



PHONOGRAPHIC PERFORMANCE LTD.

Crescent Towers, 7th Floor, B/68, Veera Estate, Off New Link Road, Andheri (West), Bombay 400 053
Tel. : 2673 6301 / 2 / 3 • Fax : 2673 6304

NOTICE

NOTICE IS HEREBY GIVEN THAT THE **66th ANNUAL GENERAL MEETING** OF MEMBERS OF PHONOGRAPHIC PERFORMANCE LTD WILL BE HELD ON SATURDAY, THE 29th SEPTEMBER 2007 AT 4.30 P.M. AT HOTEL SEA PRINCESS, 969, JUHU TARA ROAD, JUHU, MUMBAI, TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31.3.2007 and Profit & Loss Account for the financial year ended on that date alongwith the Auditor's Report and Director's Report thereon.
2. To appoint auditors to hold office from the conclusion of this meeting until conclusion of next annual general meeting and authorize the Board of Directors to fix their remuneration. M/s Price Waterhouse, chartered accountants, the retiring Auditors, being eligible, offer themselves for re-appointment.
3. To appoint a Director in place of Mr. Kumar Taurani, who retires by rotation at conclusion of this meeting and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Umesh Gupta, who retires by rotation at conclusion of this meeting and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Rajat Kakar, who retires by rotation at conclusion of this meeting and being eligible offers himself for re-appointment.

SPECIAL BUSINESS (AS ORDINARY RESOLUTION)

6. To review and approve the following:
 - (i) Tariff Scheme (annexed)
 - (ii) Distribution Scheme (annexed)
 - (iii) Company's all activities during the year (as incorporated in the Directors' Report)
 - (iv) Budget estimate and programme of action for the current year 2007-08

By Order of the Board

For Phonographic Performance Ltd

Mumbai
7.9.2007

Director
(Kumar Taurani)

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself and such proxy need not be a member.
2. Explanatory statement u/s 173(2) of Companies Act in respect of the Special Business as set above is annexed.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUAN TO SEC. 173(2) OF COMPANIES ACT ANNEXED AND FORMED PART OF THIS NOTICE:

In respect of item no. 6:

As in each annual general meeting, the Tariff Scheme being the nature, quantum and procedure for collection of licence fees, Distribution Scheme being the nature, quantum and procedure for distribution of licence fees, Company's activities during the year in relation to administration of members' copyrights, budget estimate and programme for action of the succeeding year (2007-08), are reviewed and approved by the members, in accordance with the Copyright Act. Members are requested to approve the same and pass the following resolution as Ordinary resolution, with or without modifications. Any owner of rights who objects to the Tariff Scheme or Distribution Scheme shall be entitled to withdraw the authorization given to the copyright society to administer any right in his work.

"RESOLVED THAT the Tariff Scheme, Distribution Scheme, Company's activities during current year and Budget estimate and programme of action for ensuing year, reviewed at this meeting, be and are hereby approved, in accordance with Copyright Act".



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REPORT OF THE DIRECTORS ON THE WORKING OF THE COMPANY FOR THE YEAR ENDED 31st March 2007

FINANCIAL RESULTS

Profit for the year before tax		Rs. 76,60,556
LESS:		
Current Tax	Rs. 33,92,238	
Deferred Tax	Rs. 6,21,333	
Fringe Benefit Tax	Rs. 6,25,000	
ADD:		
Balance brought forward from last year	Rs. 38,70,860	
Proposed transfer to General Reserve	Rs. NIL	
Balance as per Profit and Loss Account		Rs. 68,92,845

COPYRIGHT SOCIETY

As reported earlier, your Company functions as the registered copyright society permitted by the Government of India to carry on copyright business in sound recordings and functions in accordance with the Copyright Act and the Copyright Rules.

REVENUE

The Royalty revenue in the current year was Rs 61.38 crores compared to previous year figure of Rs 29.59 crores. Other Income in the current year was Rs. 1.30 crores, compared to previous year figure of Rs. 67 lacs.

BROADCASTING - AIR

As communicated in the previous reports, our license agreement with the All India Radio expired on 31st July 2005. Your company has sent numerous reminders to the Prasar Bharati officials, and also made representation to the ministry, however till date the agreement has not been signed and AIR continues to use the content. AIR has reportedly appointed a sub-committee to look into the issue of rate revision, but the final report of this sub-committee is not yet submitted. The reporting system and payments from AIR continues to be erratic and the same is continued to be accounted for on cash basis in view of significant uncertainty as to ascertainment of accruals

BROADCASTING- PRIVATE FM

As of now, more than 100 private FM radio stations are operational, across A, B and C category towns. During the year 2006-2007, PPL issued more than 40 voluntary License agreements to various

broadcasters for starting FM radio stations at different locations

PUBLIC PERFORMANCE LICENSING

During the year, your company has continued to grow this activity and has expanded the field force. Branch offices in a few more cities are being established. The collections from Background music and Events increased to Rs. 10.48 crores, as against Rs. 7.70 crores in the previous year.

MOBILE RINGTONES, RINGBACK TONES, ETC.

Members are aware that all over India, the number of mobile phone users has grown exponentially. Ringbacktone is a big success in India, its popularity is next only that of Korea. Your directors are glad to report that your company was able to establish good valuation for the content and your company more than doubled the revenue to Rs. 33.26 crores, vis-à-vis Rs. 13.48 crores last year. At the same time, there is a significant increase in ringtone piracy, which poses a threat to the rights and revenues.

LITIGATIONS

During the year your company continued to take recourse to legal action to protect the rights of its members and to take action against infringements, to enhance their rights or get proper valuation and on governance/ownership issues. As the members are aware, PPL has succeeded on many an occasion in getting landmark judgements in the interest of the copyright owners. Some of the more important cases are highlighted below.

