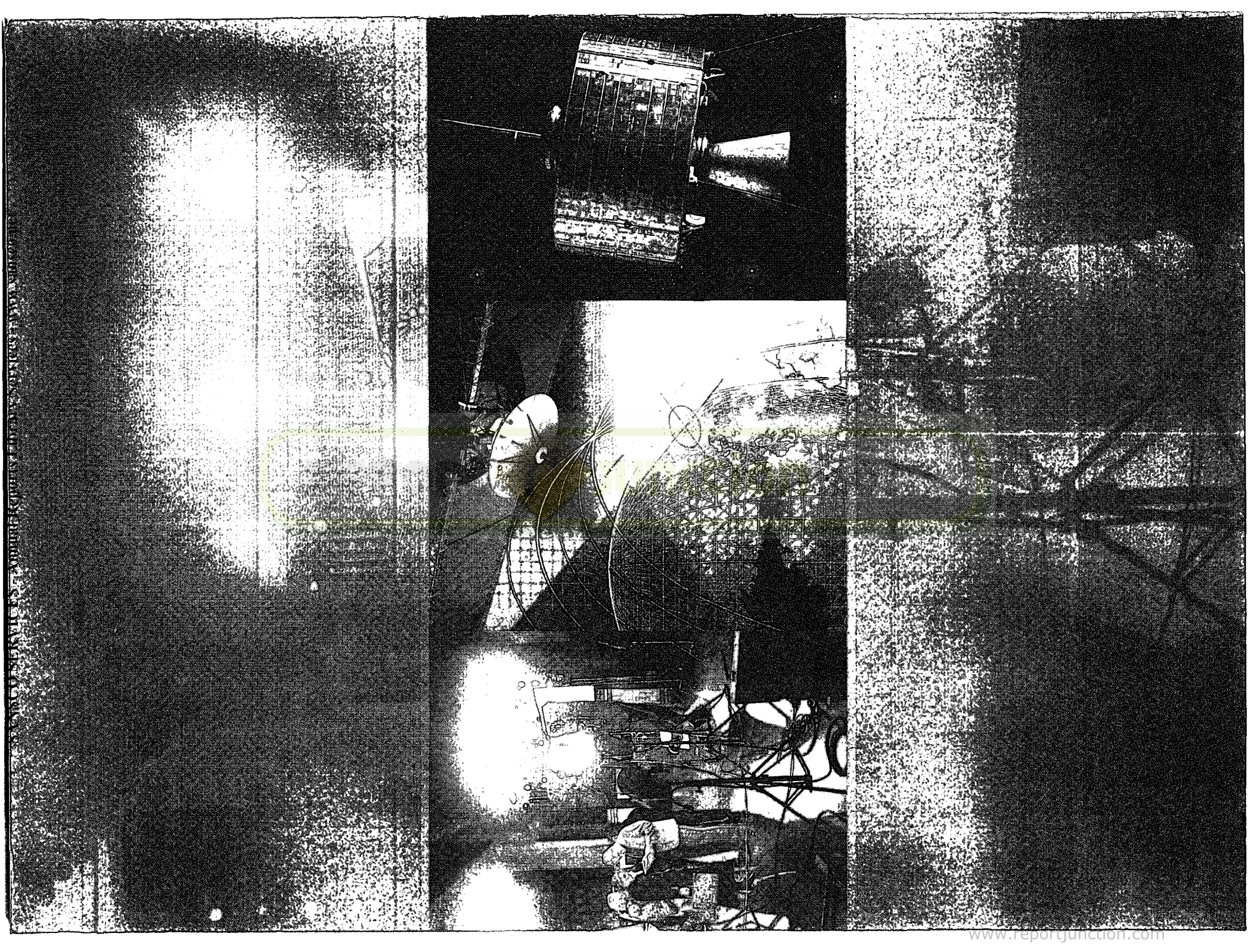




Sun TV Network Limited

Annual Report 2007







CORPORATE INFORMATION

BOARD OF DIRECTORS

Kalanithi Maran	Chairman and Managing Director
Kavery Kalanithi	Joint Managing Director
S.Sridharan	
M.K.Harinarayanan	
J.Ravindran	
Nicholas Martin Paul	

