

14th
Annual Report
2006-2007



www.bagfilms.com

B.A.G FILMS & MEDIA LIMITED

CORPORATE INFORMATION

Board of Directors	Ms. Anuradha Prasad Mr. Rajiv Shukla Mr. Surendra Singh Mr. Bhupindar Singh Ms. Pallavi S Shroff Dr. Anuradha Mishra Mr. Nalin Satykam Kohli Mr. Rajeev Shankar	Chairperson & Managing Director Director Director Director Director Director Director Director
Company Secretary	Mr. Rajeev Parashar	
Statutory Auditors	Joy Mukherjee & Associates	
Banker	HDFC Bank Limited Ansals Fortune Arcade, K- Block Sector-18, Noida - 201 301	
Registered Office	C-4, Shivalik, Near Malviya Nagar Market, New Delhi-110 017	
Corporate Office	FC-23, Sector-16A, Film City, Noida -201 301	
Registrar and Share Transfer Agent	Alankit Assignments Limited, Alankit House, 2E/21, Jhandewalan Extension, New Delhi- 110 055	

S.No.	Contents	Page No.
01	Notice	1
02	Directors' Report	4
03	Corporate Governance Report	9
04	Management Discussion and Analysis Report	17
05	Auditors' Report	21
06	Balance Sheet	24
07	Profit & Loss Account	25
08	Schedules to Balance Sheet and Profit & Loss Account	26
09	Notes to Accounts	33
10	Balance Sheet Abstract	41
11	Cash Flow Statement	42
12	Section 212 Report	43

Subsidiary company

S.No.	Contents	Page No.
01	Directors' Report	44
02	Auditors' Report	46
03	Balance Sheet	48
04	Profit & Loss Account	49
05	Schedules to Balance Sheet and Profit & Loss Account	50
06	Notes to Accounts	51
07	Balance Sheet Abstract	54

Consolidated Accounts

S.No.	Contents	Page No.
01	Auditors' Report	56
02	Balance Sheet	57
03	Profit & Loss Account	58
04	Schedules to Balance Sheet and Profit & Loss Account	59
05	Notes to Accounts	66
06	Cash Flow Statement	72

NOTICE

Notice is hereby given that the 14th Annual General Meeting of the members of B.A.G. Films & Media Limited will be held as under:

Day	: Monday
Date	: 27th August 2007
Time	: 12.30 P.M.
Venue	: FICCI Auditorium, Federation House Tansen Marg, New Delhi-110 001

to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the balance sheet as at March 31, 2007 and the Profit and Loss Account for the Financial Year ended on that date and the Report of the Board of Directors and Auditors thereon.
2. To declare dividend for the year ended 31st March 2007.
3. To appoint a director in place of Mr. Bhupindar Singh who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a director in place of Mr. Surendra Singh who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting.

SPECIAL BUSINESS

6. Issue of FCCBs/GDRs/ADRs/WARRANT/BONDS or any other instrument or any combination thereof.

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and enabling provisions of the Memorandum and Articles of the Company and the Listing Agreement(s) entered into by the Company with the Stock Exchange(s) where the shares of the Company are listed and subject to any approval(s), consent(s), permission(s) or sanction(s) of the Central Government, Reserve Bank of India and any other appropriate authority(ies), institution(s) or Body(ies) [hereinafter collectively referred to as the appropriate authority(ies)], and subject to such conditions as may be prescribed by any one of them while granting any such approval(s), consent(s), permission(s), and/or sanction(s) [hereinafter referred to as the requisite approval(s)], which may be agreed to by the Board of Directors of the Company (hereinafter called 'the Board' which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by this resolution) and subject to the approval of shareholders, consent be and is hereby given to issue, offer and allot, in domestic / International offerings any securities including Global Depository Receipts and / or American Depository Receipts convertible into equity shares, equity shares, preference shares whether Cumulative / Redeemable / Convertible at the option of the Company and / or option of the holders of the security and / or securities linked to equity shares / preference shares and / or any instrument or securities representing convertible securities such as convertible debentures, bonds or warrants convertible into equity shares / preference shares (hereinafter referred to as Securities) to be subscribed by foreign / domestic investors/ institutions and / or corporate bodies including mutual funds, banks, insurance companies and / or individuals or otherwise, whether or not such persons/entities/investors are Members of the Company as may be deemed appropriate by the Board and permitted under applicable laws and regulations up to an aggregate amount not exceeding US\$35 Million or equivalent with Green Shoe Option , as may be applicable, whether in Indian currency or foreign currency, inclusive of such premium as may be fixed on such securities, by offering such securities in one or more countries through public offer and/or offer letter and/or circular and /or information memorandum and/or such other documents/writings and such issue and allotment to be made at such time or times in one or more tranches, at par or at such price or prices, and on such terms and conditions and in such manner as the Board may, in its absolute discretion think fit, in consultation with the Lead Managers, Underwriters, Advisors or other intermediaries.

RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issue of Securities may have all or any terms or combination of terms including as to conditions in relation to payment of interest, additional interest, premia on redemption, prepayment and any other debt service payments whatsoever, and all such others as are provided in Securities offerings of this nature including terms for issue of such Securities or variation of the conversion price of the Security during the duration of the Securities and the Company is also entitled to enter into and execute all such arrangements as the case may be with any lead managers, managers, underwriters, bankers, financial institutions, solicitors, advisors, guarantors, depositories, custodians and other intermediaries in such offerings of Securities and to remunerate all such agencies including the payment of commissions, brokerage, fees or payment of their remuneration for their services or the like, and also to seek the listing of such Securities on one or more stock exchanges including international Stock Exchanges, wherever permissible.

RESOLVED FURTHER THAT the Company may enter into any arrangement with any agency or body authorised by the Company for the issue of Securities in registered or bearer form with such features and attributes as are prevalent in capital markets for instruments of this nature and to provide for the tradability or free transferability thereof as per the domestic and / or international practice and regulations, and under the forms and practices prevalent in securities markets.

RESOLVED FURTHER THAT the Securities issued in foreign markets shall be deemed to have been made abroad and / or in the market and / or at the place of issue of the Securities in the international market and may be governed by applicable laws.

RESOLVED FURTHER THAT M/s Elara Capital Plc. London be appointed as Lead Manager for issue of securities in the international market.

RESOLVED FURTHER THAT a committee of the Board comprising Ms. Anuradha Prasad, Managing Director, Mr. Bhupindar Singh and Mr. Nalin Kohli, Directors of the Company be and is hereby constituted to take all appropriate/necessary steps, decisions required in this connection and to delegate all or any of the power hereby conferred to and to settle any question, matter or doubt that may arise in relation thereto in order to give effect to the foregoing resolution or otherwise considered necessary by the aforesaid committee to be in the best Interest of the Company and to do for and on behalf of the Board all acts, deeds and things which may be necessary for effective implementation of the foregoing resolutions.

By order of the Board of Directors
B.A.G Films & Media Limited

Rajeev Parashar
Company Secretary

Place: Noida
Date: 28th July, 2007

NOTES:

- 1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote, on the poll only, instead of himself and the proxy so appointed need not be a member of the company. Proxies in order to be effective must reach at the registered office of the company not less than 48 hours before the time fixed for meeting.**
2. The Register of Members and the Share Transfer Books of the Company shall remain closed from August 20, 2007 to August 27, 2007 (both days inclusive).
3. Shareholders/Proxy Holders are requested to produce at the entrance the admission slip forwarded to them, duly completed and signed in accordance with the specimen signature registered with the Company.
4. Subject to the provisions of Section 206A of the Companies Act, 1956, dividend as recommended by the Board of Directors, if approved by the shareholders at the Annual General Meeting, will be payable to those members whose names appear on the Register of Members as on 20th August, 2007 and in respect of shares held in electronic form, to those "beneficiaries" whose names appear on the statements of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose as at the end of business hours on 20th August 2007.
5. Members are requested to inform the Company or M/s Alankit Assignments Limited, immediately of any change in their address or Bank Details/Mandate. Members holding shares in dematerialized form are requested to intimate all changes with respect to their address, bank details, and mandate etc. to their respective Depository Participants only.
6. Members are requested to address all correspondences to the Registrar and Share Transfer Agent, Alankit Assignments Limited, Alankit House, 2E/21, Jhandewalan Extension, New Delhi- 110 055
7. Members are requested to quote folio numbers/ DPID and Client ID, as the case may be, in all correspondence with the Company.
8. We are pleased to offer the facility of electronic credit of dividend directly to your bank account through ECS. This facility is currently made available at New Delhi, Kanpur, Jaipur, Chandigarh, Ahmedabad, Mumbai, Nagpur, Hyderabad, Bangalore, Chennai, Calcutta, Bhubaneswar, Guwahati, Patna and Thiruvananthapuram.
9. Shareholders holding shares in the physical form, who wish to avail ECS facility, may authorize the Company with their ECS mandate in the prescribed form, which is enclosed herewith separately. Requests for payment of dividend through ECS for the year 2006-2007 should be lodged with the company or M/s Alankit Assignments Limited on or before 20th August, 2007. Similarly Shareholders holding shares in the Demat form, who wish to avail ECS facility, may send the same to the Depository Participant.
10. The company would not reimburse the to and fro to members for attending the meeting.
11. For security reasons briefcases, transistors, bags, tiffin boxes, cameras, binoculars etc. are not allowed inside the Auditorium.

EXPLANATORY STATEMENT

ITEM NO. 6

B.A.G. FILMS & MEDIA LIMITED, a well-established name, has a strong presence and an impressive track record in the Media Sector. It has been producing several television serials, Corporate films and feature Films.

To finance the Company's capital expenditure and meet the growing requirement of the funds for growth and expansion projects, acquisitions, investment in subsidiaries and joint ventures, working capital requirements and for general corporate purposes, it is proposed to issue securities in the international markets as mentioned in the resolution set out at Item No. 1 of the Notice, as may be decided by the Board and found to be expedient in the interest of the Company in one or more tranches, in such form on such terms, in such manner, at such price or prices and at such time as may be considered appropriate by the Board, to the various categories of investors in the international markets as set out in the Resolution of the Notice.

The detailed terms and conditions of the Issue as and when made will be determined by the Board of Directors in consultation with the Merchant Bankers, Lead Managers, Advisors, Underwriters and other experts in accordance with the terms of statutory approvals from such authorities as may be required. The issue price of the security to be issued in the proposed offerings will be determined by the Board of Directors at the time of the offer depending on the then prevailing market conditions.

However, the price of the security to be issued will not be less than the minimum price arrived at on the relevant date as per guidelines issued by Reserve Bank of India (RBI) and/or Securities and Exchange Board of India (SEBI) as may be applicable. The securities will be listed on such International / Indian Stock Exchanges as the Board may be advised.

Section 81 of the Companies Act, 1956, provides, inter alia, that where it is proposed to increase the Subscribed Share Capital of the Company by allotment of further shares, such further shares shall be offered to the persons who at the date of the offer are holders of the Equity Shares of the Company, in proportion to the capital paid up on those shares as of that date unless the shareholders in a General Meeting decide otherwise. The Listing Agreements executed by the Company with the various Stock Exchanges also provide that the Company shall issue or offer in the first instance all Securities to the existing Equity Shareholders of the Company unless the Shareholders in a General Meeting decide otherwise. The Special Resolution seeks the consent of the Shareholders authorizing the Board of Directors to make the proposed issue of securities and in the event it is decided to issue Securities convertible into Equity Shares, to issue to the holders of such Convertible Securities in such manner and such number of Equity Shares on conversion as may be required to be issued in accordance with the terms of the issue.

This Special Resolution gives (a) adequate flexibility and discretion to the Board to finalize the terms of the issue, in consultation with the Lead Managers, Underwriters, Legal Advisors and experts or such other authority or authorities as need to be consulted including in relation to the pricing of the Issue which will be a free market pricing and may be at premium or discount to the market price in accordance with the normal practice and (b) powers to issue and market any securities issued pursuant to the international offer including the power to issue such Securities in such tranche or tranches with / without voting rights.

The Board of Directors recommends the resolution set out in the accompanying Notice for the approval of the Members.

None of the Directors may be deemed to be concerned or interested in the aforesaid resolution except to the extent of shares which may be allotted to them, their relatives or bodies corporate(s) in which they are Directors(s)/Member(s). Managing Director or any other Officer or Officers of the Company to give effect to the aforesaid resolution."

By order of the Board of Directors
B.A.G Films & Media Limited

Place: Noida
Date: 28th July, 2007

Rajeev Parashar
Company Secretary

DIRECTOR'S REPORT

To,
The Members,
B.A.G Films & Media Limited

Your Directors are pleased to present their Report together with the Audited Statement of Accounts for the financial year ended March 31, 2007.

FINANCIAL RESULTS

(Rupees in Lacs)

Particulars	2006-07	2005-06
Total Income	4584.25	4412.86
Profit before depreciation and financial charges	989.64	810.88
Financial charges	146.92	70.79
Cash Profit	929.88	803.73
Depreciation	280.58	261.06
Profit before Tax	562.14	479.03
Provision for Tax		
— Current Tax	138.23	141.64
— Fringe Benefit Tax	22.64	28.40
— Deferred Tax	63.51	2.57
Profit after Tax	337.76	306.42
Proposed Dividend (%)	10%	10%

DIVIDEND

Your Directors are pleased to recommend a Final Dividend @10% for the year ended 31st March, 2007. The proposed dividend if approved at the ensuing Annual General Meeting would result in appropriation of Rs. 218 Lacs (including Corporate Dividend tax of Rs. 32 Lacs) out of the profits of the Company. The Company has not made any transfer to General Reserves.

PERFORMANCE REVIEW

During the year the company has achieved a cash profit of Rs. 929.88 Lacs this financial year as against Rs 803.73 Lacs in the previous financial year 2005-2006.

Your Company's performance has been encouraging with a combination of long running programmes and new launches with 626 hours of programming in the financial year 2006-07

Television Software:

Kumkum, the continuing Star Parivaar award-winning daily afternoon soap has completed over 1000 episodes. The TRP ratings continue to remain consistently high with the serial enjoying the high viewership in the afternoon time slot.

The serial also bagged two reputed STAR Parivaar Awards 2006, as under:

Best Patni Award - Kumkum (Juhi Parmar)

Best Pati Award - Sumeet (Hussain)

The serial also bagged Best Camera person award in Indian Telly Awards, 2006

Other serials in entertainment category include 'Woh Hue Na Hamare' on Doordarshan, newly launched 'Yeh Vaada Raha' on ARY Channel, Dubai and soon to be launched Ankhiyon Ke Jharokhon Se on Star Plus.

Feature Films

Your Company produced three feature films during the year which include Zindaggi Rocks, Mannat (in Punjabi) and Ami, Yaseen aur Amaar Madhubala (in Bengali).

'Zindaggi Rocks' starring former Miss Universe, Sushmita Sen, Shiney Ahuja, Maushmi Chatterji and Kim Sharma and directed by Tanuja Chandra and music composed by Anu Malik was released in India and overseas in the month of October, 2006. Similarly 'Mannat' starring Jimmy Sheirgill, Kulraj Randhawa, Kanwaljeet Singh and Deep Dhillon and directed by Gurbir S. Grewal and music composed by Jaidev Kumar was released in Punjab territory in India and overseas in the month of October, 2006.

'Ami, Yaseen aur amaar Madhubala' starring Prasanjit and Samira Reddy and Directed by Internationally acclaimed director Budhadeb Das Gupta is complete and is expected to be released before the end of the calendar year 2007. The world premiere of the film, to be presented under masters category, is going to be held in the Toronto International Film Festival, 2007 to be held on September 6-15, 2007.

Media School

iSOMES, the media school of your Company providing media education through its media school iSOMES (International School of Media & Entertainment Studies) in collaboration with Missouri School, U.S.A. has recently entered into a Memorandum of Understanding with FTII, Pune for exchange of curricula and faculty wherein the students of both the institutes shall benefit immensely.

During the period under review, iSOMES, the incubator of talent further set to commence a clutch of three short term courses, which comprises:

- Camera workshop (Three months, full time)
- Editing workshop (Three months, full time)
- Radio jockey (Three months, full time)

The other long term courses offered by the Company comprise:

- Post Graduate full time Diploma in Broadcast Journalism
- Post Graduate Diploma in Television (Production and Direction)
- Post Graduate Diploma in Media Management

Apart from this, iSOMES also conducts workshops for school children in disciplines such as Television appreciation, Theatre and Acting. The school offers a full-fledged course with theory and practical work.

The School now plans to enter into the field of animation and hopes to launch the same from the September 2007, thereby setting another benchmark in the field of education.

New media

With technological advancements and growing penetration of mobiles, personal computers, laptops and the internet, segments like animation, internet advertising and gaming are witnessing an unprecedented growth. Television content is becoming interactive with extensive internet usage and live entertainment growing at a fast-clip; organized players are exploiting these emerging segments waiting to be explored by private players in the entertainment arena.

B.A.G. Films is working with various telecom service providers to create dedicated video content for its mobile phone network capable of handling streaming video. Your Company has exploited the wireless handheld devices by delivering through different technology-services such as Interactive Voice Response (IVR), automatic speech recognition and short-term messaging service platforms in Hindi, English, Tamil, Telugu and Kannada.

Radio

Your company set up a subsidiary - B.A.G. Infotainment Private Limited for its FM foray. With this, your Company has bagged the FM Radio rights for Haryana, Himachal Pradesh, certain parts of Punjab, Bihar, Jharkhand, Maharashtra and Madhya Pradesh.

Animation

Your Company has setup a Special Purpose Vehicle- Sieun and BAG Animation (P) Limited which is a joint venture between your Company and Sieundesign of South Korea. Animation Studio at the convergence studio complex in Noida has already been setup with 50 seats and the work on a television series has started from the facility under the supervision of people from Sieundesign. This company has also forayed into gaming and proposes to launch an Animation Academy under iSOMES.

Broadcasting

Your Company has already applied for uplinking license for launch of News and Entertainment Channels through its subsidiaries B.A.G. Glamour (P) Limited and B.A.G. Newline Network (P) Limited wherein your Company proposes to launch news channels under B.A.G. Newline Network (P) Limited and Entertainment Channels under B.A.G. Glamour (P) Limited. These television channels are expected to be launched before the end of the calendar year 2007.

FUTURE PROSPECTS

The television segment is expected to grow from its present estimated size of Rs 191 billion to Rs 519 billion over the next 5 years, according to a FICCI Frames PwC report -2007. B.A.G. Films continues to demonstrate its ideated innovations across all the well-linked broadcasters of the country viz. Star Network, Sony Entertainment Television, Doordarshan, Zoom Television, Sahara Network, ARY channel and Media Content and Communications (India) Private Limited. This widespread presence promises the viewers with more diversity over the years ahead.

The company is increasing its areas of operation and is expanding rapidly and consistently into the media industry. The Board feels proud in announcing the launch of two radio stations in the cities of Hissar and Karnal via its subsidiary B.A.G Infotainment Pvt Ltd. We are going to launch the FM in eight other cities very soon.

The company's vision is to become the country's integrated content company creating, aggregating and delivering high quality media and entertainment programmes in all genres and all media platforms through its own channels. Your Company is all set to cash in on the opportunity thrown open by the expected growth of Media Industry.

DIRECTOR

In accordance with the provisions of the Companies Act, 1956, and Articles of Association of the Company, Mr. Bhupinder Singh and Mr. Surendra Singh are liable to retire by rotation at the ensuing Annual General Meeting and they being eligible, have offered themselves for re-appointment. Your Board of Directors recommends their re-appointment.

Brief resume of the above Directors, nature of their expertise in specific functional areas and names of companies in which they hold the directorship and the membership/ chairmanship of committees of the Board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are given in the section on Corporate Governance in the Annual Report elsewhere.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed chapter on "Management Discussion and Analysis Report" pursuant to clause 49 of the Listing Agreement is given elsewhere in the Annual Report separately.

CORPORATE GOVERNANCE

B.A.G believes that the essence of Corporate Governance lies in the phrase "Your Company". It is "Your" Company because it belongs to you- the Shareholders. The Chairperson and Directors are "Your" fiduciaries and trustees. Their objective is to take the business forward in such a way that it maximizes "Your" long term value. Your Company is committed to benchmark itself with global standards in all areas including appropriate standards for Good Corporate Governance. Towards this end, an effective "Corporate Governance System" has been put in place in the Company, which also ensures that the provisions of Clause 49 of the Listing Agreement are duly complied with. A report on Corporate Governance along with Auditors' Certificate on its compliance is annexed hereto.

The Company has implemented a Code of Conduct for all its Board Members, who have affirmed compliance thereto. A Code of Conduct has also been formulated for the senior management of the Company.

LISTING

The shares of your company are presently listed with National Stock Exchange of India Ltd (NSE), Bombay Stock Exchange Limited (BSE), and Delhi Stock Exchange Association Limited (DSE).

The Annual Listing fee for the Financial Year 2007-2008 has already been paid to all the above Stock Exchanges. The equity shares allotted under Preferential Issue are under the process of being listed at the Stock Exchanges.

FIXED DEPOSITS

During the year under review, the Company has not accepted any deposit under section 58A and section 58AA of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

DIRECTOR'S RESPONSIBILITY STATEMENT

As required under section 217(2AA) of the Companies Act, 1956, the Directors of the Company hereby state and confirm-

1. That in preparation of the accounts for the financial year ended 31st March 2007, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. That the Directors have selected 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 profit and loss of the Company for that year;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the accounts for the financial year ended 31st March 2007, have been prepared on a "going concern" basis.

SUBSIDIARY COMPANIES

B.A.G. INFOTAINMENT PVT. LIMITED

As required under the provisions of Section 212 of the Companies Act, 1956, the audited accounts together with Directors' Report and Auditors' Report of its subsidiary company, B.A.G. Infotainment Pvt. Limited are appended and form part of the Annual Report. The statement pursuant to Section 212 of the Companies Act, 1956 is attached.

As required by Accounting Standard-21 issued by the Institute of Chartered Accountants of India, the financial statements of the Company reflecting the Consolidation of the Accounts of its subsidiary company to the extent of its equity holding are included in this Annual Report.

The Company is presenting consolidated accounts of its subsidiary company prepared in accordance with Indian Generally Accepted Accounting Practices (GAAP) and the same are attached herewith. The accounts of the subsidiary company have been separately audited as per Generally Accepted Accounting Principles/ Practices.

B.A.G GLAMOUR PVT. LIMITED AND B.A.G NEWSLINE NETWORK PVT. LIMITED

Your Company has made investment in two more companies viz. B.A.G Glamour Pvt. Limited and B.A.G Newline Network Pvt. Limited after the close of this financial year. Both these companies have been formed as special purpose vehicles for launching and running entertainment and news channels. The Board of Directors proposes to make these companies as subsidiaries.

JOINT VENTURES

Your Company has entered into Joint Venture Agreement with SIEUN Design Limited, South Korea and for this a Special Purpose Vehicle namely Sieun & B.A.G. Animation Pvt. Limited has been formed for its Animation Project for which the company has set up a separate studio facility.

PREFERENTIAL ALLOTMENT

Equity Shares

The entry in the Broadcasting business necessitated the requirement of funds for which your Company explored various options and came up with preferential allotment under section 81(1A) of the Companies Act, 1956. The resolutions for the same were passed in the meeting of the members dated 13th February 2007 and 22nd March 2007 respectively.

Your Company raised Rs. 26,32,50,000/- by allotting 20250000 equity shares in the Extra Ordinary General Meeting dated 13th February 2007 to Mr. Sameer Gehlout and Rs. 26,15,60,000/- by allotting 13078000 equity shares to High Growth Distributors Pvt. Limited in the Extra Ordinary General Meeting dated 22nd March 2007 duly complying with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. The utilization report for the funds raised through preferential allotment is given in Notes to Accounts.

Convertible Share Warrants

Your Company also issued and allotted Ten Million convertible Equity Warrants pursuant to Section 81(1A) of the Companies Act, 1956 to M/s Anu Films & Communications Pvt. Ltd, the approval for the same has been obtained in the Extra Ordinary General Meeting dated 13th February 2007. The warrants have been issued at the rate of Rs. 13/- per share, and your Company received ten percent upfront money against the same as per the SEBI guidelines on Preferential Allotment. The warrants are convertible into equity shares within 18 months of allotment.

Employee Stock Option Scheme (ESOP)

Your company also approved the ESOP scheme in its Extra- Ordinary General Meeting dated 13th February 2007 as per the guidelines of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999. The Board has been empowered to formulate the scheme. The ESOPs are yet to be granted and exercised.

INCREASE IN AUTHORISED SHARE CAPITAL

Pursuant to the resolution passed by the members of the company at the Extra-Ordinary General Meeting dated 22nd March 2007, your company increased the Authorised share capital from Rs. 20 Crore to Rs. 25 Crore keeping in view its expansion plans and to further strengthen the equity base.

