

**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, 2006

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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 5, 2006

PHONOGRAPHIC PERFORMANCE LIMITED  
BALANCE SHEET AS AT 31ST MARCH 2006

	<u>Schedule</u>	<u>31.03.06</u> <u>Rupees</u>	<u>31.03.05</u> <u>Rupees</u>
<b>SOURCES OF FUNDS</b>			
Reserve and Surplus	A	8,600,860	5,140,787
Deferred Tax Liability (Refer Note 7 on Schedule 'M')		-	191,100
<b>TOTAL</b>		<u>8,600,860</u>	<u>5,331,887</u>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets	B	22,609,069	21,702,284
Gross Block		3,461,956	1,903,784
Less : Depreciation		19,147,113	19,798,500
Net Block			
Investments	C	44,971,375	-
Deferred Tax Asset (Refer Note 7 on Schedule 'M')		115,003	-
Current Assets, Loans and Advances	D	53,484,524	31,710,183
Sundry Debtors	E	148,248,917	131,964,903
Cash and Bank Balances	F	3,833,775	2,417,305
Loans and Advances	G	2,373,504	1,794,677
Other Current Assets		207,940,720	167,887,068
Less : Current Liabilities and Provisions	H	262,663,945	181,662,611
Current Liabilities		909,406	691,070
Provisions			
<b>Net Current Assets</b>		<u>(55,632,631)</u>	<u>(14,466,613)</u>
<b>TOTAL</b>		<u>8,600,860</u>	<u>5,331,887</u>
Notes to the Financial Statements	M		

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

Place : Mumbai  
Date : September 5, 2006

For and on behalf of the Board

Director

*Jwan. S. Lankar*

Director

*S. C. V.*

Place : Mumbai

Date : September 5, 2006

PHONOGRAPHIC PERFORMANCE LIMITED  
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006

	SCHEDULE	01.04.2005 to 31.03.2006 Rupees	01.04.2004 to 31.03.2005 Rupees
<b>INCOME</b>			
Operating Income (Net)	I	44,994,051	26,528,946
Other Income	J	6,769,286	4,289,386
		<u>51,763,337</u>	<u>30,818,332</u>
<b>EXPENDITURE</b>			
Administration and Other Expenses	K	32,309,825	18,044,280
Employees Cost	L	11,386,809	7,533,417
Depreciation		1,810,493	866,013
Decrease in the value of Non-Trade Current Investments		1,302,240	-
		<u>46,809,367</u>	<u>26,443,710</u>
<b>Profit before Taxation</b>		4,953,970	4,374,622
Less: Provision for Taxation			
Current Tax		(1,350,000)	(1,483,640)
[net off provision for earlier years written back Rs. Nil ; Previous Year Rs. 16,360]		(450,000)	-
- Fringe Benefit Tax		306,103	(141,841)
Deferred Tax (Refer Notes 1(h) and 7 on Schedule 'M')		3,460,073	2,749,141
<b>Profit after Taxation</b>		410,787	161,646
<b>Profit and Loss Account Balance Brought Forward</b>		<u>3,870,860</u>	<u>2,910,787</u>
<b>Appropriations</b>			
Transfer to General Reserve		-	(2,500,000)
<b>Profit and Loss Account Balance Carried To The Balance Sheet</b>		<u>3,870,860</u>	<u>410,787</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.

is the Profit and Loss Account 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

Place : Mumbai  
Date : September 5, 2006

For and on behalf of the Board

Director

Director

Place : Mumbai

Date : September 5, 2006

	31.03.2006 <u>Rupees</u>	31.03.2005 <u>Rupees</u>
<b>" A " RESERVES AND SURPLUS</b>		
<u>General Reserve</u>		
Opening Balance	4,730,000	2,230,000
Add : Transferred from Profit and Loss Account	-	2,500,000
	<u>4,730,000</u>	<u>4,730,000</u>
Profit and Loss Account	3,870,860	410,787
	<u>8,600,860</u>	<u>5,140,787</u>

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PHONOGRAPHIC PERFORMANCE LIMITED  
 SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2006

" B " FIXED ASSETS

( Refer Notes 1(b) and 1(c) on Schedule 'M' )

Particulars	GROSS BLOCK AT COST			DEPRECIATION			NET BOOK VALUE		
	As at 1st April, 2005	Additions/ Adjustment during the year	Deletion / Adjustment during the year	As at 31st March, 2006	As at 1st April, 2005	For the Year	Deletion / Adjustment during the year	As at 31st March, 2006	As at 31st March, 2005
Office Premises	16,597,584	16,150	-	16,613,734	275,111	816,639	-	15,521,984	16,322,473
Office Equipments	2,979,244	612,151	-	3,591,395	1,189,772	593,587	-	1,808,036	1,789,472
Furniture and Fittings	1,853,457	140,262	-	1,993,719	186,580	313,556	-	1,493,583	1,666,877
Motor Car	271,999	410,221	271,999	410,221	252,321	86,711	252,321	323,510	19,678
<b>Previous Year</b>	<b>21,702,284</b>	<b>1,178,784</b>	<b>271,999</b>	<b>22,609,069</b>	<b>1,903,784</b>	<b>1,810,493</b>	<b>252,321</b>	<b>19,147,113</b>	<b>19,798,500</b>
	2,068,278	19,643,006	9,000	21,702,284	1,046,771	866,013	9,000	1,903,784	19,798,500



PHONOGRAPHIC PERFORMANCE LIMITED  
SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2006