SECRETARY

R.Ravi

BANKERS

City Union Bank Limited, Mandaveli, Chennai -28
 ABN Amro Bank, Haddows Road, Chennai -6
 Kotak Mahindra Bank Limited, Annasalai, Chennai-18
 Standard Chartered Bank, Haddows Road, Chennai- 6
 The Karur Vysya Bank Limited, Teynampet, Chennai-18
 ICICI Bank Limited, Cenotaph Road, Chennai -18
 Indian Bank, Kodambakkam, Chennai -24
 HDFC Bank Limited, ITC Centre, Chennai -2

AUDITORS

M/s S.R.Batliboi & Associates
 Chartered Accountants,
 TPL House, Second Floor,
 3, Cenotaph Road, Teynampet, Chennai -18

REGISTERED OFFICE

367/369, Anna Salai, Teynampet, Chennai -18

REGISTRAR AND SHARE TRANSFER AGENT

M/s Karvy Computer share (P) Ltd,
 "Karvy House"
 46, Avenue 4,
 Street No.1, Banjara Hills,
 Hyderabad 500 034.

AUDIT COMMITTEE

M.K.Harinarayanan Chairman
S.Sridharan
J.Ravindran
Nicholas Martin Paul

REMUNERATION COMMITTEE

J.Ravindran Chairman
S.Sridharan
M.K.Harinarayanan
Nicholas Martin Paul

INVESTORS GRIEVANCE COMMITTEE

S.Sridharan Chairman
M.K.Harinarayanan
J.Ravindran
Nicholas Martin Paul

SHARE TRANSFER AND TRANSMISSION COMMITTEE

Kalanithi Maran
Kavery Kalanithi

MANAGEMENT

Kalanithi Maran Chairman and Managing Director
Kavery Kalanithi Joint Managing Director
S.Natrajhen Chief Financial Officer
S.Kannan Chief Technical Officer
Hansraj Saxena Chief Operating Officer (Tamil Programmes)
A.Manohar Prasad Chief Operating Officer (Telugu Programmes)
K.Vijaya Kumar Chief Operating Officer (Kannada Programmes)
C.Praveen Chief Operating Officer (Malayalam Programmes)
P.Laul Vice President Marketing
R.Ravi Company Secretary and Compliance Officer

Contents**Page Nos.**

Report of the Directors	3 - 7
Management Discussion and Analysis	8 - 13
Report on Corporate Governance	14 - 25
Auditors' Report	26 - 30
Financials	31 - 74
Consolidated Financials	75 - 115
<u>Subsidiaries</u>	
Kal Radio Limited	116 - 137
South Asia FM Limited	138 - 159

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

The Directors are pleased to present the Twenty Second Annual Report and Audited Financial Accounts of the Company for the financial year ended 31st March, 2007.

FINANCIAL RESULTS

The financial highlights for the financial year ended 31st March, 2007 are given below:

(Rs.in Millions)

Particulars	For the year ended	
	31 st March, 2007	31 st March, 2006
Total Income	7,264.0	3,383.5
Total Expenditure (Excluding Interest)	3,144.1	1,323.5
Profit before interest and tax	4,119.9	2,060.0
Interest & Financial Charges	30.9	65.0
Profit Before Taxation	4,089.0	1,995.0
Provision for Taxation	1,400.8	692.7
Profit after tax	2,688.2	1,302.3
Accumulated Profit, beginning of the year	2,348.7	4,043.2
Transfer in terms of the amalgamation		
From Gemini TV Private Limited ('GTPL')	396.2	-
From Udaya TV Private Limited ('UTPL')	434.3	-
Issue of Bonus Shares	-	(600.0)
Interim Dividend	(206.7)	(1,850.0)
Tax on Interim dividend	(29.0)	(259.5)
Proposed dividend	(394.1)	(137.8)
Tax on Proposed dividend	(67.0)	(19.3)
Transfer to General Reserve	(269.0)	(130.2)
Profit Carried forward	4901.6	2,348.7

PROFITS

The revenue of the company during the financial year ended 31st March, 2007 was higher at Rs.7,264.0 Millions, which includes revenue of Gemini TV Private Limited and Satellite Television Division of Udaya TV Private Limited consequent to their amalgamation with the company. The PBT of the company grew up to Rs.4,089.0 Million and the PAT to Rs.2,688.2 Million at 56.29% and 37.01% on total income respectively.