Public Performance License: –

Civil Cases:

87 cases are in pendency in courts . In 62 cases PPL is the plaintiffs. We have orders in our favour in 35 cases. In 25 cases, we are the defendants. No injunction is against PPL except in 6 writ petitions of 2005 by clubs filed in Madras High Court and in Indo life Style v/s. PPL, District Judge, Barasat Kolkata --in this matter Calcutta High Court by its order dated 20.7.07 has given a stay on the Injunction order.

New Year Eve Functions 31 Dec 2006 : Filed Suits in 10 Cities for payment of Special Event License fees in various cities including Mumbai, Delhi, Pune, Bangalore, Dehra dun, Kolkata, Bhuvanewar, Simla, Goa. Injunction was granted in most cases.

Representative Suits at Bangalore

PPL has filed 3 Representative Suits against Hotels, Restaurant and shops category in 2004. They have reached evidence stage.

Criminal Cases:

90 cases against Hotels and Restaurants in Chief Metropolitan Magistrate court in Andheri (E) are in pendency. 6 have started paying license fees, 2 have made an application to squash the complaint in High Court, Rest are in the stage of verification/summons/warrant 31 matters are dismissed. The above cases include following 6 cheque bouncing cases (under section 138 of Negotiable Instruments Act), out of which 1 has already paid.

Other ongoing important Public Performance related cases :

1. Federation of Hotels and Restaurant Association of India (FHRAI) vs Union of India & Ors-
2. Writ petitions against vs Union of India & Ors before High courts at Jaipur, Ahmedabad & Goa filed by respectively challenging certain provisions of the Copyright Act by Hotel & Restaurant Association of Rajasthan , Gujarat & Goa.
3. PPL vs. Metro Railway, Kolkata.
4. Hotel Association of Puri vs PPL & IPRS

Private FM radio: –

Two entities continue to pay License fees as per the court orders as stated below:- .

1. Entertainment Network India Ltd for all their stations pay us ad hoc amount as per Calcutta high court order dated 26th March 2004. Further, a new litigation has been launched in the current financial year against them in respect of Phase II F.M. stations, which are commencing business without obtaining our voluntary licence.
2. Radio today (Mumbai) Broadcasting, Radio Today (Delhi) Broadcasting, and Radio Today (Kolkata) Broadcasting of the Living Media group continue to pay royalty as per Calcutta H.C. Order dated 28.4.2003. We have filed review petition, which is pending.

INDIRECT TAXES

In respect of non-provision for Maharashtra Value Added Tax, the Auditors remarks in their Report, read along with Note 10 to Schedule M, are self explanatory. The Maharashtra Sales Tax Tribunal has admitted our appeal and the hearing is scheduled in the 1st week of October 2007. Further, during the, the Company received enquires from the Service Tax authorities seeking information as to the activities and financials; the Company has responded to the same, as legally advised..

MEMBERSHIP OF IMI

W.e.f. 1st April 2007, the Company became a member of The Indian Music Industry (IMI) which is a non-profit society; the apex body of reputed music companies and copyright owners; and having affiliation to the well-known IFPI body. IMI has achieved significant success for the past many years in anti-piracy and in protecting rights and interests in sound recordings, of members and of society at large. The membership of IMI will prove very beneficial in dealing with infringements like ringtone piracy, mobile chip piracy, unlicensed public performances, etc and in protecting and safeguarding the rights of members.

DIRECTORS

Mr. Kumar Taurani, Mr. Rajat Kakar and Mr. Umesh Gupta who retire at this Annual General Meeting and being eligible offer themselves for re-election.

AUDITORS

M/s. Price Waterhouse being eligible, are recommended for re-appointment on a remuneration as may be fixed by the Board of Directors.

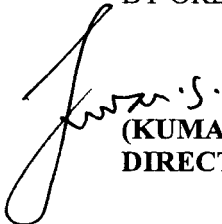
ADDITIONAL INFORMATION

- A) The additional information required to be disclosed under the Companies (Disclosure of Particulars in the Reports of the Board of Directors) Rules 1988 is set out in the statement annexed hereto (Annexure-A) and forms part of this Report.
- B) As stipulated in section 217 (2AA) of Companies Act, 1956, your Directors subscribe to the Director's Responsibility Statement and confirm as under:
- i) that in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
 - ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.
 - iii) that the Directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
 - iv) that the Directors have prepared the annual accounts on a going concern basis

EMPLOYEE PARTICULARS

A statement giving particulars of the employees as required under section 217(2A) of the Companies Act, 1956, is not required as remuneration of none of the employees exceeds the prescribed limit.

BY ORDER OF THE BOARD


(KUMAR TAURANI)
DIRECTOR


(GANESH JAIN)
DIRECTOR

Mumbai, 7th Sep. 2007

**AUDITORS' REPORT
TO THE MEMBERS OF PHONOGRAPHIC PERFORMANCE LIMITED**

1. We have audited the attached Balance Sheet of Phonographic Performance Limited (the Company), as at March 31, 2007 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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. *Note 10 on Schedule "M" – regarding non-provision of Value Added Tax under Maharashtra Value Added Tax Act, 2002 aggregating Rs. 5,586,576 on operating income from 1st April 2005 to 29th September 2005 for the reasons stated in the note therein.*
5. *We further report that had the observations made by us in paragraph 4 above been considered, profit before tax for the year would have been Rs. 2,073,980 (as against the reported figure of profit before tax of Rs. 7,660,556), loss after tax for the year would have been Rs. 2,564,591 (as against the reported figure of profit after tax of Rs. 3,021,985), and Current Liabilities and Provisions balance would have been Rs. 349,938,582 (as against the reported figure of Rs. 344,352,006).*
6. Further to our comments in 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 accounts;
 - d. *Subject to paragraph 4 above*, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the applicable 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 March 31, 2007, and taken on record by the Board of Directors of the Company, none of the Directors of the Company is disqualified as on March 31, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of 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 statements together with the Notes thereon and attached thereto, give in the prescribed manner, the information required by the Act and give, *subject to paragraphs 4 and 5 above with consequential effect on profit for the year and relevant items of the Balance Sheet*, a true and fair view in conformity with the accounting principles generally accepted in India;
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 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 flows for the year ended on that date.

