in.

A declaration signed by the Managing Director affirming compliance with the code of conduct is annexed herewith and forms part of this report.

Prevention of Insider trading

In compliance of SEBI (Insider trading) Regulation, 1992 on insider trading, the Company has instituted a comprehensive code of Conduct for the prevention of insider trading for its Directors/Designated employees/officers which lays down the Guidelines to be followed and disclosures to be made while dealing with the shares of the Company

Risk Management

In compliance with the norms of the Clause 49 of the Listing Agreement, the company has laid down a defined risk assessment and minimization procedure for risk management and check the future risk.

Proceeds from the Initial Public Offer

The Company has completed its Initial Public Offer (IPO) successfully and the shares has been listed in BSE and NSE on 16th March 2007. As disclosed in the Prospectus offering shares to the public the Company shall utilize the issue proceeds over a period of two years starting 01st April 2007. The Company is disclosing the details of utilization before the Audit Committee for their information and review.

Means of Communication

The Annual report of the Company is sent by post to the shareholders in their residential address within time before Annual General Meeting of the Company.

After the listing of the Company the quarterly results of the Company are published in one English National Daily edition and one Tamil regional daily Newspaper. Also these results are promptly submitted to the Stock Exchanges to enable them displaying the same on their website.

Moreover, all the important announcements and events including financial results are also up loaded regularly on the company's website, www.rajtvnet.in

Management's Discussions and Analysis Report forming part of annual report is annexed separately.

General Shareholder Information

1. Date, time and Venue of Annual general Meeting : 28th September 2007, 10.00AM, Image Auditorium, Chennai
2. Financial year : 2006-2007
3. Date of Book Closure : 19th September 2007 to 28th September 2007 (Both the day Inclusive)
4. Listing on Stock Exchanges : **Equity Shares**
Bombay Stock Exchange Limited (BSE)
National Stock Exchange of India Limited (NSE)
5. Stock Code : BSE — 532826, RAJTV
NSE — RAJTV EQ
6. Depository Platform : National Securities Depository Ltd (NSDL)
Central Depository Services (India) Ltd, CDSL
7. ISIN No. : INE952H01019
8. Registrar and Share Transfer Agent : Cameo Corporate Services Limited
Subramanian Building, No.1, Club House Road,
Chennai-600 002
Phone: 044-28460390-94, Fax: 28460129
Email: cameosys@cameoindia.com
9. Compliance Officer : Mr. Lalit Kumar Mohanty
Company Secretary
10. Share Transfer System : The Company has appointed M/S Cameo Corporate Services Limited as Common Registrar and Share Transfer Agent (RTA) for both physical and dematerialized shares. All requests received by the Company/ RTA for dematerialization, rematerialization, transfer, transmission, subdivision, consolidation of shares or any other related matters are disposed off expeditiously within time.

11. Share Holding Pattern :

Distribution of Share holding as on 31st March 2007

| Share holdings | Number of Holders | % of Total | No of Shares | % of Total |
|-------------------|-------------------|---------------|-----------------|------------|
| 1 - 100 | 20664 | 75.6812 | 958599 | 7.3861 |
| 101 - 500 | 6212 | 22.7512 | 1010115 | 7.7830 |
| 501 - 1000 | 205 | 0.7508 | 157636 | 1.2146 |
| 1001 - 2000 | 82 | 0.3003 | 119861 | 0.9235 |
| 2001 - 3000 | 25 | 0.0915 | 63623 | 0.4902 |
| 3001 - 4000 | 21 | 0.0769 | 75139 | 0.5789 |
| 4001 - 5000 | 20 | 0.0732 | 93626 | 0.7214 |
| 5001 - 10000 | 35 | 0.1281 | 244326 | 1.8825 |
| 10001 - and above | 40 | 0.1464 | 10255411 | 79.0194 |
| Total | 27304 | 100.00 | 12978336 | |

Category of Shareholders as on 31st March 2007

| Category | % of Share holdings | No. of Shares held |
|----------------------------------|---------------------|--------------------|
| Promoters | 72.48 | 9407092 |
| Individuals | 17.30 | 2245345 |
| Domestic Companies | 4.78 | 620301 |
| Fis, FII, Mutual Funds and Banks | 3.88 | 503800 |
| Others | 1.56 | 201798 |
| Total | 100.00 | 12978336 |

12. Dematerialization of Shares : The Company has entered into agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Shareholders can open account with any of the Depository Participants. As on date 31.27 % of the Equity Shares of the Company are in dematerialized form.

13. The Company has issued 35,71,244 Equity Shares (includes 12,97,550 Equity Shares by way of offer for sale) by way of initial Public Offer (IPO) from the Public. As on date the Company has not issued any ADR/GDR warrants/ any other Convertible instruments.

14. Address for Correspondence : Raj Television Network Limited
32, Poes Road, Second Street, Teynampet, Chennai-600 018
Tel: +91-44-24334149-51 Fax: +91-44-24341260
Email:rajtv@vsnl.com Website: www.rajtvnet.in

NON MANDATORY REQUIREMENTS

Remuneration Committee

The Company has constituted a remuneration committee comprising of all independent Directors. The Committee discharges duty within its broad terms of reference as stipulated in Clause 49.

Audit Qualification

The Auditors have not qualified the Financial Statement of the Company.

On behalf of the Board

Place : Chennai
Date : July 27, 2007

Raajhendhran M.
Managing Director

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges)

INDUSTRY

The Indian economy is among the fastest growing on the globe and is set to touch the double digit growth rate. This, supported by the favourable demographics has resulted in rising disposable income levels, increasing competition and globalization in the country. Against the backdrop of this economic uptrend, the media sector has also witnessed phenomenal growth with significant upgradation of delivery mechanisms, innovative technology and outsourcing opportunities.

Various regulatory reforms like the advent of Conditional Access System (CAS) and Direct-to-Home television services (DTH) have led to a significant improvement in accountability at the distribution level and going forward, will be major growth drivers for media companies.

A FICCI-PwC study has pegged the revenues from the television segment to grow by at 18 per cent per annum pegging it at Rs.29,500 crore till 2009. The basket of services which includes films and radio, is also expected to grow at similar rates over that period. This indicates that the potential in this industry is huge.

