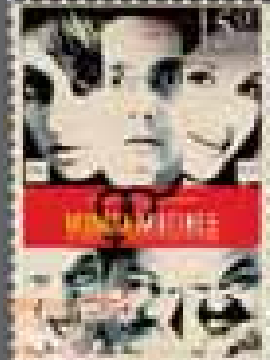
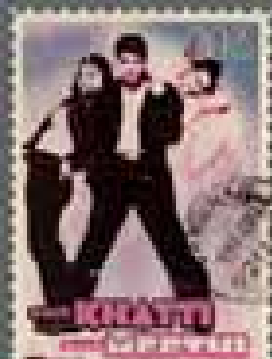


Pritish Nandy Communications.

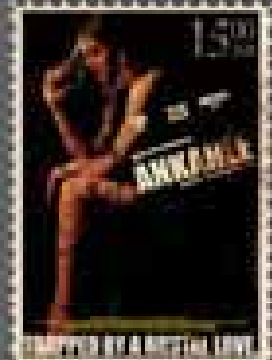
Now a  
**Superbrand.**



INDIA'S FIRST ISO 9001:2000 CERTIFIED MOTION PICTURE COMPANY.  
CERTIFIED BY SGS OF UK.



## The reason why



PRITISH NANDY COMMUNICATIONS LTD  
16th ANNUAL REPORT

2008 | 2009

**BOARD OF DIRECTORS**

Pritish Nandy/ Chairman  
Udayan Bose  
Nabankur Gupta  
Hema Malini  
Harshawardhan Sabale  
Rina Pritish Nandy  
Dr Vishnu Kanhere  
Pallab Bhattacharya/ Wholetime Director & CEO  
Rangita Pritish-Nandy/ Creative Director

**COMPANY SECRETARY**

Nirav Joshi

**AUDITORS**

Jaideepsingh P Deore & Co  
Chartered Accountants

**PRINCIPAL BANKERS**

Yes Bank  
Nariman Point Mumbai 400 021  
Standard Chartered Bank  
Breach Candy Mumbai 400 036

**REGISTERED OFFICE**

87/88 Mittal Chambers Nariman Point Mumbai 400 021

**CORPORATE LEADERSHIP TEAM**

Pallab Bhattacharya/ Director and CEO, Chairman Rangita Pritish-Nandy/ Creative Director  
Bobbie Ghosh/ Chief Operating Officer Nirav Joshi/ Company Secretary Yatender Verma/ Vice President, Finance, Compliances & Legal Affairs  
Ishita Pritish Nandy/ Vice President, Creative Services Ramkamal Mukherjee/ Vice President, Media & Special Projects  
Mahesh Vyas/ Chief Manager, Accounts Kishor Palkar/ Chief Manager, Accounts  
Savio Rodrigues/ Chief Financial Strategist Dinar Kadam/ General Manager, Retail & Special Projects

PNC is an equal opportunities employer. In all, there are 11 members in the Corporate Leadership Team that runs the affairs of the Company. The Corporate Leadership Team has an average age of 37, combining youth and experience. Members of the CLT have been with PNC for an average of 8 years, demonstrating continuity and effective HR. Most members of the team have risen from the ranks.

“

As I see it, United States and Europe will show negative

3% to a best case 0% growth in 2009 and 2010. Added to that the amount of money they have printed will probably bring inflationary pressures. The earliest I can see a weak positive growth is 2011. Whereas India grew at 6.7% in the crisis year 2008-2009, will probably grow at 7-7.5% in 2009-2010 and hopefully 9% in 2010-2011. I therefore feel that while Europe and America would be struggling to get to their feet, the next 5 years could be golden years for India.

”

Udayan Bose  
Independent Director/ Pritish Nandy Communications  
Investment Banker



	Year ended									
	31.3.00	31.3.01	31.3.02	31.3.03	31.3.04	31.3.05	31.3.06	31.3.07	31.3.08	31.3.09
	in Rs lakh									
	<b>PROFIT AND LOSS ACCOUNT</b>									
Total turnover	1,409.68	1,560.62	2,039.21	4,136.54	3,188.08	3,586.43	3,480.25	3,950.07	3,384.11	1,533.11
Total expenditure	1,083.17	1,057.91	1,790.75	3,926.13	2,738.14	2,927.84	2,781.58	3,366.89	2,349.39	1,727.99
Profit/ (loss) before taxation	326.51	502.71	248.46	210.41	449.94	658.59	698.67	583.18	1,034.72	(194.88)
Provision for taxation	85.00	40.00	9.20	15.05	27.20	53.48	62.58	69.76	172.85	3.29
Net profit/ (loss)	241.51	462.71	239.26	195.36	422.74	605.11	636.09	513.42	861.87	(198.17)
Provision for deferred tax	0.00	0.00	64.12	32.43	162.82	194.06	234.12	236.71	200.66	(26.49)
Dividend (%)	20	20	10	7.5	10	10	10	10	10	0
	<b>BALANCE SHEET</b>									
Net block	160.42	321.73	596.55	705.45	705.59	675.87	571.92	221.00	165.09	164.29
Investments	133.68	2,209.68	1,037.67	973.09	1,275.55	285.10	746.47	405.59	140.18	140.18
Current assets (net)	1,430.28	3,235.46	4,388.80	4,466.06	5,159.90	5,866.69	6,539.26	9,668.96	10,661.57	10,452.67
Miscellaneous expenditure	3.93	263.24	233.24	203.24	0.00	0.00	0.00	0.00	0.00	0.00
Total application of funds	1,728.31	6,030.11	6,256.26	6,347.84	7,141.04	6,827.66	7,857.65	10,295.55	10,966.84	10,757.14
Borrowings	0.00	16.23	118.85	131.98	827.62	188.30	703.35	161.68	139.45	129.88
Deferred tax liabilities	0.00	0.00	229.28	261.71	424.53	614.77	848.88	1,085.61	1,286.27	1,259.78
Paid up capital	785.00	1,046.70	1,046.70	1,046.70	1,046.70	1,046.70	1,046.70	1,446.70	1,446.70	1,446.70
Reserves	943.41	4,967.18	4,861.43	4,907.45	4,842.19	4,977.89	5,258.70	7,601.57	8,094.42	7,920.78
Net worth	1,724.48	5,750.64	5,674.89	5,750.91	5,888.89	6,024.59	6,305.40	9,048.27	9,541.12	9,367.48

‘Brand PNC was valued this year at Rs 2,653 million by internationally reputed brand valuation experts, the UK-based Brand Finance plc and Ernst & Young has computed the discounted cash flow value of our current content library at Rs 1,920.5 million for a potential overseas investor using an annual discount rate of 6% which was provided to E&Y by the investor. At a discount rate of 11%, which E&Y considers as the appropriate rate for this purpose, the value would be Rs 1,142 million. This reaffirms our belief in the intangible creative assets of our business.’