CHANGE IN NAME OF THE COMPANY

Your company approved change in its name from B.A.G. Films Limited to B.A.G. Films & Media Limited in its Extra-Ordinary General Meeting dated 22nd March 2007 and obtained the permission of the Central Government for the same. The Registrar of Companies, NCT Delhi and Haryana has issued new Certificate of Incorporation to that effect dated May 01, 2007. Henceforth your company is known with the name of B.A.G Films & Media Limited. The name of the company has been changed as the word Media truly represents all present and future activities of the company.

AUDITORS

M/s Joy Mukherjee & Associates, Chartered Accountants, Statutory Auditors of the Company will retire at the conclusion of the ensuing Annual General Meeting, and being eligible, offer themselves for reappointment. The company has received a certificate from the auditors to the effect that their re-appointment, if made, would be in accordance with section 224(1B) of the Companies Act, 1956.

AUDITORS' REPORT

The Board has duly examined the Statutory Auditors' Report to accounts and clarifications wherever necessary have been included in the Notes to Accounts section of the Annual Report.

HUMAN RESOURCE

Your Directors would like to place on record their deep appreciation of all employees for rendering quality services to every constituent of the company be its viewers, producers, regulatory agencies, creditors or shareholders. The unstinting efforts of the employees have enabled your company to remain in the forefront of media and entertainment business, making its offerings best in the genre.

PERSONNEL

Particulars of the employees as required to be disclosed under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended forms part of this Report and are attached herewith as Annexure- I.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Particular as required to be disclosed as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, are set out in the statement attached hereto under Annexure -II and forms part of this Report.

ACKNOWLEDGEMENT

Your Directors take this opportunity to express their deep gratitude to the viewers, producers, vendors, investors and banks for their continued support during the year. Your directors also wish to place on record their appreciation for the dedicated services rendered by the employees of the Company at all levels, who, through their competence, hard work, solidarity, cooperation and support, have enabled the company to achieve consistent growth. Our consistent growth was made possible by their hard work, solidarity, cooperation and support.

For and on behalf of the Board of Directors

Place: Noida
June 26, 2007

Anuradha Prasad
Chairperson & Managing Director

ANNEXURE -I TO DIRECTORS REPORT

Particulars of employees pursuant to the provisions of Sec 217(2A) of the Companies Act, 1956

SN	Name	Age	Designation	Remu-neration (In Rs.)	Qualifications	Experience (In Years)	Date of Comm-encement of employment	Last employment held
1	Ms. Anuradha Prasad	44	Managing Director	24,00,000	M.A. (Pol. Science)	23 Years	1993	Observer Channel, 1990

ANNEXURE -II TO DIRECTORS REPORT

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE, EARNING AND OUTGO

Information 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 forming part of the Directors Report for the year ended March 31, 2007, is as follows:

A. CONSERVATION OF ENERGY

The company is not engaged in any manufacturing activities and as such, particulars relating to conservation of Energy and Technology absorption are not applicable. However the following measures are taken to conserve the energy such as follows:

- * Switching on/off procedure is being followed for entire lighting and other load within the premises.
- * Regular preventive maintenance of air-conditioning system to enhance efficiency in usage of energy
- * All the new fittings are with CFL or energy savers which use less electrical power.

B. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

The company continuously makes efforts towards research and development activities whereby it can improve the quality and productivity of its programmes.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Figures in Rs.

Particulars	2006-07	2005-06
Foreign Exchange Earned	12,00,000	Nil
Foreign Exchange Spent	4,20,980	5,29,409

CORPORATE GOVERNANCE REPORT

“Creating an ethical culture means instilling and maintaining a commitment to doing the right thing, this time and every time-so much so that it becomes entwined in the essential DNA of the firm”

COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Company believes that Corporate Governance is the commitment to compliance with all Laws, Rules and Regulations that apply to it with the spirit and intent of high business ethics, honesty and integrity resulting in the effective control and management system in the organization leading towards the enhancement of medium and long term shareholders value and interest of other stakeholders. It brings into focus the fiduciary and the trusteeship role of the Board to align and direct the actions of the organization towards creating wealth and shareholder's value.

At B.A.G, we firmly believe that good governance is critical to sustaining corporate development, increasing productivity and competitiveness. The governance process should ensure that the available resources are utilized in a manner that meets the aspirations of all its stakeholders. Your Company's essential charter is shaped by the objectives of transparency, professionalism and accountability. The Company continuously endeavors to improve on these aspects on an ongoing basis

A. BOARD OF DIRECTORS

The Board of Directors consists of eight directors, out of which seven are non-executive directors. Ms. Anuradha Prasad, Managing Director is the only Executive Director.

The Chairperson is an Executive Director and the number of Independent Non-Executive Directors on the Board is 50% of the Board strength at any point of time.

During the financial year 2006-07, seven Board Meetings were held on 03rd June 2006; 27th July 2006; 31st October 2006; 15th January 2007; 30th January 2007; 20th February 2007 and 28th February 2007. The meeting dated 26th May 2006 was adjourned due to want of quorum.

The details of the Directors on the Board of your company and the record of their attendance at the Board Meeting and Committee meetings are given below.

Name	Category	Attendance		Number of other Directorship held in public/pvt. companies	Number of Board level committees where member	Number of Board level committees where chair person
		Board Meeting	Last AGM			
Ms. Anuradha Prasad	Chairperson & Managing Director, Executive Director	7	Present	8*	—	1
Mr. Rajiv Shukla	Non- Executive Director	6	Present	7**	1	1
Mr. Surendra Singh	Independent Non-Executive Director	5	—	6	5	3
Mr. Bhupindar Singh	Independent Non-Executive Director	7	Present	4	1	1
Ms. Pallavi S Shroff	Independent Non-Executive Director	0	—	4	4	—
Dr. Anuradha Mishra	Independent Non-Executive Director	2	—	1	1	—
Mr. Nalin Satykam Kohli	Non- Executive Director	7	Present	4	1	1
Mr. Rajeev Shankar	Non- Executive Director	2	Present	1	—	—

* The directorship on the Board is as on 31st March 2007. Ms. Anuradha Prasad has joined the Board of three more companies viz. B.A.G. Newline Network Pvt. Limited, B.A.G. Convergence Private Limited and B.A.G Animation Pvt. Limited after the close of the financial year.

** The directorship on the Board is as on 31st March 2007. Mr. Rajeev Shukla joined the Board of three more companies viz. B.A.G. Newline Network Pvt. Limited, B.A.G. Convergence Private Limited and B.A.G Animation Pvt. Ltd and resigned from the Board of B.A.G Glamour Private Limited and B.A.G Newline Network Pvt. Limited after the close of the financial year.

None of the Directors of your company is member in more than 10 committees or acted as chairperson of more than 5 committees across all companies in which they are Directors.

Brief resume of all the Directors are furnished hereunder :-

Ms. Anuradha Prasad

Ms. Anuradha Prasad is the Chairperson cum Managing Director of the company. She is postgraduate in Political Science. She is visionary, and aggressive business lady, compassionate leader and a leading media personality, who has developed a close-knit organization of professionals to carry the B.A.G Films Flag. She has been on the Board of company since inception.

Ms. Prasad has been associated with television through out her career. She has worked in many different positions in the industry, both behind the scenes as well as in front of the camera. She has been a member of CII and FICCI Entertainment Committee and also an executive member of Film Producers Guild of India and on the board of Uttaranchal Film Development Council.

She holds directorship of B.A.G Infotech Private Limited, Anu Films and Communications Private Limited, Cineasia Entertainment Private Limited, B.A.G Infotainment Private Limited, B.A.G. Glamour Pvt Ltd, B.A.G. Newline Network Pvt Ltd, B.A.G. Skynews Pvt Ltd, B.A.G. Live Entertainment Pvt. Limited, 'Sieun and B.A.G. Animation Pvt. Limited'. She is also the first director on the Board of B.A.G. Animation Private Limited and B.A.G. Convergence Pvt. Limited, being companies newly incorporated subsequent to close of financial year.

Mr. Rajiv Shukla

Mr. Rajiv Shukla, is one of the co-founders of the company, is a Post Graduate in Economics and a Graduate in Law. He started his career in journalism. He is a senior journalist and Member of Parliament (Rajya Sabha). A well Known and highly connected person in the media industry, he is respected for his straightforwardness and credibility. He started his career in journalism and then joined as a reporter for Northern India Patrika in Kanpur office in 1978. He then went on to become bureau chief for Dainik Jagran in Kanpur and Lucknow.

In 1992, Rajiv joined as the executive editor of Sunday Observer and went on to become senior editor for the newspaper, a position he served till 2000.

Mr. Shukla today holds a foremost place in country's political journalists. Rajeev still writes two columns in English and Hindi, which appear in newspapers like The Indian Express, Dainik Jagran, and Gulf News. He has rich experience in the area of journalism and reporting.

He holds Directorship in B.A.G Infotech Private Limited, Anu films and Communications Private Limited, Cineasia Entertainment Private Limited B.A.G Infotainment Private Limited, B.A.G. Skynews Pvt Ltd, B.A.G. Live Entertainment Pvt. Limited, and 'Sieun and B.A.G. Animation Pvt. Limited'. He is also the first director on the Board of B.A.G. Animation Private Limited and B.A.G. Convergence Pvt. Limited being companies newly incorporated subsequent to close of financial year. He is member of Audit committee of your company.

Mr. Surendra Singh

Mr. Surendra Singh is an eminent personality. He is a retired IAS Officer and has held very senior positions in the Central and State Governments. Starting his Public Service in 1959, Mr. Singh has held important positions like Cabinet Secretary to the Government of India, Adviser to the Government of Tanzania for Export Promotion, Special Secretary to the Prime Minister of India, responsible for all the economic work in the PM's Office, Secretary to Ministry of Industry. He was an Executive Director on the board of the World Bank, representing India, Bangladesh, Sri Lanka and Bhutan. Also, he was director on the Boards of the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and West Bengal Power Development Corporation Limited.

He holds directorship of your company, NIIT Limited, NIIT Technologies Limited, CMC Limited, UTI Bank Limited, Jubilant Organosys Limited and Andhra Pradesh Paper Mills Limited. He is chairman of Shareholders' Grievance Committee of CMC Limited, NIIT Limited and UTI Bank Limited, Member of Audit Committee of CMC Limited, NIIT Limited, NIIT Technologies Limited, Jubilant Organosys Limited and Andhra Pradesh Paper Mills Limited.

Mr. Bhupindar Singh

Mr. Bhupindar Singh is an MBA from Delhi University with more than 38 years of experience in the industry. He is a Fellow member of Institute of Management -U.K and is also Fellow member of Institute of Directors-U.K. He has held several senior positions in the industry including the chairman and Managing Director of State Trading Corporation of India (STC), Executive Director of MMTC Limited, Ex-officio Director of National Minerals & Development Corporation Limited (NMDC) and Chairman of Asia Regional Bureau of ASTRO, Yugoslavia. He was Member Task Force of Trading and Service Sector- set up by Department of Public Enterprise (Ministry of Heavy Industry) for 3 years. Presently, Mr. Singh is advisor to ETA-Dubai, Herbalife, smw Entertainers (P) Ltd., CD Biotech Ltd. and Sangeet Natak Academy.

Mr. Singh has vast experience in marketing consultancy, Projects and Finance.

He holds directorship of your company, Amulet International Private Limited, Emmsons Ltd., Manjira Hotels & Resorts Limited and is also a nominee director of Bharat Electronics Limited. He is also chairman of Audit Committee of your company.

Ms. Pallavi S Shroff

Ms. Pallavi Shroff is an MMS and Bachelor of Law. She is a partner with Amarchand & Mangaldas & Suresh A Shroff (Advocates & Solicitors), one of the leading and largest Corporate Law firms in India. As a partner with the Firm Ms. Shroff has vast experience in the areas of Corporate and Commercial Litigation, Power Litigation, Telecoms Litigations, Anti- Dumping, International and Domestic Arbitration, Competition and Anti Trust, Company Law and Intellectual Property.

She has handled large corporate litigations pertaining to Corporate Takeovers, Family Disputes, Constitutional matters, Domestic and International Commercial Arbitration Issues, Anti- Dumping and subsidies issues and also Civil Law and Public Law Issues. She is regularly called upon by the government departments and ministries to advise them on various issues.

Ms. Shroff has been recognized by international publications for her leading practice in arbitration and dispute resolution. As a member of several high-powered committees appointed by Government of India, she has been closely associated with the formulation of several important commercial statutes.

She holds directorship of your company, Juniper Hotels Private Limited, Maruti Udyog Limited, Kotak Mahindra Old Mutual Life Insurance Limited and Abhishek Industries Limited and also Member of Audit Committee of Abhishek Industries Limited, Juniper Hotels Private Limited, Kotak Mahindra Old Mutual Life Insurance Limited and Maruti Udyog Limited.

Dr. Anuradha Mishra

Dr. Anuradha Mishra is PhD, D.Sc and Post Graduate in Science. She is working as Reader in Department of Chemistry, University Institute of Engg. And Tech. and has written several Journals and also has 16 years of Research Experience. She is holding directorship of your company and AVPDEC Private Limited and also member of Audit Committee of your company.

Mr. Nalin Satykam Kohli

Mr. Nalin Satykam Kohli is an MBA and Law graduate. He is Director of Vidya Sanskar-International School for Holistic Learning. He is well known media professional. A former prime time English news anchor on Doordarshan (India's National Television Channel) from 1994 to 2002, he has over 2000 hours of live and recorded broadcasting experience on his credit including news presentation, election analysis, commentaries on important events, on-panel discussions, special assignments and radio commentaries among others. Nalin has also produced and directed over 100 hours programming on a variety of subjects and styles. He holds directorship of your company, Kohli Edutech Private Limited, Global initiative Private Limited, Vidya Edutech Private Limited and Shishya Edutech Private Limited and is member of Shareholder's Grievance Committee of your company.

Mr. Rajeev Shankar

Mr. Rajeev Shankar is a Bachelor in Arts and has done MBA in Public Administration. He is a businessman and holds directorship of your company and Dakshineshwari logistic and services private Limited.

B. COMMITTEES OF THE BOARD

Audit Committee

The company has constituted an Audit Committee of Directors in accordance with the requirements of Sec 292A of the Companies Act 1956 read with Clause 49 of the Listing Agreement.

Presently, the Audit Committee of the company comprises of three Non-Executive Members, out of them two are Independent Directors. Mr. Bhupindar Singh, Chairman of the Committee is an Independent, Non-Executive Director. Other members are Mr. Rajiv Shukla, Non-Executive Director and Dr. Anuradha Mishra, Independent Non-Executive Director. The Company Secretary acts as the Secretary of the committee.

The Finance Head and Internal Auditor were present in the Audit Committee meetings as stipulated in the code. The representative of external auditors also participated in Audit Committee Meeting held for review of Annual Accounts. Further the Chairman of the committee was also present in the Annual General Meeting.

During the last financial year, six Audit Committee Meetings were held and attended as per table below:

Meeting & Attendance during the Financial Year 2006-2007

Name	Date of Audit Committee Meeting					
	03.06.06	27.07.06	31.10.06	15.01.07	30.01.07	20.02.07
Mr. Rajiv Shukla	Present	Absent	Present	Present	Present	Present
Mr. Bhupindar Singh	Present	Present	Present	Present	Present	Present
Dr. Anuradha Mishra	Present	Present	Absent	Absent	Absent	Absent

The meeting scheduled for 26th May 07 could not be held for want of quorum.

Terms of reference

The role of the Audit Committee encompasses the activities as given below:

- (a) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- (b) Recommending to the Board, the appointment, re-appointment and removal or replacement of the statutory auditor and fixation of audit fees and also approval of payment for any other services.
- (c) Reviewing, with the management the annual financial statements before submission to the Board, focusing primarily on (i) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956, (ii) any changes in accounting policies and practices and reasons for the same (iii) major accounting entries involving estimates based on exercise of judgment by management (iii) Significant adjustments made in the financial statements arising out of audit findings, (iv) Compliance with listing and other legal requirements relating to financial statements (v) Disclosure of any related party transactions, (vi) qualifications in draft audit report
- (d) Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- (e) Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- (f) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
- (g) Discussion with internal auditors, any significant findings and follow up there on.
- (h) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of material nature and reporting the matter to the Board.
- (i) Discussion with statutory auditors before the audit commences, nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- (j) To look into the reasons for substantial defaults in the payment to the depositors, debenture-holder, shareholders (in case of non-payment of declared dividends) and creditors.
- (k) Discussion with the auditors periodically about internal control system, the scope of audit including the observations of the auditors and review of the half-yearly and annual financial statements before submission to the Board and also ensuring compliance of internal control systems.
- (l) To investigate into any matter in relation to the items specified above and referred to it by the Board and for this purpose, shall have full access to information contained in the records of the company and external professional advice, if necessary.

Shareholder's/ Investors Grievance Committee cum Share Transfer Committee

The Board of Directors of the Company has constituted Shareholder's Grievance Committee of Directors for redressing shareholders' and investors' complaints in order to provide the best services to the investors and shareholders. The Board has delegated the power of redressal of Investor Grievances to Registrar and Share Transfer Agent who specifically looks into redressing of shareholders' and investors' complaints and queries and processes the grievance within the period of 7 days from the date of receipt. This has been done to integrate the whole process i.e. the Dematerialisation, rematerialisation, share transfer, issue of duplicate share certificate shares, non- receipt of shares, non-receipt of balance sheet, non receipt of dividend or revalidation of dividend and any other query related with the shareholders or beneficiary holders so as to bring it under one roof.

The Board has designated Company Secretary as the compliance officer of the Company

Presently, the Committee consists of three members viz Mr. Rajiv Shukla-Chairperson, Non-Executive Director, Ms. Anuradha Prasad- Executive Director, and Mr. Nalin Satyakam Kohli-Non-Executive Director.

The committee oversees the performance of the Registrar and Transfer Agent, and recommends measures for overall improvement in the quality of Investor services. During the financial year, the Committee met four times.

Total number of complaints/grievances received during the financial year was two and both of them have been redressed/ answered to the satisfaction of shareholders. There was no investor grievance remaining unattended or pending as on 31st March, 2007.

C. REMUNERATION OF DIRECTORS

Apart from receiving sitting fees, Independent Directors do not have any other material pecuniary relationship or transactions with the company, its promoters, and its management, which in the judgment of the Board may affect independence of judgment of Directors.

Company is not paying any remuneration to the Non-Executive Directors. However, during the year the company has paid a sum of Rs. 28,02,300 to Mr. Rajiv Shukla, a non-executive director for rendering professional services for content monitoring of News programmes. During the year the Company paid sitting fees to Non-Executive Directors for attending meeting. The sitting fees paid for the year ended 31st March 2007 to the Directors are as follows:

Details of Sitting Fees paid to the Directors

Name of the Directors	Sitting Fees (in Rs.)
Ms. Anuradha Prasad	—
Mr. Rajiv Shukla	65,000
Mr. Surendra Singh	25,000
Mr. Bhupindar Singh	65,000
Ms. Pallavi S Shroff	00
Dr. Anuradha Mishra	20,000
Mr. Nalin Satykam Kohli	35,000
Mr. Rajeev Shankar	10,000

Company is not paying any sitting fees to Ms. Anuradha Prasad- Executive director of the company. Remuneration paid to Ms Anuradha Prasad, Executive Director of the company is given in the notes to the Accounts.

D. DISCLOSURES

- During the previous financial year there was no transaction of material nature with the directors or relatives or its subsidiaries that have potential conflict with the interest of the company.
- There have been no instances of non-compliance by the company on any matter related to capital market and no penalties or strictures been imposed by SEBI or the Stock Exchanges.

During the year the company has allotted 20250000 shares in its Board Meeting dated 28th February 2007, to Mr. Sameer Gehlaut, at the rate of Rs. 13/- per share including the premium of Rs. 11/- as Preferential Allotment thereby raising Rs. 26,32,50,000/-. The approval for the same was obtained in the meeting of shareholder dated 13th February 2007. The company further raised Rs. 26,15,60,000/- vide another preferential allotment of 13078000 equity shares, approved in the Extra Ordinary General Meeting dated 22nd March 2007. The said shares were allotted in the Board Meeting dated 04th April 2007.

E. MEANS OF COMMUNICATION

The Company publishes its quarterly, half yearly and yearly financial results in leading national newspapers like Business Standard and Veer Arjun. The Company also sends the financial results to the Stock Exchanges immediately after its approval by the Board.

The Company has its own web-site and all vital information relating to the company and its performance, including quarterly results and presentation to analysts are posted on the website www.bagfilms.com.

F. GENERAL BODY MEETINGS

The details of General Meetings of shareholders held in last three years are as under:

Year	Date	Location	Time
2006-2007	March 22, 2007	Air force Auditorium, Subroto Park, Delhi Cantt, New Delhi-110 010	12.30 P.M.
2006-2007	February 13, 2007	Air force Auditorium, Subroto Park, Delhi Cantt, New Delhi-110 010	11.00 A.M.
2005-2006	September 20, 2006	Air force Auditorium, Subroto Park, Delhi Cantt., New Delhi-110 010	4:00 P.M.
2004-2005	September 13, 2005	Air force Auditorium, Subroto Park, Delhi Cantt., New Delhi-110 010	4:00 P.M.
2003-2004	September 27, 2004	Executive Club, 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi- 110 030	10:00 A.M.

- (i) Several resolutions were proposed in the above said meetings and duly passed by show of hands. At the ensuing Annual General Meeting there is no resolution to be passed by Postal Ballot.

G. SHAREHOLDER INFORMATION

Annual General Meeting

- Date 27th August 2007
- Time 12:30 P.M
- Venue FICCI Auditorium, Federation House,
Tansen Marg, New Delhi-110 001

Financial Calendar for 2007-2008:

(Tentative and subject to change)

Financial Year Ending:	31st March
First Quarter Results (June, 2007):	Last week of July, 2007
Half Yearly Results (September, 2007):	Last week of October, 2007
Third Quarter Results (December, 2007)	Last week of January, 2008
Fourth Quarter Results (March, 2008)	Mid June 2008
Approval of Audited Accounts (2007-2008)	Mid June 2008

Book Closure Date 20th August 2007 to 27th August 2007

Dividend Payment Date 31st August 2007

Dematerialization of shares and liquidity As at 31st March 2007, 72.16 % of fully paid up Equity Share Capital and 70.30 % of partly paid equity share capital are held in electronic form with NSDL and CDSL

Registrar and Transfer Agent Alankit Assignments Limited
Alankit House
2E/21, Jhandewalan Extension,
New Delhi-110055
011-42541234, 23541234

Registered Office C-4, Shivalik, Near Malviya Nagar Market, New Delhi-110 017

Corporate Office FC-23, Sector 16A, film City, Noida- 201 301

Compliance Officer Mr. Rajeev Parashar
Contact No. 91-120-3911444 & 3911555
e-mail ID : rajeev.parashar@bagfilms.com
Fax No. 91-120-3911401

Listing on Stock Exchanges & Stock Code

- National Stock Exchange of India Limited (BAGFILMS)
- Bombay Stock Exchange Limited (532507) (BAG FIL MED)
- Delhi Stock Exchange Association Limited.

Market Price Data

Month	NSE		BSE	
	Highest Rates (Rs.)	Lowest Rates (Rs.)	Lowest Rates (Rs.)	Lowest Rates (Rs.)
April 2006	12.60	10.80	12.60	10.60
May 2006	12.90	08.35	12.95	8.44
June 2006	10.90	07.90	10.59	7.78
July 2006	9.00	7.70	8.95	7.70
August 2006	10.50	7.90	10.40	7.82
September 2006	10.80	9.00	10.90	9.01
October 2006	11.40	8.95	11.43	8.63
November 2006	9.95	8.20	9.99	8.30
December 2006	9.95	7.50	9.20	7.60
January 2007	23.25	8.75	23.14	8.80
February 2007	28.95	16.85	28.35	16.70
March 2007	32.50	21.85	32	21.75

Distribution of Shareholdings as on March 31, 2007.

Category	No. of Shares	Percentage of Holding
Promoters and Promoters Group Holding		
Promoters - Indian Promoters	29702658	36.97
- Foreign Promoters	—	—
Persons acting in concert	—	—
Sub Total	29702658	36.97
Non Promoters Holding		
Institutional Investors	—	—
Mutual Fund and UTI	94215	0.12
Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions/Non Govt. Institutions)	—	—
FII's	1407769	1.75
Sub Total	1501984	1.87
Others		
Private Corporate Bodies	11194008	13.93
Indian Public	37221731	46.33
NRI's/OCB's	649715	0.82
Any Other	64994	0.08
Sub Total	49130448	61.16
Grand Total	80335090	100.000

Shareholding of Non- Executive directors in the company as on March 31, 2007

Name of Non-Executive Director	No. of shares	Percentage of holding
Mr. Rajiv Shukla	10461298	13.02
Mr. Surendra Singh	NIL	NIL
Mr. Bhupindar Singh	NIL	NIL
Ms. Pallavi S Shroff	NIL	NIL
Dr. Anuradha Mishra	NIL	NIL
Mr. Nalin Satyakam Kohli	80000	0.099
Mr. Rajeev Shankar	NIL	NIL

H. COMPLIANCE

The Certificate dated 26th June 2007 obtained from our Statutory Auditors M/s Joy Mukherjee & Associates forms part of this report.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

We have examined the compliance of the conditions of Corporate Governance by B.A.G Films And Media Limited ("the Company") for the year ended on March 31, 2007 as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges in India.