Raj Television Network Limited is one of the fastest growing regional channels in Southern India. Starting in the year 1994 as first pay channel it has become one of the dominant players in the media business with its rich content library and has a formidable market share across Southern India. With the growth of Southern channel genres in and across the globe, Raj TV is trying to make its presence felt in countries like USA, Europe, Africa, Middle East, Canada, Fiji, Singapore and many other south Asian Countries like Sri Lanka.

Your company recently completed its IPO and is listed at the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

With its strong vision and appetite to grow Raj TV has undoubtedly become the "Peoples Channel". Furthermore, the vision of the Promoter Directors with a dedicated team has helped the company to build a brand image for itself. This is reflected in its viewership which is spread across all sections in the society.

OPPORTUNITIES AND THREATS

Opportunities

Indian Television Industry has seen significant changes in the recent years due to inherent technological advancements. With the changing Government policy and strong Economy of the Country, the Indian television industry has outperformed potentially by way of ad spends and subscription revenue and it is projected to grow at an annual compounded rate of 24 percent per annum to reach an estimated size of INR 427,000 Million (*source: published report*).

With large enriched content library and strong in-house talents, Raj TV believes to penetrate market easily and will be able to capitalize the market both by increasing its subscription and advertisement revenue.

Threats

As revenue of the Company depends on various factors like market condition, Government Policy, Political disturbances, etc, it could have an adverse impact on the Company's performance.

Company's performance could be adversely affected by underreporting of subscriber base by the local cable operators.

Any loss of prime advertisers could effect significantly on the revenue of the Company.

Any misunderstanding and dispute with Channel operators, local cable operators and Multi system Operators who control the distribution of company's channels could affect the viewership and rating resulting in decrease of revenue.

Technical failures and natural disasters can damage our existing set up.

Change in technology and accounting practice in the broadcasting business could affect our profitability.

Increase in competition and company's inability to get the requisite talents could affect our growth and business performance.

Inability of the company to edge with the increasing production and program cost and other operational and non-operational cost could adversely affect the performance of the Company.

Segment

The Company operates in single segment business viz; "Broadcasting".

Outlook

As the company has been able to further strengthen the financial stability by raising funds through initial public offer and subscription base is increasing substantially, the company is hopeful of accelerating its growth rate by its enriched contents and quality programs. Since Indian Television Industry is enjoying a potential growth in the recent years the company will be trying to capitalize the opportunities more strategically giving priority to viewership base and overall satisfaction.

COMPANY FINANCIALS

Total Revenue

The total revenue of the company has increased by 22 % during the financial year 2006-07 from Rs. 3190.97 lakhs to Rs.3883.380 lakhs.

Operating Profit

The Operating Profit of the company has increased by 92 % during the financial year 2006-07 from Rs. 840.92 lakhs to Rs.1610.35 lakhs.

Dividend

The outgo on dividend including dividend distribution tax is Rs.162.01 lakhs.

Earning Per Share

The earning per share is Rs. 8.47 (Previous Year Rs.11.16). The earning per share for the year is calculated considering the shares raised through the IPO of the company during the financial year 2006-07

Human Resource

The Company values its Human Resource as its assets which can be capitalized like any other assets and believes in a long term value addition rather than short term association. It strongly believes that an organization's development moves along with the employee development. So Raj TV has the policy to train and develop its employees by putting the right persons in right position and enduring them to learn on continuous basis.

The Human and industrial relations is cordial during the year.

Risk Analysis and Management

All business units are associated with risk and adversity. Raj TV as a business unit is also prone to risk. This risks may be favorable risk or unfavorable risk. These risks may be avoidable risk and unavoidable risks. A brief summary of various risks affecting the Company's operation and company's risk management policy is given below:

AVOIDABLE RISKS

i) Operational Risk

Operational performance of the Company depends on the viewer's satisfaction with the program and rate of reach to the household viewers. In the fast growing competitive environment and changing technology, there is concern of losing of revenue by way of the viewer ship base and advertisement market.

With enriched contents base and strong distribution network, Raj TV will be able to manage its competitiveness and maintain its position in the market by quality program and customer satisfaction.

ii) Financial Risk

The Company may require more capital outflows for various reasons like business expansion or diversification, going for a new venture, acquisition or take over of any undertaking etc.

Further, the company may face receivable problems affecting the profitability because of non collection or non recovery resulting in bad debt.

The Company may also lose its revenue because of interest rate fluctuation for raising any capital for its business purpose. Moreover, mounting debt liability could also affect the financial performance adversely.

Raj TV, with its no debt policy from its inception except short-term debts has been able to manage its financial consumption well within the limit. Since the Company has made its IPO recently it can meet its capital investment requirements without any leverage.

iii) Strategic and other Risks

The Company's growth depends on its strategic planning and determining the ways to achieve the same. So, the Company could be affected by the failure of its strategy.

Raj TV, with its proactive vision and strategic plans, will always strive to surpass these concerns by hedging against the risk inflations.

UNAVOIDABLE RISKS

i) Government's Policy

Change of Government's policy and regulation could be concern for the performance of the Company. However Raj TV will try to leverage the risk by taking appropriate expert advice and consultancy both from out side and its own professionals.

ii) Natural Acts

Natural disasters like earthquake, flood, fire, Tsunami or other calamity or event could damage the property and disrupt the conduct of business of the Company even though the Company has taken insurance for its major business properties. However, the Company will try to take necessary steps for minimizing these types of accidents to highest possible extent.

Internal Control

The Company has a defined management reporting system and periodic review of it business to ensure timely check and decision-making. The Management Information System (MIS) forms an integral part of the Company's control mechanism. Any material change in the business process is reported to the Board regularly.

Forward Looking Statement

Members are cautioned that this discussion contains forward looking statement that involve risk and uncertainties including but not limited to risk inherent in the Company's growth strategy, development plan, market position, expenditure and financial results etc. This statement is based on certain assumptions and expectation of future events. The Company can not guarantee that these assumptions and expectations are accurate or will be realized. The Company's actual results and performance could thus differ materially from those projected in any such forward looking statement. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statement on the basis of any subsequent developments, information or events.

On behalf of the Board

Place : Chennai
Date : July 27, 2007

Raajhendhran M.
Managing Director

MANAGING DIRECTOR'S DECLARATION ON CODE OF BUSINESS CONDUCT

To

The Members of
Raj Television Network Limited,

This is to inform that the Board has laid down a code of conduct for all Board Members and senior management of the Company. It is further confirmed that the Company has obtained from all Directors and senior management of the Company, affirmation in compliance with the Code of Business Conduct and Ethics.

