

COLORCHIPS
INDIA LIMITED

17th ANNUAL REPORT
2006-07

Board of Directors:

| | |
|----------------------|----------|
| Y.Surya Narayana | Director |
| William Bill Buck | Director |
| Y. Kasipathy | Director |
| Kch. A.V.S.N. Murthy | Director |
| Dr. Chandra Bhushan | Director |
| B.Kishan Rao | Director |

Registered Office:

Plot no.16 Road no.5
Jubilee Hills
Hyderabad-500033

Auditors:

M.S.S.PRASAD & COMPANY
ATTAPUR
HYDERABAD

Registrars (Physical and Electronic)

M/S Venture Capital and Corporate Investments Limited,
12-10-167,BHARAT NAGAR
Phone: 040 - 23818475/23818476
Fax: 040 - 23868024

NOTICE

Notice is hereby given that the 17th Annual General Meeting of the members of the company is scheduled to be held on 13th day of December 2007 at 9.00 AM at the Registered office situated at Plot no.16, Road no.5, Jubilee Hills Hyderabad to transact the following business:

AS ORDINARY BUSINESS

To, receive, consider and adopt the Balance Sheet as an 30TH June 2007, and the Profit and Loss Account for the year ended 30TH June, 2007 and the Reports of Board of Directors and Auditors thereon.

1. To appoint a Director in place of Mr. K.ch.A.V.S.N.Murthy who retires by rotation and being eligible offers himself for re-appointment..
2. To appoint a S.N.Murthy&co as Auditors of the Company in place of M/s.M.S.S.Prasad &Co from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration to be fixed by the Board of Directors of the company in addition to actual out-of-pocket expenses incurred by them for the purpose of audit.

AS SPECIAL BUSINESS:

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

"RESOLVED that pursuant to the provisions of section 257 of the Companies Act, 1956 Mr.B.kishan Rao be and is hereby appointed as a whole time Director of the Company liable to retire by rotation".

4. To consider, and if thought fit, to pass, with or without modification(s) the following Resolution as an Special Resolution

"RESOLVED that pursuant to the section 21 and all other applicable provisions of the companies act 1956 and subject to the approval of the Central Government the name of the company be and is hereby changed from COLOR CHIPS INDIA LIMITED to CCIL Animation Limited".

"Resolved further that the name "COLORCHIPS INDIA LIMITED" wherever it occurs in the Memorandum and Articles of Association of the company and at all such other places be substituted by the new name "CCIL ANIMATION LIMITED".

By Order of the Board

Hyderabad

(Y.Surya Narayana)

November10, 2007

Director

AS SPECIAL BUSINESS:

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

"RESOLVED that pursuant to the provisions of section 257 of the Companies Act, 1956 Mr.B.kishan Rao be and is hereby appointed as a whole time Director of the Company liable to retire by rotation".

4. To consider, and if thought fit, to pass, with or without modification(s) the following Resolution as an Special Resolution

"RESOLVED that pursuant to the section 21 and all other applicable provisions of the companies act 1956 ,and subject to the approval of the Central Government the name of the company be and is hereby changed from COLOR CHIPS INDIA LIMITED to CCIL Animation Limited".

"Resolved further that the name "COLORCHIPS INDIA LIMITED" wherever it occurs in the Memorandum and Articles of Association of the company and at all such other places be substituted by the new name "CCIL ANIMATION LIMITED".

Hyderabad

November10, 2007

By Order of the Board

(Y.Surya Narayana)

Director

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

ITEM NO.4 Mr. B.Kishan Rao appointed as Whole time Director and hold office up to the conclusion of this annual general meeting. The Company has received the required nominations and it is proposed to appoint Shri B.Kishan Rao as whole time Director of the company liable to retire by rotation. None of the directors except Shri B.Kishan Rao is interested in the said resolution. for the above mentioned director. Your Directors propose the same for your approval.

ITEM NO.5. In order to reflect the activities of the company in the name it was proposed to change the name of the company from COLOR CHIPS INDIA LIMITED to CCIL ANIMATION LIMITED. Your Directors propose the same for your approval.

Hyderabad

November 10, 2007

By Order of the Board of Directors

(Y. Surya Narayana)

Director

DIRECTOR'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

To

The Members

Your Directors have pleasure in placing before you the 17th Annual Report of the company with Audited Financial statements for the year ended 30th June 2007.

OPERATIONS AND FUTURE OUT LOOK:

(Rs In Lakhs)

| | 2006-07 | 2005-06 |
|---|----------------|----------------|
| Net Sales / Income from operations | 72.68 | 100.09 |
| Other Income | 19.01 | 2.35 |
| Total Expenditure | 61.10 | 93.09 |
| Profit before Depreciation | (33.18) | 171.87 |
| Depreciation | 123.3 | 99.56 |
| Profit after depreciation | (455.09) | 72.30 |
| Profit of the PY brought forward | 485.84 | (105.79) |
| Provision for Deferred tax asset current year | 33.22 | 34.32 |
| Transitional Cum Deferred tax asset | - | - |
| Profit / Loss carried to Balance Sheet | (55.46) | 6.87 |

DIVIDEND:

In the absence of profits, the Board expresses its inability to recommend payment of dividend to the equity shareholders of the Company.

CORPORATE GOVERNANCE:

Your company has adopted the best corporate governance practices and has also taken steps to understand the interest of its stakeholders so that the needs of the stakeholders could be met.

A detailed Report along with a certificate of Compliance appears in the Annexure to the Director's Report.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Articles of association of the Company, Mr. K.ch.A.V.S.N.Murthy, Director will be retiring by rotation at the Annual General Meeting and being eligible, offers himself for reappointment.

AUDITORS AND AUDIT REPORT

M/s. M.S.S.PRASAD & Co., Chartered Accountants, Hyderabad, the retiring auditors have expressed their inability to continue as auditors citing personal reasons and M/s.S.N.Murthy & Co. will be appointed as auditors of the company in place of M/s.M.S.PRASAD &Co from the conclusion of this meeting until the conclusion of the next annual general meeting.

DISCLOSURES

Disclosure in terms of Companies (Particulars of Employees) Rules, 1975 and Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 in respect of conservation of energy, technology absorption, earnings and outgo of foreign exchange are attached and forms part of this report.

HUMAN RESOURCE

Your Company during the year has taken various initiatives to introduce and implement best HR practices that meet global standards.

INTERNAL CONTROL SYSTEM:

Your Company has established internal controls which provides reasonable assurance with regard to maintaining proper financial system, preserving economy and efficiency of operations, safeguarding assets against unauthorized use or losses and facilitating reliability of financial and operational information. The Company's internal control systems are adequate and are routinely tested and certified by the statutory and internal auditors.

An Audit Committee of the Board of Directors regularly reviews the audit plans, significant audit findings, and adequacy of internal controls as well as compliance with accounting standards. The Audit Committee met times during the year to review and monitor implementation of management actions for continuous improvement.

DIRECTORS RESPONSIBILITY STATEMENT:

As per Section 217(2AA) of the Companies Act, 1956, we directors of the Company, confirm the following:

1. That in the preparation of the accounts for the financial year ended 30th June 2007, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of financial year and of the profit and loss of the company year under review;
3. That 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.
4. That the Directors have prepared the accounts for the financial year ended 30th June 2007 on a 'going concern' basis.

Animation - Opportunities and threats

Prospects in the Animation Industry

Animation is not just about cartoon; it is just one genre of animation. Animation has several applications like educational CDs, online education, video games, Internet, mobile phones, commercials and industry-specific applications in architecture, medical, law and insurance. Besides, newer applications for animation are already in progress. In a classical sense, animation is converting drawing skills to a moving format it could be either on paper (2D) or on the computer (3D). By 2008, the global animation market is expected to grow at the rate of 8%, while the Indian market is expected to have a 2.5% growth rate, according to a study carried out by the NASSCOM.

