

Annual Report 2005-06

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HEADLINES
T O D A Y

TODAY
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BOARD OF DIRECTORS

Aroon Purie, Chairman & Managing Director

Anil Mehra

Anil Vig

Rakesh Kumar Malhotra

Rajan Bharti Mittal

Rajeev Thakore

Audit Committee

Rakesh Kumar Malhotra, Chairman

Anil Mehra

Rajeev Thakore

Chief Executive Officer

G. Krishnan

GM (Legal) & Company Secretary

S.N. Sridhar

Auditors

Price Waterhouse
Chartered Accountants
New Delhi

Bankers

Canara Bank
IDBI Bank Limited
ICICI Bank Limited

Registered Office

Videocon Tower
E-1, Jhandewalan Extn.
New Delhi - 110 055

Registrar & Transfer Agents

MCS Limited
Harmony, Plot No. 6
Sector-1, Khanda Colony,
New Panvel (W), Mumbai - 410 206

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting you this Seventh Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March 2006.

1. Financial Results

The financial results of the Company for the year ended 31st March 2006 are summarized below for your consideration.

(Rs. in crores)

Particulars	Year Ended 31 st Mar'06	Year Ended 31 st Mar'05
Income from operations and other income	167.89	146.45
Profit before finance, Amortisation, Depreciation and Tax	60.98	42.17
Interest and Finance Charges	0.11	0.09
Depreciation	17.64	15.87
Misc. Expenses Written off	0.61	0.73
Profit before tax	42.62	25.48
Provision for Tax	14.85	9.06
Net Profit	27.77	16.42
Balance amount brought forward	51.71	42.76
Profit Available for appropriation	79.48	59.18
Transferred to General Reserve	7.50	2.50
Proposed Dividend (As last Year)	4.35	4.35
Corporate Dividend Tax	0.61	0.62
Balance Carried forward	67.02	51.71

2. Performance

During the year, your Company's revenue from operations has been Rs. 159.55 crores compared to Rs. 139.06 crores last year, an increase of appx 15%. Profit before tax has been Rs. 42.62 crores compared to Rs. 25.48 crores last year, registering a growth of 67% over the last year. Profit after tax has been Rs. 27.77 crores compared to Rs. 16.42 crores last year, registering a substantial growth of 69% over the last year. Increase in revenue and profit was mainly due to increased sales and better operational efficiency and cost control.

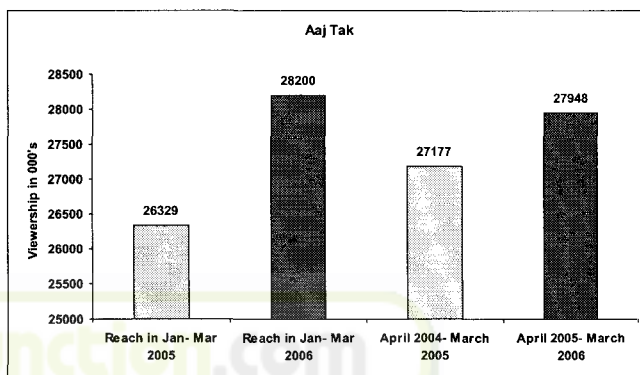
During the year, Aaj Tak continued to maintain its leadership position for the 5th consecutive year despite increased competition from the existing as well as from a new channel launched during the year. This could be achieved due to its fair and unbiased reporting,

introduction of innovative current affairs programmes catering to different segments of society, new sales and distribution strategy and a motivated team of well-qualified professionals.

Aaj Tak

Aaj Tak, with a viewership of Appx 28 million during the year, continues to be No.1 news channel in the Hindi genre.

During the year, the viewership of 'Aajtak' news channel has been 27.95 million compared to 27.17 million last year, registering a growth of approximately 3%. During the quarter January-March 2006, the viewership of Aaj Tak was 28.20 million compared to 26.33 million during the same quarter last year, registering a growth of 7%.