Place: Chennai
Date: July 27, 2007

Raajhendhran M.
Managing Director

CERTIFICATE

To

The Members of
Raj Television Network Limited

We have examined the compliance of conditions of Corporate Governance by Raj Television Network Limited, for the year ended March 31, 2007 as stipulated in Clause 49 of the Listing Agreement of the said Company with the 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 and the representations made by the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

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

For Pratapkaran Paul & Co.
Chartered Accountant

Place :Chennai
Date : July 27, 2007

Pratapkaran Paul
Partner
M. No.23810

AUDITORS' REPORT TO THE MEMBERS OF RAJ TELEVISION NETWORK LIMITED

1. We have audited the attached Balance Sheet of RAJ TELEVISION NETWORK LIMITED as at 31st March 2007 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes (a) examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements (b) assessing the accounting principles used in the preparation of financial statements (c) assessing significant estimates made by management in the preparation of financial statements and (d) evaluating the overall financial statement preparation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 and Companies (Auditor's Report) amendment order, 2004, issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above we report that

- a) We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of audit.
- b) In our opinion, the Company has kept proper books of accounts as required by law so far, as appears from our examination of those books.
- c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
- d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement, 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, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as directors 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 Balance Sheet and Profit and Loss Account together with the Notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of Balance sheet, of the state of affairs of the Company as at 31st March, 2007
 - ii) In the case of Profit and loss Account, of the profit for the year ended 31st March 2007 and
 - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For and on behalf of
PRATAPKARAN PAUL & CO.,
Chartered Accountants,**

Place : Chennai
Date : 27th July, 2007

Pratapkaran Paul
Partner

Annexure referred to in paragraph 3 of Auditors' Report to the Members of RAJ TELEVISION NETWORK LIMITED on the accounts for the year ended 31st March 2007.

In terms of the information and explanations given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state as under

- 1) a) The company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
b) As explained to us, all the assets have been physically verified by the management at a reasonable interval during the year.
c) According to the information and explanation given to us, no material discrepancies were noticed on such verification. Substantial part of fixed assets has not been disposed of during the year, which will affect its status as going concern.
- 2) a) As the company's business is that of satellite transmission and the company does not carry on any manufacturing activity, the reporting on verification of inventory by the management does not arise.
b) And according to the information and explanations furnished to us there is no stock of inventory.
- 3) a) The company has not granted a loan, to companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
b) As informed to us, the company has not taken any loans, secured or unsecured from Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business, for purchase of Inventory, Fixed Assets and for the sale of goods. In our opinion, there is no continuing failure to correct major weakness in internal control systems.
- 5) a) In our opinion, the particulars of contracts and arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section; and
b) In our opinion, each of these transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6) The Company has not accepted any deposits within the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules, 1975.
- 7) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- 8) As explained to us, the Central Government has not prescribed maintenance of Cost Record for any of the products manufactured by the Company under section 209 (1) (d) of the Companies Act, 1956.
- 9) a) The company has been regular in depositing undisputed statutory dues including Service Tax, Income tax, Wealth tax, Employees State Insurance, Provident Fund, and cess with the appropriate authorities.

- b) According to the information and explanation given to us, no undisputed amounts payable in respect of Service Tax, Income tax, Wealth tax, Employees State Insurance, Provident Fund, and cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they become payable.
- c) According to the information and explanation given to us, there is no dues of Service Tax, Income tax, Wealth tax, Employees State Insurance, Provident Fund, and cess and other undisputed statutory dues which have not been deposited on account of any dispute.
- 10) The company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year under report.
- 11) According to the information and explanation given to us, the company has not defaulted in repayment of dues to a financial institution or bank or debenture holder.
- 12) As explained to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion, the company is not a chit fund, nidhi or mutual benefit fund/society.
- 14) In our opinion, the company is not dealing or trading in shares, securities, debentures and other investments.
- 15) According to the information and explanation given to us, the company has not given guarantee for loans taken by others from bank or financial institutions.
- 16) In our opinion, term loans are applied for the purpose of which they were obtained.
- 17) According to the information and explanation given to us, and based on financial statement of the Company, we report that no funds raised on Short-term basis have been used for long-term investment.
- 18) The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- 19) The company has not issued debentures during the year.
- 20) We have verified that the company has raised public money during the previous year and as per representation made by the company, to the extent utilized by the company is for the purpose for which it has raised.
- 21) Based upon the audit procedure performed for the purpose of reporting the true and fair view of the financial Statement and as per the information and explanation given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

**For and on behalf of
PRATAPKARAN PAUL & CO.,
Chartered Accountants,**

Place: Chennai.
Date: 27th July 2007.

Pratapkaran Paul
Partner

BALANCE SHEET AS ON 31st MARCH 2007

(Amount in Rs.)

| SOURCES OF FUNDS | Sch. No. | As on 31.03.2007 | As on 31.03.2006 |
|----------------------------------------------------------------|-------------|----------------------|---------------------|
| Shareholder' Fund | | | |
| Share Capital | 1 | 129,783,360 | 17,841,070 |
| Reserves and Surplus | 2 | 874,920,086 | 326,473,342 |
| | | 1,004,703,446 | 344,314,412 |
| Deferred Tax Liability | | 64,058,390 | 44,537,149 |
| Loan Fund | | | |
| Secured Loan | 3 | 66,611,586 | 63,882,709 |
| Total | | 1,135,373,422 | 452,734,270 |
| APPLICATION OF FUNDS | | | |
| Fixed Assets | | | |
| Gross Block | 4 | 410,387,395 | 402,992,641 |
| Less: Accumulated Depreciation | | 99,005,811 | 81,242,357 |
| Net Block | | 311,381,584 | 321,750,284 |
| Current Assets, Loans and Advances | | | |
| Loans and Advances | 5 | 97,818,932 | 56,331,988 |
| Cash and Bank Balances | 6 | 558,085,728 | 54,452,061 |
| Stock | | 49,405,965 | - |
| Sundry Debtors | 7 | 213,095,608 | 90,623,825 |
| | | 918,406,233 | 201,407,874 |
| Less : Current Liabilities & Provisions | 8 | 152,627,806 | 70,423,888 |
| Net Current Assets | | 765,778,427 | 130,983,986 |
| Miscellaneous Expenditure to the extent not written off | | 58,213,411 | - |
| Total | | 1,135,373,422 | 452,734,269 |

Notes on Accounts and Significant Accounting policies 16

The schedules referred to the above form an integral part of the Balance Sheet.