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

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

On the basis of our review and according to the information and explanations given to us, we state that in respect of investor grievances received during the year ended March 31, 2007, no investor grievances are pending against the Company.

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 Joy Mukherjee & Associates
Chartered Accountants

Joy Mukherjee
Partner
Membership No. 74602

Place: Noida
Date: 26th June, 2007

TO WHOMSOEVER IT MAY CONCERN

We have examined the compliance of conditions of Corporate Governance of B.A.G. Films & Media Limited for the year ended March 31, 2007 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the officials of the Company, we hereby, in compliance of conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing certify that:

- a. We have reviewed financial statements and the cash flow statement for the year.
- b. Based on our knowledge and information these statements do not contain any untrue statement or omit any material fact or contain statements that might be misleading with respect to the statement made.
- c. Based on our knowledge and information the financial statements and other financial information included in this report present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- d. To the best of our knowledge and belief, no transaction entered into by the company during the year are fraudulent, illegal or violative of the company's code of conduct.
- e. We are responsible for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- f. We further certify that
 - i) There is no significant change in internal control over financial reporting during the year and any addition or modification if any, have been intimated to the audit committee;
 - ii) There is no significant change in accounting policies during the year.
 - iii) There is no instance of significant fraud of which we have become aware and the involvement therein, of the management or an employee having a significant role in the company's internal control system over financial reporting.
- g. We, further declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

Place: Noida
Date: 26th June, 2007

Anuradha Prasad
(Managing Director)

Gulab Makhija
(V.P-Finance)

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A. INDUSTRY STRUCTURE AND DEVELOPMENTS

A stable political and economic climate, robust GDP growth of over 8.9% p.a. and strengthening forex reserves close to US\$ 180 billion, the Indian economy is clearly on a strong growth path. And the media sector is definitely not lagging behind. New opportunities have been created with the recent relaxation of the regulatory environment with respect to overseas investments in the entertainment and media sector.

The FICCI Frames PwC report 2007 indicates that the entertainment and media industry is poised to grow at an annual compounding rate of 18% per annum over the next five years. In the last year, the industry has grown by 20 percent. The Entertainment and Media industry is projected to grow from an estimated Rs.437 billion to Rs. 1 Trillion in 2011, translating into a cumulative growth of 18% over the next five years.

Entertainment & Media industry has also witnessed several diversification activities, foreign investment of over Rs.4 Billion in the last three years and several private equity players in the past two years. -Source: FICCI Frames PwC Report-2007

In FY 2007 your Company has continued to endeavour to strengthen its position across all its business segments by leveraging its proven strengths in content and ideating while simultaneously taking advantage of the numerous opportunities thrown open by the advancements in technology, broadcasting and customized content.

Programming

Television continues to be a key communication medium in India.

Your Company's performance in the segment has been encouraging with a combination of long running programmes and new launches with 626 hours of programming in the financial year 2006-07

Kumkum, the continuing Star Parivaar award-winning daily afternoon soap has completed over 1000 episodes. The TRP ratings continue to remain consistently high with the serial enjoying the high viewership in the afternoon time slot.

The serial also bagged two reputed STAR Parivaar Awards 2006, as under:

- Best Patni Award - Kumkum (Juhi Parmar)
- Best Pati Award - Sumeet (Hussain)

The serial also bagged Best Camera person award in Indian Telly Awards, 2006

Other serials in entertainment category include Who Hue Na Hamare on Doordarshan ,newly launched Yeh Vaada Raha on ARY Channel,Dubai and soon to be launched Ankhiyon Ke Jharokhon Se on Star Plus.

B.A.G. Films has sustained its strong position in the 'News and Current Affairs' genre too. Some of the most popular news based programmes are today developed by your Company. Sansani, a daily crime show, Poll Khol, a tongue in cheek political satire, Red Alert, an news analytical show and Kaun Hai, a exploration into haunted places on STAR News Channel. All these programmes have garnered high viewership. Poll Khol got the best current affairs/ news show award in Hero Honda Academy Award, 2006.

Rozana and Khabrien Bollywood Ki telecast on Doordarshan channels also enjoy a top tier rating in terms of viewership.

The television segment is expected to grow from its present estimated size of Rs 191 billion to Rs 519 billion over the next 5 years, according to a FICCI Frames PwC report -2007. B.A.G. Films continues to demonstrate its ideated innovations across all the well-linked broadcasters of the country viz. Star Network, Sony Entertainment Television, Doordarshan, Zoom Television, Sahara Network, ARY channel and Media Content and Communications (India) Private Limited. This widespread presence promises the viewers with more diversity over the years ahead.

Feature Films

The Indian film industry is the largest in the world in terms of number of films produced and number of tickets sold annually. There has been a visible increase in corporatization in the spheres of film production, film exhibition and marketing. Availability of institutional finance as well as emergence of new revenue streams has significantly reduced the risk of piracy and quality of prints. With this, the business is said to grow at a CAGR of 16% in the next three years.

B.A.G. Films has espoused a portfolio approach, focussing on production of medium and low budget Hindi and regional films, studying the favourable risk return ratio for these films. Your Company has exploited the increase in corporatization of the industry by following the philosophy of content creation with talented script writers and directors.

Your Company produced three feature films during the year which include Zindaggi Rocks, Mannat (in Punjabi) and Ami, Yaseen aur Amaar Madhubala(in Bengali).

Zindaggi Rocks starring former Miss Universe Sushmita Sen, Shinee Ahuja, Maushmi Chatterji and Kim Sharma and directed by Tanuja Chandra and music composed by Anu Malik was released in India and overseas in the month of October, 2006. Similarly Mannat starring Jimmy Sheirgill, Kulraj Randhawa, Kanwaljeet Singh and Deep Dhillon and directed by Gurbir S. Grewal and music composed by Jaidev Kumar was released in Punjab territory in India and overseas in the month of October, 2006.

Ami, Yaseen aur amaar Madhubala starring Prasanjit and Samira Reddy and Directed by Internationally acclaimed director Budhadeb Das Gupta is complete and is expected to be released before the end of the calendar year 2007. The world premiere of the film, to be presented under masters category, is going to be held in the Toronto International Film Festival, 2007 to be held on September 6-15, 2007.

Media School

Your Company has been providing media education through its media school iSOMES (International School of Media & Entertainment Studies) in collaboration with Missouri School, U.S.A. Recently Isomes has also entered into a Memorandum of Understanding with FTII, Pune for exchange of curricula and faculty wherein the students of both the institutes shall benefit immensely.

During the period under review, iSOMES, the incubator of talent further set to commence a clutch of three short term courses, which comprises:

- Camera workshop (Three months, full time)
- Editing workshop (Three months, full time)
- Radio jockey (Three months, full time)

The other long term courses offered by the Company comprise:

- Post Graduate full time Diploma in Broadcast Journalism
- Post Graduate Diploma in Television (Production and Direction)
- Post Graduate Diploma in Media Management

Apart from this, iSOMES also conducts workshops for school children in disciplines such as Television appreciation, Theatre and Acting. The school offers a full-fledged course with theory and practical work.

New Media

With technological advancements and growing penetration of mobiles, personal computers, laptops and the internet, segments like animation, internet advertising and gaming are witnessing an unprecedented growth. Television content is becoming interactive with extensive internet usage and live entertainment growing at a fast-clip; organized players are exploiting these emerging segments waiting to be explored by private players in the entertainment arena.

B.A.G. Films is working with various telecom service providers to create dedicated video content for its mobile phone network capable of handling streaming video. Your Company has exploited the wireless handheld devices by delivering through different technology-services such as Interactive Voice Response (IVR), automatic speech recognition and short-term messaging service platforms in Hindi, English, Tamil, Telugu and Kannada.

Your Company presently works with most of the leading mobile service providers in the country providing the below mentioned offerings:

Nature of content	Details
Voice based	News, Cricket, Sports, Bollywood gossip, Astrology, Jokes
SMS	News, Cricket, Business, Sports, Gossip
XML (Extended markup language)	Location guide for ATM, hospitals, embassies, restaurants, etc., TV Guide (NDTV/Star), Recipes, Airline /Railway enquiry
Video streaming	Lakme Fashion Week, Movie trailers

While the current offerings and revenues of B.A.G. Films is considerably modest, there is no denying the potential, given the rapid digitalization of content, falling bandwidth prices and growing demand of the end-users.

Radio

FM Radio Broadcasting services has been witnessing a sea-change ever since the key policy initiatives were made by the Government in 2005, keeping in mind the liberalization of the policies made relating to migration to a revenue share regime, allowing foreign investment into the segment and opening of licenses to private players. This would aid to unlock the latent potential of Indian radio. As per the FICCI report this year, the radio industry is projected to quadruple its growth at a CAGR of 28% within the next four years from the current size of Rs. 5 billion to Rs.17 billion.

B.A.G. Films has set up a subsidiary - B.A.G. Infotainment Private Limited for its FM foray. With this, your Company has bagged the FM Radio rights for Haryana, Himachal Pradesh, certain parts of Punjab, Bihar, Jharkhand, Maharashtra and Madhya Pradesh. The objective is to provide non-stop entertainment to a total of 10 cities, viz. Hissar, Karnal, Shimla, Patiala, Muzaffarpur, Ranchi, Ahmednagar, Jalgaon, Dhule and Jabalpur.

There is a lot more scope of growth for your Company since 245 licenses have been given out by the Indian government for FM radio channels in 87 cities and the bidding for the next phase of expansion is soon expected to be announced for over 90 licenses in 47 cities. New concepts like satellite, internet and community radio have also begun to hit the market.

Animation

Animation and gaming industry is estimated to have a current size of Rs. 13 billion which is expected to grow to Rs. 57.5 billion by 2011 -source FICCI FRAMES PwC2007

Your Company has setup a new venture - Sieun and BAG Animation (P) Limited which is a joint venture between your Company and Sieundesign of South Korea. Animation Studio at the convergence studio complex in Noida has already been setup with 50 seats and the work on a television series has started from the facility under the supervision of people from Sieundesign. This company has also forayed into gaming and proposes to launch an Animation Academy under iSOMES.

Broadcasting

Your Company has already applied for uplinking license for launch of News and Entertainment Channels through its subsidiaries B.A.G. Glamour (P) Limited and B.A.G. Newline Network (P) Limited wherein your Company proposes to launch news channels under B.A.G. Newline Network (P) Limited and Entertainment Channels under B.A.G. Glamour (P) Limited. These television channels are expected to be launched before the end of the calendar year 2007.

B. OPPORTUNITIES AND THREATS

Your Company has a diversified business model in media and entertainment sector and the revenue is expected to come from various segments across various levels of the value chain. The diversified business model of the Company will provide scalability apart from spreading the risk profile of the overall business. The key focus area would continue to be (1) Television content (2) Broadcasting services (3) feature film production (4) FM radio (5) Animation & gaming.

The Company is well poised to take advantage of opportunities in the Media and entertainment sector in India. In the television space, addressability in the Indian market is expected to provide great opportunities for growth. With the advent of new addressable systems like DTH, IPTV etc., a number of new players are expected to launch several new channels including niche channels. These channels would require a lot of home grown content.

In the broadcasting segment, increased penetration of Indian homes have provided impetus to the growth of the Indian television industry. New distribution avenues like DTH, mobile TV etc. have the potential for increased revenue. Addressability through CAS and DTH also mean that the problem of under declaration of subscribers by cable operators would eventually come to an end, thereby ensuring a greater subscription pie.

In the feature film segment, increased number of multiplexes and new distribution platforms like IPTV, DTH etc. increase the demand for feature films. Increased penetration of DVD players in the country is expected to enhance the demand for movie content further. New avenues like mobile entertainment and video-on-demand (VOD) are expected to play an important role in the years to come.

In the FM Radio segment, additional impetus has been provided with the emergence of newer concepts like satellite, internet and community radio. With the liberalization of the radio sector by the Government announcing the roll out of second phase of FM licensing, all the cities which either never heard the radio or were used to listen to All India Radio (AIR), would witness FM Radio for the first time in most of these cities. The switch from a fixed licensing regime to a revenue sharing model has contributed significantly to the increased profitability of the Radio channels.

In the Animation segment, so far most of the work flowing to India is outsourced work which contributes 70% of the total revenue. With a successful launch of a 2D animated film "Hanuman" people have realized the potential of the animated feature films. Many players have entered into this segment in expectation for the increased pie. Over the next four years, the growth in domestic demand for TV/ Broadcast animated content is projected to grow at a CAGR of 49.5 percent. - source FICCI Frames PwC -2007

Similarly gaming segment also has huge potential. The market size of the Mobile gaming is expected to grow at a CAGR of 69.5 percent from 2006 to 2010. This is also due to the increase number of mobile phones in India wherein the mobile subscribers in India are growing at a CAGR of 53.7 percent from 2002-2010. Even the PC and Console gaming market is expected to grow at an impressive CAGR of 75.2 percent. - source FICCI Frames PwC -2007

Your Company operates in a very competitive environment. Apart from it global content coming to India also poses challenges. Changes in the Government regulations or any change in the legislative intent to bring about addressability could adversely impact growth plans. Piracy continues to be a major threat for the feature film and PC gaming.

C. SEGMENT WISE PERFORMANCE

The segment wise performance has been shown elsewhere in the Annual Report.

D. OUTLOOK

The Indian Media and Entertainment Industry has outperformed the Indian Economy and it is expected to be the fastest growing industry in India. The FICCI Frames PwC 2007 Report indicates that the Entertainment and Media industry is currently estimated at Rs.437 billion and expected to grow at a CAGR of 18 percent over the next five years.

With rapid technological advancement of broadband access and Internet Protocol, convergence will play a fundamental role in the development of the Indian entertainment and media industry. There will be a new approach to the consumer needs to 'Lifestyle Media' where consumers will be the sovereign and would maximize their limited time and attention to create a rich and personalized media environment.

With the growth of new delivery platforms like Direct-to-Home transmission and Conditional Access System, we can expect to see the industry offering niche and specialized programming. While mass entertainment channels continue to enjoy maximum viewership and penetration, news channels have witnessed surge in viewer ship in the last couple of years.

Additionally, India also offers a huge base for growth in the home video segment. The country boasts of having over five million home video and DVD subscribers. With the current penetration levels, the home video segment offers ample growth opportunity. It is expected to grow over 30 per cent in the next five years.

After the liberalization of the radio segment by opening FM Radio licenses under the phase II FM Radio policy initiative, the demand for the content for radio through new platforms i.e. Satellite, internet and community Radio is expected to surge.

Your Company enjoys a presence in all these segments. With so many opportunities to leverage the future looks attractive.

E. RISK AND CONCERN

The Company has consistently endeavoured to minimize or alleviate all forms of risks or threats to the business by ensuring adequate preparedness at all times.

With viewers taste and preferences continuously changing, the popularity of a programme is not always guaranteed. Your company addresses this most important industry specific risk by investing considerable time and energy in an effort to have new concepts and new programs ready to replace a program whose popularity is falling. Other than this industry specific risk, the Company addresses all other business risks through proactive risk management strategies considered standard in the industry and the Indian business environment.

F. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The CEO and V.P-Accounts & Finance Certification provided elsewhere in the report discusses about the adequacy of our internal control systems and procedures.

G. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The details of the financial performance of the Company are appearing in the Balance Sheet, Profit & Loss Account and other financial statements appearing separately. Please refer the Directors' Report for highlights.

H. MATERIAL DEVELOPMENT IN HUMAN RESOURCES

B.A.G aims to recruit and retain quality professionals and provide them with a high performance environment. Knowledge and intellectual assets are being strategically shared across B.A.G. At B.A.G, we have understood the potential of the human resource and its contribution to the financial standing of your company. Therefore, the human asset is highly valued and regarded by your company. No effort is spared to provide the employees with a healthy work environment and all assistance is rendered in order to bring-out the best in each one of them. Recently your Company passed a resolution in the Extraordinary General Meeting held on 13th February, 2007 approving the BAGESOP Scheme wherein it was proposed to issue as many stock options to all the employees of the Company and its subsidiaries, which could give rise to the issue of equity shares of the Company not exceeding ten million equity shares. The main objective of the scheme is to give employees, who are performing well, an opportunity to gain from the Company's performance thereby acting as a retention tool and to attract best talent available in the market.

AUDITOR'S REPORT

To The Members of
B.A.G Films & Media Limited
(Formerly known as B.A.G Films Limited)

1. We have audited the attached Balance Sheet of B.A.G Films & Media Limited, as at 31st March, 2007 and Profit and Loss Account for the year ended on that date annexed thereto, and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of "The Companies Act, 1956" of India (the "Act") and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of 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 account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the Directors of the Company, as on 31st March, 2007 and taken on record by the Board of Directors of the Company, none of the Directors of the Company is disqualified as on 31st March, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) Section 274 of the Act;
 - (f) In our opinion, and to the best of our information and according to the explanations given to us, the said Financial accounts, read with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For and on behalf of Joy Mukherjee & Associates
Chartered Accountants

Joy Mukherjee
Partner
Membership No. 74602

Place: Noida
Dated: 26th June 2007

ANNEXURE TO AUDITOR'S REPORT

[Referred to in paragraph 3 of our Report of even date]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
(b) The fixed assets are physically verified by the management during the year in a phased periodical manner, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies between the book records and the physical inventory have been noticed.
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. (a) The inventory of video tapes and films has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of physical verification of inventory of video tapes and films followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. (a) The Company has not granted any loans, secured or unsecured, to Companies, firms or other parties covered in the Register maintained under Section 301 of the Act. Accordingly, clauses (iii)(b) to (iii)(d) of paragraph 4 of the Order are not applicable to the Company for the current year.
(b) The Company has not taken any loans, secured or unsecured, from Companies, firms or other parties covered in the Register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of television serials. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act, if any, have been entered in the register required to be maintained under that section.
(b) In our opinion and according to the information and explanations given to us, having regard to the fact that the items sold/ services rendered/received are of a special nature and suitable alternate sources do not exist for obtaining comparative quotations, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time or the prices at which the transactions for similar goods have been made with other parties.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of business.
8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company as the Company is not involved in any manufacturing activity.
9. (a) According to the records of the Company, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues where applicable have been generally, regularly deposited with appropriate authorities. According to the information and explanations given to us, none of the undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2007 for a period of more than six months from the dates of becoming payable.
(b) According to the information and explanations given to us, there are no cases of non-deposit with appropriate authorities of disputed dues of sales tax, income tax, custom duty, wealth tax, service tax, excise duty and cess.
10. The Company has no accumulated losses as at 31st March 2007 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.

12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. In our opinion and according to the information and explanations given to us, term loan obtained during the year were applied for the purpose for which the loan was obtained.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-terms 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 during the year except to M/S Anu Films & Communications (P) Limited defined as promoter group as per details in note no. 5.1 in the notes to the accounts. Other preferential allotments have also been made as per the details in note no. 5.2 and 5.3 in the Notes to the Accounts.
19. The Company has not issued any debentures.
20. During the year, the Company has not raised money by public issue(s).
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For and on behalf of Joy Mukherjee & Associates
Chartered Accountants

Joy Mukherjee
Partner
Membership No. 74602

Place: Noida
Dated: 26th June 2007

BALANCE SHEET AS AT 31ST MARCH 2007

PARTICULARS	SCHEDULE	MARCH 31, 2007 (Amt.in Rs.)	MARCH 31, 2006 (Amt.in Rs.)
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS			
CAPITAL	A	199,480,039	119,687,539
RESERVES & SURPLUS	B	<u>813,937,209</u>	<u>344,424,839</u>
		1,013,417,248	464,112,378
LOAN FUND			
SECURED LOANS	C	4,868,600	104,304,055
DEFFERED TAX LIABILITY		<u>14,790,934</u>	<u>8,439,659</u>
		<u>1,033,076,782</u>	<u>576,856,092</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
GROSS BLOCK	D	374,542,281	292,550,061
Less: DEPRECIATION		<u>93,504,898</u>	<u>65,446,324</u>
NET BLOCK		281,037,383	227,103,737
Add: CAPITAL WORK IN PROGRESS		<u>50,511,010</u>	<u>62,455,756</u>
		331,548,393	289,559,493
INVESTMENTS	E	298,893,799	141,485,248
CURRENT ASSETS, LOANS& ADVANCES			
CASH & BANK BALANCES	F	277,309,099	29,499,244
CLOSING STOCK		102,265,929	96,828,928
SUNDRY DEBTORS		164,804,683	67,061,222
LOANS & ADVANCES		<u>62,393,006</u>	<u>26,886,003</u>
		<u>606,772,717</u>	<u>220,275,397</u>
LESS: CURRENT LIABILITIES & PROVISIONS	G		
CURRENT LIABILITIES		167,017,621	67,481,794
PROVISIONS		<u>53,096,358</u>	<u>29,052,552</u>
		<u>220,113,979</u>	<u>96,534,346</u>
NET CURRENT ASSETS		386,658,738	123,741,051
MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)	H	15,975,852	22,070,300
		<u>1,033,076,782</u>	<u>576,856,092</u>

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

P

THE SCHEDULE REFER TO ABOVE ARE AN INTEGRAL PART OF THE BALANCE SHEET

AS PER OUR SEPARATE REPORT OF EVEN DATE

ON BEHALF OF THE BOARD

JOY MUKHERJEE
PARTNER
MEMBERSHIP NO.74602
FOR AND ON BEHALF OF
JOY MUKHERJEE & ASSOCIATES
CHARTERED ACCOUNTANTS

ANURRADHA PRASAD
(MANAGING DIRECTOR)

RAJIV SHUKLA
(DIRECTOR)

RAJEEV PARASHAR
(COMPANY SECRETARY)

PLACE: NOIDA
DATE : 26TH JUNE 2007

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

(Amt.in Rs.)

