

Contents

3	Letter to Shareholders
4	Key Financial Highlights
6	Notice of AGM
10	Management Discussion and Analysis
13	Corporate Governance
22	Directors' Report
26	Auditors' Report
29	Financial Statements of Deccan Chronicle Holdings Ltd. in accordance with Indian GAAP
45	Auditors' Report on Consolidated Financial Statements
46	Consolidated Financial Statements of Deccan Chronicle Holdings Ltd. & its subsidiaries in accordance with Indian GAAP
58	Statements pursuant to Section 212 of the Companies Act, 1956
60	Independent Auditors' Report – KMPG on Consolidated Financial Statements of Deccan Chronicle Holdings Ltd. & its subsidiaries in accordance with International Financial Reporting Standards (IFRS)

Board of Directors

T Venkatram Reddy
Chairman

T Vinayak Ravi Reddy
Vice Chairman

P K Iyer
Managing Director

M Sukumar Reddy
Director

G Kumar
Director

E Venkatram Reddy
Director

Company Secretary

D Giridhar Reddy

Auditors

C.B. Mouli & Associates
Chartered Accountants
125, M.G. Road
Secunderabad-500 003

Registered Office

6-3-898, Raj Bhavan Road
Somajiguda, Hyderabad-500 082

Corporate Office

36, Sarojini Devi Road
Secunderabad-500 003

ISIN Number

INE 137G01027

Registrar & Share Transfer Agent

Karvy Computershare Private Ltd
Karvy House, No. 46, Avenue 4
Street No. 1, Banjara Hills
Hyderabad-500 034

Bankers

ICICI Bank Limited
Canara Bank

Independent Auditors

KPMG
5 Merchant Towers, II Floor, Road No. 4
Banjara Hills, Hyderabad-500 034

Legal Advisors

Amarchand & Mangaldas & Suresh A. Shroff & Co
Advocates & Solicitors, 1-10-20/2B, 4th Floor
Pooja Enclave, Begumpet, Hyderabad-500 016

Titus & Co

Advocates, Titus House
R - 77A, Greater Kailash - 1
New Delhi-110 048



Letter to Shareholders,

Your company has had another impact-full and significant financial year with substantial value creation for all its stakeholders.

The fiscal year 2006-2007 has bettered the performance across all financial indicators and ratios in comparison to the previous fiscal, as you would notice in this report.

Deccan Chronicle has captured a significant share of the mind space and market share in Chennai, our growing circulation is evidence to our right content mix, relevance to market requirements and mirroring readers concerns and aspirations.

Deccan Chronicle will launch its edition in Bangalore by March 2008 and this would complete our south leadership strategy of being present in all of the three fastest growing consumption /advertising markets of the country.

Hyderabad, Chennai, and Bangalore are expected to be the incremental GDP drivers as well as out pace the country's average GDP growth rate.

Your company has entered alternate media with a dedicated Internet property aimed at schools and colleges, christened "The Papyrus Clubs" which has seen encouraging results and tremendous scope. We are working on many such properties and expect these to make a positive financial impact from next fiscal onwards.

It is our objective to provide cash dividends to our shareholders, and we have improved on the payout by a large margin this fiscal and would continue to endeavor in making significant cash payouts year on year to our shareholders.

Odyssey India Limited our acquisition in the retail space continues to surprise us with its growth which now has a pan India presence from Noida to Mumbai to Nagpur etc. and provides us with a deep insight into the spending and the consumption story of India.

Odyssey India will become a significant player by the end of next fiscal year and we are exploring various models to unlock its value and provide accretive returns to our shareholders.

I take this opportunity to thank the support and suggestions of the Board of Directors, our suppliers, employees and nearly five million readers.