As per report of even date

**For Pratapkaran Paul & Co.,
Chartered Accountants.,**

For and on behalf of the Board of Directors

Pratapkaran Paul
Partner

Raajhendhran.M
Managing Director

M.Ravindran
Director

Lalit Kumar Mohanty
Company Secretary

Place : Chennai
Date : 27th July 2007

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

| INCOME | Sch. No. | For the Year ended 31.03.2007 | For the Year ended 31.03.2006 |
|---------------------------------------------------------|-------------|-------------------------------------|-------------------------------------|
| Revenue | 9 | 385,638,635 | 315,083,246 |
| Other Income | 10 | 2,740,677 | 4,014,355 |
| | | 388,379,312 | 319,097,601 |
| EXPENDITURE | | | |
| Operational Expenses | 11 | 103,520,356 | 135,720,670 |
| Administration and Selling Expenses | 12 | 78,789,274 | 66,635,063 |
| Establishment Expenses | 13 | 45,034,859 | 32,649,750 |
| | | 227,344,489 | 235,005,482 |
| Operating Profit | | 161,034,823 | 84,092,119 |
| Financial Expenses | 14 | 11,040,592 | 10,680,823 |
| Depreciation | 4 | 17,763,454 | 17,305,333 |
| | | 28,804,046 | 27,986,155 |
| Profit After Depreciation | | 132,230,778 | 56,105,964 |
| Add : Prior Period Adjustments | 15 | 9,123,771 | 126,550,689 |
| Extra Ordinary Income | | - | 500,000 |
| | | 9,123,771 | 127,050,689 |
| Profit Before Taxation | | 141,354,549 | 183,156,652 |
| Provision for Taxation | | | |
| - Current | | 28,058,700 | 18,645,643 |
| - Deferred Tax Current Year | | 19,521,241 | 691,504 |
| - Deferred Tax Previous Years | | - | 42,729,645 |
| - Fringe Benefit Tax | | 1,523,762 | 1,661,252 |
| | | 49,103,703 | 63,728,044 |
| Profit After Tax | | 92,250,846 | 119,428,608 |
| Interim Dividend | | (892,055) | - |
| Tax on Interim Dividend | | (125,111) | - |
| Proposed Dividend | | (12,978,336) | - |
| Tax on Proposed Dividend | | (2,205,668) | - |
| Amount transferred to general reserve | | (4,612,542) | - |
| Amount trasferred to Profit & Loss A/c | | 71,437,133 | 119,428,608 |
| Nominal Value of Share (in Rs) | | 10 | 10 |
| Basic and diluted EPS before Extra Ordinary item(in Rs) | | 8.47 | 11.11 |
| Basic and diluted EPS after Extra Ordinary item(in Rs) | | 8.47 | 11.16 |

Notes on Accounts and Significant
Accounting policies

16

The schedules referred to the above form an integral part of the Profit and Loss Account.

As per report of even date

**For Pratapkaran Paul & Co.,
Chartered Accountants.,**

For and on behalf of the Board of Directors

Pratapkaran Paul
Partner

Raajhendhran.M
Managing Director

M.Ravindran
Director

Lalit Kumar Mohanty
Company Secretary

Place : Chennai

Date : 27th July 2007

Schedules to Balance Sheet

| | As on 31.03.2007 | As on 31.03.2006 |
|------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| Schedule 1 | | |
| Share Capital | | |
| Authorised Capital | | |
| 1,50,00,000 Equity Shares of Rs.10 each. | <u>150,000,000</u> | <u>150,000,000</u> |
| Issued, Subscribed and Paidup Share Capital | | |
| 1,29,78,336 (17,84,107) Equity Shares of Rs.10 each. | 129,783,360 | 17,841,070 |
| [89,20,535 Equity Shares of Rs.10/- each is allotted as fully paid up bonus Shares by capitalisation of accumulated profits] | | |
| | <u><u>129,783,360</u></u> | <u><u>17,841,070</u></u> |
| Schedule 2 | | |
| Reserves and Surplus | | |
| Profit and Loss Account | | |
| Balance, beginning of year | 326,473,342 | 207,044,734 |
| Add : Profit transferred from Profit & Loss Account | 71,437,133 | 119,428,608 |
| Less : Transfer made in terms of issue of bonus Shares | 89,205,350 | — |
| Balance, end of year | <u>308,705,126</u> | |
| General Reserve Transferred from the profit & Loss Account | 4,612,542 | — |
| Securities Premium Account | 561,602,418 | — |
| | <u><u>874,920,086</u></u> | <u><u>326,473,342</u></u> |
| Schedule 3 | | |
| Secured Loans | | |
| (For security details refer S.No.2 of Notes on Accounts) | | |
| Canara Bank | | |
| Cash Credit | 56,054,366 | 42,858,546 |
| Term Loan | 7,162,943 | 14,653,336 |
| Vehicle Loan | 3,394,277 | 6,370,827 |
| | <u><u>66,611,586</u></u> | <u><u>63,882,709</u></u> |

Schedule- 4
Fixed Assets

| S.No | PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|------|----------------------|---------------------|-------------------|------------------|---------------------|---------------------|-------------------|--------------------------|---------------------|---------------------|---------------------|
| | | AS ON 01.04.2006 | ADDITIONS | DELETIONS | AS ON 31.03.2007 | AS ON 01.04.2006 | FOR THE PERIOD | DELETION / ADJUSTMENT | AS ON 31.03.2007 | AS ON 31.03.2007 | AS ON 31.03.2006 |
| 1 | LAND | 75,208,147 | 2,699,000 | — | 77,907,147 | — | — | — | — | 77,907,147 | 75,208,147 |
| 2 | BUILDING | 14,279,833 | 45,130 | — | 14,324,963 | 1,557,330 | 233,039 | — | 1,790,369 | 12,534,594 | 12,722,503 |
| 3 | PLANT & MACHINERY | 268,082,867 | 1,384,305 | — | 269,467,172 | 60,137,410 | 12,748,494 | — | 72,885,904 | 196,581,268 | 207,945,457 |
| 4 | COMPUTERS | 7,975,436 | 2,007,734 | — | 9,983,170 | 5,541,416 | 1,427,446 | — | 6,968,862 | 3,014,308 | 2,434,020 |
| 5 | VEHICLES | 30,100,675 | 1,247,895 | — | 31,348,570 | 11,184,723 | 2,889,164 | — | 14,073,887 | 17,274,683 | 18,915,952 |
| 6 | FURNITURE & FIXTURES | 7,345,683 | 10,690 | — | 7,356,373 | 2,821,478 | 465,312 | — | 3,286,790 | 4,069,583 | 4,524,205 |
| | Total | 402,992,641 | 7,394,754 | — | 410,387,395 | 81,242,357 | 17,763,454 | — | 99,005,811 | 311,381,584 | 321,750,284 |
| | <i>Previous Year</i> | <i>361,616,806</i> | <i>43,745,062</i> | <i>2,369,227</i> | <i>402,992,641</i> | <i>195,793,200</i> | <i>17,305,333</i> | <i>(131,856,175)</i> | <i>81,242,357</i> | <i>321,750,284</i> | <i>165,823,606</i> |