PARTICULARS	SCHEDULE	FOR THE YEAR ENDED MARCH 31, 2007	FOR THE YEAR ENDED MARCH 31, 2006
INCOME			
SALES & SERVICES	I	441,424,652	423,876,421
OTHER INCOME	J	17,000,302	17,409,785
INCREASE IN STOCKS		5,437,001	47,434,167
TOTAL		463,861,955	488,720,373
EXPENDITURE			
COST OF PRODUCTION	K	301,427,480	342,617,105
PERSONNEL COST	L	16,903,667	13,850,718
ADMINISTRATIVE EXPENSES	M	37,850,991	44,799,580
FINANCIAL CHARGES	N	14,691,673	7,079,410
MISC. EXPENSES WRITTEN OFF	O	8,715,486	6,364,118
DEPRECIATION		28,058,574	26,105,964
TOTAL		407,647,871	440,816,895
PROFIT BEFORE TAXATION		56,214,084	47,903,478
PROVISION FOR TAX (INCLUDING WEALTH TAX)		13,823,368	14,163,808
FRINGE BENEFIT TAX		2,263,605	2,839,860
DEFERRED TAX		6,351,275	257,456
		22,438,248	17,261,124
PROFIT AFTER TAXATION		33,775,836	30,642,354
ADJUSTMENT RELATING TO EARLIER YEARS		(1,105,737)	(4,480,184)
BALANCE BROUGHT FORWARD		69,347,340	56,777,508
AVAILABLE FOR APPROPRIATIONS		102,017,439	82,939,678
PROPOSED DIVIDEND		18,682,618	11,920,490
CORPORATE DIVIDEND TAX		3,175,111	1,671,848
		21,857,729	13,592,338
APPROPRIATIONS			
SURPLUS TRANSFERRED TO BALANCE SHEET		80,159,710	69,347,340
		80,159,710	69,347,340
BASIC EARNINGS PER SHARE		0.55	0.51
DILUTED EARNINGS PER SHARE		0.54	0.51

**SIGNIFICANT ACCOUNTING POLICIES AND
NOTES TO ACCOUNTS**

P

THE SCHEDULE REFER TO ABOVE ARE AN INTEGRAL PART OF THE P&L A/C

AS PER OUR SEPARATE REPORT OF EVEN DATE

ON BEHALF OF THE BOARD

JOY MUKHERJEE
PARTNER
MEMBERSHIP NO.74602
FOR AND ON BEHALF OF
JOY MUKHERJEE & ASSOCIATES
CHARTERED ACCOUNTANTS

ANURADHA PRASAD
(MANAGING DIRECTOR)

RAJIV SHUKLA
(DIRECTOR)

RAJEEV PARASHAR
(COMPANY SECRETARY)

PLACE: NOIDA
DATE : 26TH JUNE 2007

SCHEDULES FORMING PART OF ACCOUNTS AS ON 31.3.2007

	MARCH 31, 2007 (Amt.in Rs.)	MARCH 31, 2006 (Amt.in Rs.)
SCHEDULE 'A': SHAREHOLDERS FUNDS		
SHARE CAPITAL		
AUTHORISED CAPITAL		
12,50,00,000 EQUITY SHARES OF RS. 2/- EACH (PREVIOUS YEAR 10,00,00,000 EQUITY SHARES @ Rs 2/- EACH)	<u>250,000,000</u>	<u>200,000,000</u>
ISSUED, SUBSCRIBED & PAID UP CAPITAL		
3,75,18,890 EQUITY SHARES OF RS. 2/- EACH FULLY PAID UP FOR CASH	75,037,780	75,037,780
2,02,50,000 EQUITY SHARES OF RS. 2/- EACH FULLY PAID UP FOR CASH IN PREFERENTIAL ALLOTMENT (PREVIOUS YEAR NIL) (REFER NOTE NO.P(II)(5.1))	40,500,000	—
FULLY CONVERTIBLE SHARE WARRANTS (PREVIOUS YEAR NIL) (REFER NOTE NO.P(II)(5.1))	13,000,000	—
22,566,200 EQUITY SHARES OF RS. 2/- EACH ISSUED AS BONUS SHARES BY CAPITALISING GENERAL RESERVES	45,132,400	45,132,400
	<u>173,670,180</u>	<u>120,170,180</u>
LESS: CALLS UNPAID	346,141	482,641
SHARE APPLICATION MONEY (PENDING ALLOTMENT) { REFER NOTE NO.P(II) (5.3)}	26,156,000	—
	<u>199,480,039</u>	<u>119,687,539</u>
SCHEDULE 'B': RESERVES & SURPLUS		
(A) PROFIT & LOSS		
AS AT APRIL 1	69,347,340	56,777,508
ADD:PROFIT AFTER TAX	33,775,836	30,642,354
ADD : ADJUSTMENTS RELATING TO EARLIER YEARS	(1,105,737)	(4,480,184)
LESS:PROPOSED DIVIDEND INCLUDING CORPORATE DIVIDEND TAX	21,857,729	13,592,338
	<u>80,159,710</u>	<u>69,347,340</u>
(B) GENERAL RESERVES		
AS AT APRIL 1	37,927,284	37,927,284
ADD: TRANSFERRED FROM PROFIT AND LOSS ACCOUNT	—	—
	<u>37,927,284</u>	<u>37,927,284</u>
(C) SHARE PREMIUM		
AS AT APRIL 1	239,080,779	239,080,779
ADD: PURSUANT TO PREFERENTIAL ALLOTMENT	222,750,000	—
LESS CALLS UNPAID	1,384,564	1,930,564
	<u>460,446,215</u>	<u>237,150,215</u>
(D) SHARE PREMIUM (PENDING ALLOTMENT) (REFER NOTE NO.(REFER NOTE NO.P(II)(5.3))		
	235,404,000	—
	<u>813,937,209</u>	<u>344,424,839</u>
SCHEDULE 'C': SECURED LOANS		
A. TERM LOAN FROM BANK		
YES BANK LTD.*	—	100,000,000
KOTAK MAHINDRA BANK LTD.**	—	2,291,667
	<u>—</u>	<u>102,291,667</u>
* SECURED BY CHARGE ON ALL MOVEABLE ASSETS EXCEPT THE EQUIPMENT HYPOTHECATED TO KOTAK MAHINDRA BANK LTD.		
** SECURED BY HYPOTHECATION OF SPECIFIC EQUIPMENTS		
B. VEHICLE LOAN FROM BANKS		
SECURED BY HYPOTHECATION OF VEHICLES FINANCED	4,868,600	2,012,388
	<u>4,868,600</u>	<u>104,304,055</u>

SCHEDULE 'D' FIXED ASSETS DEPRECIATION CHART AS PER COMPANIES ACT, 1956 FOR THE PERIOD ENDING ON MARCH 31, 2007

(Amt.in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	Cost As on 1.4.2006	Addition During the year	Sale/Adj During the year	Total Cost as on 31.03.2007	Accumulated Depreciation as at 01.04.2006	Depreciation for the year	Adjustment for the year	Accumulated Depreciation	W.D.V 31.3.2007	W.D.V 31.3.2006
Land & Site Development	57,825,219	—	—	57,825,219	—	—	—	—	57,825,219	57,825,219
Building	91,456,853	—	—	91,456,853	5,777,876	4,283,949	—	10,061,825	81,395,028	85,678,977
Plant & Machinery	55,849,671	503,296	—	56,352,967	25,919,947	6,037,972	—	31,957,919	24,395,048	29,929,724
Computer & Peripherals	23,910,443	46,296,387	—	70,206,830	13,090,972	8,286,236	—	21,377,208	48,829,622	10,819,471
Vehicle	7,163,371	4,686,307	—	11,849,678	3,834,480	1,402,950	—	5,237,430	6,612,248	3,328,891
Software	8,017,308	24,397,200	—	32,414,508	5,031,632	1,785,162	—	6,816,794	25,597,714	2,985,676
Furniture and Fixture	32,298,591	237,512	2,000	32,534,103	7,746,997	4,465,742	—	12,212,739	20,321,364	24,551,594
Office Equipment	16,028,605	5,873,518	—	21,902,123	4,044,420	1,796,563	—	5,840,983	16,061,140	11,984,165
Total	292,550,061	81,994,220	2,000	374,542,281	65,446,324	28,058,574	—	93,504,898	281,037,383	227,103,737
Capital Work in Progress									50,511,010	62,455,757

	MARCH 31, 2007 (Amt.in Rs.)	MARCH 31, 2006 (Amt.in Rs.)
SCHEDULE 'E': INVESTMENTS		
LONG TERM INVESTMENTS	130,442,500	101,452,500
TRADE INVESTMENT AT COST		
5,000 (PREVIOUS YEAR 5000) EQUITY SHARES OF MUKTA ARTS LIMITED* HAVING FACE VALUE OF RS.5/- PER SHARE FULLY PAID UP PURCHASED @ RS.100/- PER EQUITY SHARE {(MARKET VALUE AS ON 31.3.2007 IS RS.74.75) (PREVIOUS YEAR RS 51.45)}	500,000	500,000
12400 (PREVIOUS YEAR 12400) EQUITY SHARES OF B.A.G.INFOTECH (P)LTD** (A COMPANY UNDER SAME MANAGEMENT) HAVING FACE VALUE OF RS 10/- PER SHARE FULLY PAID-UP(UNQUOTED)	124,000	124,000
9,000 (PREVIOUS YEAR NIL) EQUITY SHARES OF SEIUN AND B.A.G.ANIMATION PVT.LTD. (A JOINT VENTURE COMPANY) HAVING FACE VALUE OF RS 10/- PER SHARE FULLY PAIDUP (UNQUOTED)	90,000	—
IN SUBSIDIARIES AT COST**		
1,29,72,850 (Previous year 1,00,82,850) EQUITY SHARES OF B.A.G.INFOTAINMENT PVT. LTD. HAVING FACE VALUE OF RS 10/- PER SHARE FULLY PAIDUP (UNQUOTED)	129,728,500	100,828,500
* AGGREGATE VALUE OF QUOTED INVESTMENT IS Rs. 5,00,000/- (Previous yearRs. 5,00,000/-)		
** AGGREGATE VALUE OF UN- QUOTED INVESTMENT Rs. 1,29,942,500/- (Previous year Rs. 1,00,952,500)		
OTHER INVESTMENTS	168,451,299	40,032,748
CURRENT INVESTMENT		
IN MUTUAL FUND*	168,451,299	40,032,748
* AGGREGATE VALUE OF QUOTED INVESTMENT Rs. 16,87,74,731/-		
** AGGREGATE VALUE OF UN- QUOTED INVESTMENT IS Rs NIL (Note No. P(II)(20) &(21))		
	<u>298,893,799</u>	<u>141,485,248</u>
SCHEDULE 'F': CURRENT ASSETS, LOANS & ADVANCES		
(A) CURRENT ASSETS		
1. CASH & BANK BALANCES		
CASH IN HAND	922,411	952,692
IMPREST WITH STAFF	159,438	288,884
CHEQUES IN HAND & TRANSIT	6,157,636	6,996,693
BALANCES WITH SCHEDULED BANKS	270,069,614	21,260,975
CURRENT ACCOUNT	8,610,167	8,827,967
FIXED DEPOSITS	261,459,447	11,773,009
MARGIN MONEY	—	660,000
	<u>277,309,099</u>	<u>29,499,244</u>

	MARCH 31, 2007 (Amt.in Rs.)	MARCH 31, 2006 (Amt.in Rs.)
2. STOCK INTRADE		
(AT COST, AS VALUED AND CERTIFIED BY THE MANAGEMENT)		
RAW MATERIAL	480,570	298,653
WORK IN PROGRESS	43,386,232	89,933,021
FINISHED GOODS	58,399,127	6,597,254
	<u>102,265,929</u>	<u>96,828,928</u>
3. SUNDRY DEBTORS		
(Unsecured, considered good unless otherwise specified)		
DEBTS FOR A PERIOD EXCEEDING SIX MONTHS	3,906,465	5,772,365
OTHER DEBTS	160,898,218	61,288,857
	<u>164,804,683</u>	<u>67,061,222</u>
	<u>164,804,683</u>	<u>67,061,222</u>
B. LOANS & ADVANCES		
(Unsecured, Considered Good)		
ADVANCE INCOME TAX	35,284,644	17,031,320
EARNEST MONEY & SECURITY DEPOSITS	4,605,794	4,052,424
PREPAID EXPENSES	1,576,474	1,957,709
REFUND DUE (INCOME TAX)	524,570	524,570
FEES RECOVERABLE (ISOMES)	140,000	35,000
STAFF ADVANCES	310,326	522,095
ADVANCE AGAINST SHARE CAPITAL GIVEN TO PROPOSED SUBSIDIARY	258,000	—
ADVANCES TO OTHERS	19,693,198	2,762,885
	<u>62,393,006</u>	<u>26,886,003</u>
	<u>606,772,717</u>	<u>220,275,397</u>
SCHEDULE 'G' : CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
SUNDRY CREDITORS FOR GOODS & SERVICES	114,762,994	39,186,456
OTHER CREDITORS	18,633,405	13,200,000
ADVANCE FROM CUSTOMERS	4,550,000	144,051
TAXES PAYABLE	23,634,415	9,798,985
OTHER LIABILITIES	5,054,929	5,152,302
UNCLAIMED DIVIDEND	381,878	—
	<u>167,017,621</u>	<u>67,481,794</u>
B. PROVISIONS		
PROVISION FOR INCOME TAX	29,297,154	14,005,284
PROVISION FOR WEALTH TAX	319,120	158,524
PROVISION FOR GRATUITY	1,622,355	1,296,406
PROPOSED DIVIDEND	18,682,618	11,920,490
CORPORATE DIVIDEND TAX	3,175,111	1,671,848
	<u>53,096,358</u>	<u>29,052,552</u>
	<u>53,096,358</u>	<u>29,052,552</u>

	MARCH 31, 2007 (Amt.in Rs.)	MARCH 31, 2006 (Amt.in Rs.)	
SCHEDULE 'H' : MISCELLANEOUS EXPENDITURE			
(TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)			
PRELIMINARY EXPENSES			
OPENING BALANCE	11,538,324	14,021,482	
ADD: INCURRED DURING THE YEAR	—	—	
	<u>11,538,324</u>	<u>14,021,482</u>	
LESS: WRITTEN OFF	<u>2,020,552</u>	<u>2,483,158</u>	11,538,324
PRE-OPERATIVE EXPENSES			
OPENING BALANCE	9,687,120	12,916,160	
ADD: INCURRED DURING THE YEAR	—	—	
	<u>9,687,120</u>	<u>12,916,160</u>	
LESS: WRITTEN OFF	<u>3,229,040</u>	<u>3,229,040</u>	9,687,120
DEFERRED REVENUE EXPENDITURE			
OPENING BALANCE	844,856	1,496,776	
ADD INCURRED DURING THE YEAR	<u>2,621,038</u>	<u>—</u>	
	<u>3,465,894</u>	<u>1,496,776</u>	
LESS: WRITTEN OFF	<u>3,465,894</u>	<u>651,920</u>	844,856
	<u>15,975,852</u>	<u>22,070,300</u>	

(Amt. in Rs.)

	FOR THE YEAR ENDED MARCH 31, 2007	FOR THE YEAR ENDED MARCH 31, 2006	
SCHEDULE 'I' : SALES & SERVICES			
AUDIO-VIDEO PRODUCTIONS			
1 INCOME FROM COMMISSIONED SERIALS	309,195,032	398,559,135	
2 INCOME FROM SPONSORED SERIALS	8,974,472	11,590,976	
3 INCOME FROM CORPORATE FILMS & OTHERS	51,362,892	3,313,562	
4 INCOME FROM SALE OF RIGHTS	1,300,000	—	
5 INCOME FROM EVENT MANAGEMENT	1,243,735	—	
6 INCOME FROM CONSULTANCY SERVICES	194,810	—	
7 INCOME FROM IVR SERVICES	1,315,436	1,702,819	
8 MISCELLANEOUS INCOME	<u>20,500</u>	<u>113,591</u>	415,280,083
MEDIA EDUCATION			
9 INCOME FROM MEDIA SCHOOL	7,418,705	7,159,210	
HIRING			
10 INCOME FROM EQUIPMENT HIRING	1,346,645	819,950	
MOVIES			
11 INCOME FROM MOVIES	59,052,425	617,178	
	<u>441,424,652</u>	<u>423,876,421</u>	

(Amt.in Rs.)

	FOR THE YEAR ENDED MARCH 31, 2007	FOR THE YEAR ENDED MARCH 31, 2006
SCHEDULE 'J' : OTHER INCOME		
1 INTEREST	5,970,848	102,736
2 SUNDRY BALANCES WRITTEN BACK	152,151	153,837
3 AGENCY COMMISSION	915,169	789,750
4 DIVIDEND ON INVESTMENTS	2,734,833	5,200,204
5 RENT RECEIVED	5,756,996	3,144,604
6 PROFIT ON SALE OF FIXED ASSETS	—	78,579
7 PROFIT ON SALE OF INVESTMENT	1,470,305	7,940,075
	<u>17,000,302</u>	<u>17,409,785</u>
	<u>17,000,302</u>	<u>17,409,785</u>
SCHEDULE 'K' : COST OF PRODUCTION		
PROFESSIONAL CHARGES ARTIST ,DIRECTORS ,TECHNICIANS	152,134,738	174,019,916
CASSETTES	13,005,676	14,226,888
PURCHASE OF NEWS STORIES	3,880,250	6,137,527
EDITING CHARGES	2,672,408	3,140,489
GENERATOR FUEL EXPENSES	881,642	1,305,263
CAMERA HIRING CHARGES	7,563,687	11,280,193
FILM PROCESSING CHARGES	7,134,411	878,384
LOCATION & STUDIO HIRING CHARGES	17,596,350	26,462,074
SET EXPENSES	7,499,996	5,858,101
EQUIPMENT HIRING CHARGES	14,896,346	24,442,661
SERIAL PRODUCTION	—	9,180,000
SHOOTING EXPENSES	21,274,760	25,151,266
ELECTRICITY EXPENSES	5,864,796	4,039,061
PRODUCTION TRAVELLING & CONVEYANCE	15,270,389	17,741,907
FILM PROMOTION & OTHER PUBLICITY EXPENSES	14,783,488	—
REPAIRS & MAINTENANCE - PRODUCTION EQUIP	2,201,072	1,999,660
POSTAGE, TELEPHONE & DOWNLINKING CHARGES	6,051,698	7,856,944
RUNNING & MAINTENANCE OF VEHICLE	3,435,773	3,568,587
TELECAST FEES	5,280,000	5,328,184
	<u>301,427,480</u>	<u>342,617,105</u>
SCHEDULE 'L' : PERSONNEL COST		
SALARIES, ALLOWANCES AND BONUS	13,302,275	10,474,730
MANAGERIAL REMUNERATION	2,400,000	2,400,000
GRATUITY	430,880	384,691
STAFF WELFARE EXPENSES	500,730	320,260
CONTRIBUTION TOWARDS PROVIDENT FUND AND ESI	269,782	271,037
	<u>16,903,667</u>	<u>13,850,718</u>

(Amt.in Rs.)

	FOR THE YEAR ENDED MARCH 31, 2007	FOR THE YEAR ENDED MARCH 31, 2006
SCHEDULE ' M ' : ADMINISTRATIVE COST		
OFFICE MAINTENANCE	5,101,997	4,425,024
ELECTRICITY EXPENSES	2,513,484	2,360,033
TELEPHONE, COURIER, POSTAGE AND TELEGRAM	1,333,967	1,729,787
PRINTING & STATIONERY	316,478	595,659
REPAIRS & MAINTENANCE	315,055	539,400
CONVEYANCE EXPENSES	1,430,143	1,449,822
RUNNING & MAINTENANCE OF VEHICLE	654,198	708,678
<u>TRAVELLING EXPENSES</u>		
DIRECTORS	1,584,206	1,405,347
OTHERS	1,416,889	1,578,366
	<u>3,001,095</u>	<u>2,983,713</u>
<u>REMUNERATION TO AUDITORS</u>		
(A) STATUTORY AUDIT	150,000	137,750
(C) TAX AUDIT FEES	40,000	44,080
(D) LIMITED REVIEW FEES	60,000	66,120
(E) AUDITOR'S EXPENSES	56,320	159,216
	<u>306,320</u>	<u>407,166</u>
DIRECTOR'S SITTING FEES & EXPENSES	1,563,787	457,100
DONATIONS	259,241	182,100
FEES & SUBSCRIPTION	1,170,185	1,392,735
INTERNET & WEBSITE MAINTENANCE EXPENSES	250,695	320,140
ADVERTISEMENT & BUSINESS PROMOTIONS	1,530,369	4,144,187
CONSULTANCY CHARGES	10,597,896	12,771,282
RENT,RATES & TAXES	2,644,728	5,339,216
INSURANCE EXPENSES	1,094,755	533,974
BAD DEBTS WRITTEN OFF	162,375	1,852,235
SECURITIES TRANSACTIONS TAX	168,050	227,513
LOSS ON SALE OF INVESTMENT	3,363,136	1,829,656
MISCELLANEOUS EXPENSES	73,037	550,160
	<u>37,850,991</u>	<u>44,799,579</u>
SCHEDULE ' N ' : FINANCIAL CHARGES		
BANK CHARGES	282,413	101,309
BANK INTEREST & DISCOUNTING CHARGES	14,409,260	6,978,101
	<u>14,691,673</u>	<u>7,079,410</u>
SCHEDULE ' O ' :MISCELLANEOUS EXP.WRITTEN OFF		
PRELIMINARY EXPENSES	2,020,552	2,483,158
DEFERRED REVENUE EXPENSES	3,465,894	651,920
PREOPERATIVE EXPENSES	3,229,040	3,229,040
	<u>8,715,486</u>	<u>6,364,118</u>

SCHEDULE- 'P' : SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention on the mercantile system of accounting and are in accordance with the mandatory accounting standards referred to in Section 211(3C) of the Companies Act, 1956.

The preparation of the financial statement is in accordance with Generally Accepted Accounting Principles which requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenditure during the year.

B. FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation. Cost comprises of purchase price and any attributable cost of bringing the assets to its working condition for its intended use. Capital work in progress is stated at cost.

C. DEPRECIATION

Depreciation on fixed assets is provided on written down value method at the rates and manner prescribed in Schedule XIV of the Companies Act, 1956.

D. REVENUE RECOGNITION

In respect of Commissioned Programmes, revenue is recognized as and when the relevant Software Programme is delivered to the customers.

Revenue in respect of various rights attached to the Movies (features films) is recognized with the licensing agreement or on physical delivery of movies/required material whichever is later.

In all other cases, revenue is recognized when no significant uncertainty as to its determination or realization exists. Production expenses are net of recoveries, if any.

E. INVENTORIES

Stock of Tapes, Cassettes and Discs

Inventories of Raw Stock consists of Tapes, Cassettes and Compact Discs which are valued at lower of Cost or estimated net realisable value. Cost is taken on First in First Out basis (FIFO).

Inventories related to Television Software and Programmes Pilots

The entire cost of the programme is charged to income when the programme is first exploited. The inventory thus comprises of unamortized cost of such programmes. In case of Programme Pilots, the cost is expensed - off on first telecast or on after the review of realisability.

Inventories related to Movie (Feature Films)

Movies under production (WIP) -at actual unamortized cost or net realizable value whichever is lower.

The company amortizes 75% of the cost of movie rights acquired or produced by it, on the first theatrical release of the movie. The said amortization is made proportionately on Domestic Theatrical Rights, International Theatrical Rights and Video Rights based on Management estimate of revenues from each of these rights. In case of aforesaid rights are not exploited along with or prior to the first theatrical release, proportionate appropriated cost of the said right is carried forward to be written off as and when such right is commercially exploited or at the end of one year from the date of first theatrical release, whichever occurs earlier. Balance 25% is amortised over the balance license period or based on management estimate of future revenue potential, as the case may be. The inventory, thus comprises of unamortized cost of such movie rights.

F. INVESTMENTS

Current investments are valued at cost or fair value whichever is lower. Long-term investments are stated at cost less permanent diminutions in value of such investments.

G. RETIREMENT BENEFITS

The company has contributed to Employees Provident Fund as per statutory norms and is charged to Profit and Loss account.

As per the company's policy, the gratuity is payable as per the Payment of Gratuity Act and the liability is provided as per the actuarial valuation at the year-end.

H. TAXATION

Tax expense for the period comprises both current tax and deferred tax at the applicable enacted or substantively enacted rates. Current tax represents the amount of income tax payable in respect of the taxable income for the reporting period. Deferred tax represents the effect of timing difference between taxable income and accounting income for the reported period as per Accounting Standard- 22 on Accounting for Taxes for Income issued by the Institute of Chartered Accountants of India.

Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

I. MISCELLANEOUS EXPENDITURE

Miscellaneous expenditure represents preliminary, Deferred Revenue Expenditure and pre-operative expenses, which is carried forward to be charged to revenue from the year of incurring the expenditure in following number of year :-

Preliminary Expenses	10 Years
Pre-operative Expenditure	5 Years

J. BORROWING COST

Borrowing cost that is attributable to the acquisition or construction of a qualifying asset is capitalized as part of the cost of that asset when first put to use. Other borrowing costs are recognized as an expense in the period in which they are incurred.

K. SEGMENTAL REPORTING

Primary segments: The Group operates in two primary business segments viz., Audio-Video Production and Movies.

Secondary segments: The Company caters to the needs of Indian market representing singular economic environments with similar risks and rewards and hence there are no reportable geographical segments.

Identifiable expenses are accounted for directly in respective segments. Overheads are apportioned pro-rata on revenues.

L. EARNINGS PER SHARE (EPS)

The Company reports Basic Earning per equity share in accordance with the Accounting Standard-20 on Earning per Share issued by the Institute of Chartered Accountants of India. Basic Earnings per equity share has been computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the year.

The number of shares used in computing the diluted earning per share comprises of the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

M. IMPAIRMENT OF ASSETS

The Company assesses at each balance sheet date whether there is any indication of impairment of carrying amount of the company's assets. The recoverable amount of such assets are estimated, if any indication exists, and impairment loss is recognized wherever the carrying amount of the assets exceeds its recoverable amount.

N. PROVISIONS AND CONTINGENT LIABILITIES

The Company recognizes a provision where there is a present obligation as a result of a past events that probably requires an outflow of resources and reliable estimates can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an out flow of resources. Where there is a possible obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

O. USE OF ESTIMATES

The preparation of the financial statements requires estimates and assumptions to be made, that affect the reported amounts of assets and liabilities on the date of the financial statement and the reported amount of income and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are Known/materialized.

NOTES TO ACCOUNTS

- The Name of the Company has been changed to BAG Films and Media Ltd. from B.A.G Films Ltd. vide resolution passed by the shareholders of the Company on 22nd March, 2007 and approval of Central Government dated 01.05.2007. The name of the company has been changed as the word 'Media' truly represents all present and future activities of the company. Substantial revenue of the company is generated within the field of Media.
- Pursuant to the resolution passed by the members of the company in the Extra-ordinary General Meeting, the Authorized Share Capital of the Company has been increased to Rs.25,00,00,000 on 22.03.2007 as against Rs.20,00,00,000 in previous year.
- The Company has valued its investment in equity shares of Mukta Arts Ltd. at cost. The current market price of the said shares are Rs.3,73,750/- (Previous year Rs. 2,42,750/-). This being a long-term investment, the Company considers this fall in value as temporary.
- During the year, the Company has made further Investment of Rs.2,89,00,000 Lacs in shares of B.A.G Infotainment Pvt. Ltd. (a Subsidiary), consisting of 28,90,000 nos. of Equity shares of Rs.10/- each, the total investment as on 31.03.2007 is Rs. 12,97,28,500 (previous year Rs. 10,08,28,500) .B.A.G Infotainment Private Ltd was incorporated on October 31,2005 in New-Delhi and has bagged ten FM Radio frequencies in Phase II expansion for category B, C & D cities across India.
- Preferential Allotment:** During the year the Company has raised funds from the preferential allotment of Shares and Warrant with the intention of expanding its existing operations of 'Media and Entertainment' and for repayment of term loan.
- Pursuant to resolution passed by the members of the company in the Extra-ordinary General Meeting dated 13th Feb.2007. The Company issued 10,00,000 share warrants @ Rs.13/-each (convertible into Equity shares (one share for each warrant) as per the Security and Exchange Board of India (Disclosure of Investor Protection) Guidelines, 2000 as amended for Preferential Issue of Shares to one of the promoter of the Company M/s Anu Films & Communications (Pvt.) Ltd.. Pursuant to allotment of Warrants, the Company M/s Anu Films & Communication (Pvt.) Ltd. has paid 10% of the price fixed for the said warrant amounting to Rs.1,30,00,000/- only.