Segment wise analysis of the Industry

The high cost of production is one of the key reasons why studios are willing to outsource animation work to India. Overseas markets, already impressed by the country's proven success in the IT industry are increasingly looking at India to cut costs, as studios here offer services at lower rates due to availability of skilled yet cheaper manpower. India also has a strong advantage in getting outsourced work from the West because of the fast growing consumer class and lack of language barrier.

Industry Size

(Source: FICCI Report)

Total revenue of the animation production services sector in India, as estimated by NASSCOM, are around 1,125 Crores (USD 250 Million) in 2004. The industry is said to have grown over 20% in the past year. Based on the contracts in hand with most animation studios, the industry is expected to grow over 30% in the next five years.

Business overview of the Company

Color Chips (India) Limited is into 2D and 3D Animation and syndication of comics & contents. In a short span, the company emerged as a leading player in animation industry in India. Color chips has produced various short animation films and worked with international animation production houses like BKN International, Germany, Benj Productions, France etc.

Risks and Concerns:

Computer animation Industry in India is in its Nascent Stage:
Animation is a new industry to the Indian Business Environment. Hence, the functioning of the Industry, its risks, the payoffs and the time taken to achieve the payoffs, are not very well understood. The company has been able to develop a strong track record of successful deliveries and has established a strong foundation for a robust growth in the years to come.

Manpower risks:

Over the years, one distinguishing factor about Color Chips has been the quality of the manpower and low attrition rate, which is much below the industry levels. Particularly, in the 3D animation business, the animators have seen Color Chips as a destination of choice due to training and high quality work opportunities, and a culture best suited for creative talents.

This franchise is of utmost importance to this risk reduces progressively with the increase in trained manpower base but nevertheless is an inherent part of the business and needs to be managed actively at all times. Quality computer animation talent is in short supply and also takes time to develop and hence the other major challenges is to successfully increase the talented manpower base of the company.

Competition

The main Competitors for the Company includes all domestic animation companies like Heart Animation, Hyderabad; Data Quest, Hyderabad; Esco Toonz Limited, New Delhi; UTV Toons, Mumbai; Penta Media Graphics, Chennai; Crest Communications Ltd. etc. The company also faces stiff competition from Far East companies located in countries like China, Japan, Philippines, Taiwan etc. The other major challenge faced by the company being changing technologies, and upgrading the technologies is a task in itself. Our strength vis-à-vis our competitors are our trained staff, content library and creative team. ColorChips holds a strong creative team of professionals and suitable infrastructure to cater to requirements of print media, visual media & corporate communications. The above strengths give our company a wider market and more visibility.

Export Possibilities

The Company has already co-produced projects along with producers in Europe. With its ability to produce high quality animation shows the company expects to have good export possibilities of its products and services. Further as India has rich pool of historical, mythological and folklore which are till date not exposed in the international animation market the company expects that the content produced by it will have good export potential.

Cautionary Statement:

Statement in this Management Discussion and Analysis describing the Company's objective, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Certain observations made on the industry and other players also reflect on opinion by the management and the management accepts no liability on such opinions. Actual results might differ materially from those either expressed or implied.

DISCLOSURES AS PER THE LISTING AGREEMENT:**Cash Flow statement:**

A Cash flow statement for the period ended 30-06-2007 is annexed forming a part of Annual Report in compliance with the requirement of clause 32 of the Listing Agreement with Stock Exchanges.

Stock Exchanges:

| S No | Name of the Stock Exchange | Addresses |
|-------------|--|---|
| 1 | The Mumbai Stock Exchange | Phiroze JeeJeebhoy Towers Dalal Street, Mumbai –400 001 |
| 2 | The National Stock Exchange of India Limited | Exchange Plaza, Plot No C/1 G Block Bandra – Kurla Complex , Bandra (E) Mumbai – 400 051 |

FIXED DEPOSITS:

Your company has not accepted any deposits from the public or shareholders of the company pursuant to provisions of Section 58A of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES:

The Provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is not applicable to the company, since no employee draws the remuneration in excess of the limits prescribed therein.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation of the continued assistance and co-operation extended to your company by the Government of India, Government of Andhra Pradesh, the large family of shareholders and investors of your company, the dedicated employees and all others who are continuing to assist your company.

By Order of the Board

Hyderabad
10, November 2007

(Y. Surya Narayana)
Director

ANNEXURE TO DIRECTORS REPORT

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION ENERGY

The operations of your company are not energy intensive. Adequate measures have however, been taken on reduce energy consumption by using energy-efficient computer terminals and by the purchase of energy-efficient equipment incorporating the latest technology. Your Company constantly evaluates new technologies and invests in them, to make its infrastructure more energy-efficient. Energy efficient UPS systems have been purchased. Energy saving air conditioners is used only where required. These measures have enhanced energy efficiency. As energy cost forms a very small part of the total cost, the impact on cost is not material.

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION FOR THE YEAR 2006-2007

A. RESEARCH AND DEVELOPMENT

1. Specific areas in which R & D carried out by the Company: Research and development is a continuous process and your company is devoting sufficient resources to continuously create and update its content in order to meet the changing education and entertainment needs of youngsters and elders.
 2. Benefit derived as results of the above R & D: N.A
 3. Future plans of Action: The Company wanted to engage in research and development for improving quality as well as to reduce cost.
 4. Expenditure in R & D: N.A
-

B. TECHNOLOGY ABSORPTION AND ADOPTION:

1. Efforts in brief towards technology absorption, adoption and innovation:

The company keeps it self abreast of latest developments in technology applicable to it and absorbs and adopts accordingly as may be permissible by its operation.

2. Benefit derived as results of the above R & D: N.A

3. Import of Technology: N.A

C. FOREIGN EXCHANGE EARNINGS AND OUT GO

Foreign exchange earnings: Rs. 44.90 lacs

Foreign Exchange Outgo: Rs. 29.13lacs

CORPORATE GOVERNANCE REPORT FOR THE PERIOD APRIL 1, 2006 TO JUNE 30, 2007

ANNEXURE-D TO THE DIRECTOR'S REPORT

OVERVIEW:

Traditional animation has fundamentally altered the global entertainment animation industry. Not only does Traditional animation provide viewers with a deeper, richer look of animated, characters and backgrounds on the screen but it also provides tremendous flexibility to producers and directors in the manner in which they animate their stories on screen.

According to an independent study animated films under a major studio distribution deal averaged US \$ 194 million of gross profit and us \$ 166.31 of average net profit which were released during the years 2000-2004.

The INDIA ADVANTAGE :

India's potential to be amongst one of the world's largest entertainment industries, its robust software industry and skilled manpower, are all essential ingredients of the growth of the Animation Industry.

Furthermore, the animation Industry more-or-less works as an IT-enabled service at the back-end infrastructure level. The Continued recognition of India as the premier destination for offshore technology services will continue to benefit the animation studios in a major way.

GLOBAL DEMAND:

Global demand for animation was estimated at US \$ 59 billion in 2006. This Market is expected to grow rapidly in five years i.e. by 2010 and the production cost is estimated around 40-45% of total revenue.

The entertainment segment will continue to remain the major contributor accounting for three-fourths of the total market through the forecast period.