| Schedules to Balance Sheet | As on 31.03.2007 | As on 31.03.2006 |
|-------------------------------------------------------------|-----------------------------|-----------------------------|
| Schedule 5 | | |
| Loans and Advances and Deposit | | |
| Advance Recoverable in Cash or Kind or Value to be received | 84,604,147 | 54,765,158 |
| Deposits | 13,214,785 | 1,566,830 |
| Total | 97,818,932 | 56,331,988 |
| Schedule 6 | | |
| Cash and Bank Balances | | |
| Cash in Hand | 46,532 | 40,227 |
| Balances with Scheduled Bank in - - | | |
| Deposit Account (Refer Note B(5)) | 35,352,300 | 55,250,967 |
| Current Account | 522,686,897 | (839,133) |
| Total | 558,085,728 | 54,452,061 |
| Schedule 7 | | |
| Sundry Debtors | | |
| <i>Unsecured and Considered Good</i> | | |
| More than six months | 66,926,343 | 11,397,914 |
| Less than six months | 146,169,265 | 79,225,911 |
| Total | 213,095,608 | 90,623,825 |
| Schedule 8 | | |
| Current Liabilities | | |
| Creditors - Advance | 24,438,384 | 22,535,264 |
| Creditors - Capital items | 1,180,000 | 509,843 |
| Creditors - Expenses | 127,009,422 | 47,378,781 |
| Total | 152,627,806 | 70,423,888 |
| Schedule 9 | | |
| Revenue | | |
| Income from Broadcasting Operations | 393,277,202 | 311,358,497 |
| Income from Other Operations | 10,491,845 | 26,541,240 |
| Gross Revenue | 403,769,047 | 337,899,737 |
| Less : Service Tax | 18,130,412 | 22,816,490 |
| | 385,638,635 | 315,083,247 |

| Schedules forming part of Profit & Loss Account | For the Year ended 31.03.2007 | For the Year ended 31.03.2006 |
|------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| Schedule 10 | | |
| Other Income | | |
| Interest Income [TDS RS.5,37,747 (March 31, 2006 - Rs. 6,33,487/-)] | 2,740,677 | 4,014,355 |
| | <u>2,740,677</u> | <u>4,014,355</u> |
| Schedule 11 | | |
| Operational Expenses | | |
| Production Expenses | 103,520,356 | 129,145,670 |
| | <u>103,520,356</u> | <u>129,145,670</u> |
| Schedule 12 | | |
| Administration and Selling Expenses | | |
| Advertisement Expenses | 1,798,847 | 1,975,743 |
| Auditors Remuneration | 224,480 | 220,400 |
| Commission | 7,757,114 | 7,992,168 |
| Electricity Charges | 3,517,159 | 2,838,167 |
| Entertainment | 942,823 | 452,075 |
| Miscellaneous Expenses | 733,245 | 689,203 |
| Insurance | 1,050,949 | 1,017,642 |
| Internet & Website charges | 3,477,635 | 4,308,910 |
| Legal and Professional Fees | 7,994,334 | 2,961,505 |
| Office Maintenance | 379,124 | 186,945 |
| Postage and Courier | 2,630,888 | 4,020,144 |
| Printing and Stationery | 711,747 | 1,213,321 |
| Rent, Rate, Taxes and License | 3,318,537 | 4,201,378 |
| Repair and Maintenance | 4,882,647 | 2,877,815 |
| Sales Promotion | 5,582,809 | 3,397,101 |
| Security Charges | 355,350 | 442,030 |
| Amortization of deferred revenue expenditure | 14,553,353 | - |
| Telephone Charges | 3,400,796 | 3,362,690 |
| Traveling and Conveyance | 11,333,818 | 9,627,692 |
| Vehicle Maintenance | 4,143,619 | 2,850,136 |
| | <u>78,789,274</u> | <u>54,635,063</u> |

Schedules forming part of Profit & Loss Account

**Year ended
31.03.2007**

**Year ended
31.03.2006**

Schedule 13

Establishment Expenses

| | | |
|-------------------------------------------|--------------------------|-------------------|
| Directors Remuneration | 8,030,000 | 12,000,000 |
| Salary and Allowances | 29,495,063 | 26,574,079 |
| Bonus and Ex-gratis | 1,875,230 | 2,195,050 |
| Staff Welfare | 3,044,577 | 2,124,263 |
| Contribution to Provident and other funds | 1,556,859 | 1,528,253 |
| Gratuity | 1,033,130 | 228,105 |
| | <u>45,034,859</u> | <u>44,649,750</u> |

Schedule 14

Interest

| | | |
|------------------------|--------------------------|-------------------|
| Interest - Term Loan | 1,694,139 | 3,934,806 |
| Interest - Cash Credit | 8,600,349 | 5,015,408 |
| Others | 746,104 | 1,730,609 |
| | <u>11,040,592</u> | <u>10,680,823</u> |

Schedule 15

Prior Period Adjustments

| | | |
|-----------------------|-------------------------|--------------------|
| Prior Period Expenses | — | (3,788,219) |
| Prior Period Income | 9,123,771 | 130,338,908 |
| | <u>9,123,771</u> | <u>126,550,689</u> |