- 5.2. Pursuant to resolution passed by the members of the company in the share holders meeting dated 13th Feb.2007, the Company has made Preferential Allotment of 2,02,50,000 Equity shares of Rs.2/- each at a premium of Rs. 11/- per share to a Non-Promoters Mr. Sameer Gehlaut being total consideration of Rs 26,32,50,000/- only.
- 5.3. Pursuant to resolution passed by the members of the company in the share holders meeting dated 22nd March 2007, the Company received Rs.26,15,60,000/- as entire consideration from M/s High Growth Distributors Pvt. Limited against Preferential allotment of 1,30,78,000 shares @ Rs.2/-each at a premium of Rs. 18/- per share. The shares against the above consideration have been allotted on 4th April 2007. Since the allotment was done post Balance sheet date, the monies received has been segregated into share application money (pending allotment) at face value under Schedule -A and the premium amount has been shown separately under share premium (pending allotment) under Schedule -B
- 5.4. **Funds utilization -Preferential Issue**

A. Source of Funds		<i>(Amt. in Rs.)</i>
i)	Allotment of Shares to Sameer Gehlaut (2,02,50,000 Equity shares @ Rs 2/- each issued at premium of Rs.11/-)	26,32,50,000
ii)	Allotment of Share warrants to Anu Films & Communications Pvt Ltd. (1,00,00,000 Share warrants @ Rs 1.30 each)	1,30,00,000
iii)	Share application money received from M/s High Growth Pvt Ltd. (1,30,78,000 Equity shares @ Rs 2/- each issued at premium of Rs.18/-)	26,15,60,000
Total -Funds Received		53,78,10,000
B. Utilisation of Funds		
	Repayment of Loan	11,28,00,000
	Utilised for Media Expansion business	2,30,00,000
Total Funds Utilised		13,58,00,000
C. Balance Unspent Funds temporarily invested in Fixed Deposits with Banks and in the units of Mutual Funds		40,20,10,000

6. Advance to others includes :-
- 6.1. Rs.89,78,786/- (Pr.Yr . Nil) paid for Equity Share Application money of Sieun B.A.G Animation Private Ltd., a Joint Venture co. between B.A.G Films and Media Ltd. (Maximum Amount Outstanding during the year Rs.89,78,786(Pr.Yr . Nil)
- 6.2. Rs.848,900/-(Pr.Yr . Rs.122,244/-) paid Equity Share Application money of B.A.G Infotainment Private Ltd. a Subsidiary of B.A.G Films & Media Ltd. (Maximum Amount Outstanding during the year Rs.3,07,43,501/-)
7. The company has entered into a Joint Venture agreement with M/s Sieun Design Ltd. South Korea and incorporated a company called Sieun and B.A.G Animation Pvt Ltd for establishing an Animation Production (which includes the OEM production), Animation Academy and the animation and character licensing business. As per the Memorandum of Understanding (MOU) executed, both the parties contemplates to have equal Equity participation .As on 31st March,2007 the the Company made an investment in 9,000 Nos. of Equity Share amounting to Rs.90,000/- (Pr.Yr. Nil) and Rs.89,78,786/- (Pr.Yr. Nil) as Share application Money (pending allotment) in the above mention joint venture company for construction of animation studio and procurement and installation of equipments. As the Investment pattern as on 31st March 2007 is temporary in nature and is on account of commercial expediency , accordingly, the Company has not accounted for the above in the Consolidated Financial Statement.

Amt. in Rs.

	For the year ended March 31,2007	For the year ended March 31,2006
Assets		
Fixed Assets		
- Capital WIP and Capital Advances	58,31,130	Nil
Current Assets		
- Cash & Bank Balance	35,97,092	Nil
- Loans & Advances	2,14,409	Nil
Miscellaneous Expenses		
- Preliminary Expenses	2,46,670	Nil
- Pre-operative Expenses	1,14,246	Nil
Liabilities		
Share Capital		
Equity Share Capital	190,000	Nil
Share Application Money	94,78,786	Nil
Current Liabilities	3,34,761	Nil

The current level Company ownership investment in the joint venture company is temporary and will come down once the share of other joint venture partner is received. Accordingly, the Company has not accounted for the above in the Consolidated Financial Statement.

8. Earlier adjustment of Rs.11,05,737/-in Reserves and Surplus A/c includes:-
- 8.1. Rs.68,603/- on account of under provisioning of Corporate Dividend and Corporate Dividend tax for the financial year 2005-06.
- 8.2. Rs.6,55,412/- provided towards interest payable U/S 234B of the IncomeTax Act. 1961 for AssessmentYear 2004-05 in pursuance of order of CIT(Appeals-V), New Delhi dated 17.04.2007.

9. **Commitments & Contingent Liabilities**

Guarantees given by Banks on behalf of the Company outstanding at year end are Rs.11,43,000/-(Previous year Rs. 8,03,000/-).

10. Additional information required to be given pursuant to Part II of Schedule VI of the Companies Act, 1956 is as follows: -

a) **Remuneration to Directors :**

Amt. in Rs.

Particulars	Year ended March 31	
	2006	2007
Managing Directors' Remuneration Salary and Other Allowances*	24,00,000/-	24,00,000/-
Total	24,00,000/-	24,00,000/-

- b) The Company is in the business of producing media software, which is not subject to any license; hence licensed capacity is not given for the type of business of the Company.

c) **Activity in Foreign Currency**

Amount in Rs.

Particulars	Year ended March 31	
	2006	2007
Earnings in Foreign Currency (on receipt basis)		
Income from Commissioned Serials	12,00,000/-	-Nil-
Expenditure in Foreign Currency (on payment basis)		
Travel Expenses	4,20,980/-	5,29,407

Value of Export of Services of Rs. 52,00,000/- (Previous Year Rs. Nil). The same has been categorized under the head "Income from Commissioned Serials".

d) **Repairs & Maintenance included in the Total Cost is as follows: -**

Amount in Rs.

	Year ended March 31	
	2007	2006
Repairs & Maintenance -Building	3,15,055/-	3,95,855/-
Repairs & Maintenance - Machinery	22,01,072/-	21,43,205/-

11. **Deferred Taxes**

Amount in Rs.

Particulars	Year ended March 31	
	2007	2006
Opening Balance	84,39,659/-	81,82,203/-
Add: Deferred Expenses during the	63,51,275/-	2,57,456/-
Total	147,90,934/-	84,39,659/-

12. The business segments have been considered as the primary segment. The company is organized into two main Business namely Audio- Visual production and Movies.

The above Business segments have been identified considering the different nature of activities carried on by these business divisions. Segments revenue, results, assets and liabilities have been accounted for on the basis of their relationship to the related business activities of the segment and amounts allocated on a reasonable basis to the business segment.

Segment wise Revenue, Result and Capital Employed

Particulars	Year Ended 31.3.2007	Year Ended 31.3.2006
1. Segment Revenue		
a) Audio -Visual Production	37,36,06,877	41,51,84,792
b) Movies	5,90,52,425	6,17,178
Total	43,26,59,302	41,58,01,970
Less: Inter Segment Revenue	-Nil-	-Nil-
Net Sales/Income from Operations	43,26,59,302	41,58,01,970
2. Segment Results		
a) Audio -Visual Production	11,69,50,197	11,21,70,063
b) Movies	1,12,28,403	6,17,178
Total	12,81,78,600	11,27,87,241
Less:		
I) Interest	14,691,673	70,79,410
II) Other Un-allocable Expenditure Net off unallocable income	3,76,31,841	3,95,30,181
III) Un-allocable Depreciation	19,641,002	1,82,74,172
Total Profit Before Tax	5,62,14,084	4,79,03,478
3. Segment Assets		
a) Audio -Visual Production	31,68,73,282	21,02,95,992
b) Movies	6,15,62,162	5,25,53,599
4. Total Cost Incurred during the year to acquire Segment Assets		
a) Audio -Visual Production	25,08,43,517	1,47,06,757
b) Movies	5,05,83,963	—
5. Segment Liabilities		
a) Audio -Visual Production	11,39,68,872	6,98,02,859
b) Movies	7,94,122	19,60,151
6. Segment Depreciation		
a) Audio -Visual Production	84,17,572	78,31,789
b) Movies	—	—
13. Related Party Transaction		

List of Related Parties as per Accounting Standard(AS-18) on Related Party Disclosure

NAME	RELATION
Ms. Anuradha Prasad	Managing Director
Mr. Rajiv Shukla	Director
Mr. Surendra Singh	Director
Mr. Bhupindar Singh	Director
Ms. Pallavi S Shroff	Director
Dr. Anuradha Mishra	Director
Mr. Nalin Satyakam Kohli	Director
Mr. Rajeev Shankar	Director
B.A.G Infotainment Private Limited	Subsidiary
Sieun and B.A.G Animation Pvt.Ltd	Joint Venture
B.A.G Glamour Pvt. Ltd	Proposed Subsidiary
Mr. Sudhir Shukla	Relative of Director
Mr.Ravi Shankar	Relative of Director

The Related party transactions during the year are as follows:

Particular	Managing Director		Director		Subsidiary, Associates & Joint Venture		Relative of Director	
	Year Ended March 31		Year Ended March 31		Year Ended March 31		Year Ended March 31	
	2007	2006	2007	2006	2007	2006	2007	2006
Salary	24,00,000	24,00,000						
Rent	1,02,000	1,02,000	1,02,000	1,02,000				
Sitting Fees			2,20,000	2,15,000				
Consultancy Fees			28,02,300	22,16,700			7,50,960	3,12,000
Share Capital and Share Application Money					3,90,75,686	10,09,50,744		
TOTAL	25,02,000	25,02,000	31,24,300	25,33,700	3,90,75,686	10,09,50,744	7,50,960	3,12,000

14. There are no dues to small scale industrial undertakings (SSI) outstanding for more than 30 days, the information regarding the small scale undertaking has been determined to the extent such parties have been identified on the basis of the information available with the Company.
15. The Company has not made any provision for cess payable u/s 441A of the Companies Act, 1956. The said provision shall be made as and when the requisite notification is issued by the Central Government in this regard.
16. Subsequent to Balance Sheet date, the Company has made investment in two companies by investing a sum of Rs.50,000,000 in equity shares of M/s BAG Glamour Pvt. Ltd. and Rs. 100,000,000 in BAG Newline Network (P) Limited. Both these Companies have been formed as special purpose vehicle for launching and running entertainment and news television channels. The Company proposes to make both these companies its subsidiary.
17. Previous year figures are regrouped, rearranged or recast wherever necessary to make them comparable with the current year figures.
18. Earning Per Share (EPS) is Computed in Accordance with Accounting Standard-20

Earning Per Share (Basic)

PARTICULARS OF CHANGES IN SHARES	FULLY PAID	PARTLY PAID FRACTIONED AS FULLY PAID	TOTAL	TIME WEIGHTING FACTOR (IN DAYS)	WEIGHT
OPENING NO. OF SHARES AS AT 1.4.2006	59,602,449	241,321	59,843,770	91	5,445,783,025
SHARES AS AT 30.6.2006	59,713,649	185,721	59,899,370	92	5,510,741,994
SHARES AS AT 30.9.2006	59,721,449	181,821	59,903,270	92	5,511,100,794
SHARES AS AT 31.12.2006	59,721,449	181,821	59,903,270	59	3,534,292,901
SHARES AS AT 28.2.2007	79,971,449	181,821	80,153,270	28	2,244,291,546
SHARES AS AT 29.3.2007	79,988,949	173,071	80,162,020	2	160,324,039
SHARES AS AT 31.3.2007	79,988,949	173,071	80,162,020	1	80,162,020
GRAND TOTAL				365	22,486,696,318
WEIGHTED AVERAGE NO. OF SHARES	61,607,387				
NET PROFIT AFTER TAX (In Rs.)	33,775,835				
BASIC EARNING PER SHARE (In Rs.)	0.55				

Earning Per Share (Diluted)

PARTICULARS OF CHANGES IN SHARES	FULLY PAID	PARTLY PAID FRACTIONED AS FULLY PAID	TOTAL	TIME WEIGHTING FACTOR (IN DAYS)	WEIGHT
OPENING NO. OF SHARES AS AT 1.4.2006	59,602,449	241,321	59,843,770	91	5,445,783,025
SHARES AS AT 30.6.2006	59,713,649	185,721	59,899,370	92	5,510,741,994
SHARES AS AT 30.9.2006	59,721,449	181,821	59,903,270	92	5,511,100,794
SHARES AS AT 31.12.2006	59,721,449	181,821	59,903,270	16	958,452,312
SHARES AS AT 16.1.2007 (Potential Eq)	60,721,449	181,821	60,903,270	43	2,618,840,589
SHARES AS AT 28.2.2007 (SG)	80,971,449	181,821	81,153,270	7	568,072,887
SHARES AS AT 7.3.2007 (Potential Eq)	94,049,449	181,821	94,231,270	21	1,978,856,660
SHARES AS AT 29.3.2007	94,066,949	173,071	94,240,020	2	188,480,039
SHARES AS AT 31.3.2007	94,066,949	173,071	94,240,020	1	94,240,020
GRAND TOTAL				365	22,874,568,318
WEIGHTED AVERAGE NO. OF SHARES	62,670,050				
NET PROFIT AFTER TAX (In Rs.)	33,775,835				
DILUTED EARNING PER SHARE (In Rs.)	0.54				

19. Information pursuant to other provisions of Part -II of Schedule -VI to The Act, is either nil or not applicable to the Company for the period.
20. Detail of Mutual Funds

SCHEME	No. of Units as at March 31,		Value (Rs) as at March 31,	
	2006	2007	2006	2007
ABN AMRO CASH FUND-REGULAR WEEK DIV	107,335		1,073,761	—
BIRLA DIVIDEND YEILD-DIV. PAYOUT OPTION	60,196		800,000	—
BIRLA INFRASTRUCTURE FUND	97,800	—	1,000,000	—
DSP ML LIQUIDITY FUND	200,786	54,945	2,009,868	550,000
DSP ML EQUITY FUND		7,590		314,481
DSP-ML SMALL & MID CAP FUND		38,863		400,000
DSP-ML SMALL & MID CAP FUND REGULAR DIVIDEND		400,000		4,000,000
DSP-ML TIGER FUND	77,042	69,435	1,500,000	1,269,485
DSP TOP 100 EQUITY FUND	101,420		2,700,000	—
FIDELITY EQUITY FUND DIVIDEND PAYOUT	116,139		2,231,415	
FIDELITY SPECIAL SITUATIONS FUND		47,473		600,000
FRANK IND FLEXICAP FUND DIV. PAYOUT	111,732	27,115	2,000,000	500,000
FRANKLIN INDIA PRIMA FUND		3,157		100,182
FRANKLIN INDIA OPPORTUNITIES FUND DIV PAYOUT		32,616		500,000
GRINDLAYS CASH FUND	9,980		122,695	—
HDFC CASH MANGMT. FUND SAVING				
PLAN-DAILY INV. REIN	99,869	—	1,062,244	—
HDFC EQUITY FUND-DIV PAYOUT OPTION	61,161	—	2,700,000	—
HSBC ADVANTAGE INDIA FUND	185,819	—	1,900,000	—
ICICI DISCOVERY FUND - DIV PAYOUT OPTION	48,216		1,000,000	—
ICICI POWER FUND - DIV PAYOUT OPTION	48,614		1,000,000	—
ICICI EDF WLTH OPTION REG DIV PAYOUT	—	361,858	—	3,700,000
J.M.HIGH LIQUIDITY FUND-DAILY DIVIDEND	511,716		5,337,300	—
KOTAK LIQUID (REGULAR)-WEEKLY DIVIDEND	33,868		339,423	—
PRINCIPAL CASH MGNT FUND	255,929	6,259	2,559,850	62,596
PRUDENTIAL ICICI BALANCE FUND-DIV CASH OPT	57,045		1,000,000	—
PRUDENTIAL ICICI INFRASTURE FUND	35,411	8,415	500,000	100,482
PRU ICICI EQUITY & DERIVATIVE FUND		146,699	—	1,500,000
PRU. ICICI LIQUID FUND		59,781		708,500
PRU. ICICI LIQUID FUND-SUPER IP PLAN		14,830,000		148,300,000
PRU. ICICI INFRASTRUCTURE FUND- DIV PAYOUT		10,699		150,000
PRU ICICI DYNAMIC FUND		11,903		264,093
RELIANCE VISION FUND		6,288		300,000
RELIANCE EQUITY FUND	150,000	—	1,500,000	—
RELIANCE LIQUID FUND		72,170		1,100,000
RELIANCE LONG TERM EQUITY FUND		100,000		1,000,000
S.B.I. A/C BLUE CHIP FUND-DIVIDEND	107,579	—	1,100,000	—
SBI MAGNUM INSTA CASH FUND		55,000		550,000
STANDARD CHARTERED ENTERPRize EQUITY FUND		200,000	—	2,000,000
SUNDARAM SELECT MIDCAP FUND-DIV		1,078	—	23,081
SUNDRAM MONEY FUND	121,346		1,225,022	—
TATA LIQUID FUND-DAILY DIVIDEND	2,031		2,268,634	—
TEMPLETON FLOATING RATE FUND				
- SHORT TERM (DIV.R)	109,921		1,102,538	—
TEMPLETON INDIA TREASURY MANAGEMENT ACCOUNT		303	—	458,400
U.T.I. LEADERSHIP EQUITY FUND	200,000	—	2,000,000	—
		40,032,749		168,451,299

21. Investment Purchased & Sold during the year ended March 31 ,2007

SCHEME	Units	Cost
ABN AMRO CASH FUND-REGULAR WEEK DIV	564	5,645
DSP ML LIQUIDITY FUND	655,284	7,859,401
FIDELITY SPECIAL SITUATIONS FUND	318,337	3,255,000
FRANK IND FLEXICAP FUND DIV. PAYOUT	60,864	1,000,000
GRINDLAYS CASH FUND	66	703
HDFC CASH MANGMT. FUND SAVING PLAN-DAILY INV. REIN	94,674	1,006,992
ICICI POWER FUND - DIV PAYOUT OPTION	78,809	1,800,000
J.M.HIGH LIQUIDITY FUND-DAILY DIVIDEND	1,012	10,559
KOTAK LIQUID (REGULAR)-WEEKLY DIVIDEND	585	5,869
PRINCIPAL CASH MGNT FUND	2,252	22,525
PRUDENTIAL ICICI BALANCE FUND-DIV CASH OPT	60,938	1,000,000
PRUDENTIAL ICICI INFRASTURE FUND	15,815	195,000
PRU. ICICI LIQUID FUND	28,816	341,500
RELIANCE VISION FUND	19,379	1,000,000
RELIANCE LIQUID FUND	103,083	1,571,062
SUNDARAM SELECT MIDCAP FUND-DIV	22,270	476,914
SUNDRAM MONEY FUND	738	7,455
TATA LIQUID FUND-DAILY DIVIDEND	11	13,339
TEMPLETON FLOATING RATE FUND- SHORT TERM (DIV.R)	392	3,925
TEMPLETON INDIA TREASURY MANAGEMENT ACCOUNT	61	92,170
DSP MERILL LYNCH EQUITY FUND-DIV. CASH OPTION	105,842	2,500,000
DSP ML BALANCED FUND	98,001	2,200,000
FRANKLIN INDIA BALANCED FUND DIV	48,372	1,000,000
FRANKLIN INDIA BLUE CHIP FUND-DIV PAYOUT	16,248	550,000
FRANKLIN INDIA FLEXI CAP FUND	86,306	1,500,000
HDFC PRUDENCE FUND DIV. PAYOUT.OPT	75,564	2,050,000
HDFC TOP 200	26,331	1,000,000
TEMPLETON INDIA EQUITY INCOME FUND PAYOUT	184,321	1,885,606
TEMPLETON INDIA EQUITY FUND	146,627	1,500,000
TEMPLETON INDIA TREASURY MANAGEMENT ACCOUNT	3,360	5,068,981
SUNDRAM RURAL INDIA FUND-DIVIDEND	43,759	500,000
SUNDRAM BNP PARIBS MONEY FUND DAILY DIV	149,542	1,509,678
RELIANCE GROWTH FUND	23,263	1,330,000
PRU. ICICI EMERGING STAR FUND DIV PAYOUT	64,831	1,696,000
PRU. ICICI INFRASTRUCTURE FUND- DIV PAYOUT	84,378	2,500,000
PRINCIPAL GLOBAL OPPORTUNITIES FUND	226,853	3,000,000
KOTAK LIQUID FUND	263,183	2,638,963
KOTAK BALANCED FUND	43,436	1,000,000

As per our separate report of even date

For and on behalf of the Board of Directors

JOY MUKHERJEE
PARTNER
MEMBERSHIP NO.74602
FOR AND ON BEHALF OF
JOY MUKHERJEE & ASSOCIATES
CHARTERED ACCOUNTANTS

ANURADHA PRASAD
(MANAGING DIRECTOR)

RAJIV SHUKLA
(DIRECTOR)

RAJEEV PARASHAR
(COMPANY SECRETARY)

PLACE: NOIDA
DATE : 26TH JUNE 2007

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(a) Registration detail		
Registration no.		51841
State Code		55
Balance sheet date		March 31,2007
(b) Capital Raised during the year		(Amount in '000)
Public issue		Nil
Right issue		Nil
Bonus issue		Nil
Private Placement		40500
Shares issued to BAG Employess Welfare Trust		Nil
(c) Position of mobilisation and deployment of funds		(Amount in '000)
Total Liabilities		1,033,077
Total Assets		1,033,077
SOURCES OF FUNDS		
Share Capital		199,480
Reserve & Surplus		813,937
Secured Loans		4,869
Deferred Tax Liability (Net)		14,791
TOTAL		1,033,077
APPLICATION OF FUNDS		
Net Fixed Assets and Capital WIP		331,548
Investments		298,894
Net Current Assets		386,659
Misc Expenditure		15,976
TOTAL		1,033,077
(d) Performance of the company		(Amount in '000)
Sales and Services		463,862
Total Expenditure		407,648
Profit before tax		56,214
Profit after tax		33,776
Earning Per Share in (Rs.)		0.55
Dividend Rate %		10%
(e) Generic names of three principle products/services of the company		
Item code no.		NA
Product		NA
Description		NA

For and behalf of the Board of Director

ANURRADHA PRASAD
(MANAGING DIRECTOR)

RAJIV SHUKLA
(DIRECTOR)

RAJEEV PARASHAR
(COMPANY SECRETARY)

PLACE: NOIDA
DATE : 26TH JUNE 2007

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

A. CASH FLOW FROM OPERATING ACTIVITIES	March 31,2007	March 31,2006
Net profit before exceptional items	56,214,084	47,903,478
Adjustments for :		
Depreciation / Amortisation	28,058,574	26,105,964
Misc .Assets written off	8,715,486	6,364,118
Deferred employees compensation	430,880	384,691
Dividend income	(2,734,833)	(5,200,204)
Profit on sale of fixed assets (Net)	—	(78,579)
Profit on sale of Investments (Net)	(1,470,305)	(5,882,906)
Loss on sale of Investment	3,363,136	
Interest expense	14,691,673	7,079,410
Interest income	(5,970,848)	(102,736)
Amounts written off	152,151	(153,837)
Provision / (Reversal) for doubtful debts and advances	162,375	1,852,233
	45,398,288	30,368,154
Operating profit before working capital changes	101,612,372	78,271,632
Adjustments for :		
Inventories	(5,437,000)	(47,434,165)
Sundry debtors / receivables	(97,905,836)	62,065,488
Loans and advances	(35,507,003)	(9,581,479)
Trade/other payables	100,916,261	(41,809,014)
	(37,933,576)	(36,739,170)
Net cash generated from operating activity before exceptional items	63,678,796	41,512,462
Exceptional items	—	—
FBT	(1,772,833)	(2,356,791)
WEALTH TAX PAID	—	(175,750)
Increase in Misc . Expenditure	(2,621,038)	—
GRATUITY PAID	(104,931)	(64,976)
Direct taxes paid (Net of refunds)	(1,500,000)	(5,500,000)
Net cash from operating activities after exceptional items	57,679,994	33,414,945
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets / capital works-in-progress	(70,049,473)	(25,790,909)
Sale proceeds of fixed assets	2,000	380,000
Purchase of investments	(157,408,551)	(105,939,328)
Profit on sale of Investment	1,470,305	5,882,906
Loss on sale of Investment	(3,363,136)	—
Interest received	5,970,848	102,736
Dividend received	2,734,833	5,200,204
Net cash from / (used) in investing activities	(220,643,173)	(120,164,391)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of capital (including premium)	538,492,500	1,451,105
Increase in bank borrowings Long term	(99,435,455)	97,186,620
Interest paid	(14,691,673)	(7,079,410)
Dividend paid	(11,920,490)	(11,962,784)
Tax on dividend	(1,671,848)	(1,677,781)
Net cash from / (used) in financing activities	410,773,034	77,917,750
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	247,809,855	(8,831,696)
Cash and cash equivalents at the beginning	29,499,244	38,330,940
Cash and cash equivalents at the close	277,309,099	29,499,244

As per our separate report of even date

For and on behalf of the Board of Directors

JOY MUKHERJEE
PARTNER
MEMBERSHIP NO.74602
FOR AND ON BEHALF OF
JOY MUKHERJEE & ASSOCIATES
CHARTERED ACCOUNTANTS

ANURADHA PRASAD
(MANAGING DIRECTOR)

RAJIV SHUKLA
(DIRECTOR)

RAJEEV PARASHAR
(COMPANY SECRETARY)

PLACE: NOIDA
DATE : 26TH JUNE 2007

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATED TO
SUBSIDIARY COMPANIES.**

Name of the Subsidiary Company	BAG INFOTAINMENT PVT LTD
Finanacial year of the Subsidiary ended on	31st March 2007
Shares of the Subsidiary held by the BAG FILMS on the above date :	
a) Number	12972850
Face value	Rs.10
b) Extent of Holding	74.25%
The Net aggregate amount of profits/(losses) of the subsidiary Company for the above financial year so far as it concerns the members of BAG FILMS & MEDIA LIMITED	129283
a) dealt with in the accounts of the Company for the year ended 31st March,2007	Yes
b) not dealt with in the accounts of the Company for the year ended 31st March,2007	Nil
Net aggregate amount of profits/(losses) for previous financial years of the subsidiary, since it became a subsidiary so far as they concern members of BAG FILMS LIMITED	90754
a) dealt with in the accounts of the Company for the year ended 31st March,2007	Yes
b) not dealt with in the accounts of the Company for the year ended 31st March,2007	Nil

For and on behalf of the Board of Directors

ANURADHA PRASAD
(MANAGING DIRECTOR)

RAJIV SHUKLA
(DIRECTOR)

RAJEEV PARASHAR
(COMPANY SECRETARY)

PLACE: NOIDA
DATE : 26TH JUNE 2007

B.A.G INFOTAINMENT PRIVATE LIMITED

DIRECTOR'S REPORT

To,
The Members,
B.A.G Infotainment Private Limited

The Board of Directors of your company hereby present the Second Annual Report of the Company together with the Audited Balance Sheet of the Company for the period ended 31st March, 2007 the Profit and Loss Account for the period ended on that date and Auditors' Report thereon.