II. Board of Directors:

The Board of Directors of the Company, consists of the following directors as on 30.06.2007

- | | | |
|---------------------------|------|------------------------------|
| (i) R.S.Sudhish | ---- | Chairman and Director |
| (iii) Dr. Chandra Bhushan | ---- | Director |
| (iv) K Ch A V S N Murthy | ---- | Director |
| (v) Y.Kasipathy | ---- | Director |
| (vi) William Bill Buck | ---- | Director |

(iii) During the financial year 2006-2007, Board met Seven times on the following dates:

- (1) i) 30.04.2006; ii) 10.05.2006; iii) 28.07.2006; iv) 29.10.2006; v) 30.11.2006; vi) 30.01.2007; vii) 30.04.2007
- (2) The details of the attendance of the Directors at Board Meeting and at the last Annual General Meeting with particulars of their other Directorship and Chairman / Membership of the Board Committees are given in the following table:

| Name of the Director | Category | Attendance At Board | Attendance at Last AGM | Committee-membership | Committee Chairmanship | No.of Director Ship in Other Companies |
|-----------------------|----------|---------------------|------------------------|----------------------|------------------------|--|
| DrRambhotia S Sudhish | CMD | 7 | Yes | - | - | 3 |
| William Bill Buck | Director | - | No | - | - | - |
| Dr Chandra Bhushan | Director | 6 | Yes | 1 | - | - |
| KchAVSNMurthy | Director | 6 | Yes | 2 | - | - |
| Y. Kasipathy | Director | 7 | Yes | 2 | 2 | - |

CMD : Chairman and Managing Director
ED : Executive Director
IED : Independent Executive Director

- The time gap between any two Board Meetings did not exceed four months.
- The last Annual General Meeting was held on September 29, 2006

(iv) CODE OF CONDUCT AND ETHICS:

The Board of Directors of the Company has formulated a Code of Conduct and Ethics applicable to all the Members of the Board of Directors and Senior Management Personnel of the Company.

The details of the Code of Conduct and Ethics are posted at the company's website at www.colorchipsindia.com.

A detailed declaration along with a certificate of compliance appears in the Annexure to the Corporate Governance Report.

3. Audit Committee:

The terms of reference to Audit Committee are:

1. Overseeing the Company's financial reporting process and disclosure of its financial information
2. Recommending the appointment and removal of external Auditors and fixation of their fee.
3. Reviewing the annual financial statements before submission to the Board.
4. Reviewing the adequacy of internal control system and internal audit function.
5. Discussion with internal auditor on any significant findings and follow up thereon.
6. Discussion with external auditor to ascertain any area of concern.
7. Reviewing the Company's financial and risk management policies.

Composition, name of member, chairperson, meetings and attendance:

The members of the Audit Committee are as follows:

Sri. Y.kasipathy - Chairman
 Sri Kch. A. V. S. N. Murty - Member
 Dr. Chandra Bhushan - Member

Audit committee met Seven times on the following dates:

1) 28.04.2006; ii) 28.07.2006; (iii) 29.07.2006; iv) 28.10.2006
 v) 11.01.2007; (vi) 30.01.2007 (vii) 30.04.2007;

| Name of Member | Category | Designation | No. of Meetings |
|-----------------------|-----------------|--------------------|------------------------|
| Sri Y. Kasipathy | Director | Member | 7 |
| Sri KCH. AVSN Murthy | Director | Member | 7 |
| Dr Chandra Bhushan | Director | Member | 7 |

4. Remuneration Committee: No Remuneration Committee has been constituted since none of the directors have drawn any managerial remuneration during the year 2006-07.

5. Share Transfer / Investor Grievances Committee:
 The Members of the Shareholders Committee are as follows:

| Name of the member | Category | Designation |
|---------------------------|--------------------|--------------------|
| Sri R.S.Sudhish | Member | CMD |
| Sri Y.Kasipathy | Member | Director |
| Sri Kch.A.V.S.N.Murty | Member | Director |
| Sri B.Kishan Rao | Compliance Officer | General Manager |

The Shareholder/Investor grievances committee specifically looks into redressing of Shareholders and Investors' complaints and ensures expeditious share transfer process.

Name and designation of the Compliance officer:

B.KISHAN Rao: General Manager

Number of shareholders complaints received: As soon as complaints are received from the shareholders, the same will be redressed by the Registrars and share transfer Agents and also Secretarial Department of the Company within one week from the receipt of the complaints.

Number not solved to the satisfaction of shareholders: Nil
No complaints remained unsolved to the satisfaction of shareholders.

Number of pending share transfers: None

2. Financial calendar : 1st April 2006 to 30th June 2007.

6) General Body Meeting:

The Last three Annual General Meetings of the Company were held as under:

| Year | Location | Date | Time | Special resolution |
|-------------|---|-------------|-------------|---------------------------|
| 2003-2004 | Plot No.16,Road No.5, Jubilee hills, Hyderabad - 33. | 30-09-2004 | 9.30 am | 1 |
| 2004-2005 | Sagi Ramakrishnam Raju Community Hall, Madhuranagar, Hyderabad - 33 | 29-09-2004 | 11.00 am | 5 |
| 2005-2006 | Sagi Ramakrishnam Raju Community Hall, Madhuranagar, Hyderabad - 33 | 29-09-2006 | 11.00 am | 5 |

Postal Ballot:

No Resolutions either Ordinary or Special Resolutions which attracted the provisions of Section 192A of the Companies Act, 1956 were passed by the Company's shareholders through postal ballot.

7. Disclosures:

Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or management, their subsidiaries or relatives etc. that may have potential conflict with the interest of company at large:

- (i) There are no instances of non-compliance nor any penalties or strictures are imposed on the Company by stock Exchanges or SEBI or any statutory authority, or any matter related to capital markets, during the last three years.
- (ii) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause:- The company has complied with all the mandatory requirements and has adopted the non-mandatory requirements.
- (iii) The company has not issued any ADRs/GDRs and there are no warrants.

8. Means of Communications:

Quarterly financial results are normally published in Financial Express and Andhra prabha daily newspapers both in English and Telugu languages respectively. As we are publishing the results in English and Telugu daily newspapers there is no necessity to send the results to the households of shareholders. There is no official news release and presentation to Institutional Investor or Analyst relating to quarterly and half yearly financial results considering the magnitude of our activities and stake of Institutional Investors. Management Discussion & Analysis Report forms part of this Annual Report.

9. General Shareholder Information:

1. Annual General Meeting: Famous Function Hall, Yousufguda Corner, Hyderabad – 45
2. Date of Book Closure : 12th – 13th December 2007
3. Dividend Payment Date: N.A.
4. Listing on Stock Exchanges: The Bombay Stock Exchange Limited
The National Stock Exchange of India Ltd.

Though the company has paid listing fees and is in compliance of all the major compliances of the listing agreement, the shares of the company have been suspended from trading by NSE and BSE.

The Company has been pursuing with the exchanges for revocation of the same, as the investors are put to great inconvenience and loss due to the un reasonable suspension of trading by the exchanges.

5. Stock Code : BSE : 532172; NSE : COLOR CHIPS

6. Market Price Data:

| Month | BSE | | | NSE | | |
|----------|-------|------|---------|-------|-------|---------|
| | High | Low | Volume | High | Low | Volume |
| Apr 2006 | 12.00 | 9.50 | 2716397 | 12.65 | 9.70 | 563034 |
| May2006 | 13.85 | 8.73 | 1508618 | 14.35 | 9.90 | 690056 |
| June2006 | 9.30 | 6.73 | 551872 | 19.65 | 12.00 | 1265114 |
| Jul 2006 | 9.19 | 7.19 | 441135 | 25.30 | 17.70 | 2715360 |
| Aug2006 | 10.20 | 7.61 | 663794 | 30.00 | 18.05 | 1952801 |
| Sep 2006 | 9.45 | 7.45 | 445250 | 26.30 | 18.75 | 374628 |
| Oct 2006 | 9.32 | 7.62 | 669829 | 19.85 | 11.35 | 75092 |
| Nov2006 | 9.32 | 7.61 | 746376 | 15.25 | 12.70 | 47232 |
| Dec2006 | 10.89 | 6.76 | 3839699 | 14.45 | 11.55 | 14192 |
| Jan 2007 | 14.89 | 9.80 | 5507904 | 13.65 | 11.00 | 62979 |
| Feb2007 | 12.05 | 9.18 | 1094506 | 12.55 | 9.55 | 213122 |
| Mar2007 | 9.76 | 7.30 | 1022247 | 12.15 | 9.05 | 182002 |
| Apr2007 | 9.56 | 7.56 | 609922 | 12.00 | 8.90 | 534728 |
| May2007 | 9.59 | 7.90 | 797828 | 12.10 | 9.10 | 546756 |
| June2007 | 8.90 | 7.25 | 922336 | 12.30 | 9.60 | 549858 |

7. Performance in comparison to broad based indices: Considering the magnitude of opportunities of the company, the comparison will be irrelevant.