U. A. Shah

Uday Shah
Partner
Membership No. F-46061
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Mumbai
Date: *September 7, 2007*

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 of Auditors' Report of even date to the members of Phonographic Performance Limited on the Financial Statements for the year ended March 31, 2007

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1. (i) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
(ii) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
(iii) In our opinion and according to the information and explanations given to us, a substantial part of the fixed assets has not been disposed of by the Company during the year.
2. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
3. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items sold are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is generally adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
4. In our opinion and according to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.
5. 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.
6. *In our opinion, the Company's internal audit system is not commensurate with the size and nature of its business.*
7. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing undisputed provident fund and other applicable material statutory dues and is generally regular in depositing undisputed income tax with the appropriate authorities.
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales tax, wealth-tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute. *The Company has not deposited disputed Maharashtra Value Added Tax (Refer Note 10 on Schedule "M").*
8. The Company has no accumulated losses as at March 31, 2007 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
9. 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.
10. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
12. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
13. In our opinion, and 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 during the year.
14. The Company has not obtained any term loans.
15. *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, the Company has used short-term funds amounting to Rs. 9,354,875 for long-term investment.*



ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 of Auditors' Report of even date to the members of Phonographic Performance Limited on the Financial Statements for the year ended March 31, 2007

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16. 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 any such case by the management.
17. The other clauses of Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order 2004, issued by the Central Government of India were not applicable to the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

U. A. Shah

Uday Shah
Partner
Membership No. F-46061
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Mumbai
Date : *September 7, 2007.*

PHONOGRAPHIC PERFORMANCE LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

	<u>SCHEDULE</u>	<u>01.04.2006 to 31.03.2007 Rupees</u>	<u>01.04.2005 to 31.03.2006 Rupees</u>
<u>INCOME</u>			
Operating Income (Net)	I	53,078,133	44,994,051
Other Income	J	13,028,174	6,769,286
		<u>66,106,307</u>	<u>51,763,337</u>
<u>EXPENDITURE</u>			
Administration and Other Expenses	K	34,154,530	32,081,825
Employee Cost	L	16,941,104	11,614,809
Depreciation		1,982,502	1,810,493
Decrease in the Value of Non-Trade Current Investments		5,367,615	1,302,240
		<u>58,445,751</u>	<u>46,809,367</u>
Profit before Taxation		7,660,556	4,953,970
Less: Provision for Taxation			
- Current Tax		(3,392,238)	(1,350,000)
[net of provision for earlier years written back Rs. 7762 ; Previous Year Rs. Nil]			
- Fringe Benefit Tax		(625,000)	(450,000)
- Deferred Tax (Refer Notes 1(h) and 7 on Schedule "M")		(621,333)	306,103
Profit after Taxation		3,021,985	3,460,073
Profit and Loss Account Balance Brought Forward		3,870,860	410,787
Profit and Loss Account Balance Carried To The Balance Sheet		<u>6,892,845</u>	<u>3,870,860</u>

Earning Per Share - Basic and Diluted*

*Not Applicable as the Company is limited by guarantee and not having share capital.

Notes to the Financial Statements

M

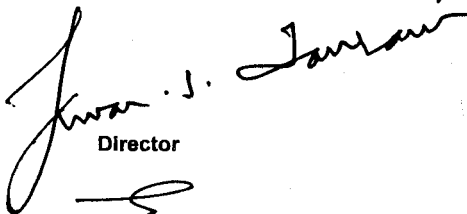

The Schedules referred to herein above form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

For and on behalf of the Board

U. A. Shah

Uday Shah
 Partner
 Membership No. F-46061
 For and on behalf of
 Price Waterhouse
 Chartered Accountants


 Director

 Director

Place : Mumbai
 Date : September 7, 2007

Place : Mumbai
 Date : September 7, 2007

PHONOGRAPHIC PERFORMANCE LIMITED
 SCHEDULE ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

	Notes on Schedule "M"	01.04.2006 to 31.03.2007 Rupees	01.04.2005 to 31.03.2006 Rupees
" I " OPERATING INCOME (NET)			
Royalty income of members :			
	1(e), 1(i), 4(a), 4(b) and 4(d)	134,376,169	59,467,210
Radio (Tax Deducted at Sources Rs. 2,716,772; Previous Year Rs. Nil)			
Telecasting (Tax Deducted at Sources Rs.691,494; Previous Year Rs. 110,196)	1(i) and 4(d)	32,638,858	18,013,000
Public Performance (Tax Deducted at Sources Rs.511,182; Previous Year Rs. 173,259)	1(i) and 4(c)	104,762,664	77,009,926
Mobile (Tax Deducted at Sources Rs.4765017; Previous Year Rs. 21,34,277)	1(i) and 4(d)	332,579,876	134,762,528
Others	1(i) and 4(d)	9,477,106	6,675,327
		<u>613,834,672</u>	<u>295,927,991</u>
Less: Royalty distribution to members :			
	5(a), 5(b) and 5(c)	129,503,441	51,408,484
Radio	5(b)	31,455,313	15,661,241
Telecasting	5(b)	70,144,420	53,856,858
Public Performance	5(b)	320,519,916	123,869,088
Mobile	5(b) and 5(c)	9,133,449	6,138,269
Others		<u>560,756,539</u>	<u>250,933,940</u>
		<u>53,078,133</u>	<u>44,994,051</u>
NET INCOME			
" J " OTHER INCOME			
Interest on:-		10,427,783	4,929,969
- Fixed deposit (Tax Deducted at Source Rs. 2,349,441; Previous Year Rs. 1,053,127)		2,597,891	1,809,989
- Interest on Tax free Bonds		-	28,328
Profit on Sale of Fixed Assets		2,500	1,000
Other Income			
		<u>13,028,174</u>	<u>6,769,286</u>