*Excerpt from the Chairman's Statement, 2007*



“

Since we value  
talent, creativity,  
excellence--

which are at the heart of our business--we are constantly attempting to nurture an environment in which they flourish and find self actualization. That is how your Company creates valuable assets that are not always obvious on your balance sheet but which keep on appreciating as your brand and content library grows year on year.

”

Pritish Nandy  
Chairman/ Prtish Nandy Communications  
Writer

I welcome you all to your Company's 16th AGM.

It has been my pleasure to address you for some years now, ever since we went public. Your Company has been in business for 16 years and it has been our pride to report varying degrees of success and profit, and uninterrupted dividend to shareholders. Last year, however, was the most difficult year we faced. It was also the most agonizing year for all of us in the media and entertainment industry, as well as for the world at large. It is not necessary for me to go into details of the global downturn that took place since I am sure all of you are aware of its extent and the damage it has wrought to economies and businesses worldwide. It is sufficient to say that your Company too has faced difficult times.

Fortunately, the bad times appear to be behind us. Not entirely but to an extent where we can at least start hoping to regain our businesses and confidence in the marketplace. The recent PWC report states that the Indian media and entertainment industry slowed down in 2008, to reflect overall economic realities. This slowdown is expected to continue through 2009 before things begin to pick up in 2010, when the industry could return to double digit growth. The good news is that the report also anticipates that India and China will soon record the highest growth in media and entertainment. Over the next four years, the motion picture industry alone is projected to grow at a CAGR of 11.6% to reach Rs 185 billion in 2013. The growth in allied businesses like telecom, broadcasting, music, home entertainment and new media will also support the revenues of the motion picture industry, as well as growth in overseas sales. There is a distinct interest in Indian movies worldwide and new markets are opening up almost every day in parts of Asia, Europe, Latin America and even North America where Hollywood rules.

For your Company this means revisiting some of our short term plans and strategies and seeing how we can deal with the next few months, till good health returns to the economy. It is important we do not forget that the media and entertainment business in India grew at 16.6% annually between 2004 and 2008. Last year, it decelerated to 8%. As growth picks up over coming months, the annual growth rate for 2009 to 2013 is expected to touch 10.5%. If the world market improves, we may see much stronger growth since the success of Slumdog Millionaire has opened the doors to an entirely new genre of India-centric movies. At the same time, technology innovations are swiftly opening up new windows of commercial exploitation for movies on different emerging platforms: DTH, IPTV, mobile phones, broadband, digital downloads, 3G, everything is changing for consumers of entertainment products. Convergence is no longer a buzzword. It's an actuality we must be all prepared for. It will entirely transform the way we consume news and entertainment.

For those who, like your Company, not only make movies but also own their IPRs, the future looks strong and profitable. Not just from the new movies that we continue to make but also from the re-exploitation of past content that is part of our owned library. The PNC owned library is a rich repertoire of contemporary films that have, in many ways, redefined the motion picture business in India and, as more and more technology platforms open up, this library becomes an invaluable asset for exploitation.

These are indeed fast changing times. Companies like yours that have focused their business almost entirely around the content space are likely to be the biggest beneficiaries of this change as the delivery infrastructure rapidly grows and technology shifts ensure that the common man has more and more access to what he sees as his primary source of entertainment, Movies. Our movies not only boast the world's biggest audience, 3.3 billion people buy theatre tickets for Indian movies annually, larger than the combined ticketed audience for US, Chinese, Japanese, British and French films, but we also make the largest number of films in the world, by far. This actually means that every Indian, rich and poor, watches at least 4 to 5 films a year in the theatres. They also watch double that number on television. They buy DVDs. They buy CDs and digital music. They pay for ringtones and callback tones, use VAS services from their telecom service providers. You can understand what all this means in terms of the growth potential of India's motion picture business.

What supports this potential are two more things. One, India has the cheapest ticket price among all the top ten film making nations of the world: 0.5 US\$ versus 7.2 US\$ in the US, 11.7 US\$ in Japan, 9.5 US\$ in UK and 2.2 US\$ in China. This can only go up in coming years as the theatre hall experience improves. Two, India has till now only 850 multiplex screens as against 29,000 in the US for instance. As more screens open up, especially in our small towns, audiences will grow exponentially. So will the scale and revenues of the business.

Curiously, India is the only major movie watching nation where Hollywood films have not been able to make any significant impact. The power, reach and market for our own movies is so strong that Hollywood blockbusters, even when dubbed into multiple Indian languages, have not been successful in pulling away audiences from our local films. This is a tribute to the resilience of our movie makers. This is also encouraging Hollywood studios to come to India and make local content for the Indian and diaspora markets. For your Company, this is a clear and present opportunity. Also because Indian talent and technical skills compare with the best in the world, and costs out here are but a fraction of what it costs to make movies in Hollywood.

In short, the motion picture industry here is all set to grow hugely once these difficult months are over and the general mood of the economy restores to normal. B2C is doing fine even under the current circumstances. In the past few months, we have seen audiences come back into the theatres in large numbers. B2B however needs to find greater confidence. Since your company has always seen itself as a content maker, we have borne the brunt of the B2B crisis. Yet it continues to be our endeavor to focus on our core skill, which is making movies and designing their marketing strategy for different markets. We will, however, try to build in coming months a more direct B2C interface so that in times like this we do not fumble on our releases. This may require additional resources and manpower but will insulate us from such volatility in the future. It will also ensure that even if B2B transactions are adversely impacted by market conditions, B2C will continue unimpeded.

The past year has taught us some crucial lessons, the most important being that a strong company must have the courage, confidence and imagination to survive difficult times. Luckily the movies we make do not have a sell-by date. So when the multiplex strike happened and all movie releases were stopped for months on end, your Company chose to use its time and resources towards planning new releases and strategizing to seize new content marketing opportunities in the emerging global marketplace. We tied up with a global sales agent of repute, London-based High Point Media Group who will not only take our new movies to new overseas markets but is already trying to get new leases for our existing catalogue. We have used our time well and made some new films that are in the mid-budget range and perfectly match the current mood of the market. We are looking at co-ventures, animation films, new ideas for television, new opportunities for growth and diversification in the content space. You are likely to see the impact of these initiatives when the market revives.