	31.03.2006 <u>Rupees</u>	31.03.2005 <u>Rupees</u>
<b>" C " INVESTMENTS</b> ( Refer Notes 1(d) and 10 on Schedule 'M' )		
<b>Non Trade Current (Unquoted ) (at cost)</b>		
32 (Previous Year :Nil) Units of HUDCO 5.15% Tax Free Bonds 2014 of the Face Value of Rs. 1,000,000	29,904,000	-
2,227 (Previous Year :Nil) Units of IREDA 5.5% Tax Free Bonds 2013 of the Face Value of Rs. 1,000	2,234,875	-
125,000 (Previous Year :Nil) Units of UTI - 6.6% Tax free ARS Bonds 2009 of the Face Value of Rs. 100	12,832,500	-
	<u>44,971,375</u>	<u>-</u>
Note : Aggregate amount of unquoted investment in Tax Free Bonds of Rs. 46,273,615 ; Previous Year Rs. Nil Aggregate amount of Repurchase price in Tax Free Bonds of Rs. 44,971,375 ; Previous Year Rs. Nil		
<b>" D " SUNDRY DEBTORS</b>		
(Unsecured and considered good unless otherwise stated)		
Debts Outstanding For a Period Exceeding Six Months	8,879,294	9,106,254
Other Debts	44,605,230	22,603,929
	<u>53,484,524</u>	<u>31,710,183</u>
<b>" E " CASH AND BANK BALANCES</b>		
Cash in Hand		
Balance with Scheduled Bank in:		
- Current Account	34,497,661	10,066,303
- Fixed Deposit Accounts	113,751,256	121,898,600
	<u>148,248,917</u>	<u>131,964,903</u>
<b>" F " LOANS AND ADVANCES</b>		
Advances Recoverable in Cash or Kind or for Value to be Received	538,362	1,892,645
Security Deposits	607,110	524,660
Advance Tax / Tax Deducted at Source [ Net of Provision for Taxation Rs. 3,721,088 ( Previous Year Rs. Nil ) ( Refer Note 9 on Schedule 'M' )	2,688,303	-
	<u>3,833,775</u>	<u>2,417,305</u>
<b>" G " OTHER CURRENT ASSETS</b>		
Interest Accrued and Due on Fixed Deposits	-	926
Interest Accrued but not Due on Fixed Deposits and Investments	2,373,504	1,793,751
	<u>2,373,504</u>	<u>1,794,677</u>

*Signature*



PHONOGRAPHIC PERFORMANCE LIMITED  
SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2006

	31.03.2006 <u>Rupees</u>	31.03.2005 <u>Rupees</u>
<b>" H " CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors ( Refer Note 11 on Schedule 'M' )	257,748,611	181,630,312
Other Liabilities ( Refer Note 8 on Schedule 'M' )	4,915,334	32,299
	<u>262,663,945</u>	<u>181,662,611</u>
<b>Provisions</b>		
Taxation [ Net of Advance Tax / Tax Deducted at Source Rs. Nil ( Previous Year Rs. 2,265,654 )]	-	105,434
Fringe Benefit Tax [ Net of Advance Fringe Benefit Tax Rs. 358,493 ( Previous Year Rs. Nil )]	91,507	-
Leave Encashment ( Refer Note 1(g) on Schedule 'M' )	817,899	585,636
	<u>909,406</u>	<u>691,070</u>
	<u>263,573,351</u>	<u>182,353,681</u>

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PHONOGRAPHIC PERFORMANCE LIMITED  
SCHEDULE ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006

	Notes on Schedule 'M'	Rupees	01.04.2005 to 31.03.2006 Rupees	01.04.2004 to 31.03.2005 Rupees
<b>" I " OPERATING INCOME (NET)</b>				
Broadcasting Fees -				
Primary Channel - AIR	2 (a) and 3 (ii)	6,511,966		8,343,153
Vividh Bharati - AIR	2 (a) and 3 (ii)	1,625,363		2,621,638
FM Metro and Mini Metro - AIR	2 (a) and 3 (ii)	7,679,378		4,393,278
FM - Private	2 (b) and 6	43,650,503		53,863,180
			59,467,210	69,221,249
Public Performance Fees	3 (i)		77,009,928	42,586,791
(Tax Deducted at Sources Rs. 173,259; Previous Year Rs. 51,489)				
Webcasting License Fees	4		248,500	1,204,389
Juke Box License Fees	4		1,495,995	2,506,124
(Tax Deducted at Sources Rs. 77,715; Previous Year Rs. 45,802)				
Interactive Voice Response (IVR) License Fees	4		4,930,832	2,963,636
(Tax Deducted at Sources Rs. 103,556; Previous Year Rs. 94,298)				
Ringtone Service Fees	4		53,853,606	63,409,183
(Tax Deducted at Sources Rs. 2,134,277; Previous Year Rs. 51,562)				
Ring Back Tone Service Fees	4		80,908,922	4,250,000
Sync Radio Commercial	4		-	77,000
Telecasting Fees	4		18,013,000	3,578,950
(Tax Deducted at Sources Rs. 110,196; Previous Year Rs. 24,518)				
Audio on Demand			-	167,340
			295,927,991	189,964,662
<b>Less: Operating Expenses</b>				
Broadcasting Royalties				
Primary Channel - AIR	5(a)		5,795,650	7,246,588
Vividh Bharati - AIR	5(a)		1,446,574	2,277,069
FM Metro and Mini Metro - AIR	5(a)		6,834,646	3,815,856
FM - Private	5(b)		37,331,614	45,263,391
Public Performance Royalty	5(b)		53,856,858	34,238,911
Webcasting License Royalty	5(c)		221,165	1,047,800
Juke Box License Royalty	5(d)		1,331,429	2,179,976
Interactive Voice Response (IVR) License Royalty	5(d)		4,585,675	2,590,670
Ringtone Service Royalty	5(d)		50,081,956	57,836,694
Sync Radio Commercial			-	69,300
Telecasting Royalty	5(b)		15,661,241	2,898,875
Audio on Demand			-	145,586
Ring Back Tone Service Royalty	5(b)		73,787,132	3,825,000
			250,933,940	163,435,716
			44,994,051	26,628,946
<b>NET INCOME</b>				
<b>" J " OTHER INCOME</b>				
Interest on :-				
- Fixed deposit (Tax Deducted at Source Rs. 1,053,127; Previous Year Rs. 788,342)			4,929,969	4,274,574
- Interest on Income Tax Refund			-	13,766
- Interest on Tax free Bonds			1,809,989	-
Profit on Sale of Fixed Assets			28,328	-
Other Income			1,000	1,046
			6,769,286	4,289,386