* *Jawahar S. Jain*

* *S. C. V.*



PHONOGRAPHIC PERFORMANCE LIMITED
 SCHEDULE ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

	01.04.2006 to 31.03.2007 <u>Rupees</u>	01.04.2005 to 31.03.2006 <u>Rupees</u>
" K " ADMINISTRATION AND OTHER EXPENSES		
Rent	1,056,667	1,049,000
Electricity	797,605	618,520
Rates and Taxes	75,832	57,389
Travelling	5,349,266	4,292,714
Legal Expenses	5,821,451	8,891,892
Professional and Retainership Fees	9,829,757	8,405,370
Repair and Maintenance	1,890,079	671,290
Motor Car Expenses	948,824	870,940
Software	81,583	-
Printing and Stationery	952,777	816,053
Advertisement, Publicity etc.	1,422,203	2,291,498
Postage, Telegram and Telephone	1,706,717	1,286,242
Director's Sitting Fees	265,000	180,000
Contribution to The Indian Music Industry	-	250,000
Auditors' Remuneration (Refer Note 15 on Schedule "M")	512,886	517,365
Commission	2,067,029	1,073,408
Insurance Charges	44,920	50,059
Miscellaneous	1,331,934	760,085
	34,154,530	32,081,825

" L " EMPLOYEES COST

Salaries and Bonus	14,430,270	9,761,118
Contribution to Provident and Other Fund	895,535	754,595
Leave Encashment	370,325	166,956
Staff Welfare	1,244,974	932,140
	16,941,104	11,614,809

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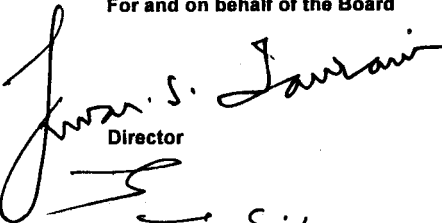

PHONOGRAPHIC PERFORMANCE LIMITED
BALANCE SHEET AS AT 31ST MARCH 2007

	<u>Schedule</u>	<u>31.03.07</u> <u>Rupees</u>	<u>31.03.06</u> <u>Rupees</u>
<u>SOURCES OF FUNDS</u>			
Reserve and Surplus	A	11,622,845	8,600,860
Deferred Tax Liability (Refer Note 7 on Schedule "M")		506,330	-
TOTAL		12,129,175	8,600,860
<u>APPLICATION OF FUNDS</u>			
Fixed Assets			
Gross Block	B	26,296,266	22,609,069
Less : Depreciation		5,444,458	3,461,956
Net Block		20,851,808	19,147,113
Capital work-in-progress including Capital Advances		125,912	-
		20,977,720	19,147,113
Investments	C	39,603,760	44,971,375
Deferred Tax Asset (Refer Note 7 on Schedule "M")		-	115,003
Current Assets, Loans and Advances			
Sundry Debtors	D	150,369,678	53,484,524
Cash and Bank Balances	E	124,181,879	148,248,917
Loans and Advances	F	20,056,404	4,915,195
Other Current Assets	G	1,291,740	1,292,084
		295,899,701	207,940,720
Less : Current Liabilities and Provisions	H		
Current Liabilities		343,246,965	262,663,945
Provisions		1,105,041	909,406
		344,352,006	263,573,351
Net Current Assets		(48,452,305)	(55,632,631)
TOTAL		12,129,175	8,600,860
Notes to the Financial Statements	M		

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

This is the Balance Sheet referred to in our report of even date.

U. A. Shah
 Uday Shah
 Partner
 Membership No. F-46061
 For and on behalf of
 Price Waterhouse
 Chartered Accountants

For and on behalf of the Board

 Director

 Director

Place : Mumbai
 Date : September 7, 2007

Place : Mumbai
 Date : September 7, 2007

PHONOGRAPHIC PERFORMANCE LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

	01.04.2006 to 31.03.2007 <u>Rupees</u>	01.04.2005 to 31.03.2006 <u>Rupees</u>
A) CASH FLOW FROM OPERATING ACTIVITIES :		
Profit Before Taxation	7,660,556	4,953,970
Adjustments for :		
Depreciation	1,982,502	1,810,493
Provision for Leave Encashment	287,142	234,784
Profit on sale of Investments	-	(28,328)
Decrease in the Value of Non-Trade Current Investments	5,387,615	1,302,240
Operating Profit Before Working Capital Changes	15,297,815	8,273,139
Adjustments for changes in working capital :		
(Increase)/ Decrease in Sundry Debtors	(96,885,154)	(21,774,341)
(Increase)/ Decrease in Loans & Advances	(7,261,943)	190,413
(Increase)/ Decrease in Other Current Assets	344	502,593
(Decrease)/Increase in Trade and Other payables	80,583,019	81,001,334
Cash generated from operations	(8,265,919)	68,193,138
Taxes paid (net)	(11,988,010)	(4,502,230)
Net Cash from / (used in) Operating Activities (A)	(20,253,929)	63,690,908
B) CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(3,687,197)	(1,178,784)
Capital Work in Progress	(125,912)	-
Proceeds from sale of Fixed Assets	-	45,505
Purchase of Investments	-	(46,273,815)
Net Cash from / (used in) Investing Activities (B)	(3,813,109)	(47,406,894)
C) CASH FLOW FROM FINANCING ACTIVITIES :		
Interest Paid	-	-
Net Cash Flow from / (used in) Financing Activities (C)	-	-
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(24,067,038)	16,284,014
Cash and Cash Equivalents as at the beginning of the year	148,248,917	131,964,903
Cash and Cash Equivalents as at the end of the year	124,181,879	148,248,917
Net Increase / (Decrease) in Cash and Cash Equivalents	(24,067,038)	16,284,014
	31.03.2007	31.03.2006
	<u>Rupees</u>	<u>Rupees</u>
Cash and cash equivalents comprise of:		
Balance with Scheduled Bank in:		
- Current Account	33,141,748	34,497,661
- Fixed Deposit Accounts	91,040,133	113,751,256
	124,181,879	148,248,917

NOTES ON CASH FLOW STATEMENT :

- The above statement has been prepared following the "Indirect Method" as set out in Accounting Standard 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
- Previous year's figures have been regrouped and rearranged wherever necessary.