8. Registrar and share transfer Agents:

M/S Venture Capital and Corporate Investments Limited,
 12-10-167, BHARAT NAGAR
 Phone: 040 - 23818475/23818476
 Fax: 040 - 23868024

9. Share transfer systems: Share transfers will be affected by the above Share transfer agents, within 15 days from the receipt of request for transfers. Share Transfer Committee meets periodically to approve the transfers.

10. Distribution of shareholding as on 30-06-2007:

| Shares | No of Share Holders | % |
|-----------------|---------------------|---------------|
| Up to 500 | 8923 | 62.86 |
| 501-1000 | 2421 | 17.06 |
| 1001 - 2000 | 1394 | 9.82 |
| 2001 - 3000 | 433 | 3.05 |
| 3001 - 4000 | 243 | 1.71 |
| 4001 - 5000 | 205 | 1.44 |
| 5001 - 10000 | 323 | 2.28 |
| 10001 and above | 253 | 1.78 |
| Total | 14195 | 100.00 |

| Category | No. of Shares | % |
|---|-----------------|---------------|
| Promoters | 914620 | 4.43 |
| Mutual Funds and UTI | --- | -- |
| Financial Institutions/ Mutual Funds | --- | -- |
| Private Corporate Bodies | 2890937 | 14.01 |
| Indian Public | 16248207 | 78.75 |
| NRI's/OCB's | 550086 | 2.67 |
| Others - Director | 28200 | 0.14 |
| Total | 20632050 | 100.00 |

11. Dematerialization of shares and liquidity:

The Company is registered with both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The number of shares, which have been dematerialized so far, is 2,02,45,846 amounting to 98.13% of the total number of shares.

12. Company's Demat ID No. IN E 737B01017.

13. Outstanding GDR/ ADR/ Warrants or any Convertible instruments, conversion date and likely impact on the Equity: N.A.

14. Plant Location (Studio): Plot No 16, Road No. 5 Jubilee hills, Hyderabad - 500 033.

15. Address for Correspondence: Plot No 16, Road No. 5 Jubilee hills, Hyderabad - 33.

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE CODE OF CONDUCT AND ETHICS:

This is to inform you that the Company has adopted a Code of Conduct and Ethics applicable to all the Members of the Board of Directors and Senior Management Personnel of the Company. The details of the Code of Conduct and Ethics are available at the Company's website at www.colorchipsindia.com.

I confirm that the Company has in respect of the financial year ended 30th June 2007 received from all the Members of the Board of Directors and all the Senior Management Personnel of the Company a declaration of Compliance with the Code of Conduct and Ethics as applicable to them.

Senior Management Personnel are personnel who are a part of the core management team, comprising personnel one level below the executive directors and including all functional heads as on 30th June 2007.

Hyderabad
Date: 10.11.2007



Y. SURYANARAYANA
Director

M.S.S.PRASAD & CO
Chartered Accountant

4-4-143/4, TEJASVINAGAR
ATTAPUR (VILLAGE)
RAJENDRANAGAR

MANDAL

HYDERABAD – 20
Tel No 040-24015716

CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of Color Chips (India) Limited
Hyderabad

We have examined the compliance of conditions of Corporate Governance by Color Chips (India) Limited for the year ended 30-06-2007, as stipulated in clause 49 of the Listing Agreement of the company with Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of corporate governance as explained in the above-mentioned Listing Agreement. We state that generally no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the company. We further state that such compliances is neither an assurance as to the future viability of the Company nor the efficiency of effectiveness with which the management has conducted the affairs of the company.

Date: November 10.2007
Hyderabad

For M.S.S.PRASAD & CO
Chartered Accountants

Sd/-

M.S.S.PRASAD
Proprietor
M.No 208605

M.S.S.PRASAD & CO
Chartered Accountant

MANDAL

4-4-143/4, TEJASVINAGAR
ATTAPUR (VILLAGE)
RAJENDRANAGAR

HYDERABAD – 20
Tel No 040-24015716

AUDITORS' REPORT

To

The Members,
M/s. Colorchips (India) Limited

We have audited the attached Balance Sheet of M/s. Color chips (India) Limited as at 30th June 2007 and also the Profit & loss Account of the company for the year ended on the date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Company (Auditor's Report) Order, 2003 issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the annexure referred to above, we report that:

we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit.

In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.

The Balance sheet and Profit & Loss Account dealt with by this report are in agreement with books of accounts.

In our Opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956.

On the basis of written representations received from the directors, as on 31st March, 2006 and taken on record by the Board of directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as director in terms of clause (g) of sub-section 1 of section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the same accounts give the information required by the Companies Act, 1956, in the matter so required and give a true and fair view in conformity with accounting principles generally accepted in India.

In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2006 and

In the case of the Profit and Loss Account, of the profit for the year ended on the date.

Date : 25th September 2007
&CO
Place: Hyderabad
Accountants

For M.S.S.PRASAD
Chartered

M.S.S.PRASAD
Proprietor
M.No 208605

M.S.S.PRASAD & CO
Chartered Accountant

4-4-143/4, TEJASVINAGAR
ATTAPUR (VILLAGE)
RAJENDRANAGAR MANDAL
HYDERABAD – 20
Tel No 040-24015716

ANNEXURE TO THE AUDITORS REPROT

(Referred to in Para 1 of our report even date)

1) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.

The management has physically verified the fixed assets at reasonable intervals during the year and no major discrepancies were noticed on such verification.

In our opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.

2) As explained to us, inventories have been physically verified during the year by the management at regular intervals. In opinion, the frequency of verification is reasonable.

In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

The Company has maintained proper records of inventories. In our opinion and according to the information and explanations given to us, the discrepancies noticed on verification between the physical stocks and the book records were not material, have been properly dealt with in the books of accounts.

3) As informed, the Company has given / taken loans, Secured or Un-Secured, to / from Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Refer to Notes on Accounts under note (II) (3) (b).

4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of raw materials, Plant and Machinery, equipment and similar assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.

5) According to the information and explanations provided by the management, there has been transactions that needs to be entered into a register maintained under section 301 of the Companies Act, 1956.

6) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from public to which the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 framed there under apply.

7) In our opinion, the Company has an adequate internal audit control system commensurate with the size and nature of its business.

8) We are informed and according to the information and explanations given to us, that the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, for the activities of the Company.

9) In Respect of Statutory dues:

According to the records of the Company as per the information and explanations given to us, the company is generally regular in depositing with appropriate authorities undisputed Statutory dues including Provident Fund, Employees State Insurance, Wealth tax, Custom duty, cess and other material statutory dues applicable to it.

According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income Tax, wealth Tax, Sales Tax, Customs Duty and Excise Duty which have remained outstanding as at June 30,2007 for a period exceeding six months from the date they become payable.

According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Custom duty, Wealth tax, Excise duty and cess which have not been deposited on account of any dispute.

10) In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit.