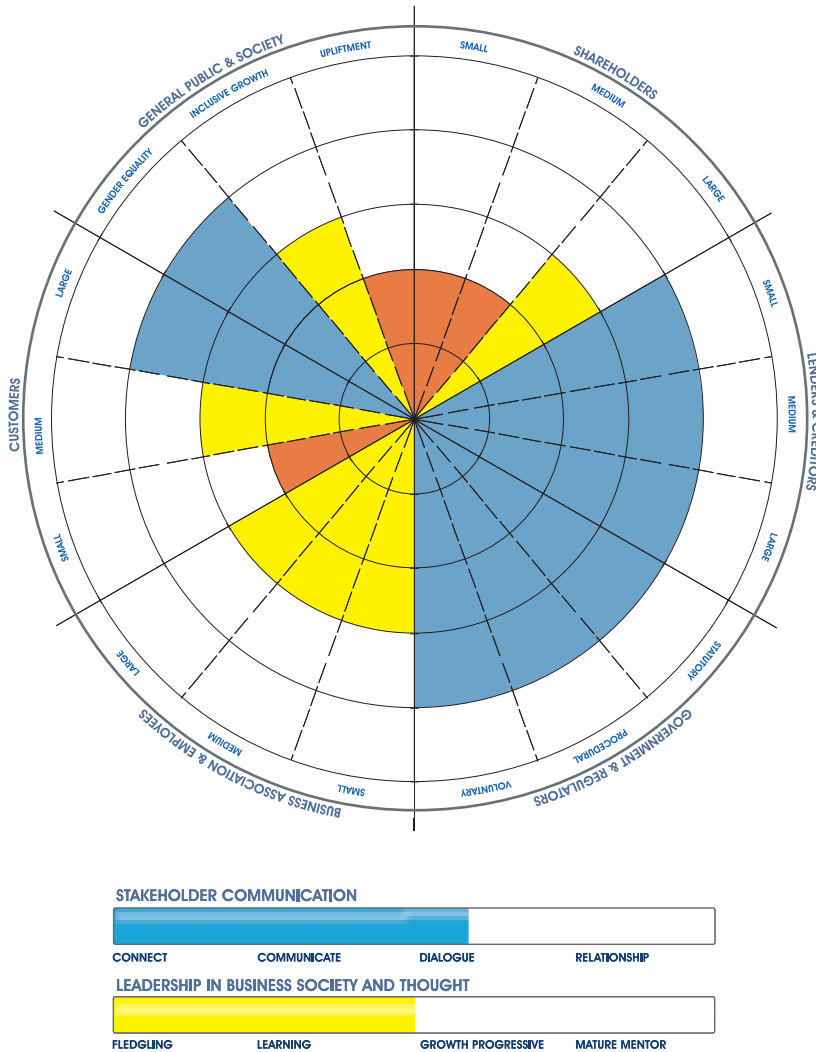
As you are aware, Brand PNC is what defines us and affirms our true status in the business. Two years ago, London-based Brand Finance evaluated the PNC brand as one of the most highly rated in the business and affixed a significant value to it. This year we are proud to have been recognized as the first Superbrand in the motion picture business. As a Company which was founded on the premise that the movie business can be corporatized, we are today pleased that we have not only been acknowledged as a Superbrand and received so many awards and recognitions from all over the world, but we have also shown the inner strength and resources to weather such a stormy, turbulent period.

For that I must thank all members of Team PNC who have stood by your Company and empowered your management to take difficult decisions during the past year. They have shown the power of teamwork and the integrity of an organization built on imagination, commitment and faith in the future of media and entertainment. As India grows and integrates with the world and we see a greater sharing of our culture and values, we believe the motion picture industry will open up countless opportunities for Team PNC to take your Company ahead. The last year has tested their mettle and the current year, where the multiplex strike held back all our releases, has challenged them to think out of the box and find new solutions to new problems.

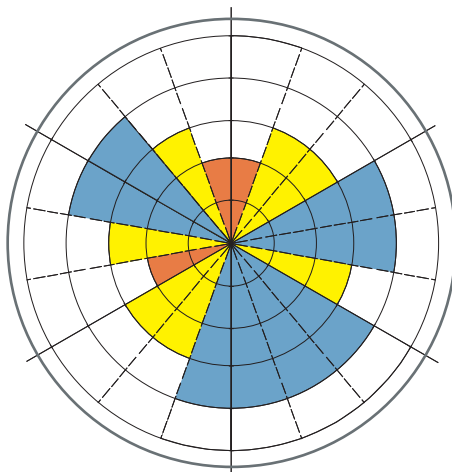
I also urge you, stakeholders in the future of this Company, to bear with us during these stressful times. Your Company has the skills and the wherewithal to sustain itself and emerge stronger, more successful in times to come. Ending with a Woody Allen quote may not be exactly conventional, but if you allow me, "Recessions prove that not only all good beginnings have to end but that all good endings have to offer new beginnings too". His context may have been different but it works for us just as well.

We at PNC always try to provide additional information over and above that prescribed by law. We were the first entertainment company in India to provide annual reports attested by key operating staff, before it became a statutory requirement. The report provided here is an attempt in this direction. It is not mandated by law and is not an exact measure. We caution investors that this is additional information and investors should rely on their own judgment in using and interpreting it. The Company is not responsible for any direct, indirect or consequential losses suffered by any person using this data.

## COVERAGE AND TRANSPARENCY



### IN COMPARISON WITH LAST YEAR



LEVEL 1 - POOR  
LEVEL 2 - LOW  
LEVEL 3 - MEDIUM  
LEVEL 4 - HIGH  
LEVEL 5 - EXCELLENT

360° Corporate Reporting is a performance model developed by IEMAR to evaluate companies on the basis of their scores in key areas usually difficult to measure and on the strength of their stakeholder reporting. This is the second year where the company has been evaluated. The evaluation provides insight into companies in terms of their people, business strategies, brand, linkages, strengths and weaknesses, opportunities that exist and threats they need to ward off. It also conveys to stakeholders the environment in which their companies operate and assesses them on their processes, value of intangibles, transparency and effectiveness of their communication with stakeholders.