As per report of even date
For Pratapkaran Paul & Co.,
Chartered Accountants.,

For and on behalf of the Board of Directors

Pratapkaran Paul
Partner

Raajhendhran.M
Managing Director

M.Ravindran
Director

Lalit Kumar Mohanty
Company Secretary

Place : Chennai
Date : 27th July 2007

CASH FLOW STATEMENT

| | As on 31.03.2007 | As on 31.03.2006 |
|--------------------------------------------------------|---------------------|---------------------|
| A Cash from Operating Activities | | |
| 1 Net Profit Before Tax and extra Ordinary Items | 141,354,549 | 182,656,652 |
| Adjustments for: | | |
| 2 Depreciation | 17,763,454 | 17,305,333 |
| 3 Profit on Sale of Assets | - | 306,959 |
| 4 Interest paid | 11,040,592 | 10,680,823 |
| 5 Prior Period Adjustments | - | (130,338,908) |
| Operating Profit before working capital Changes | 170,158,594 | 80,610,859 |
| Adjustments for : | | |
| 6 Trade and Other Receivables | (171,877,748) | (15,506,609) |
| 7 Loans and Advances | (41,486,944) | 53,108,957 |
| 8 Trade Payable | 82,203,918 | (13,607,063) |
| Cash generated from Operation | 38,997,821 | 104,606,144 |
| 9 Extra ordinary income | - | 500,000 |
| 10 Direct Tax | (29,582,462) | (20,306,895) |
| Net Cash from Operating Activities | 9,415,359 | 84,799,249 |
| B CASH FLOW FROM INVESTING ACTIVITIES | | |
| Sale of Asset | - | 545,000 |
| Purchase of Assets | (7,394,754) | (43,745,062) |
| Net cash used in Investing Activities | (7,394,754) | (43,200,062) |
| C CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of Equity Share | 526,125,947 | - |
| Proceeds from long term Borrowings | 13,195,820 | 5,902,273 |
| Repayments of long term Borrowings | (10,466,943) | (36,770,132) |
| Interest | (11,040,592) | (10,680,823) |
| Dividend | (16,201,170) | - |
| Net cash from Financing Activities | 501,613,062 | (41,548,682) |
| Net Cash Flow During the year | 503,633,667 | 50,505 |
| Cash and Cash Equivalent as at 01.04.2006 | 54,452,062 | 54,401,556 |
| Cash and Cash Equivalent as at 31.03.2007 | 558,085,728 | 54,452,062 |

For and on behalf of the Board of directors

Raajhendhran.M
Managing Director

M.Ravindran
Director

Lalit Kumar Mohanty
Company Secretary

We have examined the above Cash Flow Statement of **M/s.RAJ TELEVISION NETWORK LIMITED** for the period ended March 31, 2007. The statement is based on and in agreement with the corresponding financial statement of the Company covered by our report of 27th July 2007 to the members of the company.

For Pratapkaran Paul & CO.,
Chartered Accountants,

Place : Chennai
Date : 27th July 2007

Pratapkaran Paul
Partner

NOTES ON ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES

Schedule 16

A. SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

- a) The financial statements are prepared under the historical cost convention, on a going concern basis in accordance with the generally accepted accounting policies and in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
- b) The company follows Mercantile System of accounting and recognizes items of income and expenditure on accrual basis except those with significant uncertainties.

2. Revenue Recognition

- a) Broadcasting services - Advertisement Revenue is recognised when the related advertisement or commercial is telecast.
- b) Subscription revenue is recognised on completion of service.
- c) Sales comprise amounts invoiced to customers for services provided net of discounts and bad debts.
- d) Sales are recognised when the risk and rewards of ownership are passed onto the Customers.
- e) Interest Income is recognised on time proportionate basis taking into account the amount outstanding and the rate applicable.

3. Fixed Assets

Fixed Assets are stated at their Cost. Cost includes capital cost, freight, installation cost, duties and taxes, and other incidental expenses incurred during the construction / installation stage attributable to bringing the assets to working condition for its intended use.

4. Depreciation

Depreciation on Fixed Assets is provided on Straight Line Method at the rate specified in Schedule XIV to the Companies Act, 1956.

5. Stock

Cost relating to film and program broadcasting rights are fully expensed on the date of first telecast of the film or program.

6. Transaction in Foreign Currencies

- a) Export transactions denominated in Foreign currencies are normally recorded as per actual export realisation.
- b) The difference between the forward rate and the exchange rate at the inception of a forward exchange contract is recognised as income or expense over the life of the contract.

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currency and outstanding at the balance sheet date are translated at the exchange rate ruling on that date. Exchange differences on foreign exchange transactions other than those relating to fixed assets are recognised in the profit and loss account. Any gain/loss on exchange fluctuation on the date of payment of expenditure incurred for acquisition of fixed assets is treated as an adjustment to the carrying cost of such fixed assets.

7. Retirement Benefits

Contribution towards Provident Fund and other recognised funds are charged to Profit and loss Account.

8. Segment reporting

- a) The company is operating in a single business segment namely broadcasting operation and as such all business activities revolve around this segment. Hence, there is no separate primary reportable business segment as required by AS - 17 on segment reporting issued by the ICAI.
- b) The company has only one reportable geographical segment.

9. Taxes on Income

- a) Current tax is determined as the amount of tax payable in respect of taxable income for the year as per the provision of Income Tax Act, 1961.
- b) Deferred tax is recognised, subject to consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods and measured using relevant enacted tax rates. Deferred tax Assets arising from timing differences are recognised to the extent there is a reasonable certainty that these would be realised in future.

10. Miscellaneous Expenditure

Miscellaneous Expenditure include expenses incurred for Initial Public offer and are amortised over a period of 5 years.

11. Earning Per Share

The Company reports basic and diluted earnings per equity share in accordance with AS-20, 'Earnings Per Share'.

- a) Basic Earning Per Share is computed and disclosed using the weighted average number of common shares outstanding during the year.
- b) Diluted Earning per Share is computed and disclosed using the weighted average number of common and diluted equity shares outstanding during the year.

12. Prior Period Item & Extra Ordinary Item

- a) Income or Expenses which arise in the current period as a result of change in the preparation of the financial statements of one or more prior periods is shown as "Prior Period Item".
- b) Income or Expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise are shown as "Extra Ordinary Items".

B. NOTES TO ACCOUNTS

1. Prior Year Comparatives

- a) Previous year's figures have been regrouped and reclassified wherever necessary to make them comparable to current year's figures.
- b) Figures in brackets pertain to previous year.

2. Secured Loans

A. Cash Credit with Banks are secured by

- a) Hypothecation of Book Debts of the Company.
- b) Hypothecation of Property at Old No.13 A, Poes Road, Second Street, Teynampet, Chennai - 18.