11) As per the records of the Company and according to the information and explanations given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.

12) According to the information and explanations given to us, the company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13) The Company is neither a chit fund nor a nidhi mutual fund benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the above referred order are not applicable to the company.

14) The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the above referred order are not applicable to the Company.

15) The Company has not given any guarantee for loans taken by others from banks or financial institutions.

16) The Company has not availed any term loan from any bank / financial institutions. According to the information and explanations given to us and on overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used of long term investment. No Long-term funds have been used to finance short-terms assets.

17) The company has not issued any debentures. Accordingly, the provisions of clause 4(xix) of the above referred Order are not applicable to the company.

18) The Company has not made any preferential allotment of shares to any parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.

19) In our opinion, the Company is not required to create / register / modify and security (Charge) as company is not holding / issued any debentures.

20) According to the information and explanations given to us, no fraud on or by the company has been noticed or report during the course of our audit.

Date : 25th September 2007
Place: Hyderabad

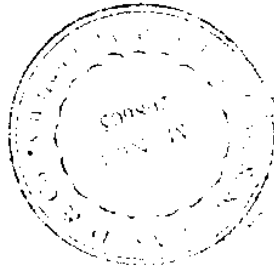
For M.S.S.PRASAD &CO
Chartered Accountants

M.S.S.PRASAD
Proprietor
M.No 208605

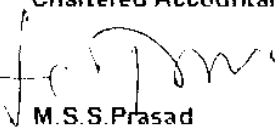
AUDITORS CERTIFICATE ON CASH FLOW STATEMENT

We have examined annexed Cash Flow Statement of M/s. Colorchips India Limited for the year ended 30th June 2007. The statement has been prepared by the Company in accordance with the requirement of clause No 32 of Listing Agreement with Stock exchanges and is based on and in agreement with the corresponding Profit and loss Account and the Balance Sheet of the Company covered by our report of even date to the members of the company.

Date : 25th September, 2007
Place: Hyderabad



For M.S.S.Prasad & Co.,
Chartered Accountants


M.S.S.Prasad
Proprietor
Membership No. 208605

AUDITORS' REPORT

To
The Members,
M/s. Colorchips India Limited

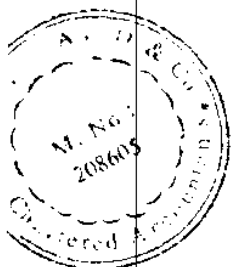
1. We have audited the attached Balance Sheet of M/s. Colorchips India Limited as at 30th June, 2007 and also the Profit & loss Account of the company for the year ended on the date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Company (Auditor's Report) Order, 2003 issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the annexure referred to above, we report that:

- (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit.
- (ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.
- (iii) The Balance sheet and Profit & Loss Account dealt with by this report are in agreement with books of accounts.
- (iv) In our Opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956
- (v) On the basis of written representations received from the directors, as on 30th June, 2007 and taken on record by the Board of directors, we report that none of the directors is disqualified as on 30th June, 2007 from being appointed as director in terms of clause (g) of sub-section 1 of section 274 of the Companies Act, 1956.




(vi) In our opinion and to the best of our information and according to the explanations given to us, the same accounts give the information required by the Companies Act, 1956, in the matter so required and give a true and fair view in conformity with accounting principles generally accepted in India.

(a) In the case of Balance Sheet, of the state of affairs of the Company as at 30th June, 2007 and

(b) In the case of the Profit and Loss Account, of the loss for the year ended on the date.

(c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For M.S.S.Prasad & Co.,
Chartered Accountants


M.S.S.Prasad
Proprietor
M.No 208605

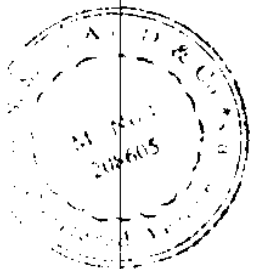


Date : 25th September, 2007.
Place : Hyderabad.

ANNEXURE TO THE AUDITORS REPORT

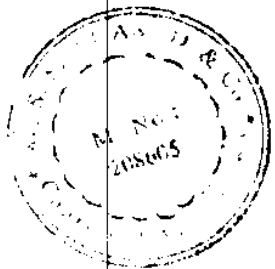
(Referred to in Paragraph 3 of our report even date)

- 1)
 - (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The management has physically verified the fixed assets at reasonable intervals during the year and no major discrepancies were noticed on such verification.
 - (c) In our opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- 2)
 - (a) As explained to us, inventories have been physically verified during the year by the management at regular intervals. In opinion, the frequency of verification is reasonable.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) The Company has maintained proper records of inventories. In our opinion and according to the information and explanations given to us, the discrepancies noticed on verification between the physical stocks and the book records were not material, have been properly dealt with in the books of accounts.
- 3) As informed, the Company has given / taken Loans, Secured or Un-Secured, to / from Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Refer to Notes on Accounts under note (13) (4) (b). The Company neither pays nor charges interest from the companies. The receipt of principal amount is not regular. The company has not taken any reasonable steps for recovery of such loans.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of Plant and Machinery, equipment and similar assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal controls.
- 5) According to the information and explanations provided by the management, there has been transactions that needs to be entered into a register maintained under section 301 of the Companies Act, 1956.
- 6) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from public to which the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 framed there under apply.
- 7) In our opinion, the Company has an adequate internal audit control system commensurate with the size and nature of its business.
- 8) In our opinion the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, for the activities of the Company.



9) In Respect of Statutory dues:

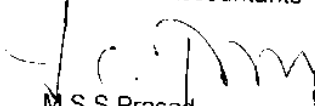
- (a) According to the records of the Company as per the information and explanations given to us, the company is generally regular in depositing with appropriate authorities undisputed Statutory dues including Provident Fund, Employees State Insurance, Income tax, Wealth tax, Custom duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income Tax, wealth Tax, Sales Tax, Customs Duty and Excise Duty which have remained outstanding as at June 30th, 2007 for a period exceeding six months from the date they become payable.
- (c) According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Custom duty, Wealth tax, Excise duty and cess which have not been deposited on account of any dispute.
- 10) In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. The company has incurred a trading cash loss of Rs. 1,92,84,794 and Rs. 2,00,00,000/- non trading cash loss during the financial year covered by our audit.
- 11) As per the records of the Company and according to the information and explanations given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- 12) According to the information and explanations given to us, the company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) The Company is neither a chit fund nor a nidhi mutual fund benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the above referred order are not applicable to the company.
- 14) According to the information and explanations given to us the company is properly maintaining records for sale and purchase of shares. The company passes timely entries for the sale and purchase of shares in its records. The shares are held in its own name.
- 15) The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16) The Company has availed a term loan for purchase of vehicle during the year from bank. According to the information and explanations given to us and on overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used of long term investment. No Long-term funds have been used to finance short-terms assets.
- (17) During the year under review, the Company has forfeited and reissued equity shares to parties and companies covered in the Register maintained under section 301 of the Act. The price at which shares have been issued is not prejudicial to the interest of the Company.
- 17) The company has not issued any debentures. Accordingly, the provisions of clause 4(xix) of the above referred Order are not applicable to the company.
- 18) During the year the Company has not raised any money by public issue.

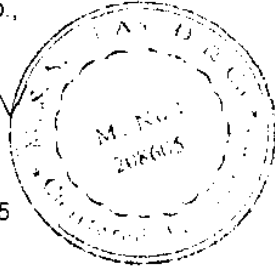


19) In our opinion, the Company is not required to create / register / modify and security (Charge) as company is not holding / issued any debentures.

20) 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 by the Company, noticed or reported during the year, not have we been informed of such case by the management.