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PHONOGRAPHIC PERFORMANCE LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006

	01.04.2005 to 31.03.2006 <u>Rupees</u>	01.04.2004 to 31.03.2005 <u>Rupees</u>
<b>" K " ADMINISTRATION AND OTHER EXPENSES</b>		
Rent	1,163,000 ✓	1,524,652
Electricity	618,520 ✓	328,281
Rates and Taxes	57,389 ✓	43,450
Travelling	4,292,714 ✓	3,026,988
Legal Expenses	8,891,892	5,302,486
Professional and Retainership Fees	8,405,370	3,442,923
Repair and Maintenance	747,065 ✓	720,124
Motor Car Expenses	922,496	796,385
Printing and Stationery	768,723	410,049
Advertisement, Publicity etc.	2,291,498 ✓	515,668
Postage, Telegram and Telephone	1,320,241	678,396
Director's Sitting Fees	180,000	185,000
Contribution to The Indian Music Industry	250,000	250,000
Auditors' Remuneration ( Refer Note 14 on Schedule 'M' )	517,365	250,000
Commission	1,073,408 ✓	172,260
Insurance Charges	50,059 ✓	3,107
Miscellaneous	760,085	394,511
	<u>32,309,825</u>	<u>18,044,280</u>

**" L " EMPLOYEES COST**

Salaries and Bonus	9,533,118	6,148,146
Contribution to Provident and Other Fund	754,595 ✓	606,963
Leave Encashment	166,956	237,844
Staff Welfare	932,140 ✓	540,464
	<u>11,386,809</u>	<u>7,533,417</u>

*J.S.*

*S*



PHONOGRAPHIC PERFORMANCE LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2006 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

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 24<sup>th</sup> 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 recent amendments in copyright law, PPL was registered with the Registrar of Copyrights as Copyright Society in respect of Sound Recordings and is registered with the Government of India. PPL is mainly engaged in administering the Broadcasting / Telecasting 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) Broadcasting Fees

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

(Also Refer to Notes 2 and 3 (ii) below)

(f) Gratuity

Contribution payable to Life Insurance Corporation of India (LIC) under Group Gratuity-Cum-Life Insurance Scheme based on actuarial valuation of year-end accrued liability towards gratuity is recognised as a charge.

(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.

*JWS*



PHONOGRAPHIC PERFORMANCE LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2006 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

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.

(j) 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.

(k) Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the 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 the asset is reflected at the recoverable amount.

2. (a) The reporting system and the Income from AIR continues to be erratic. The reports from the most of the AIR stations are received with delay. The reports for the Financial Year 2002-03, 2003-04 and 2004-05 are invariably reported in September 2005 and this pattern follows year after year.

Broadcasting Fees for the year after adjustment of the following amounts being realisations in excess/ (short) of estimates considered in previous financial statements are:

	2005-06	2004-05
	<u>Rupees</u>	<u>Rupees</u>
Vividh Bharati (VB)	146,897	705,032
Primary Channel (PC)	713,986	1,891,608
FM-Metro and Mini Metro	1,767,386	(257,714)

- (b) Broadcasting Fees (Private Frequency Modular (FM) radio) have been accounted for based on intimation received from parties regarding hours broadcast during the year at rates pursuant to Interim orders of High Courts at Kolkata and Mumbai. During the previous year, Mumbai High Court vide their order dated 13<sup>th</sup> April 2004 disposed off the appeals made by the Company and the broadcasters against the order of the Copyright Board (CRB) dated 19<sup>th</sup> November, 2002. The Mumbai High Court held that the compulsory licence 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 19<sup>th</sup> 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 the broadcasters continue to pay the royalty fees as per their respective interim court orders prior to the order of Mumbai High Court dated 13<sup>th</sup> 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 27<sup>th</sup> 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 the Company has made the interim application to Supreme Court for fixing a pre-emptory date for hearing. The matter was heard on 6<sup>th</sup> February 2006. However, no order was passed for pre-emptory date and the matter is pending before the Supreme Court.

3. (i) As in the past, Public Performance Fees have been accounted for on cash basis in view of significant uncertainty as to ascertainment of accruals.  
 (ii) 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.