B. Term Loans

- a) Hypothecation of all present and Future Machinery belonging to or in the processing or under control of the Company wherever lying stored and kept, whether in possession of the Company or the Bank or of any third party, whether in India or elsewhere through out the world (including all such goods, other movable assets as may be in course of shipment, transit or delivery) and encumbered fixed assets including production / studio / processing / telecasting Equipments and softwares.
- b) Personal Gurantee of the Directors.

Collateral of -

- a) EM of House Site measuring 2550 Sq. Ft together with the Building thereon bearing old No.53/1 and 53/2, Poes Road, Teynampet, Chennai-600018, comprised in R.S. No.1404/1 Part, Present R.S.No.4, R.S.No.104/21, Block 28, Mylapore Revenue Division, Mylapore Triplicane Taluk, Chennai District.
- b) EM of house site measuring 2 ground and 1602 Sq. Ft. together with the building thereon bearing Old No.51, New No.12, Poes Road, Teynampet, Chennai-600 018, comprising S.No.1404/19, Block 28, Mylapore Revenue Division, Mylapore-Triplicane Taluk, Chennai District.
- c) Equitable mortgage of residential property at 4/A, 5th Main Road, Raja Annamalai Puram, Chennai - 600 028 of 3807 sq.ft of land and building of 4347 sq.ft belonging jointly to Directors.

C. Vehicle Loans

Vehicle Loans are secured by hypothecation of vehicles financed.

3. Fixed Assets.

Fixed Assets are valued and shown adopting the following basis.

- a) Fixed assets acquired are shown at the cost of acquisition.
- b) Fixed assets aquired under Hire Purchase are shown at their principal cost excluding the interest cost.

4. Depreciation

Depreciation on Fixed Assets is provided on Straight Line Method at the rate specified in Schedule XIV to the Companies Act, 1956.

5. Effects of Changes in Foreign Exchange Rates

- a) Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currency and outstanding at the balance sheet date are translated at the exchange rate ruling on that date. Exchange differences on foreign exchange transactions other than those relating to fixed assets are recognised in the profit and loss account. Any gain/loss on exchange fluctuation on the date of payment of expenditure incurred for acquisition of fixed assets is treated as an adjustment to the carrying cost of such fixed assets.
- b) The change in value of Foreign Currency liability due to increase or decrease in the exchange rate is adjusted against appropriate fixed assets.

6. Film and Program Broadcasting rights

Cost relating to film and program broadcasting rights are fully expensed on the date of first telecast of the film or program.

7. Disclosures

Sundry Creditors includes Transponder Advance of Rs.225 Lakhs received on which case is pending in the Court. The same is deposited in the Bank and grouped under Balance with bank under Deposit Account.

8. Managerial Remuneration

- a) No commission is paid / payable to any director and hence the computation of profits under section 198 / 349 of the Companies Act, 1956 is not required.
- b) Remuneration paid or provided in accordance with the Schedule XIII of the Companies Act, 1956 to the directors is as follows:

| Particulars | Year ended 31.03.2007 (Rs.) | Year ended 31.03.2006 (Rs.) |
|------------------------|-----------------------------------|-----------------------------------|
| Directors Remuneration | 8,000,000 | 12,000,000 |
| Total | 8,000,000 | 12,000,000 |

9. Auditor's Remuneration (*)

| Particulars | Year ended 31.03.2007 (Rs.) | Year ended 31.03.2006 (Rs.) |
|-----------------------|-----------------------------------|-----------------------------------|
| a. For Audit | 100,000 | 100,000 |
| b. For Tax Audit | 50,000 | 50,000 |
| c. For Other Services | 50,000 | 50,000 |
| Total | 200,000 | 200,000 |

(*) excluding service tax

10. Foreign Exchange Transactions

| Particulars | Year ended 31.03.2007 (Rs.) | Year ended 31.03.2006 (Rs.) |
|----------------------------------------|-----------------------------------|-----------------------------------|
| I. Earnings in Foreign Exchange | | |
| Export of TV Programme | 8,106,274 | 18,504,874 |
| Total | 8,106,274 | 18,504,874 |
| Expenditure in Foreign Exchange | | |
| Transponder Hire Charges | 14,400,821 | 18,977,844 |
| Traveling | 2,618,340 | 3,428,903 |
| Production Expenses | 707,843 | 2,566,409 |
| Total | 17,727,004 | 24,973,156 |

11. Related Party Disclosures

As per Accounting Standard (AS) -18 issued by The Institute of Chartered Accountants of India, the Company's related parties are disclosed below:

A. Related Parties

- a) **Other Related parties** with whom transactions have taken place during the year and balance outstanding as on the last day of the year.

| | |
|----------------------------------|------------------|
| Vissa Television Network Limited | Group Company |
| Raj Video Vision | Partnership Firm |

- b) **Directors / Key Management Personnel**

| | |
|-----------------------------|-----------------------------------------|
| Mr.M.Raajhendhran | Managing Director |
| Mr.M.Ravindran | Executive Director |
| Mr.M.Rajarathinam | Executive Director |
| Mr.M.Raghunathan | Executive Director |
| Mr.R.Rajagopalan | Non-Executive Director |
| Mr.A.Arjuna Pai | Non-Executive Director |
| Mr.D.R.Karthikeyan | Non-Executive Director |
| Dr.Moham Kameswaran | Non-Executive Director |
| Mrs.Amudha Raajhendhran | Executive Director (Retd on 07.08.2006) |
| Mrs.Vijayalakshmi Ravindran | Executive Director (Retd on 07.08.2006) |
| Mrs.Aruna Rajarathinam | Executive Director (Retd on 07.08.2006) |
| Mrs.Usha Raghunathan | Executive Director (Retd on 07.08.2006) |

B. Transactions with Related Parties

| | As at 31.03.07 in Rs | As at 31.03.06 in Rs |
|------------------------------------------------|-------------------------------------|-------------------------------------|
| a) Remuneration | | |
| Directors / Key Managerial Personnel | 8,030,000 | 12,000,000 |
| b) Purchase of Fixed Assets | | |
| Directors / Key Managerial Personnel | - | 30,000,000 |
| c) Balance as on 31st March | | |
| i) Loans and Advances | | |
| Vissa Television Network Limited | 48,795,540 | 48,408,540 |
| ii) Loans and Advances | | |
| Raj Video vision | - | 115,000 |
| iii) Current Liabilities and Provisions | | |
| Directors / Key Managerial Personnel | - | 15,727,450 |