It thus conveys to stakeholders a lot of what cannot be precisely measured but needs to be appreciated in order to get the true import of the financial results. In that sense, it makes financial reporting more effective by providing additional information in quick read format.

In the long run, companies that are socio-ecologically progressive do better than those that are solely motivated by profits. This has been empirically proved, leading to the search for a more holistic reporting format. There are a number of initiatives that are currently used by companies. PNC has chosen 360° Corporate Reporting. This gives all round feedback to major stakeholder groups, improves transparency and ensures a shared vision.

To begin with, 360° Corporate Reporting acknowledges the fact that stakeholders, like shareholders, are not homogenous but comprise of different interest groups. It also incorporates crucial factors like creativity and innovation into the reporting framework. It moves from a logical progression of coverage, transparency, compliance, managing risks, managing enterprise to performance and profitability, social responsibility, strategic planning and research, creativity and innovation, ultimately leading to the creation of intangible assets and value.

The reporting is in a diagrammatic format. Different parameters represented by sectors come together in a circle where each sector is divided into subgroups representing detailed components. Each component is rated on a scale of 1 to 5.

The circle of stakeholders deals with coverage and transparency vis-à-vis different groups of stakeholders and is divided into 6 sectors subdivided into 3 segments each. These consist of shareholders, lenders and creditors, Government and regulators, business associates and employees, customers and society at large.

The circle of creation of value covers 7 sectors subdivided into 3 segments each. These consist of compliance, managing risks and enterprise, performance and profitability, social responsibility, strategic planning and vision, research, creativity, innovation, value creation and intangibles.

In the bars below the circles, the extent and effectiveness of stakeholder communication and reporting is judged in the context of the company's ability to connect, communicate,

establish dialogue and eventually achieve a sustainable relationship with all stakeholders. The company's performance on various counts ranging from financial to value creation is judged on the basis of its ability to create ideas for successful projects, products and services and translate these ideas into action, resulting in capitalization and value creation. These assessments are supported by looking at the scope, size and scale of operations, activities and influence of the company. Ultimately the leadership displayed by the company in business, society and thought is judged on whether it is at the fledgling, learning, growth or a mature mentoring state.

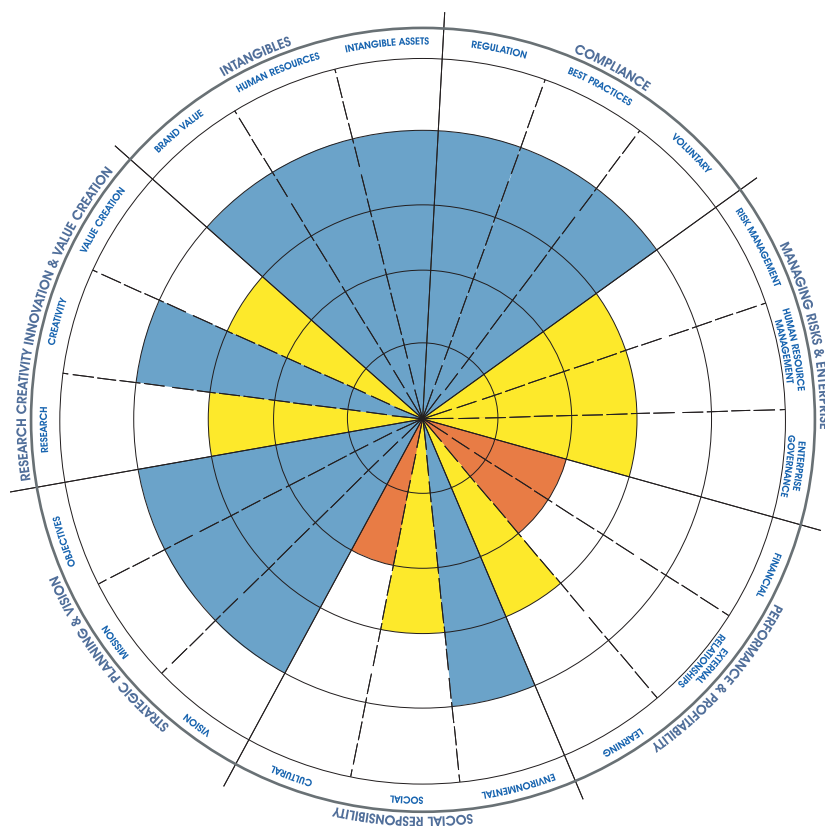
The model enables stakeholders as well as the company to assess where it has come from and where it is moving, giving its true bearings in its journey towards progress. It is unique in as much as it incorporates seemingly opposite drivers such as transparency, corporate social responsibility on one hand and performance and profitability on the other and presents them in a graphic format that can be easily understood. A filled out shape reflects the best state. Wherever there are gaps and the shape shrinks back to the centre the company needs to improve its performance. In the bars, values to the right indicate a better position than those to the left. The sectors are also color coded for easy understanding.

360° Corporate Reporting is like a compass that covers learning, growth, creativity and innovation. It is not designed to provide an exact measure of the distance travelled but indicates the direction in which the company has progressed on its corporate journey.

The change over the last year shows that from the medium shareholders' perception, there were lesser opportunities for growth offered by the stock. The standing in the debt market due to liquidity and solvency has improved viz-a-viz larger lenders, government and regulators and statutory compliances. Relations with business associates, customers and employees are maintained. Some increase in corporate social responsibility is noticed. Risk management has improved though performance and profitability have gone down. Continued emphasis on strategic planning and vision, and research, innovation and value creation have helped the company to manage in troubled times.

IEMAR (The Institute of Environmental Management Accounting and Research - [www.iemar.org](http://www.iemar.org)) is a non profit research organization that is working in the area of transparent, sustainable reporting and evolving techniques to measure, evaluate report and communicate economic activity and corporate performance in socio economic, environmental and cultural terms integrating with financial growth and other performance aspects. IEMAR can be contacted on [iemarindia@yahoo.com](mailto:iemarindia@yahoo.com).