*JWS*



PHONOGRAPHIC PERFORMANCE LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2006 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

SCHEDULE: M (Contd.)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

4. Interactive Voice Response (IVR) License Fees, Ringtone Service Fees, Ring Back Tone Service Fees, Juke Box License Fees, Webcasting License Fees and Telecasting Fees have been accounted for based on usage report submitted by parties at rates as per agreements with those parties. Estimates are made on prudent basis wherever necessary.
5. (a) As in the earlier years, the Broadcasting Royalty from A.I.R is calculated as percentage of the net receipts (i.e. gross receipts – legal expenses) . In the absence of any legal expenditure during the current financial year the gross receipts are equal to net receipts. 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 2(a) above). Related royalties in respect of amounts realised for earlier years have also been accounted for on the basis referred to above and are inclusive of further charge of Rs. 124,862 for VB and Rs. 606,888 for PC and Rs. 1,502,278 for FM Metro and Mini Metro.
- (b) As in the earlier years, Broadcasting Royalty (FM-Private), Public Performance Royalty, Telecasting Royalty and Ring Back Tone Service Royalty have been accounted for to the extent of the corresponding income for the year from fees [as indicated in Notes 2 (b) and 4 above, respectively] net of related legal and administrative expenses.
- (c) As in the earlier years, Webcasting license royalty has been accounted for to the extent of the corresponding income for the year from fees (as indicated in the Note 4 above) net of administrative expenses.
- (d) Royalties for Interactive Voice Response (IVR) License Fees, Ringtone Service Fees and Juke Box License Fees have been accounted for to the extent of the corresponding income for the year from fees [as indicated in Note 4 above] net of administrative expenses.
6. Adjustments in broadcasting fees billed to FM Private parties and 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 2(b) above (including directions as regards applicable licence 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	31.03.2006 Rupees	31.03.2005 Rupees
<b>Deferred Tax Assets</b>		
Decrease in the value of Non-Trade Current Investments	(438,334)	-
Provision for Leave Encashment	(275,305)	(197,125)
	<u>(713,639)</u>	<u>(197,125)</u>
<b>Deferred Tax Liability</b>		
Depreciation	598,636	388,225
	<u>598,636</u>	<u>388,225</u>
<b>Deferred Tax (Asset) / Liability (Net)</b>	<u>(115,003)</u>	<u>191,100</u>

8. **Maharashtra Value Added Tax :**

Pursuant to issuance of Trade Circular No. 24T of 2005 dated 30<sup>th</sup> August 2005, to claim administrative relief under the Lease Tax Act, 1985, the Company during the year has registered itself 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 1<sup>st</sup> April 2000 to 31<sup>st</sup> March 2005, which was being contested by the Company was waived as administrative relief.

However, the Company has not paid the MVAT liability on all its operating income from 1<sup>st</sup> April 2005 to 30<sup>th</sup> September 2005 and for Public Performance Fees also from 1<sup>st</sup> October 2005 to 31<sup>st</sup> January 2006. Subsequent to the year end, the Company has made an application dated 26<sup>th</sup> April 2006 for determination of disputed question (DDQ) under Section 56 of the Maharashtra Value Added Tax Act, 2002 whereby the Company claims 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 has started voluntarily paying towards MVAT liability effective February 2006. The liability in respect of Maharashtra Value Added Tax not paid on operating income from 1<sup>st</sup> April 2005 to 30<sup>th</sup> September 2005 and for Public Performance Fees

*[Handwritten Signature]*



**PHONOGRAPHIC PERFORMANCE LIMITED**

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2006 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006.**

**SCHEDULE: M (Contd.)**

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

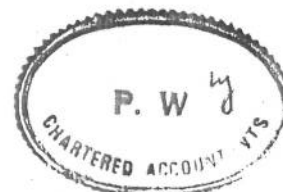
also from 1<sup>st</sup> October 2005 to 31<sup>st</sup> January 2006 amounts to Rs. 6,989,184 for which no provision has been made in the books.

9. Certificates for tax deducted at source aggregating Rs. 275,987 (Previous Year Rs. Nil) 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.
10. During the year, the Company has made investments in HUDCO 5.15% Tax Free Bonds 2014, IREDA 5.5% Tax Free Bonds 2013 and UTI - 6.6% Tax free ARS Bonds 2009 aggregating Rs. 46,273,615, based on the approval from its members in the Extra Ordinary General Meeting held on 15<sup>th</sup> March 2005.
11. Sundry Creditors include:
  - (a) Rs. 39,988 (Previous Year- Rs. 40,133) 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. 383,661 (Previous Year – Rs. 383,661)
  - (c) Following amount received in advance:
    - (i) Rs. 29,589,908 (Previous Year – Rs. 9,316,227) after adjustment of Broadcasting Fees (FM - Private) for the year accounted for on the basis of Note 2(b) above.
    - (ii) Rs. 2,072,180 (Previous Year – Rs. 147,712) after adjustment of Webcasting license fees for the year accounted for on the basis of Note 4 above.
    - (iii) Rs. 2,777,609 (Previous Year – Rs. 4,888,152) after adjustment of Ringtone Service fees for the year accounted for on the basis of Note 4 above.
    - (iv) Rs. 326,127 (Previous Year – Rs. 103,430) after adjustment of Juke box license fees for the year accounted for on the basis of Note 4 above.
    - (v) Rs. 1,078,832 (Previous Year – Rs. Nil) after adjustment of Interactive Voice Response license fees for the year accounted for on the basis of Note 4 above.
    - (vi) Rs. 226,736 (Previous Year – Rs. Nil) after adjustment of Telecasting fees for the year accounted for on the basis of Note 4 above.
    - (vii) Rs. 94,179 (Previous Year – Rs. Nil) after adjustment of All India Radio for the year accounted for on the basis of Notes 2(a) and 3 (ii) above.
  - (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) There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

**12. Earnings In Foreign Currency :**

	2005-06	2004-05
	<u>Rupees</u>	<u>Rupees</u>
Audio on Demand	-	167,340
Ringtone Service Fees	217,192	-
Telecasting Fees	201,736	-

*Signature*



*Initial*

PHONOGRAPHIC PERFORMANCE LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2006 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

SCHEDULE: M (Contd.)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

13. Expenditure in Foreign Currency :

	2005-06	2004-05
	Rupees	Rupees
Travelling	722,591	626,133

14. Remuneration to Auditors

	2005-06	2004-05
	Rupees	Rupees
As Auditors	300,000	200,000
Other Services	200,000	50,000
Out of Pocket Expense	17,365	-
	517,365	250,000

15. Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956.