This is the Cash Flow Statement referred to in our report of even date.

U. A. Shah

Uday Shah
Partner
Membership No. F-48061
For and on behalf of
Price Waterhouse
Chartered Accountants

For and on behalf of Board of Directors
J. S. Dhanraj
Director
[Signature]
Director

Place : Mumbai
Date : September 7, 2007

Place : Mumbai
Date : September 7, 2007

PHONOGRAPHIC PERFORMANCE LIMITED
SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2007

" A " RESERVES AND SURPLUS

General Reserve
Profit and Loss Account

31.03.2007
Rupees

31.03.2006
Rupees

4,730,000

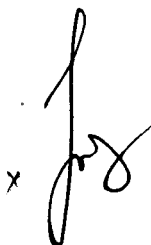
4,730,000

6,892,845

3,870,860

11,622,845

8,600,860

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PHONOGRAPHIC PERFORMANCE LIMITED
SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2007

" B " FIXED ASSETS

(Refer Notes 1(b), 1(c) and 1(f) on Schedule "M")

Particulars	GROSS BLOCK AT COST				DEPRECIATION			NET BOOK VALUE	
	As at 1st April, 2006	Additions/ Adjustment during the year	Deletion / Adjustment during the year	As at 31st March, 2007	As at 1st April, 2006	For the Year	Deletion / Adjustment during the year	As at 31st March, 2007	As at 31st March, 2006
Office Premises	16,613,734	53,396	-	16,667,130	1,091,750	777,145	-	14,798,235	15,521,984
Office Equipments	3,591,395	1,583,134	-	5,174,529	1,783,359	704,368	-	2,686,802	1,808,036
Furniture and Fittings	1,993,719	177,090	-	2,170,809	500,136	278,144	-	1,392,529	1,493,583
Motor Car	410,221	1,873,577	-	2,283,798	86,711	222,845	-	1,974,242	323,510
	22,609,069	3,687,197	-	26,296,266	3,461,956	1,982,502	-	20,851,808	19,147,113
Previous Year	21,702,284	1,178,784	271,999	22,609,069	1,903,784	1,810,493	252,321	125,912	-
Capital work- in progress [including Capital Advance Rs. 125,912 (Previous Year : Rs. Nil)]								20,977,720	19,147,113



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PHONOGRAPHIC PERFORMANCE LIMITED
SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2007

	31.03.2007 <u>Rupees</u>	31.03.2006 <u>Rupees</u>
" C " INVESTMENTS (Refer Note 1(d) on Schedule "M")		
Non Trade Current (Unquoted)		
32 (Previous Year :32) Units of HUDCO 5.15% Tax Free Bonds 2014 of the Face Value of Rs. 1,000,000	25,600,000	29,904,000
2,227 (Previous Year :2,227) Units of IREDA 5.5% Tax Free Bonds 2013 of the Face Value of Rs. 1,000	2,003,760	2,234,875
125,000 (Previous Year :125,000) Units of UTI - 6.6% Tax free ARS Bonds 2009 of the Face Value of Rs. 100	12,000,000	12,832,500
	<u>39,603,760</u>	<u>44,971,375</u>
Note : Aggregate cost of unquoted investment in Tax Free Bonds of Rs. 46,273,615 ; Previous year Rs. 46,273,615, Aggregate amount of Repurchase price in Tax Free Bonds of Rs. 39,603,760 ; Previous year Rs. 44,971,375,		
" D " SUNDRY DEBTORS (Unsecured and considered good unless otherwise stated)		
Debts Outstanding For a Period Exceeding Six Months	50,039	8,879,294
Other Debts	150,319,639	44,605,230
	<u>150,369,678</u>	<u>53,484,524</u>
" E " CASH AND BANK BALANCES		
Cash in Hand		
Balance with Scheduled Bank in:		
- Current Account	33,141,746	34,497,661
- Fixed Deposit Accounts	91,040,133	113,751,256
	<u>124,181,879</u>	<u>148,248,917</u>
" F " LOANS AND ADVANCES		
Advances Recoverable in Cash or in Kind or for Value to be Received	8,828,975	1,619,782
Security Deposits	659,860	607,110
Advance Tax / Tax Deducted at Source [Net of Provision for Taxation Rs. 7,071,088] (Previous Year Rs. 3,721,088) (Refer Note 11 on Schedule "M")	10,515,664	2,688,303
Fringe Benefit Tax [Net of Provision for Fringe Benefit Tax Rs. 625,000] (Previous Year Rs. 450,000)	51,905	-
	<u>20,056,404</u>	<u>4,915,195</u>
" G " OTHER CURRENT ASSETS		
Interest Accrued but not Due on Investments	1,291,740	1,292,084
	<u>1,291,740</u>	<u>1,292,084</u>

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PHONOGRAPHIC PERFORMANCE LIMITED
SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2007

	<u>31.03.2007</u> <u>Rupees</u>	<u>31.03.2006</u> <u>Rupees</u>
" H " CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors (Refer Note 12 on Schedule "M")	327,373,981	257,748,611
Other Liabilities (Refer Note 10 on Schedule "M")	15,872,984	4,915,334
	<u>343,246,965</u>	<u>262,663,945</u>
Provisions		
Fringe Benefit Tax [Net of Advance Fringe Benefit Tax Rs. 643,456] (Previous Year Rs. 358,493)	-	91,507
Leave Encashment (Refer Note 1(g) on Schedule "M")	1,105,041	817,899
	<u>1,105,041</u>	<u>909,406</u>
	<u>344,352,006</u>	<u>263,573,351</u>