My best wishes,

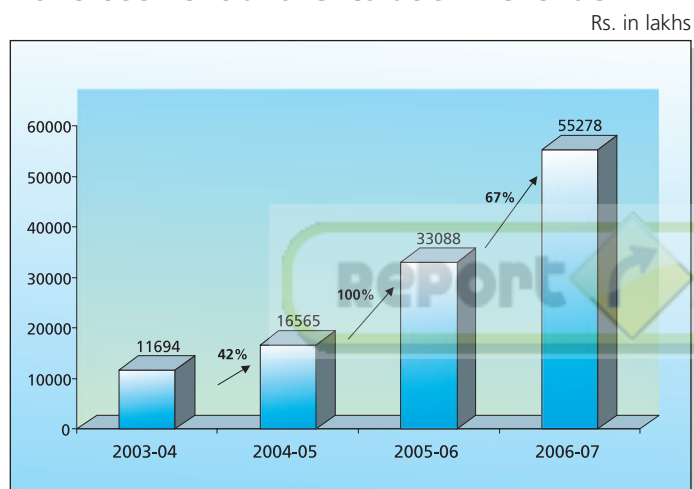
Sincerely,

T Venkatram Reddy
Chairman

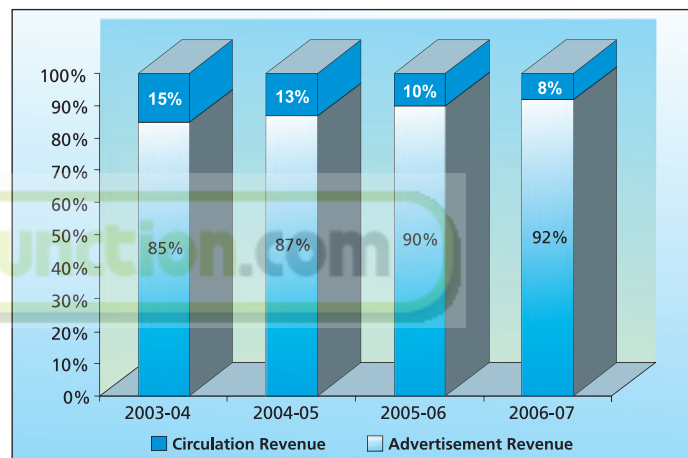
Performance 2006-2007 Key Highlights

- Total Revenue increased by 66% to Rs 58519 lakhs
- Advertisement Revenue increased by 72% to Rs 51135 lakhs
- Circulation Revenue increased by 22% to Rs 4143 lakhs
- Deccan Chronicle Circulation in A.P and Chennai 9.48 lakhs
- Earnings per share increased by 128% to Rs 7.50 (Face value Rs 2)
- Gross block of fixed assets increased by 74% to Rs 60918 lakhs

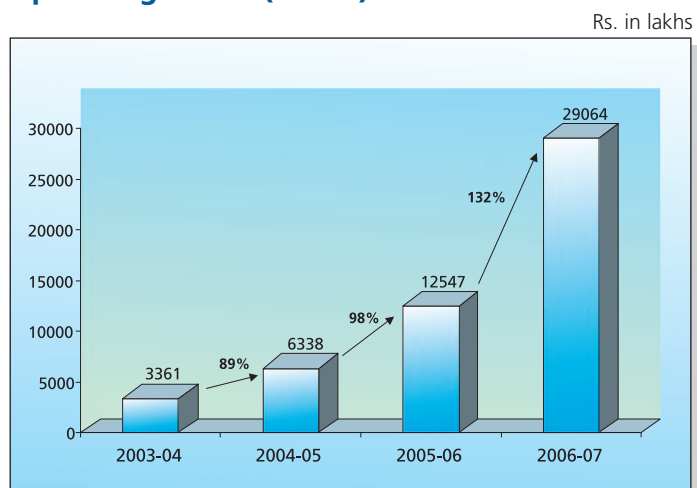
Advertisement and Circulation Revenue



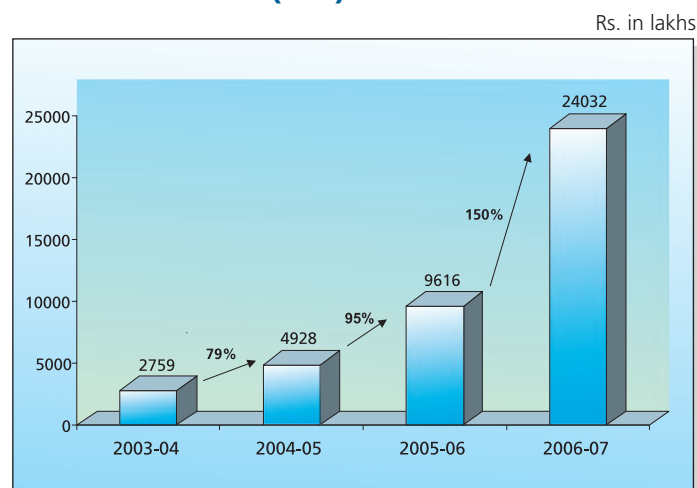
Advertisement to Circulation Ratio



Operating Profit (PBIDT)