## CREATION OF VALUE



### SCOPE OF BUSINESS



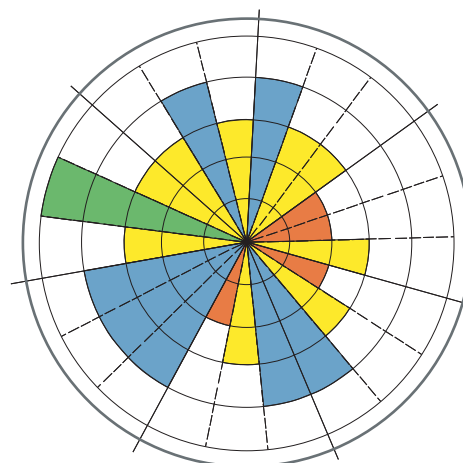
### SCALE OF BUSINESS



### INNOVATION AND VALUE CREATION



### IN COMPARISON WITH LAST YEAR



“

India is a storehouse  
of creative talent

and the Indian film industry is one of its finest showcase. It is growing at a spectacular pace and despite the setback of the past year, we are confident that it will continue to lead the world in terms of creativity, output and growth. Over 3.3 billion people buy tickets to watch our movies which is a bigger audience than for American, British, Chinese and Japanese films put together.

”

Hema Malini  
Independent Director/ Pritish Nandy Communications  
Dancer/ Actor/ Member of Parliament

To  
The Members

Your Directors present the 16th Annual Report on the business and operations of the Company together with the audited financial accounts for the year ended March 31, 2009.

#### FINANCIAL HIGHLIGHTS

Turnover for the year was Rs 1,533 lakh compared to Rs 3,384 lakh for the earlier year. The Company incurred a loss of Rs 194.88 lakh before tax as compared to a profit of Rs 1,034.72 lakh before tax in the preceding year.

in Rs lakh

Particulars	Year ended				31.3.2009
	31.3.2005	31.3.2006	31.3.2007	31.3.2008	
Income from operations	3,488.28	3,369.00	3,881.82	3,073.20	1,285.39
Other income	98.16	111.25	68.25	310.91	247.72
Total turnover	3,586.44	3,480.25	3,950.07	3,384.11	1,533.11
Total expenditure	2,927.85	2,781.58	3,366.89	2,349.39	1,727.99
Profit/ (loss) before taxation	658.59	698.67	583.18	1,034.72	(194.88)
Provision for current tax	53.48	60.20	65.82	170.35	0.39
Profit/ (loss) after current tax	605.11	638.47	517.36	864.37	(195.27)
Fringe benefit tax	0.00	2.38	3.94	2.50	2.90
Provision for deferred tax	194.06	234.12	236.71	200.66	(26.49)
Net profit/ (loss) after tax	411.05	401.97	276.71	661.21	(171.68)
Dividend (%)	10	10	10	10	Nil
Transfer to reserves	80.09	40.02	24.97	65.68	Nil
Prior period adjustment (net)	10.60	1.81	27.02	4.38	1.96
Balance in profit and loss account	525.36	676.15	731.60	1,153.48	979.84
Paid up capital	1,046.70	1,046.70	1,446.70	1,446.70	1,446.70
Earning per share	3.83	3.82	2.36*	4.54	(1.20)
Book value per share	58.28	60.24	62.54	65.95	64.75

\*weighted average of basic and diluted EPS

#### PRESENT ECONOMIC SITUATION AND PERFORMANCE OF THE COMPANY

The financial year we are reporting on saw an unprecedented global meltdown. This adversely impacted the media and entertainment business as well.

In such an environment, it was not possible for your Company to sustain its turnover and profitability. Your Directors and management have tried to cope with the challenging situation and dilute the impact of the crisis to the extent possible under the circumstances. Your Company managed to cut overhead costs, improve recoveries, re-negotiate contracts, re-budget ongoing projects in its attempt to return to profitability. Fortunately your Company has always specialized in making entertainment products within affordable costs and this has served us well in these difficult times. While senior management offered to defer a part of their salary, there were no payroll increments during the year, new appointments were frozen. New movie releases were consciously postponed so as to realize better values in an improved market. This reduced turnover but protected the opportunity to release them in better and more appropriate market conditions. This is the first year in the history of your Company that a loss has been posted. Given the abnormal circumstances, the current year's financials are not strictly comparable to that of past years.

The media and entertainment industry appears to be reviving. The dispute between producers and multiplex owners has been resolved. The Company is striving to return to success and profitability as soon as possible.

#### APPROVAL FROM THE MINISTRY OF CORPORATE AFFAIRS

The making of content requires various types, qualities, and quantities of raw material, talent and inputs in different denominations. Due to the multiplicity and complexities of these items it is not practicable to maintain quantitative records as the process of making content is not amenable to it. Therefore, the Company made an application to the Ministry of Company Affairs seeking exemption under section 211(4) of the Companies Act, 1956 from giving quantitative details in the financial statements of the Company as required under Para 3 and 4 of part II of schedule VI to the Companies Act, 1956. The Ministry granted the said exemption for the financial year ending on March 31, 2009.

#### DIVIDEND

Considering the financial results, your Directors do not recommend dividend for the year ended March 31, 2009.

#### LISTING WITH THE STOCK EXCHANGES

The equity shares of the Company continue to remain listed with Bombay Stock Exchange Ltd (BSE) and National Stock Exchange of India Ltd (NSE). The listing fees payable to both the stock exchanges for the year 2009-2010 have been paid.

#### FIXED DEPOSITS

The Company has not accepted any deposits within the meaning of section 58A and 58AA of the Companies, Act 1956 and the rules framed thereunder.

#### SUBSIDIARIES

The Company has two subsidiaries namely PNC Productions Ltd and PNC Wellness Ltd. The Ministry of Corporate Affairs has granted its approval under section 212(8) of the Companies Act, 1956 exempting the Company from the applicability of section 212(1) of the Companies Act, 1956 in respect of both these subsidiaries. Accordingly, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. However, the financial statements of the Company have been consolidated with the above referred subsidiaries as required under clause 32 of the listing agreement with the BSE and NSE and which gives financial information of the entire group for the current fiscal. The financial information of the subsidiary companies, as required by the said approval, is disclosed in the Annual Report.

Annual accounts of the subsidiary companies and the related detailed information will be made available to the holding and subsidiary companies' investors, on request. Copies of the annual accounts of the subsidiary companies are available for inspection to members at the registered office of the Company.

In compliance with the listing agreement and the Companies Act, 1956, the directors have reviewed the affairs of the subsidiary companies. Nabankur Gupta, independent director of the Company, is a director on the Board of PNC Wellness Ltd. Vishnu Kanhere, independent director, is a director on the Board of PNC Productions Ltd.

#### CORPORATE GOVERNANCE

The Company complies with clause 49 of the listing agreement. The Board of Directors of the Company has adopted a corporate governance policy meant to ensure fair and transparent practices and a code of conduct for its directors and senior management. Both the corporate governance policy and the code of conduct are available on the website of the Company [www.pritishnandy.com](http://www.pritishnandy.com).