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PHONOGRAPHIC PERFORMANCE LIMITED

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

SCHEDULE: " M "

NOTES TO THE FINANCIAL STATEMENTS

BackGround

The Indian Phonographic Industry (IPI), the Association of Phonogram Producers, was established in 1936, and it was instrumental in finalizing the Broadcasting License arrangement in India. Subsequently, IPI members decided to form a specialised body to administer their Public Performance and Broadcasting Rights, so Phonographic Performance Limited (PPL) came into being and was registered and incorporated as a Company on 24th April 1941. PPL is a Company limited by Guarantee and not having a share capital, where liability of the members is limited. IPI changed its name to The Indian Music Industry (IMI) in 1994.

PPL has been functioning as the Performing Rights Society for Sound Recordings. After the amendments in copyright law in 1994, PPL was registered with the Registrar of Copyrights, Government of India, as Copyright Society in respect of Sound Recordings. PPL is mainly engaged in administering the Broadcasting / Telecasting, Digital, Mobile and Public Performance Rights on behalf of over 139 music companies which are its members.

The main object of the Company includes among many others, issuing or granting license for the public performance of gramophone records, perforated rolls and other forms by which sounds may be mechanically and/or electronically reproduced.

1. Significant Accounting Policies:

(a) Basis of Accounting

These financial statements have been prepared under historical cost convention on accrual basis (except where there are significant uncertainties) and comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956 (the 'Act').

(b) Fixed assets

Fixed Assets are carried at cost less accumulated depreciation.

(c) Depreciation

Depreciation on Assets has been calculated in book on written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

(d) Investments

Current Investments are stated at lower of costs and market value/repurchase price.

(e) Radio

Royalty income from Radio is recognised in accordance with licensing agreements with All India Radio (A.I.R) and other broadcasters on accrual basis except where there are significant uncertainties, it has been recognised on cash basis.

(Also Refer to Notes 4(a) and 4(b) below)

(f) Gratuity


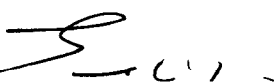
The Company has a Group Gratuity-Cum-Life Insurance Scheme which is funded with Life Insurance Corporation of India (LIC). Annual contribution as determined by LIC is charged to the Profit and Loss Account. The shortfall between the accumulated funds available with LIC and liability as determined on the basis of an actuarial valuation is provided for as at the year-end.

(g) Leave Encashment

Accrued leave encashment benefits are provided for based on management estimates with reference to the leave to the credit of the employees at the end of the accounting year.

(h) Deferred Tax

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

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PHONOGRAPHIC PERFORMANCE LIMITED

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

SCHEDULE: " M " (Contd.)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(i) Recognition of Income and Expenditure

Items of income and expenditure are generally recognised on accrual (except where there are significant uncertainties) and prudent basis. Royalty income and expenses in Radio includes All India Radio (AIR), Private Frequency Modular (FM) and Satellite Radio, Mobile includes Ringtone, Ring Back Tone and embedded, Others includes Interactive Voice Response (IVR), Music Audio/Video Streaming, Juke Box and Webcasting. AIR includes Vividh Bharati (VB), Primary Channel (PC) and FM Metro and Mini Metro.

(j) Software Expenses

Software obtained initially together with hardware is capitalised along with the cost of hardware and depreciated in the same manner as the hardware. All subsequent purchases of software are treated as revenue expenditure and charged in the year of purchase.

(k) Provisions for Contingent Liabilities

The Company recognises a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate 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 outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

(l) Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount is higher of the asset's net selling price or estimated future cash flows, which are discounted to their present value based on appropriate discount rates. If such recoverable amount of the asset or recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and asset is reflected at the recoverable amount.

2. Lease Commitments:

Future commitments in respect of premises taken on cancellable leave and license basis, occupied on lease aggregating Rs. 1,056,667 (Previous Year Rs.1,049,000).

3. Capital Commitments :

Estimated amount of contracts remaining to be executed on capital account Rs. 161,408 (Previous Year Rs. Nil) [net of advances Rs. 125,912 (Previous Year Rs. Nil)].

4. (a) The reporting system and the royalty income from AIR continues to be erratic and the same has been accounted for on cash basis in view of significant uncertainty as to ascertainment of accruals. The reports from the most of the AIR stations are received with delay. During the year, the Company has not received any reports from AIR.

Royalty income from AIR for the year Rs. Nil (Previous year Rs. 2,628,269) after adjustment of the following amounts being realisations in excess/ (short) of estimates considered in previous financial statements are:

	<u>2006-07</u>	<u>2005-06</u>
	<u>Rupees</u>	<u>Rupees</u>
Vividh Bharati (VB)	-	146,897
Primary Channel (PC)	-	713,986
FM-Metro and Mini Metro	-	1,767,386

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PHONOGRAPHIC PERFORMANCE LIMITED

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

SCHEDULE: " M " (Contd.)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

- (b) Royalty income for Private Frequency Modular (FM) have been accounted for based on intimation received from parties regarding hours broadcast during the year at agreed rates and/or at rates pursuant to interim orders of High Courts at Kolkata and Mumbai. During the year 2004-05, Mumbai High Court vide their order dated 13th April 2004 disposed off the appeals made by the Company and the broadcasters against the order of the Copyright Board (CRB) dated 19th November, 2002. The Mumbai High Court held that the compulsory license can be issued to all the broadcasters, however the court set aside the CRB's aforesaid order and referred the matter to them for re-determination of the fees.

As the order of CRB dated 19th November, 2002 was set aside, the Company has moved the Mumbai High Court for directions as to which Order should now be followed and from what date. However, there is no order on the matter so far and certain broadcasters continue to pay the royalty fees as per their respective interim court orders prior to the order of Mumbai High Court dated 13th April 2004.