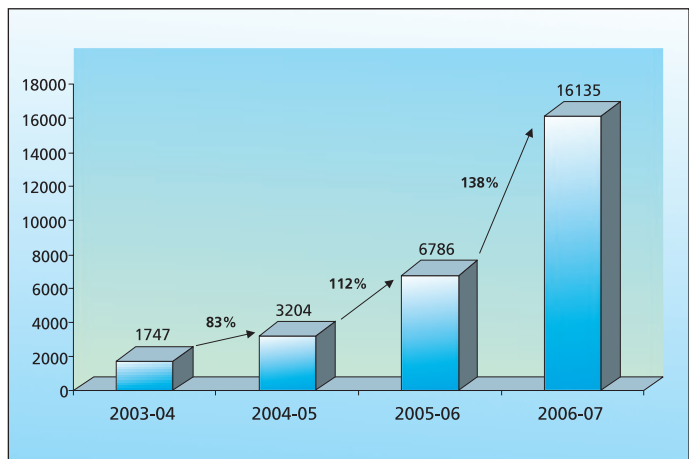
Profit Before Tax (PBT)





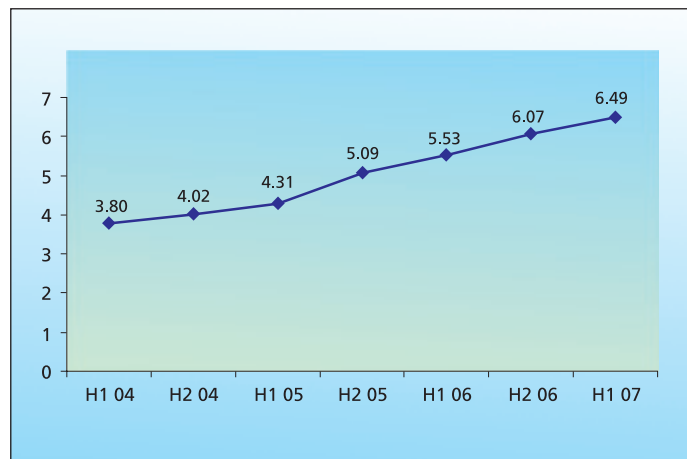
Profit After Tax (PAT)