Balance Sheet abstract and the Company's general business profile

I. Registration Details:

Registration No. 10507  
State code : 11  
Balance Sheet Date: March 31, 2006

II. Capital Raised during the year

(Amount in Rupees Thousands)

Public issue  
Rights issue  
Preferential issue  
Bonus issue  
Private placement

Not applicable as it is a Company Limited by Guarantee and not having a share Capital

III. Position of Mobilisation and Deployment of Funds

(Amount in Rupees Thousands)

Total Liabilities  
Total Assets

263,573  
272,174

Sources of Funds :

Reserves and Surplus  
Secured Loans  
Unsecured Loans

8,601  
Nil  
Nil

Application of Funds :

Net Fixed Assets  
Investments  
Net Current Assets  
Deferred Tax Asset  
Miscellaneous Expenditure

19,147  
44,971  
(55,633)  
115  
Nil

IV. Performance of the Company

(Amount in Rupees Thousands)

Turnover (including other income)  
Total Expenditure  
Profit before Tax  
Profit after Tax  
Earning per share in Rupees  
Dividend %

51,763  
46,809  
4,954  
3,460

Not Applicable [refer Item(II) above]  
Rate Percentage not applicable [refer item (II) above]

Initial

*[Handwritten Signature]*

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PHONOGRAPHIC PERFORMANCE LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2006 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

SCHEDULE: M (Contd.)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

V.	<b>Generic Names of Principal Products / Services of the Company (as per monetary terms)</b>	
	Item Code No. (ITC Code)	
	Product Description	Not applicable having regard to the nature of business of the Company during the year.
	Item Code No. (ITC Code)	
	Product Description	

16. 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

Director

Director

Place : Mumbai

Date : September 5, 2006

Place : Mumbai

Date : September 5, 2006

## Annexure D

### Tariff Scheme

#### Cat A – All India Radio:

Primary Channel	Rs 400 hr
Vividh Bharati	Rs 500 hr
FM I	Rs 800 hr
FM II	Rs 1000 hr

#### Cat B – Private FM:

Rs.2,400/- per Needle Hour.

#### Cat C – Public Performance :

Detailed List of License attached.

#### D – Satellite Based / DTH music subscription services

Similar to subscription-based services, at 40% of the end user price, the minimum fees per subscriber to be determined subsequently.

#### E – IVR:

Music Dedication Services –25% of the end user price, subject to a minimum of Rs 1.25 per minute.

#### F – Monophonic Ringtones – Domestic Content

25% of end user price, subject to a minimum of Rs 1.75 per tone (including 2.5 % of royalty to IPRS being licensed as a single window)

#### G – Monophonic Ringtones – International Content

30% of end user price, subject to a minimum of Rs 2.10 per tone (including 2.5 % of royalty to IPRS being licensed as a single window)

#### H – Polyphonic Ringtones – Domestic Content

25% of end user price, subject to a minimum of Rs 2.50 per tone (including 2.5 % of royalty to IPRS being licensed as a single window)

#### I – Polyphonic Ringtones – International Content

30% of end user price, subject to a minimum of Rs 3 per tone (including 2.5 % of royalty to IPRS being licensed as a single window)



**J – Master Tones / True Tones – Domestic & International**

40% of end user price, subject to a minimum of Rs 8 per tone.

**K – Ringback tones – Domestic Content**

35% of end user price (subscription + Per Tone Selected) subject to a minimum of Rs 5 per tone per month. The Tones selected to expire every 30 days.

**L – Ringback tones – International Content**

40% of end user price (subscription + Per Tone Selected) subject to a minimum of Rs 6 per tone per month. The Tones selected to expire every 30 days.

**M – Streaming on Mobile**

30% of end user monthly subscription or 5 paisa per stream per customer whichever is higher.

**N – Internet Subscription Radio – Outside India**

30% of subscription revenue subject to a minimum of 99 Cents per subscriber.

**O – Television Channels – Sound Clips**

**I– Multi programs by a single production House / Channel**

S.No.	NO. OF CLIPS COMMITTED	TARIFF PER CLIP
1	1	Rs. 25,000
2	2 – 50	Rs. 22,500
3	51 – 100	Rs. 20,000
4	101 – 500	Rs. 15,000
5	501 – 1000	Rs. 12,500
6	> 1000	Rs. 10,000

**II - Single program by a single production House / Channel**

S.No.	NO. OF CLIPS COMMITTED	TARIFF PER CLIP
1	1	Rs. 25,000
2	2 – 50	Rs. 22,500
3	51 – 100	Rs. 20,000
4	101 – 500	Rs. 15,000
5	501 – 1000	Rs. 12,500
6	> 1000	Rs. 10,000

### III - Blanket per Episode For Events

#### For Usage OF Original Sound Recording

No Of Episodes	Rate Per Hour
Single Event	Rs 100,000
2 - 26	Rs 90,000
More than 26	Rs 75,000

#### For Recreation Or Recording of Works

No Of Episodes	Rate Per Hour
Single Event	Rs 80,000
2 - 26	Rs 72,000
More than 26	Rs 60,000

### IV - Blanket per Channel

News & Current Affairs	Rs. 100,000/- per week for usage in feature program
------------------------	---

### P – Television Channels – Music Video's

Rs 10,000/- per Video per quarter.

### Q – Full Track Download on Broadband & Mobile

The tariff is 70% of Enduser Price.