For M.S.S.Prasad & Co.,
Chartered Accountants


M.S.S.Prasad
Proprietor
Membership No. 208605



Date : 25th September, 2007
Place: Hyderabad

COLOR CHIPS INDIA LIMITED
BALANCE SHEET AS AT 30TH JUNE, 2007

| SCHEDULE | Schedule No. | As at 30-Jun-07 Rs. | As at 31-Mar-06 Rs |
|--|--------------|---------------------------|--------------------------|
| Source of Funds | | | |
| SHARE HOLDER'S FUNDS | | | |
| Share Capital | 1 | 205,256,156 | 204,880,253 |
| Reserves & Surplus | 2 | 1,570,500 | 1,570,500 |
| Secured Loans | 3 | 2,555,832 | - |
| TOTAL | | 209,382,488 | 206,450,753 |
| APPLICATION OF FUNDS | | | |
| A. Fixed Asssets | | | |
| a) Gross Block | 4 | 77,581,603 | 72,555,170 |
| b) Less : Depreciation | | 58,373,584 | 46,043,921 |
| c) Net Block | | 19,208,019 | 26,511,249 |
| B. Investments | | 39,866,750 | 80,000,000 |
| C. Deferred Tax | | 3,829,302 | 6,851,352 |
| D. Current Assets and loans & Advances | | | |
| Stock in Trade | | 134,240,287 | 134,240,287 |
| Sundry Debtors | 5 | 14,195,840 | 17,086,051 |
| Cash and bank balances | 6 | 1,811,654 | 5,140,496 |
| Loans & Advances | 7 | 52,170,324 | 9,719,117 |
| | | 202,418,105 | 166,185,951 |
| E. Less: Current Liabilities & Provisions | | | |
| | 8 | 112,398,596 | - |
| | | 112,398,596 | - |
| Net Current Assets | | 90,019,509 | 86,054,353 |
| Profit and Loss Account | | 55,463,580 | 6,879,048 |
| Miscellaneous Expenditure to the Extent not written off | 9 | 995,328 | 154,751 |
| TOTAL | | 209,382,488 | 206,450,753 |

Notes on Accounts

12

As per our report of even date attached

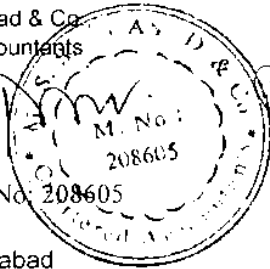
for M.S.S Prasad & Co
Chartered Accountants

M.S.S Prasad
Proprietor

Membership No: 208605

Place : Hyderabad

Date: 25.09.2007



B. KISHAN RAO
Director

For and on behalf of Board of Directors

Y. Suryanarayana
Director

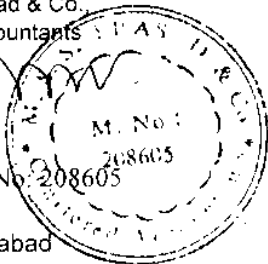
COLOR CHIPS INDIA LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2007

| SCHEDULE | Schedule No. | (Rs.) For the year ended 30-Jun-07 | (Rs.) For the year ended 31-Mar-06 |
|--|---------------|---|---|
| | INCOME | | |
| Sales | | 7,268,717 | 100,091,698 |
| Other Income | | 1,901,377 | 235,307 |
| Accounts Written Off | | 6,426,404 | - |
| Total | | 15,596,498 | 100,327,005 |
| EXPENDITURE | | | |
| (Increase)/Decrease in stocks | | - | (71,892,387) |
| Manufacturing & Admin Expenses | 10 | 28,127,756 | 154,782,112 |
| Finance cost | 11 | 327,132 | 122,874 |
| Depreciation for the year | | 12,329,664 | 9,956,564 |
| Loss on Sale of Investments | | 20,000,000 | - |
| Amortisation of Preliminary Expenses | | 28,690 | 28,690 |
| Amortisation of Public Issue Expenses | | 99,038 | 99,038 |
| Prior Period Expenses | | 193,782 | - |
| Total | | 61,106,062 | 93,096,891 |
| Profit/(Loss) before tax | | (45,509,564) | 7,230,114 |
| Provision for Tax | | - | - |
| Provision for Deferred Tax | | 3,022,050 | 3,432,962 |
| Provision for FBT | | 52,919 | 96,794 |
| Profit (Loss) after Tax | | 48,584,533 | 3,700,358 |
| Balance brought forward from Previous Year | | 6,879,047 | (10,579,405) |
| Balance of Loss carried to Balance Sheet | | 55,463,580 | 6,879,047 |
| Notes on Accounts | 12 | | |

As per our report of even date attached

for M.S.S Prasad & Co.
Chartered Accountants

M.S.S Prasad
Proprietor
Membership No: 208605



For and on behalf of Board of Directors

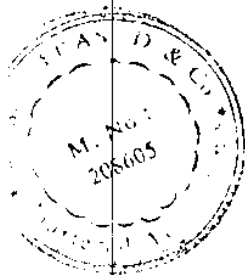
B. Kishan Rao
B. KISHAN RAO
Director

Y. Suryanarayana
Y Suryanarayana
Director

Place : Hyderabad
Date: 25.09.2007

SCHEDULES FORMING PART OF THE BALANCE SHEET FOR THE YEAR ENDED 30-06-2007

| SCHEDULES | As at 30-Jun-07 Rs. | As at 31-Mar-06 Rs. |
|---|---------------------------|---------------------------|
| SCHEDULE - 1: Share Capital | | |
| Authorised 3,93,15,000 Eq Shares of Rs.10/- each | 393,150,000 | 393,150,000 |
| Issued, Subscribed & Paid up Capital | | |
| 2,05,06,141 Equity shares of Rs 10/- each fully paid up | 205,061,410 | 204,400,170 |
| (2,04,40,017 Equity Shares of Rs 10/- each fully paid up) | | |
| 77,898 Equity Shres of Rs.2.50 each partly paid up | 194,746 | 480,083 |
| (1,92,033 Equity shares of Rs. 2.50/- each partly paid up) | | |
| TOTAL | 205,256,156 | 204,880,253 |
| SCHEDULE- 2 | | |
| Reserves & Surplus | | |
| General Reserve | 1,529,000 | 1,529,000 |
| Special Reserve | 41,500 | 41,500 |
| TOTAL | 1,570,500 | 1,570,500 |
| SCHEDULE - 3 | | |
| Secured Loans: | 2555832 | 0 |
| TOTAL | 2555832 | 0 |
| SCHEDULE - 5 | | |
| Sundry Debtors | | |
| Debts considered good more than 6 months | 14,195,840 | 1,582,940 |
| less than 6 months | - | 15,503,111 |
| TOTAL | 14,195,840 | 17,086,051 |
| SCHEDULE - 6 | | |
| Cash & Bank Balances | | |
| Cash in hand | 10,045 | 67,719 |
| Cash at Banks | 132,596 | 1,328,996 |
| Deposits | 1,669,013 | 3,743,781 |
| | 1,811,654 | 5,140,496 |
| SCHEDULE - 7 | | |
| Loans and Advances | | |
| (Unsecured considered good) | 51,408,674 | 7,998,600 |
| Loans and Advances | 500,000 | 500,000 |
| Investment Subsidy Receivable | 175,162 | 252,213 |
| T D S Receivable | 0 | 968,305 |
| Prepaid Rights Issue Expenses | 86,488 | - |
| Prepaid expenses | 52,170,324 | 9,719,118 |
| TOTAL | 52,170,324 | 9,719,118 |



For Color Chips India Limited
[Signature]


For Color Chips India Limited
[Signature]
 Authorised Signatory

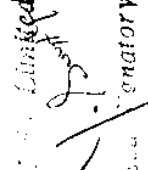
Color Chips India Limited

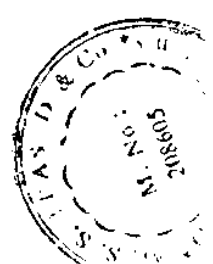
Schedule - 4

(Rs.)