Source: TAM
TG: 4+ yrs cs
All India
Period: Average of 52 weeks of financial year

In recognition of its leadership position, Aaj Tak has been conferred with the following prestigious awards:

BBC- Reuters (C Voter/Globescan research) 2006

- Aaj Tak - The most trusted media brand across all print and electronic news sources

Indian Telly Awards 2005

- Best Hindi News Channel – Aaj Tak

Indian Television Academy Awards 2005

- Best News Channel – Aaj Tak
- Best Anchor for a Talk/Chat Show – Prabhu Chawla for Seedhi Baat

Promax BDA India Awards 2005-06

- Gold – Best Print Ad for Aaj Tak
- Gold - Best Public Service Announcement for Aaj Tak
- Silver – Best Script for Aaj Tak
- Silver – Best News and Current Affairs Promo for Headlines Today

Business Superbrands 2004-06

- Selected Business Superbrand by Superbrands India

RAPA Awards 2005

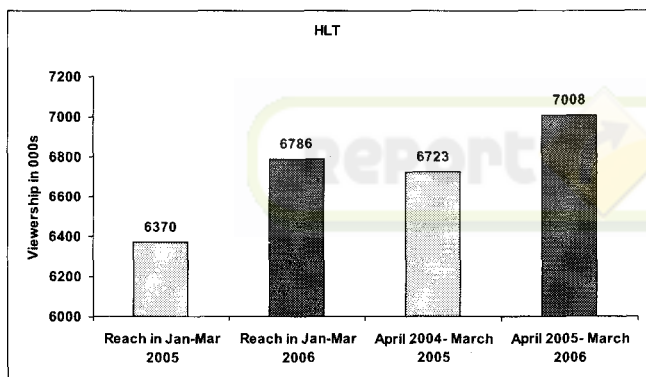
- Best Talk Show for Seedhi Baat;
- Best Film-based programme for Cinema.

New York Festivals 2005

- Finalist Certificate – Best Insert Category for the police bribery case story.

Headlines Today

During the year under review, a number of English News and current affairs channels were launched viz. CNN-IBN, Times Now, etc. As a result, market share of all the existing English news channels including Headlines Today were seriously affected. Despite increased competition from the new players, Headlines Today registered 4% growth in viewership from 6.72 million in 2004-05 to 7.01 million in 2005-06.



Source: TAM
TG: 4+ yrs cs
All India
Period: Average of 52 weeks of financial year

TEZ

In order to provide crispy news to the time conscious people, your Company has launched a new 24x7 Hindi News channel, "Tez" in August, 2005. The launch of "Tez" would enable the Company to consolidate and increase its combined market share in the Hindi News genre. The channel has already made its place in the Hindi News genre. During the year ended March 31, 2006, Tez has achieved a remarkable reach of 5.80 million viewers in the Country. (Source: TAM-TG:CS 4+years- All India Market)

3. Dividend

Your directors are pleased to recommend for your consideration and approval payment of dividend @ 15% amounting to Rs. 0.75 per equity share of Rs. 5/- each for the financial year 2005-06. Total amount of dividend outgo for the financial year shall be Rs. 4.96 crores (including Corporate Dividend Tax amounting to Rs. 0.61 crores).

4. Directors

In accordance with the provisions of Section 256 of the Companies Act, 1956 and the Articles of Association of your Company, Mr. Rajan Bharti Mittal and Mr. Rajeev Thakore, Directors are liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Your directors recommend re-appointment of Mr. Rajan Bharti Mittal and Mr. Rajeev Thakore as directors on the Board of the Company.

5. Director's Responsibility Statement

As stipulated in Section 217(2AA) of the Companies Act, 1956, your Directors' subscribe to Directors' Responsibility Statement and confirm that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- they 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 2005-06 and of the profit or loss of the company for that period;
- they have taken proper and sufficient care for 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;
- the annual accounts have been prepared on a going concern basis.

6. Subsidiary Company

During the year, your Company had incorporated a wholly owned subsidiary Company, TV Today Network (Business) Ltd. As required under Section 212 of the Companies Act, 1956, the Audited Statement of Accounts, alongwith the report of the Board of Directors and the Auditor's Report thereon of the said subsidiary Company for the year ended on 31st March, 2006 is annexed.

7. Fixed Deposit

During the year, your Company has neither invited nor accepted/ renewed deposits from the Public within the meaning of Section 58A, 58AA and other relevant provisions of the Companies Act, 1956, if any.