### Subscription Based Streaming Services on Broadband

The tariff for sound recording is proposed to be at 55% of enduser price, and in the event of a joint licensing with IPRS it shall be 70% of Enduser Price. (including the 15% to IPRS)

## Annexure E

### **Distribution Scheme**

#### **A – ALL India Radio**

The Royalty is distributed on the basis of detailed report provided by the Directorate. This report is based on the ownership of Labels.

#### **B- Private FM Broadcasters**

Like AIR the Royalty is distributed on the basis of play list provided by the stations. This report is based on the Tracks and also Labels.

#### **C – Public Performance**

Royalty collected from users who use music as a “Background for creating ambience”.

Royalty collected is put into a General Pool, and is distributed on the basis of turnover of individual members to the total cumulative turnover of all members.

#### **D Satellite Based / DTH Music Subscription Services**

It is a new Service and no License has been issued for this, It shall be based on track wise information provided by the Licensee.

#### **E – IVR**

Based on the concept of Storage and actual usage.

**Storage Charges** are the royalty for permitting the songs on the server, hence the total royalty is divided by the number of tracks for which permission has been granted.

**Usage Charges** – The Sampling and Dedication charges to be based on the actual logs provided by the Telecom companies.

**F – Ringtones** –The Royalty is distributed on the basis of work used. Further since this a composite (joint) License issued to the users, which includes the recording rights of the music companies and the performing rights being administered by IPRS. We distribute 2.5% of the enduser price to IPRS, and than after deducting the administrative cost is distributed to the members based on actual usage of works.

#### **G – Master Tones**

Based on the data provided by the Licensees based on tone assigned by the end user. The royalties are distributed to the owners of Master Sound Recordings & Owners of Reproduction rights in Musical & Literary works

**H - Ringbacktones** – Based on the data provided by the Licensees based on tone assigned by the end user. The royalties are distributed to the owners of Master Sound Recordings & Owners of Reproduction rights in Musical & Literary works.

**I – Synchronisation** – Based on the actual Work used by the Licensee, the royalties are distributed to the owners of the works.

**J – Television** - Similar to other streams based on actual performance. The royalties are distributed to the owners of sound recordings.

**K– Music Video's**

Similar to other streams based on actual performance. The royalties are distributed to the owners of music Videos.

**L – Full Track Download**

After deductions of administrative cost, the royalties based on actual logs are distributed to the owners of sound recordings.

**M – Subscription Service on Broadband**

The royalties pertaining to the sound recordings shall be distributed based on the track ownership. The value of the track shall be arrived by dividing the total no of tracks performed by the subscription value of the subscriber.

**N-Royalties From International Markets**

**Public Performance**

The Royalty after deducting the affiliate fees, shall be distributed on the basis of market share of the member companies in the market.

**Broadcasting**

The royalty after deducting the affiliate fees on the similar lines as Domestic Operation.

**R. H. MODI & CO.**  
CHARTERED ACCOUNTANTS

Phone : 30968336

~~22656216~~

Fax : 22042386

E-mail: prmodi@vsni.com

Rajendra H. Modi  
B.com. F.C.A.

23, Ambalal Doshi Marg,  
2nd Floor, Fountain,  
MUMBAI-400 023.

**TO WHOMSOEVER IT MAY CONCERN**

This is to certify that M/s. Phonographic Performance Limited, situated at B-68, Crescent Tower, 7th Floor, New Link Road, Andheri (West), Mumbai - 400 053. has distributed the Royalty payments for the Financial Year 2005 - 2006 from their Net Income Collection as per details given below :

	Income Head	TOTAL	Broadcasting Fees - AIR	Broadcasting Fees - PVT FM	Public Perf. Fees.	Mobile Ringtone	Telecasting & Other Fees	Interest & Other Income
	Collection	302,697,277	15,816,707	43,650,503	77,009,926	139,693,360	19,757,495	6,769,286
	Less : Legal Expenses	8,891,892	-	1,706,145	5,200,782	1,567,920	417,045	-
	Net Income	293,805,385	15,816,707	41,944,358	71,809,144	138,125,440	19,340,450	6,769,286
(A)	Less : Royalty Amount	250,933,940	14,076,870	37,331,614	53,856,858	128,454,763	17,213,835	
	Royalty as % of Net Income		89.00%	89.00%	75.00%	93.00%	89.00%	
(B)	Less : Administrative Exp.	37,917,475	1,739,837	4,612,744	17,952,286	9,670,677	2,126,615	1,815,316
	Net Profit Before Tax (Net Income Less (A+B))	4,953,970						

The above details are verified by us from final Audited Accounts and other records produces before us.

For R. H. Modi & Co.  
Chartered Accountant



R. H. Modi  
Proprietor  
M. No. : 37643

Place : Mumbai

Date : 22 NOV 2006



# 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

## PHONOGRAPHIC PERFORMANCE LTD.

### REPORT OF THE DIRECTORS ON THE WORKING OF THE COMPANY FOR THE YEAR ENDED 31<sup>st</sup> March 2006

Profit for the year before Tax		Rs. 49,53,970/-
<b>ADD</b>		
Balance brought forward from last year		Rs. 4,10,787/-
		Rs. 53,64,757/-
<b>LESS:</b>		
Current Tax	Rs. 13,50,000/-	
Deferred Tax	Rs. (3,06,103/-)	
Fringe Benefit Tax	Rs. 4,50,000/-	
Proposed transfer to General Reserve Current Year	Rs. NIL	Rs. 14,93,897/-
Balance as per Profit and Loss Account		Rs. 38,70,860/-

### 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 has legal obligations to comply with the relative provisions of the Copyright Act and the Copyright Rules.