| Fixed Assets for the year ended 31-3-2007 | | | | | | | | | | | |
|---|----------------|---------------------------|---------------------------|------------------------------|----------------|--------------|-------------------|-----------------|-----------------|------------|--|
| Name of the Assets | Gross Block | | | Depreciation | | | Net Block | | | | |
| | As on 1-Apr-06 | Additions during the year | Deletions during the year | Gross Assets as on 31-3-2007 | As on 1-Apr-06 | For the year | Dep. On deletions | As on 31-Mar-07 | As on 31-Mar-06 | | |
| Airconditioners | 1,919,147 | - | - | 1,919,147 | 458,145 | 113,948 | - | 572,093 | 1,347,054 | 1,461,002 | |
| Computers | 50,129,854 | 172,560 | - | 50,302,414 | 388,146,81 | 10,179,345 | - | 48,994,026 | 1,308,388 | 11,315,173 | |
| Plant & Machinery | 1,431,951 | - | - | 1,431,951 | 572,222 | 85,022 | - | 657,244 | 774,707 | 859,729 | |
| Electrical Equipment | 6,338,895 | - | - | 6,338,895 | 235,1446 | 376,372 | - | 2,727,818 | 3,611,077 | 3,987,449 | |
| Furniture & Fixtures | 10,622,759 | - | - | 10,622,759 | 3,278,803 | 840,526 | - | 4,119,329 | 6,503,430 | 7,343,966 | |
| Office Equipment | 1,859,564 | 3,700 | - | 1,863,264 | 529,377 | 147,324 | - | 676,701 | 1,186,563 | 1,330,187 | |
| Art Features | - | - | - | - | - | - | - | - | - | - | |
| Motor Vehicles | 253,000 | 4,850,173 | - | 5,103,173 | 39,246 | 587,128 | - | 626,374 | 4,476,799 | 213,754 | |
| Syndication Features | - | - | - | - | - | - | - | - | - | - | |
| Totals | 72,555,170 | 5,026,433 | - | 77,581,603 | 46,043,920 | 12,329,664 | - | 58,373,584 | 19,208,019 | 26,511,250 | |
| Previous Year | 74,460,155 | 824,865 | 2,729,850 | 72,555,170 | 38,817,168 | 9,956,564 | 2,729,810 | 46,043,922 | 26,511,248 | 35,642,986 | |

For Color Chips India Limited

 Authorised Signatory

For Color Chips India Limited

 Authorised Signatory



SCHEDULE

SCHEDULE - 8

Current Liabilities & Provisions

A. Current Liabilities

| | | |
|-------------------|--------------------|-------------------|
| Sundry creditors | 2,013,578 | 8,592,845 |
| Other liabilities | 110,385,018 | 71,538,754 |
| TOTAL | 112,398,596 | 80,131,599 |

SCHEDULE - 9

Miscellaneous Expenditure

(To the extent not written off or Adj)

| | | |
|-----------------------|----------------|----------------|
| Preliminary Expenses | - | 28,690 |
| Rights Issue Expenses | 968,305 | |
| Public Issue Expenses | 27,023 | 126,061 |
| TOTAL | 995,328 | 154,751 |

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT :

SCHEDULE - 10

Manufacturing & Admin Expenses

| | For the period ending 30.06.2007 | For the period ending 31.03.2006 |
|---------------------------------------|-------------------------------------|-------------------------------------|
| Power, Fuel | 805,403 | 995,674 |
| Syndication & Animation expenses | 4,966,847 | 132,762,511 |
| Salary and allowances | 5,813,427 | 8,676,831 |
| Audit Fees | 18,500 | 19,000 |
| Bank Charges | 129,587 | 48,767 |
| Travelling & Conveyance | 1,546,464 | 2,283,418 |
| Legal & Professional Charges | 16,500 | 647,185 |
| Listing Fees | 203,294 | 47,285 |
| Donations | 109,000 | 10,000 |
| Insurance | 23,438 | - |
| Repairs & Maintenance | 215,248 | 323,064 |
| Rent, Rates & Taxes | 3,978,556 | 2,663,003 |
| Rights Issue Expenses (Amortised) | - | 242,076 |
| Communication | 585,662 | 859,906 |
| Printing & Stationery | 394,627 | 1,251,998 |
| Seminors Meeting & Subscriptions Exps | 246,603 | 222,315 |
| Postage & Courier | 206,543 | 168,072 |
| Staff Welfare | 186,032 | 765,346 |
| Conveyance | 50,693 | 115,631 |
| Consultancy - Overseas | 3,654,530 | 744,436 |
| Security Charges | 1,059,119 | 555,753 |
| Office Maintenance | 179,834 | 736,098 |
| Advertisement Expenses | 493,560 | 643,744 |
| Business Promotion | 2,958,352 | - |
| Sundry Expenses | 117,188 | - |
| STP Processing Charges | 168,750 | - |

| | | |
|--------------|-------------------|--------------------|
| TOTAL | 28,127,756 | 154,782,113 |
|--------------|-------------------|--------------------|

SCHEDULE - 11

Interest

| | | |
|------------------|----------------|----------------|
| Interest -others | 327,132 | 122,874 |
| TOTAL | 327,132 | 122,874 |



For Director
[Signature]

[Signature]

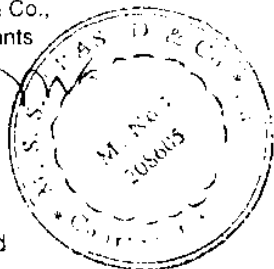
COLOR CHIPS (INDIA) LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2007

| | (Rs.) | (Rs.) |
|--|---------------------|---------------------|
| Description | As at 30-Jun-07 | As at 31-Mar-06 |
| A. Cash Flow from operating activities | | |
| Net profit/loss after taxation and extraordinary items | (48,584,533) | 7,230,114 |
| Adjustment for : | | |
| Depreciation | 12,329,664 | 9,956,564 |
| Speculation Profit | - | - |
| Dividend Misc. Income | - | - |
| Loss on Sale of Assets | - | - |
| Loss on Sale of Investmentws | - | - |
| Income tax for the Earliers Years | - | - |
| Preliminary & Issue Expenses W/off | 127,728 | 99,038 |
| Deferred Tax Liability | 3022050 | -3529756 |
| Operating profit before working capital changes | (33,105,091) | 13,755,960 |
| Adjustement for: | | |
| Increase/Decrease in inventory | - | (71,892,387) |
| Increase/Decrease in Trade & Other Recevables | -40529297 | 32,401,239 |
| Increase/Decrease in Current Liabilities | 32266997 | 39,326,415 |
| Cash generation from operating activity | 0 | 13,619,916 |
| Direct Taxes paid | | - |
| Net Cash from operating activity | -41367391 | 13,619,916 |
| B. Cash flow from investing activities | | |
| Loss on Sale of investments | - | - |
| Profit on Sale of Fixed Assets | - | - |
| Fixed Assets Written Back | - | 2,729,850 |
| Depreciation Written Back on Sold Assets | - | (2,729,810) |
| Assets Acquired | 50,26,435 | (824,865) |
| Increase / Decrease in investments | (4,01,33,250) | (80,000,000) |
| Net cash from investing activity | 35,106,815 | (80,824,825) |
| C Cash Flow From Financing Activities | | |
| Increase in secured Borrowings | 2,555,832 | - |
| Increase in Share Captial | 3,75,903 | 67,333,253 |
| Interest Received | - | - |
| Dividend & Misc. Income | - | - |
| Net Cash Flow from Financing activities | 2,931,735 | 67,333,253 |
| Net Increase / (decrease) in cash & Cash equivalencests (A+B+C) | (3,328,841) | 128,344 |
| Cash and cash equivalentls as at the beginning of the year (01.04.2006) | 51,40,495 | 5,012,152 |
| Cash and cash equivalentls as at the end of the year (31-06.2007) | 1,811,654 | 9,719,117 |
| Net Flow As shown above | (3,328,841) | 4,706,965 |