Further, the Board has also adopted a code of conduct for prevention of insider trading in the securities of the Company which is in line with the model code of conduct prescribed by SEBI. A separate report on corporate governance along with the Auditor's certificate on the compliance of corporate governance requirements of clause 49 of the listing agreement is given elsewhere in this report.

**QUALITY AND SYSTEMS CONTROL**

The Company has set up internal systems to meet and maintain the highest standards of quality in its business and was certified to be ISO 9001:2000 compliant by SGS of UK, the world's biggest inspection Company in July 2004. Since then, it has been regularly systems audited every year and has met all its required obligations to obtain the annual renewal of the ISO certification. The Company also won the International Business Excellence Award 2008 from the Institute of Economic Studies at Bangkok and the International Star Award for Quality (Gold) 2008 in Geneva.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 and according to the information and explanations provided to them and based on representation received from the operating management, your Directors hereby state

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- ii. that they have selected such accounting policies, applied them consistently, 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 as at March 31, 2009 and of the loss of the Company for the year ended on that date;
- iii. that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. that they have prepared the accounts on a going concern basis.

**DIRECTORS**

Vishnu Kanhere and Harshawardhan Sabale retire from the Board by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. Re-appointments of Wholtime Directors namely Pallab Bhattacharya and Rangita Pritish-Nandy are due. The Board of Directors recommends their re-appointments for your approval.

A brief profile of the above directors is furnished in the notice of the ensuing annual general meeting and also forms part of the corporate governance report in this annual report.

**AUDITORS**

The auditors, Jaideepsingh P Deore & Co, Chartered Accountants, retire at the conclusion of the ensuing annual general meeting and being eligible offer themselves for re-appointment as statutory auditors.

**AUDITOR'S REPORT**

The auditors have invited reference to a) note no B(7) of Schedule 19 regarding reliance being placed on legal opinion obtained by the Company that the bank guarantee encashed in the year ended March 31, 2001 of Rs 75,050,000 in respect of marketing of Olympic Games 2000 is fully recoverable and consequent non-provision of any amount there against and b) note no B(22) of Schedule 19 to the accounts in respect of loans and advances aggregating to Rs 46,753,181, where Company has initiated recovery proceedings. The management considers the same as good and fully recoverable. The legal opinion obtained by the Company supports this. We have relied on the same and consequent non-provision of any amount thereagainst at this stage.

Your Directors' confirm that the references invited by the auditors in their report have been clarified in note no B(7) and note no B(22) of Schedule 19- Notes to the accounts forming parts of Balance Sheet and Profit and Loss Account, which are self explanatory and reproduced below. Your Directors concur with the non-provisioning of any amount thereagainst.

Note no B(7)- Arbitration proceedings initiated by the Company against Prasara Bharati on account of wrongful encashment of bank guarantees of Rs 75,050,000 were ongoing before former Chief Justice YV Chandrachud. The parties completed the pleadings before the arbitrator but unfortunately he passed away in July 2008 while the cross examinations were on. The Company has filed a petition before the High Court at Bombay for appointment of a sole arbitrator in place and stead of Justice Chandrachud in January 2009, which is pending disposal before the High Court at Bombay. Opinion obtained by the Company from Justice AM Ahmadi, former Chief Justice of the Supreme Court of India, supports the Company's stand that the amount is fully recoverable. In view of this, the management of the Company does not consider it necessary to make provision thereagainst in the accounts. The Company is showing the amount withheld by Prasara Bharati as "Loans and Advances".

Note no B(22)- Loans and Advances of Rs 46,753,181 includes: i) Rs 15,000,000 advanced against the Music, Asian and Indian Satellite rights of a film where the Company has lien over the exploitation of the said rights and ii) Rs 31,753,181 being balance amount advanced towards joint production of a film where the Company has joint re-exploitation rights. The Company has initiated recovery proceedings in respect of the aforesaid advances. i) The Company has filed a Summary Suit with the High Court at Bombay which is pending hearing and disposal and ii) The Company has initiated arbitration proceedings which are ongoing before Justice Smt KK Baam (Retired). The management considers the same are good and fully recoverable. Legal opinion obtained by the Company supports this and consequently no provision has been made in the accounts at this stage.

**MANAGEMENT DISCUSSION AND ANALYSIS**

A detailed report on management discussion and analysis is enclosed as an annexure to this report.

**PERSONNEL**

There were no employees drawing remuneration exceeding the limit prescribed under section 217(2A) of the Companies Act, 1956. Therefore, the details as required by the provisions of the aforesaid section of the Companies Act, 1956 read with the Companies (Particulars of Employees) (Amendment) Rules, 2002 are not applicable.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

Information in accordance with the provisions of section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the annexure forming part of this report.

**FILM AWARDS AND FESTIVALS**

The Company has received critical acclaim as well as awards and award nominations during the year for its following movies

Rotterdam International Film Festival, Germany 2008-2009: Hazaaron Khwaishein Aisi

Salento International Film Festival, Italy 2008-2009: Just Married

Fribourg International Film Festival, Switzerland 2008-2009: Hazaaron Khwaishein Aisi

Kala Ghoda Art Festival, Mumbai 2008-2009: Pyaar Ke Side/Effects, Bow Barracks Forever

1st Womens' Film Festival, Chennai 2008-2009: Sur

Of Inhuman Bondage Film Festival, Kolkata 2008-2009: Chameli

Indian Students Forum, Norwegian University Of Science And Technology, Norway 2008-2009: Chameli

Bollywood Norway Film Festival 2008-2009: Mumbai Matinee, Hazaaron Khwaishein Aisi

Special Jury Award for Best Actor in Comedy at The Comedy Awards on NDTV 2008-2009: Victor Banerjee for Bow Barracks Forever

Max Stardust Award for New Musical Sensation: Anmol Malik for Ugly aur Pagli

**CORPORATE AWARDS**

International Star Award for Quality (Gold): International BID Quality Convention, Geneva 2008

Karamveer Puraskar 2008 from Confederation of NGOs for contribution to socially responsible media and outstanding film making, New Delhi

Glory of India Award at the Indo-Thai Economic Co-operation Seminar, New Delhi 2009

Gold Medal for Business Excellence from the Institute of Economic Studies, New Delhi 2009

#### BRAND PNC

Brand Finance, the UK-based brand valuation experts, last valued the Pritish Nandy Communications brand at Rs 265.30 crore in January 2007.