8. Auditors

The statutory auditors of your Company M/s Price Waterhouse, Chartered Accountants holds office up to the conclusion of the forthcoming Annual General Meeting and have offered themselves for re-appointment. They have confirmed that, if re-appointed, they would be within the limits prescribed under Section 224 (1B) of the

Companies Act, 1956. Your directors recommend their re-appointment as Statutory Auditors of the Company.

9. Auditor's Report

There are no observation, qualification or adverse remark of the Auditors on the Accounts of the Company for the financial year ended 31st March, 2006 requiring comment from the Board of Directors.

10. Corporate Governance

Your Company has implemented the requirements under revised Clause 49 of the listing agreement which has been made effective from 1st January, 2006, as applicable to your Company and shall ensure continued compliance of the same. Your Company lays strong emphasis on transparency, disclosure and independent supervision to increase various stakeholder's value.

The report on Corporate Governance for the financial year 2005-06 is given as a separate section titled "Report on Corporate Governance" and Certificate of Company Secretary in Practice as required under the revised Clause 49 of the listing agreement is appended herewith which forms part of this Annual Report.

11. Management Discussion and Analysis

Separate report on Management Discussion & Analysis is appended here with.

12. The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

In terms of the requirement of clause (e) of sub-section (1) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars with respect to "Conservation of Energy, Technology Absorption and foreign exchange earnings and outgo" are given as under:

(a) Conservation of Energy	: Not applicable
(b) Technology Absorption	: Not applicable
(c) Transaction in Foreign Currency	:
i) Value of Imports (CIF basis)	: Rs. 57,971,303
ii) Expenditure in foreign currency (Accrued basis)	
(a) Traveling Expenses	: Rs. 9,308,988
(b) Production Cost	: Rs. 44,695,298
(c) Repair and Maintenance	: Rs. NIL
(d) Others	: Rs. 5,971,245
(d) Income in foreign currency (Accrued basis)	: Rs. 15,696,623

13. Particulars of Employees

Particulars of Employees as required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 (as amended) is annexed hereto and forms part of this report.

14. Acknowledgment

Your Directors place on record their deep appreciation of the contribution made by all section of employees with dedication, commitment and team effort which helped your Company in achieving the performance during the year despite stiff competition from the existing as well as new players in the news and current affairs genre.

Your Directors also acknowledge with thanks the support given by the Central Government, bankers, shareholders and investors at large and look forward to their continued support.

For and on behalf of the Board Of Directors

Place : New Delhi
Date : May 29, 2006

Anil Mehra
Director

Aroon Purie
Chairman
& Managing Director

Annexure to Directors' Report

Particulars of Employees under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 (as amended) and forming part of Directors' Report for the year ended on March 31, 2006

S. No.	Name	Designation	Remuneration Rs.	Qualification	Experience (years)	Date of Joining	Age (years)	Last Employment, held before joining the Company	Share holding
1	Mr. G. Krishnan	Executive Director & CEO	11,360,673	B. Com. (Hon) M & B Management	32	01.10.2000	52	Executive Director-Living Media India Limited	20*
2	Mr. Q. W. Naqvi	News Director-Aaj Tak	6,304,941	M.A.	25	06.02.2004	51	Director-QS Media Guru (P) Limited	Nil
3	Mr. Rajnish Rikhy	Vice President-(Ad-Sales)	5,063,543	B. Com, L.L.B & M.B.A	26	12.07.2004	46	Vice President(R)-BCCL New Delhi	Nil
4	Mr. Rahul Kulshrestha	Director-Technical & Operation	7,673,329	B. Com., Course in System Analysis & Design	22	01.05.2000	43	Technical Consultant-Living Media India Limited	Nil
5	Mr. Ramkripal Singh	Sr. Executive Producer	2,510,856	B. Sc. , L.L.B & P.G.D.J	28	15.10.2004	53	Senior Editor-Navbharat Times	Nil
6	Mr. Neeraj Issar	Head (Creative)	2,511,418	B. Com, Dip in Advertising & PR and Dip. In Film & T.V. Production.	18	01.04.2005	38	Creative/ Programming Head-Entertainment Television Channel	Nil
7	Mr. S. Srinivasan	Executive Producer	2,542,822	B. Sc.	26	01.05.2000	44	Editor-Current Affairs-Eenadu Television	Nil

* Holding shares as Nominee of Living Media (India) Limited, Promoter Company.