Rs. In lakhs



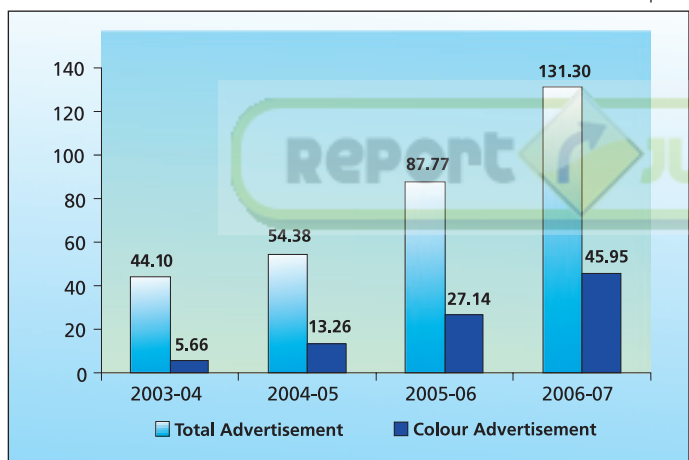
Circulation of Deccan Chronicle in A.P

No of copies in lakhs



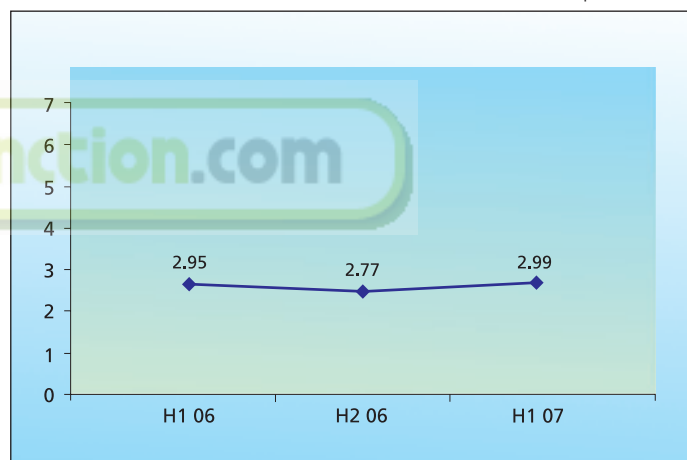
Advertisement Space sold

In lakh Sq Cm

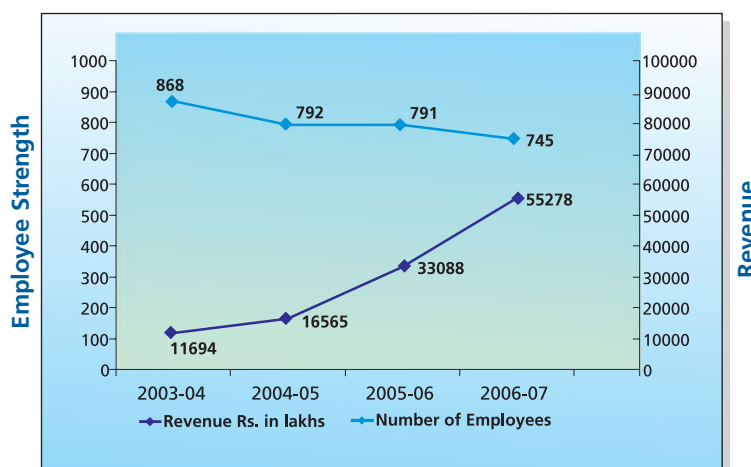


Circulation of Deccan Chronicle in Chennai

No of copies in lakhs



Revenue to Employee Strength



NOTICE FOR THE 5th ANNUAL GENERAL MEETING

Notice is hereby given that the Fifth Annual General Meeting of the members of Deccan Chronicle Holdings Limited will be held on Saturday, the 29th September, 2007 at 10.30 A.M at 36, Sarojini Devi Road, Secunderabad-500 003 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2007 and Profit and Loss Account on that date and the reports of the Board of Directors and Auditors thereon.
2. To consider and approve the recommendation of the Board of Directors for treating the Interim Dividend of 50% declared and paid by the Company during the year as the Final Dividend for the financial year 2006-07.
3. To appoint a director in place of Mr. G Kumar who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Mr. E Venkatram Reddy who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint auditors and to fix their remuneration and in this regard, to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

To appoint M/s. C.B. Mouli & Associates, Chartered Accountants, the retiring auditors, as Statutory Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of next Annual General Meeting and to authorize the Board to fix their remuneration.

SPECIAL BUSINESS:

6. Increase in remuneration upon re-appointment of Mr. T Venkatram Reddy, as Chairman.

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Act and subject to such approvals, if any, consent of the Company be and is

hereby accorded to the revision in the salary and re-appointment of Mr. T Venkatram Reddy, Chairman from Rs. 180 lakhs per annum to Rs. 250 lakhs per annum for the period from 1.9.2006 to 31.08.2011."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to alter and vary any of the terms and conditions relating to the remuneration payable to Mr. T Venkatram Reddy within the limits specified under the provisions of the Companies Act, 1956."

7. Increase in remuneration upon re-appointment and change in designation of Mr. T Vinayak Ravi Reddy.

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Act and subject to such approvals, if any, consent of the Company be and is hereby accorded

- a) to the revision in the salary and re-appointment of Mr. T Vinayak Ravi Reddy, Managing Director from Rs. 180 lakhs per annum to Rs. 250 lakhs per annum for the period from 1.9.2006 to 31.08.2011.
- b) to re-designate Mr. T Vinayak Ravi Reddy, Managing Director as Vice Chairman (an Executive Position) for the remaining tenure of his office (w.e.f. 27.04.2007) and with the other terms and conditions of his appointment and remuneration remain unchanged."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to alter and vary any of the terms and conditions relating to the remuneration payable to Mr. T Vinayak Ravi Reddy within the limits specified under the provisions of the Companies Act, 1956."

8. Increase in remuneration upon re-appointment and change in designation of Mr. P K Iyer

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



"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Act and subject to such approvals, if any, consent of the Company be and is hereby accorded

- a) to the revision in the salary and re-appointment of Mr. P K Iyer, Executive Director from Rs. 180 lakhs per annum to Rs. 250 lakhs per annum for the period from 1.9.2006 to 31.08.2011.
- b) to re-designate Mr. P K Iyer, Executive Director as Managing Director for the remaining tenure of his office (w.e.f. 27.04.2007) and with the other terms and conditions of his appointment and remuneration remain unchanged."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to alter and vary any of the terms and conditions relating to the remuneration payable to Mr. P K Iyer within the limits specified under the provisions of the Companies Act, 1956."