Aggrieved by the interpretation of Section 31 (Compulsory Licence) by the Mumbai High Court, the company filed a special leave petition (SLP) before the Supreme Court challenging the order of the Mumbai High Court. The same came up for initial hearing on the 27th July 2004. The Supreme Court stayed the proceedings before the CRB till the issue of compulsory licence is decided by the Supreme Court. During the year 2005-06, the Company had made the interim application to Supreme Court for fixing a preemptory date for hearing. The matter was heard on 6th February 2006. However, no order was passed for preemptory date and the matter is pending before the Supreme Court.

- (c) As in the past, royalty income from Public Performance have been accounted for on cash basis in view of significant uncertainty as to ascertainment of accruals.
- (d) Royalty income for Telecasting, Mobile, Satellite Radio and Others have been accounted for based on usage report submitted by licensees at rates and/or minimum guarantee rates as per agreements with those parties. Estimates are made on prudent basis wherever necessary.
5. (a) As in the earlier years, royalty distributed from A.I.R is calculated as percentage of the net receipts (i.e. gross receipts – legal and administrative expenses). The royalty payment is based on the label information and is distributed on the basis of actual receipts (i.e. gross receipts – provision) (As mentioned in Note 4(a) above). Related royalties in respect of amounts realised for the year Rs. Nil have also been accounted for on the basis referred to above and are inclusive of further charge of Rs. Nil (Previous Year Rs. 124,862) for VB and Rs. Nil (Previous Year Rs. 606,888) for PC and Rs. Nil (Previous Year Rs. 1,502,278) for FM Metro and Mini Metro.
- (b) As in the earlier years, royalty distributed for Private FM, Public Performance, Ring Tone, Telecasting, Interactive Voice Response (IVR), Juke Box and Ring Back Tone have been accounted for to the extent of the corresponding income for the year from fees [as indicated in Notes 4 (b), 4 (c) and 4 (d) above respectively] net of related legal and administrative expenses.
- (c) Royalty distributions for Music Audio/Video Streaming and Satellite Radio has been accounted for to the extent of the corresponding income for the year from fees (as indicated in Note 4(d) above) net of legal and administrative expenses.
6. Adjustments in royalty income for radio billed to Private FM licensees and distribution of royalty payable to the members in this regard as may arise on resolution of the matter currently pending before the Mumbai, Kolkata High Court and Supreme Court as indicated in Note 4(b) above (including directions as regards applicable license fees and its applicable dates) will be accounted for on receipt of the related order.

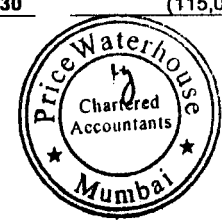
7. Deferred Tax Liabilities:

The Company accounts for Deferred Tax in accordance with the Accounting Standard 22 – "Accounting for Taxes on Income" issued by the Council of the Institute of Chartered Accountants of India.

The Deferred tax balances are set out below.

Particulars	31.03.2007 Rupees	31.03.2006 Rupees
Deferred Tax Assets		
Decrease in the value of Non-Trade Current Investments	-	(438,334)
Provision for Leave Encashment	(371,957)	(275,305)
	<u>(371,957)</u>	<u>(713,639)</u>
Deferred Tax Liability		
Depreciation	878,287	598,636
	<u>878,287</u>	<u>598,636</u>
Deferred Tax (Asset) / Liability (Net)	506,330	(115,003)

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PHONOGRAPHIC PERFORMANCE LIMITED

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

SCHEDULE: " M " (Contd.)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

8. Segment Information :

(i) Information about Primary Business Segment:

In accordance with Accounting Standard - 17, "Segmental Reporting" issued by the Institute of Chartered Accountants of India, the Company has determined its business segment as issuing or granting license for the public performance of gramophone records, perforated rolls and other forms by which sounds may be mechanically and/or electronically reproduced and there are no other primary reportable segments. Accordingly, the segment revenue, segment results, total carrying amount of segment assets and segment liability, total cost incurred to acquire segment assets and total amount of charge for depreciation during the year, is as reflected in the Financial Statements as of and for the year ended 31st March, 2007.

(ii) Information about Secondary Business Segment:

Revenue by Geographical Segments	2006-2007 (Rs.)		
	India	Outside India	Total
External	554,171,819	59,662,853	613,834,672
Carrying Amount of Segment Assets	356,481,181	-	356,481,181
Additions to Fixed Assets	3,687,197	-	3,687,197

* Figures of the previous year have not been given as Accounting Standard - 17, "Segmental Reporting" was not applicable for that year.

(iii) Notes:

The Segment revenue in the geographical segments considered for disclosure are as follows:

- (a) Revenue within India includes royalty income from licensees located within India and earnings in India.
- (b) Revenue outside India includes royalty income from licensees located outside India and earnings outside India.

9. Related Party Disclosures:

Relationships:

(i) Key Management Personnel:

Mr. Vipul Pradhan
Mr. Suresh Srinivasan

(ii) Transactions:

Nature of Transactions	2006-2007 (Rs.)	
	Mr. Vipul Pradhan	Mr. Suresh Srinivasan
Salaries and Allowances	1,605,400	1,309,440
Perquisites	186,667	-
Outstanding Payables	195,377	925,013

* Figures of the previous year have not been given as Accounting Standard - 18 "Related Party Disclosures" was not applicable for that year.

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PHONOGRAPHIC PERFORMANCE LIMITED

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

SCHEDULE: " M " (Contd.)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

10. Maharashtra Value Added Tax :

Pursuant to issuance of Trade Circular No. 24T of 2005 dated 30th August 2005, to claim administrative relief under the Lease Tax Act, 1985, the Company during the previous year had registered itself, voluntarily and without prejudice, under Maharashtra Value Added Tax Act, 2002 (MVAT). Upon such registration, the tax which would have been levied in respect of lease of copyright of cinematograph films including video films for the period 1st April 2000 to 31st March 2005, which was being contested by the Company was waived as administrative relief.