Notes:

1. Remuneration includes Salary, House Rent Allowance, commission, company's contribution to Provident Fund and Perquisites. Value of perquisites have been calculated on the basis of Income Tax Act, 1961.
2. Information about qualification and last employment are based on particulars furnished by the employees concerned.

For and on behalf of the Board of Directors

Place : New Delhi
Date : May 29, 2006

Anil Mehra
Director

Aroon Purie
Chairman &
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Developments

The Indian Entertainment and media industry has outperformed the Indian Economy and is one of the fastest growing sectors in India. Besides economic and personal income linked factors, there are host of other factors that are contributing to this high growth rate, namely-

- Low media penetration in lower socio-economic classes (SEC);
- Low ad spends;
- Liberalising foreign investment regime.

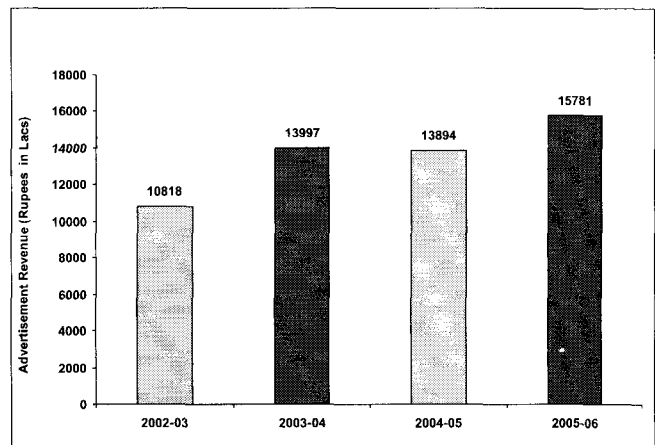
The Indian television market is on the threshold of a major technological change. New distribution technologies- such as digital cable, DTH and IPTV- are planning to hit the market soon. Infact, all spheres of the industry viz. content, broadcasting, distribution and regulation are witnessing technological changes. During the year, the Government of India announced the Downlinking Policy with the objective of laying down guidelines to regulate channels beamed into India from outside India and consolidated the Uplinking Guidelines by allowing FII's and NRI's besides FDI within the 26% foreign investment in the news and current affairs. Globally, TV on mobile grew by leaps and bounds. And India was no exception to the rule. TV-enabled mobile handsets are gaining popularity in India. Broadcasters are tying up with telecom providers to provide their channels on mobile handsets.

Television in India has dominated the entertainment and media industry and has the potential to do so even in the future. There are an estimated 185 million homes in India. But television today reaches out to only 100 million-odd homes. As per FICCI-PWC report, the Indian television industry is estimated to be INR 148 billion of which the largest chunk continues to be the television distribution segment. This report further projects that the Indian television industry is expected to grow at an annual compounded rate of 24 percent per annum over the next five years to reach the estimated size of INR 427 billion.

Television advertising is also expected to grow significantly over the next five years. Economic growth is encouraging Indian Companies to increase their ad spends. This is benefiting the television broadcasting industry, since their revenues are increasing, inspite of a stagnant share in the overall ad pie. As per the latest report of FICCI-PWC, the TV advertising is expected to grow to a level of INR 105,000 million. Ad spend on the channel's broadcasting news and current affairs exhibited a growth of 35% in 2005-06 at Rs. 675 crores. On the other hand the viewership share of the news channels went up from 3% in 2003-04 to 4.42% in 2004-05 to 4.97% in 2005-06, registering a growth of 12 %.

Outlook

The primary source of income for your Company is Ad sales revenue. Barring a marginal fall in 2004-05, your Company had shown consistent growth in the Ad sales revenue since 2002.



The ad spend on a channel depends on its market share, its reach and its being the preferred platform for mass communication. The leadership position of Aaj Tak as the No.1 channel consecutively for the past five years has contributed to the Ad sales revenue. Your Company's 24 hour English News channel "Headlines Today" and Hindi News channel "Tez" catering to the upmarket urban population has also been well received and has the great potential to contribute to the revenue growth of the Company in the coming years.