As per our report of even date attached

For M.S.S.Prasad & Co.,
Chartered Accountants

M.S.S.Prasad
Proprietor
M.No 208605



For and on behalf of Board of Directors

(Signature)
B. KISHAN RAO
Director

(Signature)
Y.Suryanarayana
Director

Place : Hyderabad
Date: 25.09.2007

COLOR CHIPS (INDIA) LIMITED

SCHEDULE-12 Notes on Accounts

I. Significant Accounting Policies:

1. Accounting Convention

The financial statements have been prepared under the historical cost conventions in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India and Provisions of the Companies Act, 1956 as adopted consistently by the Company. The Company follows mercantile system of accounting to recognise all material revenue and expenses, including provisions/ adjustments for committed obligations and amounts determined as payable or receivable during the period under review.

2. Revenue Recognition

Revenue from Animation services consists primarily of revenue earned from services performed on time basis. The related revenue is recognised as and when services are performed.

3. Expenditure

Expenses are accounted on accrual basis and provisions are made for all known losses and liabilities.

4. Fixed Assets

Fixed Assets are accounted at cost of acquisition , which is inclusive of inward freight, duties, taxes and other incidental expenses related to acquisition.

5. Depreciation

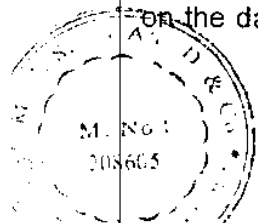
Depreciation on Fixed Assets has been provided on Straight-line method as per the rates specified under schedule XIV of the Companies Act, 1956. Depreciation on assets acquired during the year has been provided on pro-rata basis.

6. Inventories

Inventories are valued at lower of cost or net realisable value.

7. Foreign Exchange Transactions

Transactions in Foreign Currencies are recorded at the exchange rates prevailing on the date of transaction and exchange differences arising from foreign current



transactions are recognised in the profit and loss account. Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange at the balance sheet date and resultant gain or loss is recognised in the profit and loss account. Non- monetary assets and liabilities are translated at the rate prevailing on the date of transaction.

8. Investments:

The investments are valued and carried at cost or fir value whichever is lower. In case of sale of investments effected during the yer the loss on sale is brought in to the books of account.

9. Taxes on Income

Deferred Tax is accounted by computing the tax effect on timing differences, being tax difference between taxable income and accounting income that originate in one period and are reversible in one or more subsequent periods.

10. Retirement Benefits

Contributions in respect of Employees Provident Fund and Pension Fund are made to fund administered and managed by the Government of India and are charged as incurred on accrual basis.

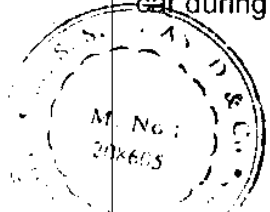
11. Amortisation of Rights issue expenses for the period is not considered due to huge loss incurred by the Company for the year.

12. There are no dues to SSI units outstanding for more than 30 days as on 30th June, 2007.

13. Notes on Accounts:

| | Year ending 30.06.2007 | Year ending 31.03.2006 |
|-----------------------------|---------------------------|---------------------------|
| | Rs | Rs.. |
| 1. Contingent liabilities : | NIL | NIL |
| 2. Auditors' Remuneration | | |
| Statutory Audit fee | 10,000 | 10,000 |
| Tax audit fees | 5,000 | 5,000 |
| Certification fees | 3,500 | 4,000 |

3. **Secured Loans** : The Loan obtained from ICICI Bank for acquisition of a new car during the year is secured by exclusive charge on the vehicle .



4. Related party Disclosures: the following are the related parties as defined in Accounting Standard 18 of the Institute of Chartered Accountants of India.

(i) Names of the Related Parties

(a) Key Management Personnel During the Year

- Dr. Sudhish S Rambhotla - Chairman and Managing Director
- Y. Suryanarayana - Director

(b) Associate Companies

- i. Colorchips New Media Limited (CCNML)
- ii. Colorchips Animation park Ltd (CAPL)
- iii. Ravikanth Portfolio Services Pvt. Ltd (RKPL)
- iv. Yellapanthula Portfolio Services (P) Limited (YPSPL)

(Amount in Rs.)

| Particulars | CCNML | CAPL | RKPL | YPSPL |
|------------------|-------------|-------------|----------|-----------|
| Sales | 4,64,86,944 | Nil | Nil | Nil |
| Accounts payable | Nil | 5,99,63,319 | Nil | Nil |
| Others | Nil | Nil | 2,00,000 | 10,72,500 |

| | | |
|------------------------------------|-----------|-------------|
| 5. Earnings in Foreign Currency | 2006-07 | 2005-2006 |
| | Rs. | Rs. |
| Income from Services | 72,68,717 | 7,19,90,000 |
| 7. Expenditure in Foreign Currency | | |
| a. Travelling | 9,97,997 | 16,98,642 |
| b. Professional Services | 36,54,530 | 9,64,436 |
| c. Animation Services | 49,66,847 | 23,07,400 |
| d. Marketing Services | Nil | 6,70,850 |
| e. Others | Nil | 19,51,284 |

8. Quantitative Details:

The Company is engaged in the development of 2D and 3D animation Services. The production and sale of such services can not be expressed in any generic unit. Hence it is not possible to give the quantitative details of sales and the information as required under Paragraphs 3 and 4C of Part II of Schedule VI to the Companies Act, 1956.

9. In accordance with AS 22 – Accounting for Taxes on Income, the deferred tax asset as at 30th June, 2007 comprises the following:



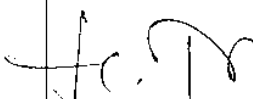
| Particulars | (Amount in Rs.) |
|--|------------------|
| Deferred Tax Asset as on 01 st April, 2006 | 68,51,352 |
| On account of depreciation during the year | (30,22,050) |
| Total Deferred Tax Asset as on 30 th June, 2007 | 38,29,302 |

10. **Accounts Written Off** : The Company has written off some of the accounts both receivable and payable by the company from the debtors and creditors respectively. The Account balances are outstanding since three to five years. The management has considered the recoverable and payable position of the accounts as on the balance sheet date and written off .
11. Accounting balances of sundry debtors / creditors, Loans and advances and Group Companies Balances are subject to confirmation.
12. Since the accounting statements are prepared for 15 months period ending 30th June, 2007, figures for the current year are incomparable with that of the previous year.
13. Previous figures have been regrouped and reclassified wherever necessary to conform to current years classification. Figures have been rounded off to the nearest rupee.

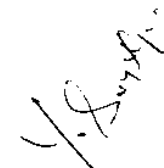
As per our report of even date

For and on behalf of Board of Directors.
Color Chips (India) Limited

For M.S.S.Prasad & Co.,
Chartered Accountants


M.S.S.Prasad
Proprietor
Membership No: 208605




Y. Suryanarayana
Director

Place : Hyderabad.
Date : 25.09.2007.

Animation

2D Animation
3D Animation
Web Animation
Post Production and SFX
CG Imagery and Modelling
Video Games
Training in 2 D Classical Animation
3D Computer – based training

Features Syndication

Cartoon based Features Syndication
Electronic News Bulletin
Customized Supplements
Print and Digital Publishing

Product Design

Complete Web Designing
Commercial Data Transfer