RESULTS OF OPERATIONS

Your company has not started the commercial operations during the year. Interest on temporary deposits amounting to Rs. 401881/- has been earned during the year which has been adjusted against pre-operative expenses. Provision for Income tax (including Fringe Benefit Tax) amounting to Rs. 174118/- has been provided for which results in net loss to the same tune.

DIVIDEND

In the last financial year your company did not start the commercial operations hence your Board does not propose declaring any dividend.

LAUNCH OF RADIO DHAMMAL

During the period under review your Company has got the permission for starting FM Radio "Radio Dhamaal" in ten cities namely Hissar, Karnal, Shimla, Patiala, Muzaffarpur, Ranchi, Ahmednagar, Jalgaon, Dhule & Jabalpur. Your company has already launched FM stations in the cities of Hissar and Karnal and hopes to launch the others very soon.

FUTURE PROSPECTS

Entering in FM Radio business by the company is a natural stride towards forward integration. It is expected that developing content in syndication mode for FM Radio stations across India will provide the company a good window for more revenue generation.

DIRECTOR

There are two directors in the company viz Ms. Anuradha Prasad, Managing Director and Mr. Rajiv Shukla.

DEPOSITS

Your company has not accepted any deposit falling within the purview of section 58A of the Companies Act, 1956.

DIRECTOR'S RESPONSIBILITY STATEMENT

As required under section 217(2AA) of the Companies Act, 1956, the Directors of the Company hereby state and confirm-

1. That in preparation of the accounts for the financial period ended 31st March, 2007, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. That the Directors have selected 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 period and of profit and loss of the Company for that period;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the accounts for the financial period ended 31st March 2007 have been prepared on a "going concern" basis.

INCREASE IN AUTHORISED SHARE CAPITAL

The Board of Directors of your Company felt the need to increase the capital base of the Company to improve the debt equity ratio and save the interest cost. During the financial year the authorised capital of your Company was increased pursuant to the resolution passed by the members of the company at the Extra-Ordinary General Meeting dated 20th October 2006 from Rs. 10.2 Crore to Rs. 15 Crore from and further from Rs. 15 Crore to Rs. 20 Crore in its meeting dated 30th March 2007 respectively.

AUDITORS

M/s Joy Mukherjee & Associates, Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting. They are being eligible for re-appointment, offer themselves for reappointment.

AUDITORS' REPORT

The Auditors' Report and the respective Notes to the Accounts are self explanatory and therefore, do not call for any comments.

B.A.G INFOTAINMENT PRIVATE LIMITED

PERSONNEL

There is no employee whose particulars are required to be disclosed under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Particular as required to be disclosed as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, are set out in the statement attached hereto under Annexure -I and forms part of this Report.

ACKNOWLEDGEMENT

Your directors wish to place on record their appreciation for the continued support of Bankers and Government Authorities

For and on behalf of the Board of Directors

Place: Noida
Date: 26th June 2007

Anuradha Prasad
Managing Director

ANNEXURE -I TO DIRECTORS REPORT

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE, EARNING AND OUTGO

Information 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 and forming part of the Directors Report for the year ended March 31, 2007 is as follows:

A. CONSERVATION OF ENERGY

The company is not engaged in any manufacturing activities and as such, particulars relating to conservation of Energy and Technology absorption are not applicable. However the following measures are taken to conserve the energy such as follows:

- * Switching on/off procedure is being followed for entire lighting and other load within the premises. Timers are being used to ensure this.
- * Regular preventive maintenance of air-conditioning system to enhance efficiency in usage of energy
- * All the new fittings are with CFL or energy savers which use less electrical power.

B. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

The company continuously makes efforts towards research and development activities whereby it can improve the quality and productivity of its programmes.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars	Figures in Rs.	
	2006-07	2005-06
Foreign Exchange Earned	Nil	Nil
Foreign Exchange Spent	Nil	Nil

For and on behalf of the Board of Directors

Place: Noida
Date: 26th June 2007

Anuradha Prasad
Managing Director

B.A.G INFOTAINMENT PRIVATE LIMITED

AUDITOR'S REPORT TO THE MEMBERS OF B.A.G. INFOTAINMENT (P) LIMITED

1. We have audited the attached Balance Sheet of B.A.G Infotainment (P) Limited, as at 31st March, 2007, and the related, Profit and Loss Account for the year ended on that date annexed thereto, and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of "The Companies Act, 1956" of India (the "Act") and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of 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 account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the Directors of the Company, as on 31st March, 2007 and taken on record by the Board of Directors of the Company, none of the Directors of the Company is disqualified as on 31st March, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) Section 274 of the Act;
 - (f) In our opinion, and to the best of our information and according to the explanations given to us, the said Financial accounts, read with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For and on behalf of
Joy Mukherjee & Associates
Chartered Accountants

JOY MUKHERJEE
Partner
Membership No. 74602

Place: Noida
Dated: 26th June ,2007

ANNEXURE TO AUDITOR'S REPORT **[Referred to in paragraph 3 of our Report of even date]**

1.
 - (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets are physically verified by the management during the year in a phased Periodical manner, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies between the book records and the physical inventory have been noticed.
 - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. As the Company does not have any inventory, hence the provisions of Clause 4(ii) (a), (b) and (c) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company for the current year.
3.
 - (a) The Company has not granted any loans, secured or unsecured, to Companies, firms or other parties covered in the Register maintained under Section 301 of the Act. Accordingly, clauses (iii)(b) to (iii)(d) of paragraph 4 of the Order are not applicable to the Company for the current year.

B.A.G INFOTAINMENT PRIVATE LIMITED

- (b) The Company has not taken any loans, secured or unsecured, from Companies, firms or other parties covered in the Register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of television serials. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act, if any, have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, having regard to the fact that the items sold/ services rendered/received are of a special nature and suitable alternate sources do not exist for obtaining comparative quotations, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time or the prices at which the transactions for similar goods have been made with other parties.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of business.
8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company as the Company is not involved in any manufacturing activity.
9. (a) According to the records of the Company, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues where applicable have been generally, regularly deposited with appropriate authorities. According to the information and explanations given to us, none of the undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2007 for a period of more than six months from the dates of becoming payable.
- (b) According to the information and explanations given to us, there are no cases of non-deposit with appropriate authorities of disputed dues of sales tax, income tax, custom duty, wealth tax, service tax, excise duty and cess.
10. The Company has accumulated losses amounting to Rs. 2,96,345/- as at 31st March 2007 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. In our opinion and according to the information and explanations given to us, the Company has not obtained any term loan during the year.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which 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 during the year.
19. The Company has not issued any debentures.
20. During the year, the Company has not raised money by public issue(s).
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For and on behalf of
Joy Mukherjee & Associates
Chartered Accountants

JOY MUKHERJEE
Partner
Membership No. 74602

Place: Noida
Dated: 26th June, 2007

B.A.G INFOTAINMENT PRIVATE LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2007

SCHEDULE	31.03.2007 (Amt. in Rs.)	31.03.2006 (Amt. in Rs.)
SOURCES OF FUNDS		
SHAREHOLDER'S FUNDS		
Share capital	1	175,577,400
Reserves and surplus		100,950,744
		<u>—</u>
		<u>175,577,400</u>
		<u>100,950,744</u>
APPLICATION OF FUNDS		
FIXED ASSETS		
Gross Block	2	49,910,000
Less: Depreciation		49,910,000
Net book value		<u>—</u>
Add: Capital work-in-progress		49,910,000
Add: Preoperative Expenditure pending Capitalisation		79,282,963
		<u>6,328,476</u>
		<u>135,521,439</u>
		<u>49,922,556</u>
		<u>—</u>
		<u>—</u>
INVESTMENTS		
CURRENT ASSETS LOANS AND ADVANCES		
Cash and bank balances	3	24,648,250
Loans and advances	4	16,053,392
		<u>40,701,642</u>
		<u>50,444,950</u>
Less: Current liabilities	5	1,414,964
Provisions	6	315,394
		<u>205,094</u>
		<u>122,227</u>
NET CURRENT ASSETS		<u>38,971,284</u>
		<u>50,117,629</u>
MISC. EXPENDITURE	7	788,332
(to the extent not written off or adjusted)		788,332
PROFIT AND LOSS A/C		<u>296,345</u>
		<u>175,577,400</u>
		<u>100,950,744</u>
Significant Accountinng Policies and Notes to Accounts	8	

As per our separate report of even date

For and on behalf of Board of Directors

For **Joy Mukerjee & Associates**
Chartered Accountant

Joy Mukherjee
(Partner)
M.NO.74602

Anurradha Prasad
Managing Director

Rajiv Shukla
Director

Pinki Pilani
Company Secretary

Place : Noida
Date : 26th June 2007

B.A.G INFOTAINMENT PRIVATE LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

PARTICULARS	SCHEDULE	(Amt.in Rs.) Year Ended 31.03.2007	(Amt.in Rs.) Period Ended 31.03.2006
Income			
Sales		—	—
Other Income		—	—
		<u>—</u>	<u>—</u>
Expenditure			
Production Expenses		—	—
Administrative Expenses		—	—
Staff Expenses		—	—
		<u>—</u>	<u>—</u>
Profit before tax		—	—
Provision for tax		135,273	122,227
Fringe Benefit Tax		38,845	—
Deferred Tax		—	—
Loss for the year		<u>174,118</u>	<u>122,227</u>
Balance brought forward		<u>122,227</u>	—
Net Loss transfer to Balance sheet		<u>296,345</u>	<u>122,227</u>

Significant Accountng Policies and Notes to Accounts 8

As per our separate report of even date

For and on behalf of Board of Directors

For **Joy Mukerjee & Associates**
Chartered Accountant

Joy Mukherjee
(Partner)
M.NO.74602

Anuradha Prasad
Managing Director

Rajiv Shukla
Director

Pinki Pilani
Company Secretary

Place : Noida
Date : 26th June 2007

B.A.G INFOTAINMENT PRIVATE LIMITED

Schedules to the Balance as at	31.3.2007 (Amt. in Rs.)	31.03.2006 (Amt. in Rs.)
1. Share Capital		
Authorised		
Equity shares, Rs.10/- each		
20,000,000 equity shares (Pr. Yr. 1,02,00,000 Shares @ Rs 10/- each)	<u>200,000,000</u>	<u>102,000,000</u>
Issued Subscribed and Paid Up		
Equity shares, Rs.10/ each		
17472850 equity shares fully paid up	174,728,500	100,828,500
(Pr. Yr. 10082850 shares @ Rs 10/- each)		
Share application pending allotment	848,900	122,244
	<u>175,577,400</u>	<u>100,950,744</u>
2. Fixed Assets		
{ Refer Note No 8 (II)(3)}		
a) Gross Block	49,910,000	49,910,000
b) Less Depreciation	—	—
Net Block	<u>49,910,000</u>	<u>49,910,000</u>
Capital Work in progress (Includes Capital advances)	79,282,963	—
{ Refer Note 8(II)(4)}		
Preoperative Expenditure pending Capitalisation	6,328,476	12,556
{ Refer Note 8(I) C , 8(II) (5) and 8(II) (10)}		
Net Block	<u>135,521,439</u>	<u>49,922,556</u>
3. Cash & Bank Balances		
Cash & Imprest with Staff	211,686	126,600
Balance with banks	—	—
Balance with Scheduled Bank	—	—
Current A/c	8,130,701	42,629,227
Fixed Deposits	<u>16,305,863</u>	<u>—</u>
	<u>24,648,250</u>	<u>42,755,827</u>
4. Loans and Advances		
(Unsecured, Considered good)		
Advances	1,831,282	—
Interest receivable	240,728	281,638
Prepaid Expenses { Refer Note No.8(II)(6)}	13,891,200	7,326,000
TDS	90,182	81,485
	<u>16,053,392</u>	<u>7,689,123</u>
5. Current Liabilities		
Sundry Creditors		
For Goods & Services	684,217	161,934
Others Liabilities	<u>730,747</u>	<u>43,160</u>
	<u>1,414,964</u>	<u>205,094</u>
6. Provisions		
Provision for Income Tax	174,118	122,227
Taxes Payables	<u>141,276</u>	<u>—</u>
	<u>315,394</u>	<u>122,227</u>
7. Miscellaneous Expenditure		
(To the Extent Not Written Off or adjusted)		
Preliminary Expenses		
Opening balance	788,332	—
Add: Incurred During the period	—	788,332
Less Written off during the period	—	—
	<u>788,332</u>	<u>788,332</u>

B.A.G INFOTAINMENT PRIVATE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2007 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED FOR THE YEAR ENDED MARCH 31, 2007

SCHEDULE- 8

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

I) Significant Accounting Policies

a) Basis for Preparation of Accounts

The financial statements are prepared under the historical cost convention on the mercantile system of accounting and in accordance with the mandatory accounting standards referred to in Section 211(3C) of the Companies Act, 1956.

The preparation of the financial statements is in accordance with Generally Accepted Accounting Principles. It requires the management to make estimates and assumptions, that affect the reported amounts of assets and liabilities, disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenditure during the year.

Management periodically reviews using external and internal sources, whether there is an indication that an asset may be impaired. If the carrying amount of fixed asset exceeds the recoverable amount on the reporting date, the carrying amount is reduced to the recoverable amount. Contingencies are recorded when it is probable that a liability will be incurred and the amount can be reasonably estimated. Where no reliable estimate can be made, a disclosure is made as contingent liability.

b) Fixed Assets & Capital WIP

The Fixed assets are stated at cost of acquisition and subsequent improvement thereto, including taxes duties, freight and other incidental expenses relating to its acquisition and installation.

Capital WIP is stated at cost.

c) Expenditure during acquisition, installation and construction period (Pre-Operative Expenditure)

Expenditure directly relating to the acquisition, installation and subsequent improvement activity thereto is capitalized. Indirect expenditure incurred during the period of installation, trial run and construction period is capitalized as part of the indirect construction cost to the extent expenditure is related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period, which is not related to the construction activity is charged to the Profit and Loss Account. Income earned during construction period is adjusted against the total of the indirect expenditure.

d) Income Tax

Tax Expenses for the period, comprising current tax and deferred tax is included in determining the net profit / (loss) for the year.

e) Preliminary Expenses

Preliminary expenses shall be amortized over a period of ten years from the year of commencement of commercial operation.

f) Segmental reporting

i) Primary Segment :

The company operates in one segment viz. 'Radio FM Station'.

ii) Secondary Segment :

The Company caters only to the needs of Indian market hence there are no reportable geographical segments.

II) Notes to Accounts

1. The company was incorporated on October 31, 2005 with an objective of setting up FM Radio Station and is presently a subsidiary of B.A.G Films & Media Ltd (formerly known as B.A.G. Films Ltd). The company is yet to commence the commercial operations.
2. During the financial year, the authorised capital of the Company was increased pursuant to the resolution passed by the members of the company at an Extra-Ordinary General Meeting dated 20th October 2006 from Rs. 10,20,00,000 to Rs. 15,00,00,000 and further from Rs. 15,00,00,000 to Rs. 20,00,00,000 at an Extra-Ordinary General Meeting dated 30th March 2007 to increase the Capital Base of the Company.
3. The Fixed assets comprise of Fixed Radio Licenses Fee (One Time Entry Fees) paid to the Ministry of Information and Broadcasting, Government of India which has been capitalized at cost under the category of Intangible Assets. The same shall be amortized equally over the period of the license from the date of its commercial exploitation.
4. The detail of Capital WIP (Includes Capital Advances) is as follows :

	For the year ended 31st March 2007	For the Period ended 31st March 2006
Capital WIP (Plant & Machinery)	7,37,341	-Nil -
Capital Advances	7,85,45,622	-Nil -

B.A.G INFOTAINMENT PRIVATE LIMITED

5. The Company has bagged ten FM Radio Frequencies in Phase II expansion in category B,C & D cities across India .The ten Radio frequencies includes Jabalpur in Madhya Pradesh ,Ahmadnagar, Dhule & Jalgaon in Maharashtra, Patiala in Punjab ,Shimla in Himachal Pradesh, Hissar & Karnal in Haryana, Ranchi in Jharkand and Muzzafarpur in Bihar .

The operation of the FM station depends on the availability of Common Transmission Infrastructure (CTI) to be provided by the Govt. of India and its agencies.

The Expenses incurred on the setting up of the above mentioned stations in each city have been considered as pre-operative expenditure and will be allocated to fixed assets in the related year of the commencement of commercial operations .Other expenses have been charged to Profit and Loss account.

6. A sum of Rs.1,38,91,200/- (PreviousYear Rs.73,26,000/-) has been paid as advance to Prasar Bharti (Broadcasting Corporation of India) on account of Tower Rent. This amount will be charged to the profit and loss account from the date it is payable on provisioning of services by Prasar Bharti.
7. Deferred Tax Liability/Deferred Tax Assets is Rs. nil. (P.Y.Nil)
8. Sundry Creditors
- a. Due to small scale industrial undertaking (SSI) is Rs.Nil (Pr.Yr.Nil). This information has been determined to the extent such parties have been identified on the basis of the information available with the Company .This has been relied upon by the auditors.
- b. There are no amounts due and outstanding to be credited to Investor Protection Fund.
9. Commitments and Contingencies

	<i>Amount in Rs.</i>	
	For the year ended 31st March 2007	For the Period ended 31st March 2006
Estimated amount of contract remaining to be executed on capital account and not provided for	7,93,93,166	-nil-
Claims against company not acknowledge as debts	-nil-	-nil-
Bank Guarantees	12,71,200	12,71,200

10. Pre-operative Expenditure

		<i>Amt.in Rs.</i>
Detail of Preoperative Expenses	As At March 31,2007	As At March 31,2006
a) Opening Balance	12,556	—
Addition During the Year		
b) Administration Expenses		
Auditor Remuneration	16,836	27,550
Fees & Subscription	261,500	7,500
Total (b)	278,336	35,050
c) Technical & Operating Expenses		
Advertisement Expenses	460,390	—
Business Promotion	132,123	100,875
Web hosting & Domain Registration	34,318	8,950
Consultancy Exp.-Technical	4,000	—
Professional Charges-Technical	2,3,11,873	—
Bank Charges & Loan Processing Fees	1,510,731	32,339
Legal Expenses	86,200	39,220
Boarding, Lodging & Travelling	1,120,577	93,863
Postage,Telegram & Telephone	31,654	—
Printing Expenses	34,317	—
DJ Training Expenses	18,000	—
Entertainment Expenses	24,062	—
Taxi Hiring Charges	8,030	15,382
Rent, Rates & Taxes	654,014	50,000
Misc. Expenses	9,176	—
Total (c)	6,439,465	340,629
Total (a, b & c)	6,730,657	375,679

B.A.G INFOTAINMENT PRIVATE LIMITED

e) Less:-		
Interest Income from Temporary Deposit	401,881	363,123
	6,328,476	12,556
f) Less:-		
Capitalisation of Expenses	—	—
g) Closing Balance (Pending Capitalisation)	6,328,476	12,556

11. Supplementary Statutory Information

- a) Managerial Remuneration : Nil
- b) CIF Value of Import - nil
- c) Expenditure in Foreign Currency -Nil-
- d) Auditors' Remuneration

	For the year ended 31st March 2007	For the Period ended 31st March 2006
i) Audit Fees	16,836/-	16,530/-
ii) Other Services	-Nil-	11,020/-
Total	16,836/-	27,550/-

- e) Related Party Disclosure

	For the year ended 31st March 2007	For the Period ended 31st March 2006
1. Key Management Personnal (Director)		
Rent Paid -		
- Anurradha Prasad	60,000	25,000
- Rajiv Shukla	60,000	25,000
2. Holding Company		
Equity Share Capital & Share Application money received		
- B.A.G Films & Media Ltd. (Formally known as B.A.G. Films Limited)	2,97,48,900	10,09,50,744

- 12. Previous period figures have been regrouped, rearranged and re-classified wherever necessary to confirm to the current year's classification.

Signature to Schedule 1 to 8

As per our separate report of even date

For and on behalf of Board of Directors

For **Joy Mukerjee & Associates**
Chartered Accountant

Joy Mukherjee
(Partner)
M.NO.74602

Anurradha Prasad
Managing Director

Rajiv Shukla
Director

Pinki Pilani
Company Secretary

Place : Noida
Date : 26th June 2007

B.A.G INFOTAINMENT PRIVATE LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(a)	Registration detail	
	Registration no.	142230
	State Code	55
	Balance sheet date	March 31,2007
(b)	Capital Raised during the year	(Amount in '000)
	Public issue	Nil
	Right issue	Nil
	Bonus issue	Nil
	Private Placement	175,577.40
(c)	Position of mobilisation and deployment of funds	(Amount in '000)
	Total Liabilities	175,577.40
	Total Assets	175,577.40
	SOURCES OF FUNDS	
	Share Capital	175,577.40
	Reserve & Surplus	—
	Secured Loans	—
	Deferred Tax Liability (Net)	—
	TOTAL	175,577.40
	APPLICATION OF FUNDS	
	Net Fixed Assets	135,521.44
	Investments	—
	Net Current Assets	38,971.28
	Misc Expenditure	788.33
	Profit & Loss Account	296.35
	TOTAL	175,577.40
(d)	Performance of the company	(Amount in '000)
	Sales and Services	—
	Other Income	—
	Total Expenditure	—
	Profit before tax	—
	Profit/(Loss) after tax	(174.12)
	Earning Per Share in (Rs.)	—
(e)	Generic names of three principle products/services of the company	
	Item code no.	NA
	Product	NA
	Description	NA

For and on behalf of board of directors

Place:Noida
Date: 26th June 2007

Anurradha Prasad
Managing Director

Rajiv Shukla
Director

B.A.G INFOTAINMENT PRIVATE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

(Amount in Rs.)