12. Earnings per share

Basic earnings per equity share has been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the period. Diluted earnings per equity share has been computed using the weighted average number of equity shares and diluted potential equity shares outstanding during the period. The reconciliation between basic and diluted earnings per equity share is as follows:

| Particulars | Units | Year ended 31.03.2007 | Year ended 31.03.2006 |
|-------------------------------------------------------------------------------------------------------|---------------|--------------------------|--------------------------|
| a. Net profit after tax before Extraordinary Item | Rs. | 92,250,846 | 118,928,608 |
| b. Net profit after tax after Extraordinary Item | | 92,250,846 | 119,428,608 |
| c. Weighted average of number of equity shares used in computing basic and diluted Earnings Per Share | No. of shares | 10,897,750 | 10,704,642 |
| d. Basic and Diluted EPS before Extra Ordinary Item (a/c) | Rs. | 8.47 | 11.11 |
| e. Basic and Diluted EPS after Extra Ordinary Item (b/c) | Rs. | 8.47 | 11.16 |

13. Provision for Deferred Tax Liability

Break up of deferred tax assets/liabilities and reconciliation of current year deferred tax charge:

| Particulars | Amount (Rs.) | Amount (Rs.) | Amount (Rs.) |
|-------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------------------|-------------------|
| Deferred Tax Liabilities | Opening | Charged/ (Credited) to P&L | Closing |
| Tax impact of difference between carrying amount of fixed assets in the financial statements and the income tax return. | 44,537,149 | 19,521,241 | 64,058,390 |
| Total | 44,537,149 | 19,521,241 | 64,058,390 |

14. Contingent Liability

| Particulars | Year ended 31.03.2007 (Rs.) | Period ended 31.03.2006 (Rs.) |
|---------------------------------------------------------------------------------------------------------------------|-----------------------------------|-------------------------------------|
| a) Bank Guarantee given for differential amount of Customs duty in respect of machinery imported under EPCG scheme. | 7,733,300 | 7,733,300 |
| b) Legal cases against the Company | Unascertainable | Unascertainable |

15. Balances of the Sundry Debtors and Sundry Creditors are subject to confirmation.

For and on behalf of the Board of directors

As per report of even date
For Pratapkaran Paul & Co.,
Chartered Accountants.,

Raajhendhran.M
Managing Director

M.Ravindran
Director

Lalit Kumar Mohanty
Company Secretary

Pratapkaran Paul
Partner.

Place : Chennai
Date : 27th July 2007

Balance Sheet Abstract and Company's General Business Profile

| | | |
|------------|--------------------------------------------------------------------------------------------|------------------------|
| I | Registration Details | |
| | Registration No. | 027709 |
| | State Code | 18 |
| | Balance Sheet Date | 31.03.2007 |
| II | Capital raised during the year (Amount in Thousands) | |
| | Public Issue | 584,339 |
| | Rights Issue | NIL |
| | Bonus Issue | NIL |
| | Private Placements | NIL |
| III | Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands) | |
| | Total Liabilities | 1,135,373 |
| | Total Assets | 1,135,373 |
| | Source of Funds | |
| | Paid up Capital | 129,783 |
| | Reserves & Surplus | 874,920 |
| | Deffered Tax Liability | 64,058 |
| | Secured Loans | 66,612 |
| | Application of Funds | |
| | Net Fixed Assets | 311,382 |
| | Invesments | - |
| | Net Current Assets | 765,778 |
| | Miscellaneous Expenditure to the extent not written off | 58,213 |
| IV | Performance of Company (Amount in Rs. Thousands) | |
| | Turnover (including other income) | 388,379 |
| | Total Expenditure | 247,025 |
| | Profit / (Loss) Before Tax | 141,355 |
| | Profit / (Loss) After Tax | 92,251 |
| | Earnings Per share (in Rs.) | 8.47 |
| | Dividend | 16,201 |
| V | Generic Name(s) of Principal Products / Services of Company (as per monetary terms) | |
| | Item Code No.(ITC Code) | N.A. |
| | Product Description | Entertainment industry |

For and on behalf of the Board of directors

As per report of even date
For Pratapkaran Paul & Co.,
Chartered Accountants.,

Raajhendhran.M
Managing Director

M.Ravindran
Director

Lalit Kumar Mohanty
Company Secretary

Pratapkaran Paul
Partner.

Place : Chennai
Date : 27th July 2007

Raj Television Network Limited

Registered Office: 32, Poes Road, IInd Street, Teynampet, Chennai-600 018

ATTENDANCE SLIP

Please fill this attendance slip and hand it over at the entrance of the meeting hall.
Joint shareholders may obtain additional Attendance Slip at the venue of the Meeting.

Regd. Folio No./DP ID/Client ID.....

No. of Shares held.....

Name of the share holder/ Proxy.....
(In Block Letters)

I, hereby record my presence at the 13TH ANNUAL GENERAL MEETING of the Company held on Friday, the 28th September 2007 at 10.00 AM at Image Auditorium, M.R.C. Nagar, R.A. Puram, Chennai - 600 028.

Signature of the shareholder/proxy

----- ✂ ----- ✂ ----- ✂

Raj Television Network Limited

Registered Office: 32, Poes Road, IInd Street, Teynampet, Chennai-600 018

PROXY FORM

Regd. Folio No./DP ID/Client ID.....

No. of shares Held.....

I/We _____

_____ of being a member/members of Raj Television Network Limited hereby appoint _____

_____ of failing him _____

_____ of _____ as my/our proxy to vote for me/us and on my/our behalf at the 13TH ANNUAL GENERAL MEETING of the Company to be held on Friday, the 28th September 2007, at 10.00 AM at Image Auditorium, M.R.C. Nagar, R.A. Puram, Chennai - 600 028 or at any adjournment there of.

Signed this _____ day of _____ 2007

| |
|-------------------------------------|
| Affix 1Rupee revenue stamp |
|-------------------------------------|

Note: The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The proxy need not be member of the Company.



Kasu Mazhai Set



Meenakshi Serial



RAJ TELEVISION NETWORK LTD.

No. 32, Poes Road, Second Street, Teynampet, Chennai - 600 018.

Tel. : 91 - 44 - 24334149 / 50 / 51, 24351898 / 2926 Fax : 91 - 44 - 24341260

Web : www.rajtvnet.in