For the viewers of Delhi and NCR, your Company is in the process of launch of a Metro Centric Hindi news and current affairs channel "Delhi Aaj Tak" which will give crisp and fast local news and tap the local advertising to contribute to the revenue growth of the Company.

Your Company's strategy to have one combined rate card for Aaj Tak, Headlines Today and Tez has also been well received by the advertisers. Your Company's dedicated advertisers have shown keen interest in the new combined rate card to be present in three channels at an optimum price. As a result, your Company's English channel, Headlines Today and Hindi channel, Tez has also registered a growth in the number of advertisers. Your Company has also announced a combined rate card for Aaj Tak, Headlines Today, Tez and Delhi Aaj Tak.

During the year, your Company has entered the US market by tying up distribution arrangement with Echostar LLC, the largest cable and DTH operator in US, for distribution of Aaj Tak and Headlines Today. Your Company is pleased to inform that both the channels have been well received in US which will enable your Company to tap both subscription and advertising revenue in the US Market.

Your Company is also in the process of obtaining regulatory clearances for distribution of its channels in UK, Canada etc and expect to launch distribution of its channels in the said territories in 2006-07. For this purpose, your Company has changed its satellite from the present INSAT 2E to PAS 10 which has a wide beam, better signal and wide coverage covering Europe, Australia, New Zealand, Canada, Middle East and South Africa.

Your Company is also in the process of encryption of all its existing as well as any new channel proposed to be launched. For this purpose, your Company has invested in upgrading its technical equipments and software during the year. This will enable your Company to go pay at an opportune time.

Combined effect of the above measures would enable your Company to increase its revenue manifold in the coming years.

Opportunities and Threats

The Hon'ble Delhi High Court, in one of the petition filed by cable operators, has directed the Ministry of Information and Broadcasting, Government of India to implement CAS in all the four metros of Delhi, Chennai, Kolkatta and Mumbai. Although, Govt of India has sought from the Hon'ble Court 220 days time for implementation of CAS, which will be some time in November, 2006, this time Govt. of India has shown keen interest in implementing CAS and resolve the addressability issue once for all. CAS implementation will enable your Company to go pay for the existing as well as the proposed new channels. Your company is already geared up for going pay any time and the positive action from the Government will not only accelerate your Company's plan to go pay in the current year but also will enable your Company to have an additional source of income in the form subscription revenue besides the advertising revenue. Besides this, your Company is also exploring the possibility of revenue generation by launching its channels in the upcoming new distribution platforms like, DTH, Broadband, Triply Play, IPTV, Mobile Telephony etc. Your company will also exploit the potential for launching new channels in the business and general news genre. However, with more news channels having been launched recently and some in pipeline, your Company is likely to face intense competition from these channels, which may have an impact on Company's revenue growth in the coming years.

Risk and Concerns

The delay in implementation of CAS, demand of heavy carriage fee by the MSO's/Cable operators for carriage of channels in the Cable platform, delay in digitalisation at the last mile operator's end and changes in the viewers habits could impact the Company's revenue. The expected launch of slew of news and current affairs channels, both in Hindi and English, could also have an adverse effect on the Company's revenue in the coming years.

Human Resources

During the year ended 31st March 2006, your Company had 711 employees on its rolls. Your Company considers its Human capital as one of the key elements of sustainable competitive advantage and shareholder value creation as the contribution

of Human Capital is of immense importance in the Media sector. In other words, media organizations are human driven, its growth depends upon the quality contribution made by the people in the organization. Therefore, your Company recognise human resources as a key component for facilitating organisational growth and regularly invests in augmenting its human resources with the latest techniques for enhanced productivity through focused and structured training programmes. Human Resource Development has been receiving high priority and the company is continuously working to create and nurture an organization that is highly motivated, result oriented and adaptable to the changing business environment. Your Company has a strong team of professionals to oversee the operations and growth of the Company's businesses.

Internal Control and Systems

Your Company has adequate internal control system commensurate with the size and nature of its business. Your Company's internal audit process is being handled by one of the top 4 Audit firms, Ernst & Young, who continuously monitor the adequacy and effectiveness of the internal control system and the status of compliance of operating systems and policies. Efforts are made in securing adequacy and effectiveness of the laid down systems and policies. Further, Ernst & Young conducts extensive audits round the year covering each and every aspect of business activity so as to ensure accuracy, reliability and consistency of records, systems and procedures. The recommendations and observations of the Internal Auditors are being reviewed regularly by the Audit Committee.