	March 31,2007	March 31,2006
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before exceptional items		
Adjustments for :		
Depreciation / Amortisation	—	
Misc .Assets written off	—	
Operating profit before working capital changes	—	
Adjustments for :		
Inventories		
Sundry debtors / receivables		
Loans and advances	(8,364,268)	(7,689,123)
Trade/other payables	1,351,145	205,094
Other current assets		
Net cash generated from operating activity before exceptional items	(7,013,123)	(7,484,027)
Exceptional items		
Increase in Misc. Expenditure	—	(788,332)
Direct taxes paid	(122,227)	
Net cash from operating activities after exceptional items	(7,135,350)	(8,272,359)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets / capital works-in-progress	(85,598,883)	(49,922,556)
Sale proceeds of fixed assets		
Purchase of investments		
Profit on sale of Investment		
Short term deposit / secured loans		
Interest received		
Dividend received		
Net cash from / (used) in investing activities	(85,598,883)	(49,922,556)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of capital (including premium)	74,626,656	100,950,744
Increase in bank borrowings Long term		
Decrease in other borrowings		
Interest paid		
Dividend paid		
Tax on dividend		
Net cash from / (used) in financing activities	74,626,656	100,950,744
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(18,107,577)	42,755,827
Cash and cash equivalents at the beginning	42,755,827	—
Cash and cash equivalents at the close	24,648,250	42,755,827
Cash and cash equivalents include :		
Cash and cheques in hand and remittances in transit	211,686	126,600
With banks in :		
Current accounts	24,436,564	42,629,227
Deposit accounts		

As per our separate report of even date

For and on behalf of Board of Directors

For **Joy Mukerjee & Associates**

Chartered Accountant

Joy Mukherjee

(Partner)

M.NO.74602

Place : Noida

Date : 26th June 2007

Anuradha Prasad

Managing Director

Rajiv Shukla

Director

Pinki Pilani

Company Secretary

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF B.A.G FILMS & MEDIA LIMITED (FORMERLY KNOWN AS B.A.G.FILMS LIMITED) ON THE CONSOLIDATED FINANCIAL STATEMENTS OF B.A.G FILMS & MEDIA LIMITED AND ITS SUBSIDIARY.

1. We have audited the attached consolidated Balance Sheet of B.A.G FILMS & MEDIA LIMITED and its subsidiary (collectively called "The Company") as at March 31, 2007 and also the consolidated Profit and Loss Account (refer note 3) and the consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. This is the Second Year of Consolidation of Financial Statements as the only subsidiary of B.A.G FILMS & MEDIA LIMITED was incorporated on October 31, 2005.
4. We report that the consolidated financial statements have been prepared by The Company's management in accordance with the requirements of Accounting Standard 21; Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the consolidated Balance Sheet, of the state of affairs of "The Company" as at March 31, 2007;
 - b) in the case of the consolidated Profit and Loss Account, of the profit of "The Company", for the year ended on that date; and
 - c) in the case of the consolidated Cash Flow Statement, of the cash flows of "The Company" for the year ended on that date.

JOY MUKHERJEE
Partner
Membership No.74602

Place: Noida
Date : 26th June 2007

For and on behalf of
Joy Mukherjee & Associates
Chartered Accountants

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2007

PARTICULARS	SCHEDULE	MARCH 31, 2007 (Amt.in Rs.)	MARCH 31, 2006 (Amt.in Rs.)
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS			
CAPITAL	A	199,480,039	119,687,539
RESERVES & SURPLUS	B	<u>813,717,185</u>	<u>344,302,612</u>
		1,013,197,224	463,990,151
LOAN FUND			
SECURED LOANS	C	4,868,600	104,304,055
		44,923,679	
MINORITY INTEREST			
DEFERRED TAX LIABILITY		<u>14,790,934</u>	<u>8,439,659</u>
		<u>1,077,780,437</u>	<u>576,733,865</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
GROSS BLOCK	D	424,452,281	342,460,061
Less: DEPRECIATION		<u>93,504,898</u>	<u>65,446,324</u>
NET BLOCK		330,947,383	277,013,737
Add: CAPITAL WORK IN PROGRESS		129,793,973	62,455,756
Add: PRE OPERATIVE EXPENDITURE PENDING CAPITALIZATION		<u>6,328,476</u>	<u>12,556</u>
		467,069,832	339,482,048
INVESTMENTS	E	169,165,299	40,656,748
CURRENT ASSETS, LOANS & ADVANCES			
CASH & BANK BALANCES	F	301,957,349	72,255,071
CLOSING STOCK		102,265,929	96,828,928
SUNDRY DEBTORS		164,804,683	67,061,222
LOANS & ADVANCES		<u>77,597,498</u>	<u>34,452,882</u>
		646,625,459	270,598,103
LESS CURRENT LIABILITIES & PROVISIONS			
CURRENT LIABILITIES	G	168,573,861	67,686,888
PROVISIONS		<u>53,270,476</u>	<u>29,174,779</u>
		<u>221,844,337</u>	<u>96,861,667</u>
NET CURRENT ASSETS		424,781,122	173,736,436
MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)	H	16,764,184	22,858,632
		<u>1,077,780,437</u>	<u>576,733,865</u>

**SIGNIFICANT ACCOUNTING POLICIES AND
NOTES TO ACCOUNTS**

P

THE SCHEDULE REFER TO ABOVE ARE AN INTEGRAL PART OF THE BALANCE SHEET

AS PER OUR SEPARATE REPORT OF EVEN DATE

ON BEHALF OF THE BOARD

JOY MUKHERJEE
PARTNER
MEMBERSHIP NO.74602
FOR AND ON BEHALF OF
JOY MUKHERJEE & ASSOCIATES
CHARTERED ACCOUNTANTS

ANURRADHA PRASAD
(MANAGING DIRECTOR)

RAJIV SHUKLA
(DIRECTOR)

RAJEEV PARASHAR
(COMPANY SECRETARY)

PLACE: NOIDA
DATE : 26TH JUNE 2007

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

(Amt.in Rs.)

PARTICULARS	SCHEDULE	FOR THE YEAR ENDED MARCH 31, 2007	FOR THE YEAR ENDED MARCH 31, 2006
INCOME			
SALES & SERVICES	I	441,424,652	423,876,421
OTHER INCOME	J	17,000,302	17,409,785
INCREASE IN STOCKS		5,437,001	47,434,167
TOTAL		463,861,955	488,720,373
EXPENDITURE			
COST OF PRODUCTION	K	301,427,480	342,617,105
PERSONNEL COST	L	16,903,667	13,850,718
ADMINISTRATIVE EXPENSES	M	37,850,991	44,799,580
FINANCIAL CHARGES	N	14,691,673	7,079,410
MISC. EXPENSES WRITTEN OFF	O	8,715,486	6,364,118
DEPRECIATION		28,058,574	26,105,964
TOTAL		407,647,871	440,816,895
PROFIT BEFORE TAXATION		56,214,084	47,903,478
PROVISION FOR TAX (INCLUDING WEALTH TAX)		13,958,641	14,286,035
FRINGE BENEFIT TAX		2,302,450	2,839,860
DEFERRED TAX		6,351,275	257,456
		22,612,366	17,383,350
PROFIT AFTER TAXATION		33,601,718	30,520,127
ADJUSTMENT RELATING TO EARLIER YEARS		(1,105,737)	(4,480,184)
BALANCE BROUGHT FORWARD		69,225,113	56,777,508
AVAILABLE FOR APPROPRIATIONS		101,721,094	82,817,451
PROPOSED DIVIDEND		18,682,618	11,920,490
CORPORATE DIVIDEND TAX		3,175,111	1,671,848
APPROPRIATIONS			
SURPLUS TRANSFERRED TO BALANCE SHEET		79,863,365	69,225,113
		79,863,365	69,225,113
BASIC EARNINGS PER SHARE		0.54	0.51
DILUTED EARNINGS PER SHARE		0.53	0.51

**SIGNIFICANT ACCOUNTING POLICIES AND
NOTES TO ACCOUNTS**

P

THE SCHEDULE REFER TO ABOVE ARE AN INTEGRAL PART OF THE P& L A/C

AS PER OUR SEPARATE REPORT OF EVEN DATE

ON BEHALF OF THE BOARD

JOY MUKHERJEE
PARTNER
MEMBERSHIP NO.74602
FOR AND ON BEHALF OF
JOY MUKHERJEE & ASSOCIATES
CHARTERED ACCOUNTANTS

ANURADHA PRASAD
(MANAGING DIRECTOR)

RAJIV SHUKLA
(DIRECTOR)

RAJEEV PARASHAR
(COMPANY SECRETARY)

PLACE: NOIDA
DATE : 26TH JUNE 2007

SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS AS ON 31.03.2007

	MARCH 31, 2007 (Amt.in Rs.)	MARCH 31, 2006 (Amt.in Rs.)
SCHEDULE 'A': SHAREHOLDERS FUNDS		
SHARE CAPITAL		
AUTHORISED CAPITAL		
12,50,00,000 EQUITY SHARES OF RS. 2/- EACH (PREVIOUS YEAR 10,00,00,000 EQUITY SHARES @ Rs 2/- EACH)	250,000,000	200,000,000
ISSUED, SUBSCRIBED & PAID UP CAPITAL		
3,75,18,890 EQUITY SHARES OF RS. 2/- EACH FULLY PAID UP FOR CASH	75,037,780	75,037,780
2,02,50,000 EQUITY SHARES OF RS. 2/- EACH FULLY PAID UP FOR CASH IN PREFERENTIAL ALLOTMENT (PREVIOUS YEAR NIL) (REFER NOTE NO.P(II)(5.1))	40,500,000	—
FULLY CONVERTIBLE SHARE WARRANTS (PREVIOUS YEAR NIL) (REFER NOTE NO.P(II)(5.1))	13,000,000	—
22,566,200 EQUITY SHARES OF RS. 2/- EACH ISSUED AS BONUS SHARES BY CAPITALISING GENERAL RESERVES	45,132,400	45,132,400
	173,670,180	120,170,180
LESS: CALLS UNPAID	<u>346,141</u>	<u>482,641</u>
SHARE APPLICATION MONEY (PENDING ALLOTMENT) { REFER NOTE NO.P(II) (5.3)}	26,156,000	—
	<u>199,480,039</u>	<u>119,687,539</u>
SCHEDULE 'B': RESERVES & SURPLUS		
(A) PROFIT & LOSS		
AS AT APRIL 1	69,225,113	56,777,508
ADD:PROFIT AFTER TAX	33,601,718	30,520,127
ADD:MINORITY'S SHARE	76,321	
ADD : ADJUSTMENTS RELATING TO EARLIER YEARS	(1,105,737)	(4,480,184)
LESS:PROPOSED DIVIDEND INCLUDING CORPORATE DIVIDEND TAX	<u>21,857,729</u>	<u>13,592,338</u>
	79,939,686	69,225,113
(B) GENERAL RESERVES		
AS AT APRIL 1	37,927,284	37,927,284
ADD: TRANSFERRED FROM PROFIT AND LOSS ACCOUNT	—	—
	37,927,284	37,927,284
(C) SHARE PREMIUM		
AS AT APRIL 1	239,080,779	239,080,779
ADD: PURSUANT TO PREFERENTIAL ALLOTMENT	222,750,000	—
LESS CALLS UNPAID	<u>1,384,564</u>	<u>1,930,564</u>
	460,446,215	237,150,215
(D) SHARE PREMIUM (PENDING ALLOTMENT)		
	235,404,000	—
	<u>813,717,185</u>	<u>344,302,612</u>
SCHEDULE 'C': SECURED LOANS		
A TERM LOAN FROM BANK		
YES BANK LTD.*	—	100,000,000
KOTAK MAHINDRA BANK LTD.**	—	<u>2,291,667</u>
* SECURED BY CHARGE ON ALL MOVEABLE ASSETS EXCEPT THE EQUIPMENT HYPOTHECATED TO KOTAK MAHINDRA BANK LTD.		
** SECURED BY HYPOTHECATION OF SPECIFIC EQUIPMENTS		
B VEHICLE LOAN		
FROM BANKS	4,868,600	2,012,388
SECURED BY HYPOTHECATION OF VEHICLES FINANCED		
	<u>4,868,600</u>	<u>104,304,055</u>

SCHEDULE 'D' FIXED ASSETS DEPRECIATION CHART AS PER COMPANIES ACT, 1956 FOR THE PERIOD ENDING ON MARCH 31, 2007

(Amt.in Rs.)

PARTICULARS	GROSS BLOCK			DEPRECIATION BLOCK				NET BLOCK		
	Cost As on 1.4.2006	Addition During the year	Sale/Adj During the year	Total Cost as on 31.03.2007	Accumulated Depreciation as at 01.04.2006	Depreciation for the year	Adjustment for the year	Accumulated Depreciation	W.D.V 31.3.2007	W.D.V 31.3.2006
Land & Site Development	57,825,219	—	—	57,825,219	—	—	—	—	57,825,219	57,825,219
Building	91,456,853	—	—	91,456,853	5,777,876	4,283,949	—	10,061,825	81,395,028	85,678,977
Plant & Machinery	55,849,671	503,296	—	56,352,967	25,919,947	6,037,972	—	31,957,919	24,395,048	29,929,724
Computer & Peripherals	23,910,443	46,296,387	—	70,206,830	13,090,972	8,286,236	—	21,377,208	48,829,622	10,819,471
Vehicle	7,163,371	4,686,307	—	11,849,678	3,834,480	1,402,950	—	5,237,430	6,612,248	3,328,891
Software	8,017,308	24,397,200	—	32,414,508	5,031,632	1,785,162	—	6,816,794	25,597,714	2,985,676
Furniture and Fixture	32,298,591	237,512	2,000	32,534,103	7,746,997	4,465,742	—	12,212,739	20,321,364	24,551,594
Office Equipment	16,028,605	5,873,518	—	21,902,123	4,044,420	1,796,563	—	5,840,983	16,061,140	11,984,185
Licence Fees	49,910,000	—	—	49,910,000	—	—	—	—	49,910,000	49,910,000
Total	342,460,061	81,994,220	2,000	424,452,281	65,446,324	28,058,574	—	93,504,898	330,947,383	277,013,737
Capital Work in Progress									129,793,973	62,455,757

	MARCH 31, 2007 (Amt.in Rs.)	MARCH 31, 2006 (Amt.in Rs.)
SCHEDULE 'E': INVESTMENTS		
LONG TERM INVESTMENTS	714,000	624,000
TRADE INVESTMENT AT COST		
5,000 (PREVIOUS YEAR 5000) EQUITY SHARES OF MUKTA ARTS LIMITED* HAVING FACE VALUE OF RS.5/- PER SHARE FULLY PAID UP PURCHASED @ RS.100/- PER EQUITY SHARE ((MARKET VALUE AS ON 31.3.2007 IS RS.74.75) (PREVIOUS YEAR RS 51.45))	500,000	500,000
12400 (PREVIOUS YEAR 12400) EQUITY SHARES OF B.A.G.INFOTECH (P)LTD** (A COMPANY UNDER SAME MANAGEMENT) HAVING FACE VALUE OF RS 10/- PER SHARE FULLY PAID-UP.(UNQUOTED)	124,000	124,000
9,000 (PREVIOUS YEAR NIL) EQUITY SHARES OF SEIJUN AND B.A.G.ANIMATION PVT.LTD. (A JOINT VENTURE COMPANY) HAVING FACE VALUE OF RS 10/- PER SHARE FULLY PAIDUP (UNQUOTED)	90,000	—
* AGGREGATE VALUE OF QUOTED INVESTMENT IS Rs. 5,00,000/- (Previous yearRs 5,00,000/-)		
** AGGREGATE VALUE OF UN- QUOTED INVESTMENT Rs 2,14,000/- (Previous yearRs 1,24,000/-)		
OTHER INVESTMENTS	168,451,299	40,032,748
CURRENT INVESTMENT		
IN MUTUAL FUND*	168,451,299	40,032,748
* AGGREGATE VALUE OF QUOTED INVESTMENT Rs. 16,87,74,731/-	—	
** AGGREGATE VALUE OF UN- QUOTED INVESTMENT IS Rs NIL		
	<u>169,165,299</u>	<u>40,656,748</u>
SCHEDULE 'F': CURRENT ASSETS, LOANS & ADVANCES		
(A) CURRENT ASSETS		
1 CASH & BANK BALANCES		
CASH IN HAND	1,134,097	1,079,291
IMPREST WITH STAFF	159,438	288,884
CHEQUES IN HAND & TRANSIT	6,157,636	6,996,693
BALANCES WITH SCHEDULED BANKS	294,506,178	63,890,203
CURRENT ACCOUNT	16,740,868	51,457,194
FIXED DEPOSITS	277,765,310	11,773,009
MARGIN MONEY	—	660,000
	<u>301,957,349</u>	<u>72,255,071</u>

	MARCH 31, 2007 (Amt.in Rs.)	MARCH 31, 2006 (Amt.in Rs.)
2. STOCK INTRADE (AT COST, AS VALUED AND CERTIFIED BY THE MANAGEMENT)		
RAW MATERIAL	480,570	298,653
WORK IN PROGRESS	43,386,232	89,933,021
FINISHED GOODS	<u>58,399,127</u>	<u>6,597,254</u>
	102,265,929	96,828,928
3. SUNDRY DEBTORS (Unsecured, considered good unless otherwise specified)		
(a) DEBTS FOR A PERIOD EXCEEDING SIX MONTHS	3,906,465	5,772,365
(b) OTHER DEBTS	<u>160,898,218</u>	<u>61,288,857</u>
	164,804,683	67,061,222
(B) LOANS & ADVANCES (Unsecured, Considered Good)		
ADVANCE INCOME TAX	35,374,826	17,112,805
EARNEST MONEY & SECURITY DEPOSITS	4,605,794	4,052,424
PREPAID EXPENSES	15,467,674	9,283,709
REFUND DUE (INCOME TAX)	524,570	524,570
FEES RECOVERABLE (ISOMES)	140,000	35,000
STAFF ADVANCES	310,326	522,095
ADVANCE AGAINST SHARE CAPITAL GIVEN TO PROPOSED SUBSIDIARY	<u>258,000</u>	
ADVANCES TO OTHERS	<u>20,916,308</u>	<u>2,922,279</u>
	77,597,498	34,452,882
	646,625,459	270,598,103
SCHEDULE 'G' : CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
SUNDRY CREDITORS FOR GOODS & SERVICES	115,447,211	39,348,390
OTHER CREDITORS	19,364,152	13,200,000
ADVANCE FROM CUSTOMERS	4,550,000	144,051
TAXES PAYABLE	23,775,691	9,798,985
OTHER LIABILITIES	5,054,929	5,195,462
UNCLAIMED DIVIDEND	<u>381,878</u>	
	168,573,861	67,686,888
B. PROVISIONS		
PROVISION FOR INCOME TAX	29,471,272	14,127,511
PROVISION FOR WEALTH TAX	319,120	158,524
PROVISION FOR GRATUITY	1,622,355	1,296,406
PROPOSED DIVIDEND	18,682,618	11,920,490
CORPORATE DIVIDEND TAX	<u>3,175,111</u>	<u>1,671,848</u>
	53,270,476	29,174,779
	53,270,476	29,174,779

	MARCH 31, 2007 (Amt.in Rs.)		MARCH 31, 2006 (Amt.in Rs.)	
SCHEDULE 'H' : MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)				
PRELIMINARY EXPENSES				
OPENING BALANCE	12,326,656		14,021,482	
ADD: INCURRED DURING THE YEAR	—		788,332	
	<u>12,326,656</u>		<u>14,809,814</u>	
LESS: WRITTEN OFF	<u>2,020,552</u>	<u>10,306,104</u>	<u>2,483,158</u>	12,326,656
PRE-OPERATIVE EXPENSES				
OPENING BALANCE	9,687,120		12,916,160	
ADD: INCURRED DURING THE YEAR	—		—	
	<u>9,687,120</u>		<u>12,916,160</u>	
LESS: WRITTEN OFF	<u>3,229,040</u>	<u>6,458,080</u>	<u>3,229,040</u>	9,687,120
DEFERRED REVENUE EXPENDITURE				
OPENING BALANCE	844,856		1,496,776	
ADD INCURRED DURING THE YEAR	<u>2,621,038</u>		<u>—</u>	
	<u>3,465,894</u>		<u>1,496,776</u>	
LESS: WRITTEN OFF	<u>3,465,894</u>	<u>—</u>	<u>651,920</u>	844,856
		<u>16,764,184</u>	<u>22,858,632</u>	

(Amt.in Rs.)

	FOR THE YEAR ENDED MARCH 31, 2007		FOR THE YEAR ENDED MARCH 31, 2006	
SCHEDULE 'I' : SALES & SERVICES				
AUDIO-VIDEO PRODUCTIONS				
1 INCOME FROM COMMISSIONED SERIALS	309,195,032		398,559,135	
2 INCOME FROM SPONSORED SERIALS	8,974,472		11,590,976	
3 INCOME FROM CORPORATE FILMS & OTHERS	51,362,892		3,313,562	
4 INCOME FROM SALE OF RIGHTS	1,300,000		—	
5 INCOME FROM EVENT MANAGEMENT	1,243,735		—	
6 INCOME FROM CONSULTANCY SERVICES	194,810		—	
7 INCOME FROM IVR SERVICES	1,315,436		1,702,819	
8 MISCELLANEOUS INCOME	<u>20,500</u>	<u>373,606,877</u>	<u>113,591</u>	415,280,083
MEDIA EDUCATION				
9 INCOME FROM MEDIA SCHOOL		7,418,705		7,159,210
HIRING				
10 INCOME FROM EQUIPMENT HIRING		1,346,645		819,950
MOVIES				
11 INCOME FROM MOVIES		<u>59,052,425</u>		<u>617,178</u>
		<u>441,424,652</u>		<u>423,876,421</u>

(Amt.in Rs.)

	FOR THE YEAR ENDED MARCH 31, 2007	FOR THE YEAR ENDED MARCH 31, 2006
SCHEDULE 'J' : OTHER INCOME		
1 INTEREST	5,970,848	102,736
2 SUNDRY BALANCES WRITTEN BACK	152,151	153,837
3 AGENCY COMMISSION	915,169	789,750
4 DIVIDEND ON INVESTMENTS	2,734,833	5,200,204
5 RENT RECEIVED	5,756,996	3,144,604
6 PROFIT ON SALE OF FIXED ASSETS	—	78,579
7 PROFIT ON SALE OF INVESTMENT	1,470,305	7,940,075
MISCELLANEOUS	—	—
	<u>17,000,302</u>	<u>17,409,785</u>
	<u>17,000,302</u>	<u>17,409,785</u>
SCHEDULE 'K' : COST OF PRODUCTION		
PROFESSIONAL CHARGES ARTIST, DIRECTORS ,TECHNICIANS	152,134,738	174,019,916
CASSETTES	13,005,676	14,226,888
PURCHASE OF NEWS STORIES	3,880,250	6,137,527
EDITING CHARGES	2,672,408	3,140,489
GENERATOR FUEL EXPENSES	881,642	1,305,263
CAMERA HIRING CHARGES	7,563,687	11,280,193
FILM PROCESSING CHARGES	7,134,411	878,384
LOCATION & STUDIO HIRING CHARGES	17,596,350	26,462,074
SET EXPENSES	7,499,996	5,858,101
EQUIPMENT HIRING CHARGES	14,896,346	24,442,661
SERIAL PRODUCTION	—	9,180,000
SHOOTING EXPENSES	21,274,760	25,151,266
ELECTRICITY EXPENSES	5,864,796	4,039,061
PRODUCTION TRAVELLING & CONVEYANCE	15,270,389	17,741,907
FILM PROMOTION & OTHER PUBLICITY EXPENSES	14,783,488	—
REPAIRS & MAINTENANCE - PRODUCTION EQUIP	2,201,072	1,999,660
POSTAGE, TELEPHONE & DOWNLINKING CHARGES	6,051,698	7,856,944
RUNNING & MAINTENANCE OF VEHICLE	3,435,773	3,568,587
TELECAST FEES	5,280,000	5,328,184
	<u>301,427,480</u>	<u>342,617,105</u>
SCHEDULE 'L' : PERSONNEL COST		
SALARIES, ALLOWANCES AND BONUS	13,302,275	10,474,730
MANAGERIAL REMUNERATION	2,400,000	2,400,000
GRATUITY	430,880	384,691
STAFF WELFARE EXPENSES	500,730	320,260
CONTRIBUTION TOWARDS PROVIDENT FUND AND ESI	269,782	271,037
	<u>16,903,667</u>	<u>13,850,718</u>

(Amt.in Rs.)