The total Income on account of the Society in the current year was Rs 30.27 crores compared to previous year Income of Rs 19.43 crores an increase of Rs.10.84 crores, which is about 56 %, increase over that of last year.

### BROADCASTING LICENCE FEES – AIR

As communicated in the last report, our license agreement with the AIR expired last year on 31<sup>st</sup> July 2005. Your company has sent numerous reminders to the Prasar Bharati officials, and also made representation to the minister, however till date the agreement has not been signed and AIR continues to use the content. In addition to loss in potential revenues on account of incremental rates, your company continues to loose substantial

revenues on account of non-receipt of utilization reports, and on account of under reporting.

Your directors along with senior executives of the company have made representations to the Ministry of Information & Broadcasting, with little success.

The rates proposed to AIR are as below :

Primary channel	Rs 400/- per hour.
Vividh Bharati	Rs 500/-per hour.
FM – Non Metro	RS 800/- per hour
FM – Metro	Rs 1000/- per hour

Further as you are aware that in the past, your company has followed the system of making provisions for expected income, due to delayed reporting by AIR, this has been based on incomes in the past. However beginning this year your companies has discontinued with policy of provisions for AIR, and all incomes are based on actual reported usage. The change in policy has been necessitated on account of the new VAT policy.

Your company managed to register consistent revenue of Rs. 1.58 crores in F.Y. 2005-06 as compared to Rs. 1.53 crores in F.Y. 2004-05.

#### BROADCASTING LICENCE FEES – FM-PRIVATE

The broadcasting market, which was expected to expand, finally saw the announcement of new Radio policy, the new policy guidelines issued by the Government, has paved the way for a possible launch of digital quality FM radio services in different parts of the country. It is expected that almost 300+ station are likely to start the services in the next 18 months.

However the new policy had no impact on the services during the year and no new station commenced operations during the year. As you are aware that due to the complexity of licensing the Radio stations have not been able to use the content of some of the music labels in the past, which has resulted in 100% content belonging to your company being used on different stations. During the year the other Non-PPL companies also licensed their content to the radio stations, which resulted in a lesser usage of our content on Radio.

Your company registered the revenue earning of Rs. 4,36,50,503/- for F.Y. 2005-06 and showed a negative growth of 19% from Rs. 5,38,63,180/- for F.Y. 2004-05.

Further as has been reported in the past, as a result of the litigation between the Company and different FM-Private broadcasters, the private parties are

making advance payments and the Company is accepting the said payments strictly without prejudice to the Company's rights and contentions. Further Pending the settlement of rates the distribution of royalties is being done on the basis of adhoc rates, and this shall be adjusted in future on the basis of final settlement.

### PUBLIC PERFORMANCE LICENSING

During the year, your company made major progress in the licensing of Retail Outlets and other public outlets where music is used as a background activity. You company has identified this as a major licensing activity and special focus is being made to generate more revenues from this stream. As part of this exercise your company has doubled its field force, further your company has invested and continue to invest in path breaking litigations in different courts of the country.

The collections from Background music and Events increased by 81% to Rs. 7,70,09,926/- as against Rs. 4,25,86,791/- in the previous year.

### WEBCASTING LICENCE FEES

Your company has been licensing this activity since 2001 and the revenues from this stream continue to be unimpressive. We had only one Licensee named Rediff.com, which also opted to exit due to which there was a considerable fall in revenue from Rs.12.04 Lakhs in F.Y 2004-05 to Rs.2.48 Lakhs in F.Y 2005-06.

### JUKE BOX

Your Company has been licensing the usage of sound recordings as well as Music Videos for the last 3 years. The income from this stream has declined from Rs. 25.06 Lakhs during the F.Y 2004-05 to Rs. 14.96 Lakhs during the F.Y 2005-06. This is due to exit of a Licensee named Innovative Interactive Infotainment.

### RINGTONE SERVICES

Your directors are glad to report that your company was able to establish the right valuation for the content & your company increased the revenue from Rs. 7.06 Crores during the F.Y 2004-05 to Rs. 13.97 Crores during the F.Y 2005-06 from these services. The main revenue generated from the Ring Back Tone services, which contributed 58% of the total revenue in F.Y. 2005-06.



**TELECASTING**

Your Company has been targeting this activity as one of the key areas of growth and has started in the year 2003-04. During the year we managed to license most of the major National Broadcaster. During the year 06~07 the company plans to expand the licensing to regional channels as well. The collections made from this licensing increased by 400% from Rs. 35.78 Lacs in F.Y. 2004-05 to Rs. 180.13 Lacs in F.Y. 2005-06.

**AUDIO ON DEMAND**

As reported last year , this was an experimental new stream of licensing, the only licensee did not renew the license, hence no income was reported.

**ROYALTIES**

The overall amount available for royalty distribution to members rose by Rs 8.75 crores an increase of 54% to Rs. 25,09,33,940/- in F.Y. 2005-06 as against Rs. 16,34,35,716/- in F.Y. 2004-05.

**LITIGATIONS**

During the year your company has taken recourse to legal action to Protect the rights of its members, to enhance their rights or get proper valuation and on governance/ownership issues.

**Protection of Rights:**

**Public Performance License: –**

**Civil Cases:**

43 cases in courts . In 21 cases PPL is the plaintiffs. We have orders in our favour in 15 cases..

• In 22 cases, we are the defendants

No injunction against PPL except in 6 W.P by clubs filed in Madras H. C

New Year Eve Functions 31 Dec 2005– PPL Filed Suits in 10 Cities for payment of Special Event License fees . PPL got injunction orders in 7 cities.

PPL also got injunction orders against establishments at Chandigarh for use of sound recordings during the Valentine Day Feb'06 & also Baisakhi Day.