The Brand Council, the Independent Authority on Branding, named Pritish Nandy Communications as the first Superbrand among motion picture companies. Brand PNC received an overall average score that puts it within the top 10 per cent of all brands across all segments and all categories. The score was arrived at by tabulating consumer responses which were then scrutinized by members of The Brand Council which selects Superbrands in India.

#### ACKNOWLEDGMENT

The Board thanks all stakeholders in the Company, clients, business associates, bankers and financial institutions for their continued support during the year. It wishes to record its appreciation of all the efforts put in by the staff and associates of the Company.

For and on behalf of the Board of Directors

Mumbai, June 29, 2009

Pallab Bhattacharya  
Wholetime Director and CEO

Vishnu Kanhere  
Director

## ANNEXURE TO DIRECTORS' REPORT

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

#### FOREIGN EXCHANGE EARNINGS AND OUTGO

		March 31, 2009		March 31, 2008	
		Rupees	Foreign Currency	Rupees	Foreign Currency
1.	Total foreign exchange earned	Nil	Nil	29,973,161 7,895	Received in INR US\$ 208
2.	Total foreign exchange used				
a.	On import of raw material and capital goods	Nil	Nil	Nil	Nil
b.	Expenditure in foreign currencies on travel, subscription, etc	648,800	US\$ 15,000	605,625	US\$ 15,000
		598,150	Euro 10,000	139,250	Euro 2,500
		209,150	GBP 3,000	463,350	GBP 5,500
c.	Dividend remitted in foreign currencies	Nil	Nil	Nil	Nil

#### ENERGY CONSERVATION, RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

Considering the nature of the business of this Company, the particulars required under this clause are not applicable.

#### STATEMENT PURSUANT TO APPROVAL UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956

	Name of subsidiary	PNC Wellness Ltd	PNC Productions Ltd
	Financial year ended on	March 31, 2009 (Rs)	March 31, 2009 (Rs)
1.	Capital	600,000	5,000,000
2.	Reserves	4,500,000	1,167,556
3.	Total assets	24,065,470	6,167,556
4.	Total liabilities	24,065,470	6,167,556
5.	Details of investments		
	400,000 Non-cumulative Redeemable Preference Shares of Rs 10 each	Nil	4,000,000
	Rural Electrification Bond and interest thereon	Nil	2,614,583
6.	Turnover (including other income)	27,953,520	129,161
7.	Profit/ (loss) before taxation	1,875,411	48,988
8.	Provision for taxation	1,494,232	22,900
9.	Profit/ (loss) after taxation and priors years adjustments	381,179	22,983
10.	Proposed/ interim dividend	Nil	Nil

#### STATEMENT UNDER SECTION 212 RELATING TO THE SUBSIDIARIES

	Name of subsidiary	PNC Wellness Ltd	PNC Productions Ltd
1.	Name of subsidiary	PNC Wellness Ltd	PNC Productions Ltd
2.	The financial year of the Company ended/ ending on	March 31, 2009	March 31, 2009
3.	Date from which it became a subsidiary	April 27, 2006	October 17, 1996
4.	Shares of the subsidiary company held by Pritish Nandy Communications Ltd on the above date		
a.	Number of equity shares	60,000	496,850
b.	Extent of holding in equity Shares	100%	99.37%
5.	The net aggregate amount of the subsidiary's profit/ (losses) not dealt with in holding company's accounts		
a.	Current year	Rs 381,179	Rs 22,983
b.	Previous year's figure	(-) Rs 2,179,071	Rs 2,545,787
6.	The net aggregate amount of the subsidiary's profit/ (losses) dealt with in holding company's accounts		
a.	Current year	Nil	Nil
b.	Previous year's figure	Nil	Nil

For and on behalf of the Board of Directors

Mumbai, June 29, 2009

Pallab Bhattacharya  
Wholetime Director and CEO

Vishnu Kanhere  
Director



Bollywood is now about to set an entirely different set of benchmarks

in the entertainment space. It has begun to effectively deliver the taste and experience of Young India, Refreshing India to the equity of what the world knows today as Brand India. What Bollywood needs is more support at the political and economic level to help further enhance the effective delivery of the Brand India experience.



Nabankur Gupta  
Independent Director/ Pritish Nandy Communications  
Brand Expert

The global meltdown in the year under report was unprecedented. There was wide scale recession and almost all industries worldwide were severely hit. India was no exception. Nor was the media and entertainment industry.

What hit the motion picture industry most was spiraling costs, particularly talent costs, falling recoveries from certain market segments, like satellite television, and the multiplex strike. Your Company did its best to cope with these adverse circumstances by reducing costs, re-budgeting its ongoing movie projects, re-negotiating existing contracts, freeing appointments and payroll expenses, and deferring the release of its films till the market returns to stability and true value can be recovered from their lease.

While this ensured that your Company did not have to resort to any downsizing of business or staff, the deferment of releases adversely impacted turnover and profitability. The Company made its first loss in its entire history.

The entertainment and media industry is in the process of reviving. The multiplex strike has been resolved. Indian films have formally got international recognition by winning Oscars and award nominations at various international film festivals. India has been recognized as the world's biggest motion picture industry and marketplace. As a leading content maker, critically acclaimed as well as widely popular, PNC we believe, will continue to play a significant role in coming years.

## 1. INDUSTRY SEGMENT-WISE PERFORMANCE, OPPORTUNITIES AND OUTLOOK

### a. CONTENT

PNC maintains its presence in almost all areas of the content business. But its core expertise lies in making movies which drive cinema halls and television channels, including new technology platforms like DTH and IPTV, as well as packaged entertainment products like music CDs, cassettes, DVDs. As digital technology opens up new delivery systems, PNC's opportunities to create and disseminate new motion picture products grow. Over the past few years, many new platforms have emerged and these will redefine the future of the entertainment business. Telecom companies are looking at VAS products for handhelds. Broadband is slowly but surely arriving on the scene, as a serious platform for delivering motion picture content. IPTV has opened up. DTH subscriptions have grown exponentially. Digital downloads and ringtones are fetching greater revenue than packaged music products, and the retail boom has not just increased the number of multiplex screens exponentially but also created opportunities for specialist, boutique theatres.