	FOR THE YEAR ENDED MARCH 31, 2007	FOR THE YEAR ENDED MARCH 31, 2006
SCHEDULE ' M ' : ADMINISTRATIVE COST		
OFFICE MAINTENANCE	5,101,997	4,425,024
ELECTRICITY EXPENSES	2,513,484	2,360,033
TELEPHONE, COURIER, POSTAGE AND TELEGRAM	1,333,967	1,729,787
PRINTING & STATIONERY	316,478	595,659
REPAIRS & MAINTENANCE	315,055	539,400
CONVEYANCE EXPENSES	1,430,143	1,449,822
RUNNING & MAINTENANCE OF VEHICLE	654,198	708,678
<u>TRAVELLING EXPENSES</u>		
DIRECTORS	1,584,206	1,405,347
OTHERS	1,416,889	1,578,366
<u>REMUNERATION TO AUDITORS</u>		
(A) STATUTORY AUDIT	150,000	137,750
(C) TAX AUDIT FEES	40,000	44,080
(D) LIMITED REVIEW FEES	60,000	66,120
(E) AUDITOR'S EXPENSES	56,320	159,216
DIRECTOR'S SITTING FEES & EXPENSES	1,563,787	457,100
DONATIONS	259,241	182,100
FEES & SUBSCRIPTION	1,170,185	1,392,735
INTERNET & WEBSITE MAINTENANCE EXPENSES	250,695	320,140
ADVERTISEMENT & BUSINESS PROMOTIONS	1,530,369	4,144,187
CONSULTANCY CHARGES	10,597,896	12,771,282
RENT,RATES & TAXES	2,644,728	5,339,216
INSURANCE EXPENSES	1,094,755	533,974
BAD DEBTS WRITTEN OFF	162,375	1,852,235
SECURITIES TRANSACTIONS TAX	168,050	227,513
LOSS ON SALE OF INVESTMENT	3,363,136	1,829,656
MISCELLANEOUS EXPENSES	73,037	550,160
	<u>37,850,991</u>	<u>44,799,579</u>
SCHEDULE ' N ' : FINANCIAL CHARGES		
BANK CHARGES	282,413	101,309
BANK INTEREST & DISCOUNTING CHARGES	14,409,260	6,978,101
	<u>14,691,673</u>	<u>7,079,410</u>
SCHEDULE ' O ' : MISCELLANEOUS EXPENDITURE WRITTEN OFF		
PRELIMINARY EXPENSES	2,020,552	2,483,158
DEFERRED REVENUE EXPENSES	3,465,894	651,920
PREOPERATIVE EXPENSES	3,229,040	3,229,040
	<u>8,715,486</u>	<u>6,364,118</u>

SCHEDULE- 'P' : SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention on the mercantile system of accounting and in accordance with the mandatory accounting standards referred to in Section 211(3C) of the Companies Act, 1956.

The preparation of the financial statements in accordance with generally Accepted Accounting Principles requires that the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenditure during the period.

B. FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation. Cost comprises of purchase price and any attributable cost of bringing the assets to its working condition for its intended use. Capital work in progress is stated at cost.

C. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements relate to B.A.G Films & Media Ltd. (the holding company) and B.A.G Infotainment Private Ltd,(the wholly owned subsidiary company).

The consolidated financial statement have been prepared on the following basis :-

- i) The financial statements of the B.A.G Films & Media Ltd. and B.A.G Infotainment Private Ltd have been combined on a line -by - line basis, after eliminating intra-group balances and transactions.
- ii) The consolidated financials statements are prepared by adopting uniform accounting policies for similar transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the holding company's financial statements .

D. EXPENDITURE DURING ACQUISITION, INSTALLATION AND CONSTRUCTION PERIOD (PRE-OPERATIVE EXPENDITURE)

Expenditure directly relating to acquisition, installation and subsequent improvement activity thereto is capitalized .Indirect expenditure incurred during the period of installation , trail run and construction period is capitalized as part of the indirect construction cost to the extent expenditure is related to construction or is incident thereto .Other indirect expenditure (including borrowing costs) incurred during the construction period, which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account. Income earned during construction period is adjusted against the total of the indirect expenditure.

E. DEPRECIATION

Depreciation on fixed assets is provided on written down value method at the rates and manner prescribed in Schedule XIV of the Companies Act, 1956.

F. REVENUE RECOGNITION

In respect of Commissioned programmes, revenue is recognized as and when the relevant Software programme is delivered to the customers.

Revenue in respect of various rights attached to the Movies (features films) is recognized with the licensing agreement or on physical delivery of movies/required material whichever is later.

In all other cases, revenue (income) is recognized when no significant uncertainty as to its determination or realization exists. Production expenses are net of recoveries, if any.

G. INVENTORIES

Stock of Tapes, Cassettes and Discs

Inventories of Raw Stock consists of Tapes, Cassettes and Compact Discs which are valued at lower of Cost or estimated net realisable value. Cost is taken on First in First Out basis (FIFO).

Inventories related to television software and Programmes Pilots

The entire cost of the programme is charged to income when the programme is first exploited .The inventory thus comprises of unamortized cost of such programmes. In case of Programme Pilots, the cost is expensed - off on first telecast or on after the review of realisability.

Inventories related to Movie (Feature Films)

Movies under production (WIP) -at actual unamortized cost or net realizable value whichever is lower.

The company amortizes 75% of the cost of movie rights acquired or produced by it, on the first theatrical release of the movie. The said amortization is made proportionately on Domestic Theatrical Rights, International Theatrical Rights and Video Rights based on Management estimate of revenues from each of these rights. In case of aforesaid rights are not exploited along with or prior to the first theatrical release, proportionate appropriated cost of the said right is carried forward to be written off as and when such right is commercially exploited or at the end of one year from the date of first theatrical release, whichever occurs earlier. Balance 25% is amortised over the balance license period or based on management estimate of future revenue potential, as the case may be .The inventory, thus comprises of unamortized cost of such movie rights.

H. INVESTMENTS

Current investments are valued at cost or fair value whichever is lower. Long-term investments are stated at cost less permanent diminutions in value of such investments.

I. RETIREMENT BENEFITS

The company has contributed to Employees Provident Fund as per statutory norms and is charged to Profit and Loss account. As per the company's policy the gratuity is payable as per the Payment of Gratuity Act and the liability is provided as per the actuarial valuation at the year-end.

J. TAXATION

Tax expense for the period comprises both current tax and deferred tax at the applicable enacted or substantively enacted rates. Current tax represents the amount of income tax payable in respect of the taxable income for the reporting period. Deferred tax represents the effect of timing differences between taxable income and accounting income for the reported period as per Accounting Standard- 22 on Accounting for Taxes for Income issued by the Institute of Chartered Accountants of India.

Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

K. MISCELLANEOUS EXPENDITURE

Miscellaneous expenditure represents preliminary, Deferred Revenue Expenditure and pre-operative expenses, which is carried forward to be charged to revenue from the year of incurring the expenditure in following number of year :-

Preliminary Expenses	10 Years
Pre-operative Expenditure	5 Years

In case of Radio Business the treatment of Pre-operative Expenses is different .In Radio business the pre-operative Expenditure directly relating to acquisition ,installation and subsequent improvement activity thereto is capitalized .Indirect expenditure incurred during the period of installation ,trail run and construction period is capitalized as part of the indirect construction cost to the extent expenditure is related to construction or is incident thereto .Other indirect expenditure (including borrowing costs) incurred during the construction period, which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account. Income earned during construction period is adjusted against the total of the indirect expenditure. The different policies followed by the Companies has no impact on the profitability of the consolidated statement .

L. BORROWING COST

Borrowing cost that is attributable to the acquisition or construction of a qualifying asset is capitalized as part of the cost of that asset when first put to use. Other borrowing costs are recognized as an expense in the period in which they are incurred.

M. SEGMENTAL REPORTING

Primary segments: The Group operates in three primary business segments viz., Audio-Video Production Movies and FM Radio
Secondary segments: The Company caters to the needs of Indian market representing singular economic environments with similar risks and rewards and hence there are no reportable geographical segments.

Identifiable expenses are accounted for directly in respective segments. Overheads are apportioned pro-rata on revenues.

N. EARNINGS PER SHARE (EPS)

The Company reports Basic Earning per equity share in accordance with the Accounting Standard-20 on Earning per Share issued the Institute of Chartered Aaccountants of india. Basic Earnings per equity share has been computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the year.

The number of shares used in computing the diluted earnings per share comprises of the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

O. IMPAIRMENT OF ASSETS

The Company assesses at each balance sheet date whether there is any indication of impairment of carrying amount of the company's assets .The recoverable amount of such assets are estimated, if any indication exists, and impairment loss is recognized wherever the carrying amount of the assets exceeds its recoverable amount.

P. PROVISIONS AND CONTIGENT LIABILITIES

The Company recognizes a provision where there is a present obligation as a result of a past event that probably requires an outflow of resources and reliable estimates can be made of the amount of the obligation .A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an out flow of resources. Where there is a possible obligation that the likely hood of outflow of resources is remote, no provision or disclosure is made.

O. USE OF ESTIMATES

The preparation of the financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statement and the reported amount of income and expenses during the reporting period.Difference between the actual results and estimates are recognized in the period in which the results are Known/materialized.

NOTES TO ACCOUNTS

1. The details of subsidiary included in the consolidated financial statements are as under :

Name of the Subsidiary	Country of incorporation	Proportion of ownership as at 31st March 2007	Date of Control	Auditors
B.A.G Infotainments Private Ltd.	India	74.25%	09.11.2005	Joy Mukherjee & Associates

2. The Company has valued its investment in equity shares of Mukta Arts Ltd. at cost. The current market price of the said shares are Rs.3,73,750/- (Previous year Rs. 2,42,750/-). This being a long-term investment, the Company considers this fall in value as temporary.
3. Advance to others includes Rs.89,78,786(Pr.Yr . Nil) paid for Equity Share Application money of Sieun B.A.G Animation Private Ltd. a Joint Venture co. between B.A.G Films and Media Ltd. (Maximum Amount Outstanding during the year Rs.89,78,786(Pr.Yr . Nil))
4. The holding company has entered into a Joint Venture agreement along with two of the promoters and associate companies with M/s Sieun Design Ltd. South Korea and incorporated a company called of Sieun and BAG Animation Pvt Ltd for establishing a Animation Production (which shall include the OEM production), Animation Academy and the animation and character licensing business . During the year the Company made an investment in 9000 Nos. of Equity Share amounting to Rs.90,000/- (Pr.Yr.Nil) and Rs.89,78,786(Pr.Yr . Nil)as Share application Money pending allotment in the above mention joint venture company for construction of animation studio and equipment.

Amt. in Rs.

	For the year ended March 31,2007	For the year ended March 31,2006
Assets		
Fixed Assets		
- Capital WIP and Capital Advances	58,31,130	Nil
Current Assets		
- Cash & Bank Balance	35,97,092	Nil
- Loans & Advances	2,14,409	Nil
Miscellaneous Expenses		
- Preliminary Expenses	2,46,670	Nil
- Pre-operative Expenses	1,14,246	Nil
Liabilities		
Share Capital		
Equity Share Capital	190,000	Nil
Share Application Money	94,78,786	Nil
Current Liabilities		
	3,34,761	Nil

The current level Company ownership investment in the joint venture company is temporary and will come down once the share of other joint venture partner is received. Accordingly, the Company has not accounted for the above in the Consolidated Financial Statement.

5. Commitments & Contingent Liabilities
Guarantees given by Banks on behalf of the Company outstanding at year end Rs.11,43,000/-(Previous year Rs. 8,03,000/-).
6. Additional information required to be given pursuant to Part II of Schedule VI of the Companies Act, 1956 is as follows: -

a) Remuneration to Directors :

Amt. in Rs.

Particulars	Year ended March 31	
	2006	2007
Managing Directors' Remuneration Salary and Other Allowances*	24,00,000/-	24,00,000/-
Total	24,00,000/-	24,00,000/-

- b) The Company is in the business of producing media software, which is not subject to any license; hence licensed capacity is not given for the type of business of the Company.

c) Activity in Foreign Currency

Amount in Rs.

Particulars	Year ended March 31	
	2006	2007
Earnings in Foreign Currency (on receipt basis)		
Income from Commissioned Serials	12,00,000/-	-Nil-
Expenditure in Foreign Currency (on payment basis)		
Travel Expenses	4,20,980/-	5,29,407

Value of Export of Services is Rs.52,00,000/- (Previous Year Rs. Nil).

d) Repairs & Maintenance included in the Total Cost debited to Profit and Loss Accounts is as follows: -

Amount in Rs.

Particulars	Year ended March 31	
	2007	2006
Repairs & Maintenance -Building	3,01,055/-	3,95,855/-
Repairs & Maintenance - Machinery	22,01,072/-	21,43,205/-

7. Deferred Taxes

Amount in Rs.

Particulars	Year ended March 31	
	2007	2006
Opening Balance	84,39,659/-	81,82,203/-
Add: Deferred Expenses during the	63,51,275/-	2,57,456/-
Total	147,90,934/-	84,39,659/-

8. The business segments have been considered as the primary segment. The company is organized into three main Business namely Audio- Visual production, Movies and FM Radio..

The above Business segments have been identified considering the different nature of activities carried on by these business divisions. Segments revenue, results, assets, and liabilities have been accounted for on the basis of their relationship to the related business activities of the segment and amounts allocated on a reasonable basis to the business segment.

Segment wise revenue, result and Capital Employed

Particulars	Year Ended 31.3.2007	Year Ended 31.3.2006
1. Segment Revenue		
a) Audio -Visual Production	373,606,877	415,184,792
b) Movies	59,052,425	617,178
c) F.M.Radio	-Nil-	-Nil-
Total	432,659,302	415,801,970
Less: Inter Segment Revenue	-Nil-	-Nil-
Net Sales/Income from Operations	432,659,302	415,801,970
2. Segment Results		
a) Audio -Visual Production	11,69,50,197	112,170,063
b) Movies	1,12,28,403	617,178
c) F.M.Radio	-Nil-	-Nil-
Total	12,81,78,600	112,787,241
Less:		
I) Interest	14,691,673	7,079,410
II) Other Un-allocable Expenditure Net off unallocable income	3,76,31,841	39,530,181
III) Un-allocable Depreciation	19,641,002	18,274,172
Total Profit Before Tax	5,62,14,084	47,903,478
3. Segment Assets		
a) Audio -Visual Production	31,68,73,282	210,295,992
b) Movies	6,15,62,162	52,553,599
c) F.M.Radio	151,574,831	100,354,684
4. Total Cost Incurred during the year to acquire Segment Assets		
a) Audio -Visual Production	25,08,43,517	14,706,757
b) Movies	5,05,83,963	—
C) F.M.Radio	10,14,19,545	49,910,000
5. Segment Liabilities		
a) Audio -Visual Production	11,39,68,872	69,802,859
b) Movies	7,94,122	1,960,151
c) F.M.Radio	17,30,358	460,319
6. Segment Depreciation		
a) Audio -Visual Production	84,17,572	78,31,789
b) Movies	-Nil-	-Nil-
c) F.M.Radio	-Nil-	-Nil-

9. There is no outstanding amount due to small scale industrial undertakings outstanding for more than 30 days, the information regarding the small scale undertaking (SSI) has been determined to the extent such parties have been identified on the basis information available with the company.

10. **Related Party Transaction**

List of Related Parties as per Accounting Standard(AS-18) on Related Party Disclosure

NAME	RELATION
Ms. Anuradha Prasad	Managing Director
Mr. Rajiv Shukla	Director
Mr. Surendra Singh	Director
Mr. Bhupindar Singh	Director
Ms. Pallavi S Shroff	Director
Dr. Anuradha Mishra	Director
Mr. Nalin Satyakam Kohli	Director
Mr. Rajeev Shankar	Director
Sieun and B.A.G Animation Pvt.Ltd	Joint Venture
B.A.G Glamour Pvt. Ltd	Proposed Subsidiary
Mr. Sudhir Shukla	Relative of Director
Mr.Ravi Shankar	Relative of Director

The Related party transactions during the year are as follows:

Particular	Managing Director		Director		Subsidiary, Associates & Joint Venture		Relative of Director	
	Year Ended March 31		Year Ended March 31		Year Ended March 31		Year Ended March 31	
	2,007	2,006	2,007	2,006	2,007	2,006	2,007	2,006
Salary	2,400,000	2,400,000						
Rent	102,000	102,000	102,000	102,000				
Sitting Fees			220,000	215,000				
Consultancy Fees			2,802,300	2,216,700			750,960	312,000
Share Capital and Share Application Money					9,326,786			
TOTAL	2,502,000	2,502,000	3,124,300	2,533,700	9,326,786		750,960	312,000

11. Previous year figures are regrouped, rearranged or recast wherever necessary to make them comparable with the current year figures.
12. Earning Per Share (EPS) is computed in Accordance with As-20

Earning Per Share (Basic)

PARTICULARS OF CHANGES IN SHARES	FULLY PAID	PARTLY PAID FRACTIONED AS FULLY PAID	TOTAL	TIME WEIGHTING FACTOR (IN DAYS)	WEIGHT
OPENING NO. OF SHARES AS AT 1.4.2006	59,602,449	241,321	59,843,770	91	5,445,783,025
SHARES AS AT 30.6.2006	59,713,649	185,721	59,899,370	92	5,510,741,994
SHARES AS AT 30.9.2006	59,721,449	181,821	59,903,270	92	5,511,100,794
SHARES AS AT 31.12.2006	59,721,449	181,821	59,903,270	59	3,534,292,901
SHARES AS AT 28.2.2007	79,971,449	181,821	80,153,270	28	2,244,291,546
SHARES AS AT 29.3.2007	79,988,949	173,071	80,162,020	2	160,324,039
SHARES AS AT 31.3.2007	79,988,949	173,071	80,162,020	1	80,162,020
GRAND TOTAL				365	22,486,696,318
WEIGHTED AVERAGE NO. OF SHARES	61,607,387				
NET PROFIT AFTER TAX	33,601,717				
BASIC EARNING PER SHARE	0.54				

Earning Per Share (Diluted)

PARTICULARS OF CHANGES IN SHARES	FULLY PAID	PARTLY PAID FRACTIONED AS FULLY PAID	TOTAL	TIME WEIGHTING FACTOR (IN DAYS)	WEIGHT
OPENING NO. OF SHARES AS AT 1.4.2006	59,602,449	241,321	59,843,770	91	5,445,783,025
SHARES AS AT 30.6.2006	59,713,649	185,721	59,899,370	92	5,510,741,994
SHARES AS AT 30.9.2006	59,721,449	181,821	59,903,270	92	5,511,100,794
SHARES AS AT 31.12.2006	59,721,449	181,821	59,903,270	16	958,452,312
SHARES AS AT 16.1.2007 (Potential Eq)	60,721,449	181,821	60,903,270	43	2,618,840,589
SHARES AS AT 28.2.2007 (SG)	80,971,449	181,821	81,153,270	7	568,072,887
SHARES AS AT 7.3.2007 (Potential Eq)	94,049,449	181,821	94,231,270	21	1,978,856,660
SHARES AS AT 29.3.2007	94,066,949	173,071	94,240,020	2	188,480,039
SHARES AS AT 31.3.2007	94,066,949	173,071	94,240,020	1	94,240,020
GRAND TOTAL				365	22,874,568,318
WEIGHTED AVERAGE NO. OF SHARES	62,670,050				
NET PROFIT AFTER TAX	33,601,717				
DILUTED EARNING PER SHARE	0.53				

13. Information pursuant to other provisions of Part -II of Schedule -VI to The Act, is either nil or not applicable to the Company for the period.

This is the Balance Sheet referred

To in our report of even date.

For and on behalf of the Board of Directors

JOY MUKHERJEE
PARTNER
MEMBERSHIP NO.74602
FOR AND ON BEHALF OF
JOY MUKHERJEE & ASSOCIATES
CHARTERED ACCOUNTANTS

ANURADHA PRASAD
(MANAGING DIRECTOR)

RAJIV SHUKLA
(DIRECTOR)

RAJEEV PARASHAR
(COMPANY SECRETARY)

PLACE: NOIDA
DATE : 26TH JUNE 2007

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

A. CASH FLOW FROM OPERATING ACTIVITIES	March 31,2007	March 31,2006
Net profit before exceptional items	56,214,084	47,903,478
Adjustments for :		
Depreciation / Amortisation	28,058,574	26,105,964
Misc .Assets written off	8,715,486	6,364,118
Deferred employees compensation	430,880	384,691
Dividend income	(2,734,833)	(5,200,204)
Profit on sale of fixed assets (Net)	—	(78,579)
Profit on sale of Investments (Net)	(1,470,305)	(5,882,906)
Loss on sale of Investment	3,363,136	
Interest expense	14,691,673	7,079,410
Interest income	(5,970,848)	(102,736)
Amounts written off	152,151	(153,837)
Provision / (Reversal) for doubtful debts and advances	162,375	1,852,233
	45,398,288	30,368,154
Operating profit before working capital changes	101,612,372	78,271,632
Adjustments for :		
Inventories	(5,437,000)	(47,434,165)
Sundry debtors / receivables	(97,905,836)	62,065,488
Loans and advances	(43,144,616)	(17,148,358)
Trade/other payables	102,145,183	(41,603,921)
	(44,342,270)	(44,120,956)
Net cash generated from operating activity before exceptional items	57,270,102	34,150,676
Exceptional items		—
FBT	(1,772,833)	(2,356,791)
WEALTH TAX PAID	-	(175,750)
Increase in Misc . Expenditure	(2,621,038)	(800,887)
GRATUITY PAID	(104,931)	(64,976)
Direct taxes paid (Net of refunds)	(1,500,000)	(5,500,000)
Net cash from operating activities after exceptional items	51,271,300	25,252,272
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets / capital works-in-progress	(155,648,356)	(75,700,909)
Sale proceeds of fixed assets	2,000	380,000
Purchase of investments	(128,508,551)	(5,110,828)
Profit on sale of Investment	1,470,305	5,882,906
Loss on sale of Investment	(3,363,136)	—
Interest received	5,970,848	102,736
Dividend received	2,734,833	5,200,204
Net cash from / (used) in investing activities	(277,342,056)	(69,245,891)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of capital (including premium)	583,492,500	1,451,105
Increase in bank borrowings Long term	(99,435,455)	97,186,620
Interest paid	(14,691,673)	(7,079,410)
Dividend paid	(11,920,490)	(11,962,784)
Tax on dividend	(1,671,848)	(1,677,781)
Net cash from / (used) in financing activities	455,773,034	77,917,750
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	229,702,278	33,924,131
Cash and cash equivalents at the beginning	72,255,071	38,330,940
Cash and cash equivalents at the close	301,957,349	72,255,071

"This is the cash flow statement referred to in our report of even date."

As per our separate report of even date

For and on behalf of the Board of Directors

JOY MUKHERJEE
PARTNER
MEMBERSHIP NO.74602
FOR AND ON BEHALF OF
JOY MUKHERJEE & ASSOCIATES
CHARTERED ACCOUNTANTS

ANURADHA PRASAD
(MANAGING DIRECTOR)

RAJIV SHUKLA
(DIRECTOR)

RAJEEV PARASHAR
(COMPANY SECRETARY)

PLACE: NOIDA
DATE : 26TH JUNE 2007

B.A.G FILMS & MEDIA LIMITED

Regd. Office: C-4, Shivalik, Near Malviya Nagar Market, New Delhi-110 017

Corporate Office: FC-23, Sector-16A, Film City, Noida - 201 301 (U.P.)

PROXY FORM

FOLIO NO.

NO. OF SHARES HELD.....

DP ID No.

CLIENT ID No.

I/Weof.....in the district of.....being member/
members of the above named company hereby appoint.....of failing him/
her.....of.....in the district of.....as my/our proxy to attend and vote for me/us
our behalf at the 14th Annual General Meeting of the company to held on Monday, August 27, 2007 at the FICCI Auditorium, Federation
House, Tansen Marg, New Delhi-110 001, at 12.30 P.M. , and any adjournment thereof.



Signed this.....day of.....2007.

Signature.....

Note : This form should signed across the stamp as per specimen signature with the company. The proxy must reach the Registered
Office of the company not less than 48 Hours before the time fixed for holding the aforesaid meeting.

B.A.G FILMS & MEDIA LIMITED

Regd. Office: C-4, Shivalik, Near Malviya Nagar Market, New Delhi-110 017

Corporate Office: FC-23, Sector-16A, Film City, Noida - 201 301 (U.P.)

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

FOLIO NO.

NO. OF SHARES HELD.....

DP ID No.

CLIENT ID No.

NAME OF THE MEMBER.....

(in block letters)

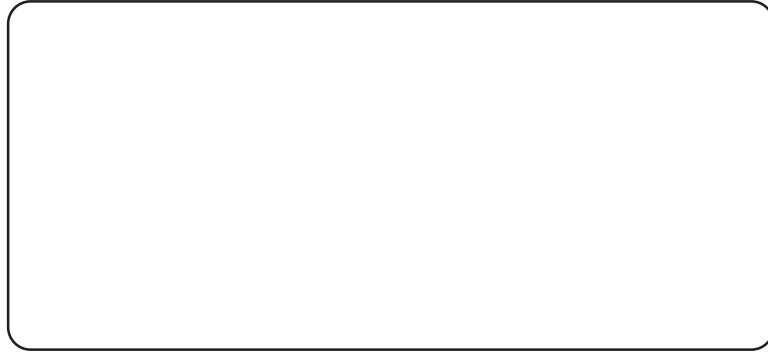
NAME OF PROXY.....

(if any)

I/We hereby record my/our presence at the 14th Annual General Meeting of the company to held on Monday the August 27, 2007.

.....
Signature of the Member/Proxy

BOOK - POST



If undelivered please return to :

B.A.G FILMS & MEDIA LIMITED

Corporate Office: FC-23, Sector-16A,
Film City, Noida - 201 301 (U.P.)

Printed by : R. G., 25920466, 9810159012