**Criminal Cases:**

114 cases against Hotels and Restaurants in Chief Metropolitan Magistrate court in Andheri (E). 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

The above cases include following 6 cheque bouncing cases (under section 138 of Negotiable Instruments Act), out of which 1 has already paid.

### **Synopsis of Important Public Performance Related Cases Against PPL**

#### **Federation of Hotels and Restaurant Association of India (FHRAI)**

FHRAI had filed a civil Writ petition CWP 452 of 1999 in Delhi High Court challenging the constitutional validity of Sec 33 of the Copyright Act. However, there is no injunction against PPL to collect Public Performance Licence fees from Hotels & Restaurants. The matter came up for hearing in July 2005 and FHRAI asked for adjournment for submitting additional material. PPL has made arrangement to represent itself. There has been no further progress/ development in the matter during the year.

In the complaint made by FHRAI to the Copyright Board in May 2003 under Sec 31(1) against PPL & IPRS regarding revision in tariffs for public performance of sound recordings, there has been no hearing before the Copyright Board during the year.

FHRAI Vs Union Of India & Ors- W.P no 23787-789 of 2005 – Delhi H.C.- Petitioners challenged the hike in PPL's Events License Fees. PPL secured an interim order dated 19.12.05 wherein the petitioners were directed to pay license fees which was payable before 10.9.05 along with 15% increase. Counter filed by PPL. Rejoinder filed by petitioners. Listed for arguments in July 2006.

National Restaurants Association of India Vs Union of India & Ors- CWP 24533-629 of 2005:- matter similar to CWP filed by FHRAI. In this case also PPL secured an interim order dated 23.12.05 wherein the petitioners were directed to pay license fees which was payable before 10.9.05 along with 15% increase. Counter filed by PPL. Listed for arguments in 3<sup>rd</sup> week of July 2006.

#### **TV Broadcasters**

Legal Notices were sent to Sony, Star & Zee for obtaining PPL license for use of sound recordings in programs broadcast on their channels. As a result of our legal notices, SET and Balaji Telefilms Ltd have taken license for usage of sound recording clippings. PPL was prepared to initiate legal action against broadcasters for not taking licenses for use of sound recordings in certain programmes, however as the broadcasters or their producers are obtained our license no court proceeding was required.

#### **Enhancing/Valuation Rights**

Private F.M. Radio Broadcasters

Year 2005-06

PPL made application in December 2005 for fixing a preemptory date for hearing, which came up for hearing on 6.2.06 before Chief Justice Mr. Y.K. Sabarwal & Mr. Justice C.K. Thakkar. However the Hon'ble Supreme Court did not pass any order for pre-emptory date.

PPL Vs BCCL CS 480/2001: Calcutta H.C.

During this year PPL filed GA 423 of 2006 on the ground that the plaintiff company in Suit no. 480 of 2006 has not yet served any writ of summons on PPL which is a act of non compliance of suit procedure and therefore the suit be dismissed. Upon hearing both the parties Hon'ble Court rejected our application but directed that the matter can be brought in final disposal of the suit.

Ring Tone Licenses Related cases

PPL v BPL Cellular Mobile – *Madras HC*

Use of remixes/cover versions made u/s Sec 52 (1) (j) in CRBT.

Plaint filed on 24.5.05. Ex-parte injunction allowed. Withdrawal letter from BPL received. They are to file affidavit in court.

PPL & Others v Maa Tv & Others – *City Civil Court, Hyderabad*. - Dec 2005.

Injunction granted .Meeting on 10.2.06- Usage details given which are being crutinized.

Bharati Tele Ventures Ltd Vs Union Of India & Ors- W.P no 26 of 2005 – Delhi H.C

This W.P. was filed by the Petitioner on the ground that PPL was not agreeing to renew the earlier License (which was expiring 24.11.2005) on same terms. PPL contested the petition and the two parties have reached an agreement whereby the petitioners have agreed to pay mutually agreed amount. The License for 25.11.05 to 24.11.06 was accordingly issued and W.P. has been disposed off vide Delhi High Court order dated 24.04.2006.

#### **Governance/Ownership Issues:**

**Legal Opinions**—During the year, PPL prepared briefs and obtained legal opinions from senior counsels of Supreme Court in following matters of far reaching importance:

#### **CONTRIBUTION TO IMI**

A contribution of Rs. 2,50,000/- to the Indian Music Industry (IMI) was effected during the year for protecting the Company's and member's right and interests in sound recordings. As members are aware, IMI lends valuable

direct and indirect help to the Company in carrying out the Company's functions.

### DIRECTOR

Mr. Mohan Mahapatra & Mr. Ganesh Jain, 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

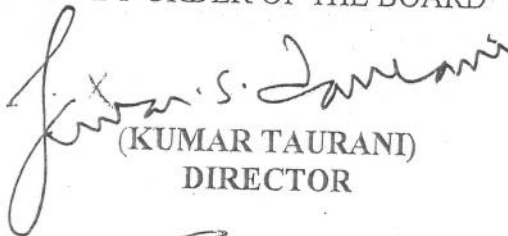
- A) The additional information required to be disclosed under the Companies (Disclosure of Particulars in the Reports of the Board of Directors) Rules 1988 is set out in the statement annexed hereto (Annexure-A) and forms part of this Report.
- B) As stipulated in section 217 (2AA) of Companies Act, 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

PARTICULARS OF EMPLOYEES

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 rupees twenty four lacs.

Date: 5<sup>th</sup> September, 2006.

BY ORDER OF THE BOARD

  
(KUMAR TAURANI)  
DIRECTOR

  
(GANESH JAIN)  
DIRECTOR