9. Authorizing the Board to borrow in excess of paid-up capital and free reserves.

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

"RESOLVED THAT the consent of the shareholders be and is hereby accorded to the Board of Directors of the Company under section 293(1)(d) of the Companies Act, 1956, to borrow any sum or sums of monies from time to time from Banks or Financial Institutions or Body Corporate or Mutual Funds or others whether by way of debentures, cash credit, advance or deposits, loans or bill discounting etc. notwithstanding the money or monies to be borrowed, together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves,

that is to say, reserves not set apart for any specific purposes, provided however that the total amounts so borrowed shall not exceed Rs. 1000 Crores (Rupees One Thousand Crores Only)."

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to do and perform all such acts, deeds and things as may be necessary, desirable or expedient to give effect to this resolution."

10. Alteration of article with respect to Common Seal of the company.

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

"RESOLVED THAT pursuant to Section 31 and other applicable provisions of the Companies Act, 1956, Article 145 of the Articles of Association of the Company be and is hereby altered and substituted as follows:

The seal shall not be affixed except by the authority of a resolution of the Board or a Committee of Directors and in the presence of one Director in whose presence the Seal shall have been affixed and countersigned by Managing Director or Secretary or such other person as may from time to time be authorised by the Managing Director or by the Board provided nevertheless that any instrument bearing the seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding any irregularity touching the authority of the Director to issue the same."

By order of the Board

Place : Secunderabad
Date : 27.07.2007

D Giridhar Reddy
Company Secretary

NOTES:

1. Every member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and such Proxy need not be a member.
2. The proxy form duly completed must reach the registered office of the Company before 48 hours of time fixed for holding the meeting.
3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto and forms part of the notice.
4. Pursuant to clause 49 of the Listing Agreement particulars of Mr. G Kumar and Mr E Venkatram Reddy seeking re-appointment at this meeting is enclosed.
5. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 24th September, 2007 to Saturday, 29th September, 2007 (both days inclusive).
6. Members are requested to:
 - i) note that copies of Annual Report will not be distributed at the Annual General Meeting.
 - ii) deliver duly completed and signed Attendance Slip at the entrance of the meeting venue as entry to the Auditorium will be strictly on the basis of the entry slip available at the counters at the venue to be exchanged with the attendance slip.
 - iii) quote their Folio / Client ID & DP ID Nos. in all correspondence.
 - iv) note that no gifts/coupons will be distributed at the Annual General Meeting.
7. A corporate member shall be deemed to be personally present only if it is represented in accordance with Section 187 of the Companies Act, 1956 i.e. only if the corporate member sends certified true copy of the Board resolution / power of attorney authorizing the representative to attend and vote at the Annual General Meeting.
8. Members are requested to notify immediately any change of address:
 - i) to their Depository Participants (DP) in respect of shares held in dematerialized form, and
 - ii) to the Company at its Registered Office or to its Registrar & Transfer Agent M/s Karvy Computer share Pvt. Ltd. in respect of their physical shares, if any, quoting their folio number.
9. All documents referred to in the accompanying notice are open for inspection at the registered office of the Company on all working days (barring Saturdays and Sundays) between 11.00 a.m. to 1.00 p.m. prior to the Annual General Meeting.

By order of the Board

D Giridhar Reddy
Company Secretary

Place : Secunderabad
Date : 27.07.2007



EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item Nos.6, 7 & 8:

Considering the improvement in the operational and financial performance of the Company and to align the managerial remuneration to the levels prevailing in the corporate sector, the Board of Directors of the Company as per the recommendations of remuneration committee at its meeting held on 16th October, 2006 had re-appointed Mr. T Venkatram Reddy as Chairman, Mr. T Vinayak Ravi Reddy as Managing Director and Mr. P K Iyer, as Executive Director with a revision in remuneration from Rs. 180 lakhs to Rs. 250 lakhs per annum each for a period of 5 years from 1.9.2006 to 31.08.2011 subject to the approval of shareholders at the ensuing Annual General Meeting.

The Board of Directors of the Company at its meeting held on 27.04.2007 had re-designated Mr. T Vinayak Ravi Reddy, Managing Director by appointing him as Vice Chairman (an Executive Position) and re-designated Mr. P K Iyer, Executive Director by appointing him as Managing Director subject to the approval of shareholders at the ensuing Annual General Meeting for the remaining tenure of their office with other terms and conditions remain unchanged.

Your directors, therefore, recommend the resolutions for your approval.

None of the Directors except Mr. T Venkatram Reddy, Mr. T Vinayak Ravi Reddy and Mr. P K Iyer, Directors are interested or concerned in the above resolution.

Item No.9:

As per the provision of Section 293(1) (d) of the Companies Act, 1956, the Board of Directors cannot, except with the consent of the Company in general meeting borrow monies, apart from temporary loans obtained from banks in the ordinary course of business in excess of the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose.