AMALGAMATION OF GEMINI TV PRIVATE LIMITED AND TRANSFER AND VESTING OF ALL UNDERTAKINGS / DIVISIONS EXCEPT FM RADIO DIVISION OF UDAYA TV PRIVATE LIMITED WITH YOUR COMPANY

Consequent upon your approval at the Court Convened Meeting held on 24th January, 2007, your Company filed appropriate petitions with the Hon'ble High Court of Judicature at Madras. Upon sanction by the Hon'ble High Court of Judicature at Madras on 27th March, 2007 and filing of the Certified Copy of the Order of Hon'ble High Court of Judicature at Madras with the Registrar of Companies Tamil Nadu, Chennai, the Composite Scheme of Amalgamation and Arrangement has become effective from 30th March, 2007. The appointed date of Amalgamation and Arrangement is 1st April, 2006.

CHANGE OF NAME

In accordance with High court order approving the Composite Scheme of Amalgamation and Arrangement the name of your Company 'Sun TV Limited' is changed to 'Sun TV Network Limited' with effect from 2nd April, 2007.

SHARE CAPITAL

Your Company had increased the Authorized Share capital from Rs.100 crores to Rs.225 crores with effect from 15th May, 2007. The face value of the equity share Rs.10/- each had been subdivided to the face value of Rs.5/- per share and accordingly the Clause VI of the Memorandum of Association of the company amended with effect from 15th May, 2007.

As per the approved Composite Scheme of Amalgamation and Arrangement your Directors had allotted 2,96,32,000 equity shares on 9th April, 2007 to the shareholders of Gemini TV (P) Ltd and Udaya TV (P) Ltd as per the approved merger ratio.

ISSUE OF BONUS SHARES

The Board had recommended the issue of bonus equity shares in the ratio of 1:1 to the shareholders of the company and the same was approved by the shareholders through postal ballot on 6th June, 2007.

DIVIDEND

Your Directors have recommended a final dividend of 20% (Re. 1 per equity share of Rs. 5 each) for the financial year ended 31st March, 2007. This dividend will also be payable on the Bonus shares to be allotted to the shareholders. During the financial year your Directors had declared and paid an interim dividend of 30% (i.e. Rs.3/- per equity share of Rs.10/- each).

BOOK CLOSURE

The register of the members of the company would be closed from 28th July, 2007 to 6th August, 2007 (both days inclusive) to facilitate the subdivision, issue of bonus share and payment of final dividend.

RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that:

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- b) 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 of the Company for that period.
- c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) The Directors have prepared the annual accounts on a going concern basis.

DIRECTORS

The Company had received a notice from a member of the Company under provisions of Section 257 of the Companies Act, 1956 proposing the appointment of Mr. S. Selvam as a Director of your Company. The Board of Directors recommend his appointment.

In accordance with the provisions of Articles of Association of the Company, Mr.J.Ravindran and Mr. Nicholas Martin Paul, independent directors of the company retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Your Board recommends their reelection.

CORPORATE GOVERNANCE

A report on Corporate Governance together with Auditors' Certificate on compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is provided elsewhere in the Annual Report.

PARTICULARS OF EMPLOYEES

Information required to be furnished in terms of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are set out in the Annexure to the Director's Report.

AUDITORS

M/s S.R.Batliloi & Associates, Chartered Accountants, the Auditors of the Company retire at the conclusion of this Annual General Meeting of the Company. The Board recommends their re-appointment as the Statutory Auditors of the Company.

CORPORATE SOCIAL RESPONSIBILITY

Your Company has donated a sum of Rs.15.3 Millions to Sun Foundation, a Charitable trust to support the various social welfare activities carried out by the trust.

FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES

The Audited Financial Statements of the two subsidiaries namely Kal Radio Limited and South Asia FM limited and also statement of the holding company's interest in the subsidiaries as specified in sub-section (3) of Section 212 of the Companies Act 1956 are annexed hereto and form part of this Annual Report.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements prepared in accordance with Accounting Standard-21 issued by The Institute of Chartered Accountants of India and as required by the listing agreement are attached.

CEO / CFO CERTIFICATION

The Chairman and Managing Director and the Chief Financial Officer have submitted a certificate to the Board regarding the financial statements and other matters as required under clause 49(V) of the listing agreement.