Cautionary Statement

The Statements made in this report describing the Company's objective, expectations or predictions may be forward looking statement within the meaning of applicable securities laws and regulations. These statements and expectations envisaged by the management are only estimates and actual results may differ from such expectations due to known and unknown risks, uncertainties and other factors including, but not limited to, changes in economic conditions, Government Policies, technological changes and exposure to market risks and other external and internal factors, which are beyond the control of the Company.

For and on behalf of the Board of Directors

Place : New Delhi
Date : May 29, 2006

Anil Mehra
Director

Aroon Purie
Chairman &
Managing Director

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy

Corporate Governance is an insight into the management of affairs of the Company. It implies governance with the highest standards of professionalism, integrity, accountability, fairness, transparency, social responsiveness and business ethics for efficient and ethical conduct of business. Company is committed to and firmly believes in, practicing good corporate governance practices as they are critical for meeting its obligations towards shareholders and other stakeholders.

2. Board of Directors

a) Composition of the Board

Presently, the Board comprises of six directors out of which one is a Managing Director & Chairman of the Board and the other five are Non-executive directors. Mr Rajeev Thakore, Mr Rajan Bharti Mittal and Mr Rakesh Kumar Malhotra, are Independent directors.

b) Number of Board Meetings

During the financial year ended March 31, 2006 the Board met five times on 16th June, 2005, 28th July, 2005, 19th October 2005, 31st January, 2006 & 31st March, 2006.

c) Directors' attendance record and Directorship in other Public Limited Companies:

Name of the Director	Position	Board Meetings held during the year	Board Meetings attended during the year	Whether attended last AGM	Directorships in other public limited companies	No. of Memberships/ Chairmanships of other Board Committees	
						Chairmanship	Membership
Aroon Purie	Promoter - Chairman & Managing Director	5	5	Yes	6	—	—
Anil Mehra	Non-Executive Director	5	5	Yes	5	1	2
Anil Vig	Non-Executive Director	5	3	Yes	1	—	—
Rajan Bharti Mittal	Independent Director	5	4	No	4	—	3
Rajeev Thakore	Independent Director	5	3	No	1	—	—
Rakesh Kumar Malhotra	Independent Director	5	1	Yes	1	—	1

Note : None of the directors is a member of more than ten Board Committees, or a Chairman of more than five such committees, as required under clause 49 of the listing agreement.

d) Non-Executive Directors' compensation

During the financial year, Non- Executive Directors were not paid any sitting fee or any other compensation.

e) Code of Conduct

The Board had laid down a Code of Conduct for all the Board Members and Senior Management Personnel of the Company in January 2005, which is also posted on the web-site of the Company.

All Board Members and Senior Management Personnel to whom the code of conduct is applicable have affirmed compliance with the code. Managing Director has given a certificate of compliance of the code of conduct to the Board of Directors.

3. Audit Committee

a) Composition

The Audit Committee comprises of three Non-Executive Directors, namely, Mr. Rakesh Kumar Malhotra as Chairman and Mr. Anil Mehra & Mr. Rajeev Thakore as members. Two-thirds of the members including the Chairman are Independent Directors.

All members of the Committee are financially literate. Mr. Rajeev Thakore and Mr. Anil Mehra are Financial Experts.

b) Terms of reference, powers & role of the Committee

The terms of reference of the Audit Committee including its role & powers are as specified in Clause 49 of the listing agreement with the stock exchanges, & provisions of Section 292A of the Companies Act, 1956 as amended from time to time besides other terms as may be referred to it by the Board of Directors.

c) Number of Committee meetings & attendance

The Committee met three times during the year on June 15, 2005; July 25, 2005; and January 31, 2006.

The attendance record of the members as follows:

Name of the Director	Status	No. of Meetings held	No. of Meetings attended
Mr. Rakesh Kumar Malhotra	Chairman	3*	3
Mr. Anil Mehra	Member	3*	3
Ms. Rajeev Thakore	Member	3*	3

* During the year, 4 meetings of Audit Committee were convened but meeting dated October 19, 2005 could not be held due to lack of quorum of Independent Director and was adjourned.