However, the Company had not paid the MVAT liability on all its operating income from 1st April 2005 to 30th September 2005 and for Public Performance Fees also from 1st October 2005 to 31st January 2006. During the year, the Company has paid the MVAT liability on Public Performance Fees for the period 30th September 2005 to 31st January 2006 amounting to Rs.1,402,608. The Company had made an application dated 26th April 2006 for determination of disputed question (DDQ) under Section 56 of the Maharashtra Value Added Tax Act, 2002 whereby the Company claimed that it is not a dealer under the provisions of Maharashtra Value Added Tax Act, 2002 and the transactions of the Company are not liable to Sales Tax under Maharashtra Value Added Tax Act, 2002. While awaiting the response from the MVAT authorities, the Company had started voluntarily paying towards MVAT liability effective February 2006. Subsequent to the year end, the Commissioner of Sales Tax, Maharashtra State, Mumbai under Section 56 of the Maharashtra Value Added Tax Act, 2002 vide order dated 30th April 2007 stated the Company is a dealer under the provisions of MVAT. The Company filed its appeal dated 5th July 2007 against the said order with the Maharashtra Sales Tax Tribunal. Hearing on the said appeal is pending and is expected to commence from October 2007.

The liability in respect of Maharashtra Value Added Tax not paid on operating income from 1st April 2005 to 29th September 2005 amounts to Rs. 5,586,576 for which no provision has been made in the books.

11. Certificates for tax deducted at source aggregating Rs. 3,411,428 (Previous Year Rs. 275,987) are in the process of being collected from licensees. The Management expects to collect these certificates prior to filing of income tax return. And hence, no provision has been considered necessary by the Management.

12. Sundry Creditors include:

- (a) Rs. 39,988 (Previous Year- Rs. 39,988) received from certain parties on account of Broadcasting Fees (FM - Private) and held in a fixed deposit bank account, pursuant to an interim order of January 1994 of the Kolkata High Court pending final resolution of the matter.
- (b) Security Deposit Rs. 34,883,661 (Previous Year - Rs. 383,661)
- (c) Following amount received in advance and/or pending invoicing:
- (i) Rs. 48,694,065 (Previous Year - Rs. 29,589,908) after adjustment of royalty income of Private FM for the year accounted for on the basis of Note 4(b) above.
- (ii) Rs. 2,325,650 (Previous Year - Rs. 2,072,180) after adjustment of royalty income of Webcasting for the year accounted for on the basis of Note 4(d) above.
- (iii) Rs. 4,791,469 (Previous Year - Rs. 2,777,609) after adjustment of royalty income of Ringtone for the year accounted for on the basis of Note 4(d) above.
- (iv) Rs. 28,618,914 (Previous Year - Rs. Nil) after adjustment of royalty income of Ring Back Tone for the year accounted for on the basis of Note 4(d) above.
- (v) Rs. 169,551 (Previous Year - Rs. 326,127) after adjustment of royalty income of Juke box for the year accounted for on the basis of Note 4(d) above.
- (vi) Rs. Nil (Previous Year - Rs. 1,078,832) after adjustment of royalty income of Interactive Voice Response for the year accounted for on the basis of Note 4(d) above.
- (vii) Rs. 594,156 (Previous Year - Rs. 226,736) after adjustment of royalty income of Telecasting for the year accounted for on the basis of Note 4(d) above.
- (viii) Rs. Nil (Previous Year - Rs. 94,179) after adjustment of royalty income of All India Radio for the year accounted for on the basis of Notes 4(a) above.
- (ix) Rs. 40,523 (Previous Year - Rs. Nil) after adjustment of Public Performance for the year accounted for on the basis of Note 4(c) above.

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PHONOGRAPHIC PERFORMANCE LIMITED

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

SCHEDULE: " M " (Contd.)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

- (d) Due to small scale industrial undertakings Rs. Nil. This information has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.
- (e) The information pertaining to micro and small enterprises as required to be disclosed in accordance with Section 22 of Micro, Small and Medium Enterprises Development Act, 2006 is not readily ascertainable and hence not disclosed.
- (f) There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

13. Earnings in Foreign Currency :

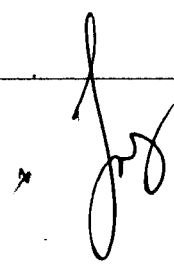
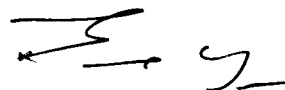
	2006-07	2005-06
	Rupees	Rupees
Satellite Radio	56,680,103	-
Ringtone Service Fees	1,917,446	217,192
Telecasting Fees	-	201,736
Ring Back Tone Service Fees	1,065,304	-

14. Expenditure in Foreign Currency :

	2006-07	2005-06
	Rupees	Rupees
Travelling	393,025	722,591

15. Remuneration to Auditors

	2006-07	2005-06
	Rupees	Rupees
As Auditors	300,000	300,000
Other Services	200,000	200,000
Out of Pocket Expense	12,886	17,365
	512,886	517,365



PHONOGRAPHIC PERFORMANCE LIMITED

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

SCHEDULE: " M " (Contd.)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

16. Refer Annexure for additional information pursuant to Part IV of Schedule VI to the Companies Act, 1956, of India.

17. Previous year's figures have been rearranged and regrouped wherever necessary.

Signatures to Schedules "A" to "M" forming part of the Balance Sheet and Profit and Loss Account.

U. A. Shah

Uday Shah
Partner
Membership No. F-46061
For and on behalf of
Price Waterhouse
Chartered Accountants

Jivan S. Javalani
Director
[Signature]
Director

Place : Mumbai
Date : *September 7, 2007*

Place : Mumbai
Date : *September 7, 2007.*