PUBLIC DEPOSITS

Your Company has not accepted any Deposits from the public in terms of section 58A of the Companies Act, 1956 during the financial year ended 31st March 2007.

INFORMATION AS REQUIRED UNDER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULE, 1988

(A) CONSERVATION OF ENERGY

The Company is engaged in Satellite Television Broadcasting operations and the information, as intended under Section 217(1) (e) does not arise.

(B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The Company uses the latest digital technology in broadcasting its programs. The outdated technologies are constantly identified and updated with latest innovations.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings	: Rs.344.2 Millions
	(Previous year Rs.177.50 Million)
Foreign Exchange Outgo	: Rs.89.5 Millions
	(Previous year Rs.76.60 Million)

ACKNOWLEDGEMENTS

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

On behalf of the Board

Place: Chennai
Date: June 28th, 2007

Kalanithi Maran
Chairman and Managing Director

ANNEXURE TO THE DIRECTORS REPORT

(Pursuant to section 217 (2A) of the Companies Act 1956)

Name/Age	Designation of the employee/ Nature of duties	Remuneration Rs.in Million	Qualification/ (Experience Years)	Date of commencement of employment	Previous Employment
Kalanithi Maran (42)	Chairman & Managing Director	232.6	B.Com, M.B.A.	31.03.1995	Kungumam Publications Private Limited as CEO
Kavery Kalanithi (37)	Joint Managing Director	232.6	B.A	15.12.2005	Udaya TV Private Limited as CEO

1. The nature of employment of all employees above is contractual.
2. Remuneration as shown above includes Basic salary, allowances, leave travel allowance, other allowance, Special allowance, Ex-gratia, etc.,
3. The above Directors are related to each other.

On behalf of the Board

Place : Chennai

Date : June 28th, 2007**Kalanithi Maran****Chairman and Managing Director**

MANAGEMENT DISCUSSION AND ANALYSIS*(Pursuant to clause 49 of the Listing Agreement with Stock Exchanges)*

The figures have been stated in Rs.Crores in the Management Discussion and Analysis (MD&A) for better readability.

Investors are cautioned that this discussion contains forward looking statements that involve risks and uncertainties including, but not limited to, risks inherent in the Company's growth strategy, acquisition plans, dependence on certain businesses, dependence on availability of qualified and trained manpower and other factors. The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto.

INDUSTRY

SUN TV Network Limited (Sun Network) is one of the largest television and Radio Entertainment Company in India with a dominant position in the southern states of Tamil Nadu, Kerala, Andhra Pradesh, Karnataka and Pondichery with over 20 TV channels and has 44 radio licenses including its subsidiaries. Sun Network is one of the largest FM radio licenses holders in India.

Sun Network's business model consists of capitalizing on its leadership position, built over the years, by fortifying its hold over key aspects of pricing and access to quality content. Sun Network's dominance in terms of viewership share across all languages and genres including "Kids" channel that it is present in, has given it tremendous pricing power. In addition to diverse offering of channels, Sun Network is able to exclusively access the best content through its tie-ups with leading producers. Going forward, this advantageous position is also expected to result in a smooth and highly profitable transition of its FTA channels to pay mode.

OPPORTUNITIES AND THREATS**Opportunities:**

Television has immensely benefited from India's economic growth, which has encouraged Indian Companies to increase their ad, spends. It continues to dominate the Entertainment & Media industry with a share of 42%, which is expected to further increase to reach 51% (Rs.42, 700 Crores) by 2010 (*source: published information*). The regional TV advertisement market is currently estimated at Rs.14,800 Crores and is expected to increase to Rs.2,500.0 crores by 2010 (*source: published information*). Subscription revenues are also expected to increase manifold, benefited by the increased reach ushered in by digitization.

Radio broadcasting in India is potentially large, sustainable and growing industry, which finds itself at an inflexion point today. Given India's low ad spend to GDP ratio of 0.34% as well as radio's share of the total ad market at a meager 3% (*source published information*); we believe the radio industry has the potential to register a rapid increase by 2010.

Sun Network believes that with its commendable position in the TV network and a potentially large pan India spread in the Radio market it will be in a good position to tap all opportunities.