Presently the Company is permitted to borrow up to Rs. 700 crores by virtue of resolution passed at the Annual General Meeting of the Company held on 31st August, 2006.

In view of the expanding operations of the Company it is proposed to revise the borrowing limits earlier sanctioned by the members from Rs. 700 cores to Rs. 1000 crores.

Your directors, therefore, recommend the above resolution for your approval.

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

Item No.10:

Article 145 of the Articles of Association of the Company says that the Common Seal of the Company shall be affixed in the presence of two Directors. It is now proposed to amend the Article to affix the Common Seal in the presence of one Director.

In terms of Section 31 of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956, any amendment to the Articles of Association can be made only with the approval of shareholders at a general meeting. Your Board of Directors recommend the above resolution for your approval.

By order of the Board

Place : Secunderabad

Date : 27.07.2007

D Giridhar Reddy

Company Secretary

Management discussion and analysis

The year 2006-07 saw an impressive growth both in advertisement and circulation compared to the previous year with strengthening and consolidation in Chennai and strong growth rate in Hyderabad and Andhra Pradesh.

The various plant locations have been modernized with the latest state of the art equipment and colour printing facilities.

The Profit before tax was Rs. 24032.15 lakhs as against Rs. 9616.52 lakhs in the previous year, an increase of 150%.

The Profit after tax was Rs. 16135.69 lakhs as against Rs. 6786.45 lakhs in the previous year an increase of 138%.

Results of Operations

- Income from Operations have increased by 67.06% from Rs. 33087.59 lakhs to Rs. 55278.44 lakhs
- Advertisement revenue increased by 72.25% from Rs. 29685.82 lakhs to 51135.17 lakhs.
- Circulation revenue increased by 21.79% from Rs. 3401.77 lakhs to Rs. 4143.27 lakhs.

The Advertisement revenue increased on account of higher advertisement realization aided by increase in advertisement rates by 35% and volume growth with a perceptible growth in volume of colour advertisements.

The advertisement space sold increased by 49.60% from 87.77 lakh sq cm to 131.30 lakh sq cm. and the colour advertisement space sold increased by 69.30% from 27.14 lakh sq cm to 45.95 lakh sq cm.

The advertisement revenue as a percentage of Income from operations has increased from about 90% to 92%.

The advertisement revenue has increased both on account of better rates and volume growth with increasing colour advertisements which are at a premium compared to black and white advertisements.

The Circulation revenue has increased on account of increase in circulation. As per the latest certificates of the Audit Bureau of Circulation (ABC) for the period January–June 2007 the circulation in Andhra Pradesh is 6,49,469 copies and in Chennai 2,98,822 copies aggregating to a total circulation of 9,48,291 copies as against January – June 2006 circulation

of 5,52,852 copies in Andhra Pradesh and 2,95,326 copies in Chennai aggregating to a total of 8,48,178 copies marking a growth of 11.80%.

Industry Overview

The Entertainment and Media industry is growing at a tremendous pace and is growing faster than the Indian Economy. The Print Media has not been left behind. The print media has been growing steadily over the past few years and is poised for a significant growth and is expected to double in size over the next 5 years. The Print Media accounts for significant advertisement spend in India.

Key drivers for growth of English Print Media

- Booming Economy
- Rising Income levels with increasing disposable Income
- Higher advertisement spends
- Growing literacy rates both in urban and rural areas
- Increased investor interest of both domestic and international in the sector
- Availability of state of the art equipment at Printing facilities
- Lower newsprint cost

Financial Review

Share Capital

The total shareholders' fund as at March 31, 2007 is Rs. 82693.54 lakhs of which equity capital is Rs. 4780.52 lakhs comprising 23,90,26,045 equity shares of Rs. 2 each. Of the above during the year 1,75,00,000 equity shares were allotted to Qualified Institutional Buyers as per Chapter XIII A of the SEBI (Disclosure and Investor Protection) Guidelines 2000 and 1,53,98,005 equity shares were allotted upon conversion of 36,972 Foreign Currency Convertible Bonds.

The face value of the equity share was reclassified from Rs. 10 each to Rs. 2 each and the members' approval was obtained through postal ballot on March 5th 2007 and the record date for giving effect to the reclassification was fixed on March 21st 2007.

The Authorised Capital was increased from Rs. 5000 lakhs to Rs. 7000 lakhs and the members approval was obtained in the last Annual General Meeting held on August 31st 2006.