The profile of the business is also changing. Indian movies are slowly becoming part of the global mainstream and studios in Hollywood are currently investing in Indian movies and taking them to international markets. Many hybrid productions have taken place and a new kind of cinema has emerged to replace the traditional Bollywood formula film. PNC has a track record in precisely this space, reaching out to young, new generation audiences with content that addresses their expectations. Noticing this, international studios have acquired PNC films for global distribution as well as signed co-venture deals with PNC, making it one of the first Indian companies to work with renowned international studios.

The year under review was a period of caution. Active content production continued but abundant caution was exercised in every area of the business to ensure that losses were minimized. Releases of completed films were consciously held back till the market and economy revives to get their right commercial value. Apart from consolidating its production business, PNC also dealt in some TV content and is developing a new genre of animation movies with global partners.

Content will continue to remain PNC's main focus in coming years. PNC aims to grow its presence in the new emerging platforms for movie content to give brand PNC global reach and visibility. To achieve this, it has joined hands with a major global sales agent, London-based High Point Films.

### b. WELLNESS

Moksh, The Wellness Place in Breach Candy, is a wholly owned PNC subsidiary and is actively looking at expansion possibilities. Various options to generate additional financial resources required to grow this unique and well established product into a chain of wellness places nationwide are being currently examined. Some global fitness players have also approached PNC for possible collaboration.

## 2. RISKS, CONCERNS AND THREATS

To de-risk the content business, which often depends on shifting audience tastes, PNC has adopted a business model which allows it to focus on the creation of content and allow others to exploit it against minimum guarantees paid to PNC for short term leases. This allows PNC to, by and large, recover its investment in content prior to its release. It also transfers the risks and rewards to professional distribution partners, ensuring at the same time that profitable films continue to bring in overflows post marketing, prints and promotional costs which are usually borne by the distribution partners. PNC however plays a vital role in designing the marketing and release of its films.

By adopting a multi-product portfolio approach, the Company is trying to manage the inherent risks of the business. PNC is also constantly researching audience tastes and creating innovative products that can meet the challenge of changing audience expectations. With technology shifts continuously taking place, a content company is constantly reviewing its creative skills and foresight.

## 3. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate internal control systems in place. These systems constantly assess and vet creative ideas in a manner that keeps generating affordable, high impact products. There is collective responsibility at every stage of decision-making and an eleven member Corporate Leadership Team, which includes all the department heads, examines and clears each project for implementation.

## 4. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The Company's financial performance viewed in the backdrop of the global meltdown is not comparable with past years. It continues to make movies that audiences respond well to. Currently the focus of the Company is to return to growth and profitability.

## 5. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Company is continuously building its talent base. Its Corporate Leadership Team has qualified and experienced members drawn from different specializations. The middle management cadre is being developed. However, the Company, as a policy, sees its core content making business essentially as project management. It prefers to assemble talent teams for each content project and these teams are disbanded once the project is complete. The talent bank that PNC has access to remains independent and is yet available to PNC at short notice.

The Company enjoys cordial relations with its employees and the talent that it hires on a project basis.

## 6. CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied.



The global meltdown and severe economic downturn has affected the whole world and corporate performance has taken a beating. It is in times like these that corporate governance and financial reporting are put to test. Balance sheets are like the tip of an iceberg; they reveal much less than they convey. Maintaining and presenting true, fair and transparent financial statements, is a major challenge faced by corporates in these troubled times.



Dr Vishnu Kanhere  
Independent Director/ Pritish Nandy Communications  
Audit, Assurance and Tax Professional



The Company is committed to maintaining high standards of corporate governance. It believes in fair dealing, ethical conduct and best practices that recognize the importance of all stakeholders.

This means ensuring accountability, efficiency, compliance. The Company believes that its action must reflect a sense of social responsibility and incorporate the importance of values in all transactions.

Therefore, a systematic approach has been followed for proper internal controls, timely dissemination of information to investors, compliance with listing norms. Information to investors is being provided through the website of the Company and through the stock exchanges, as well as by publication of quarterly financial results in newspapers and through the annual report and accounts to shareholders.

#### 1. THE COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy is to maintain high levels of transparency, accountability and equity in all areas of its operations and in all interaction with its stakeholders. It believes that it must attain the objective of enhancing stakeholder value on a continuing and sustainable basis.

At the core of the Company's corporate governance practice is the Board, which oversees how the management serves and protects the long-term interests of its stakeholders. Your Company believes an active, well-informed, independent Board is crucial to ensure high standards of corporate governance.

The Company's corporate governance policy is meant to assist the Board in the exercise of its responsibilities. This policy is subject to future changes as may be required in the light of the amendments in various regulations. To ensure that stakeholders are aware of all such changes, these are posted on the Company website [www.pritishnandy.com](http://www.pritishnandy.com).

#### 2. BOARD OF DIRECTORS

The composition of the Board of Directors of the Company is governed by the Companies act, 1956 and the listing agreement with the stock exchanges where the securities issued by the Company are listed. The Board has 9 directors as on March 31, 2009, of whom 7 are non-executive and 2 are wholetime directors. All 7 non-executive directors are eminent professionals with specialist experience. Wholtime directors in the Company have grown from the ranks.

During 2008-09, the Board met 5 times: on May 30, 2008, June 30, 2008, July 31, 2008, October 24, 2008 and January 27, 2009. The time gap between any 2 meetings was not more than 4 calendar months. The following table gives details of Directors, their attendance at board meetings and at the last Annual General Meeting, number of memberships held by Directors on the board and committees of various companies as on March 31, 2009.

Director (Designation)	Category	Number of Board meetings attended	Whether last AGM attended	Number of other Company's directorships*, Committee* memberships and chairmanship		
				Director	Committee Member	Committee Chairman
Pritish Nandy** (Chairman)	Promoter, Non Executive Director	5	Yes	1	-	-
Udayan Bose	Independent, Non Executive Director	3	Yes	4	1	1
Nabankur Gupta	Independent, Non Executive Director	5	Yes	8	1	2
Hema Malini	Independent, Non Executive Director	0 <sup>#</sup>	No	-	-	-
Harshawardhan Sabale	Independent, Non Executive Director	2	No	-	-	-
Rina Pritish Nandy**	Promoter, Non Executive Director	5	Yes	1	-	-
Vishnu Kanhere	Independent, Non Executive Director	5	Yes	2	1	-
Pallab Bhattacharya (Wholetime Director and CEO)	Executive Director	5	Yes	3	-	-
Rangita Pritish-Nandy** (Creative Director)	Promoter, Executive Director	4	Yes	2	-	-

\*Other Company directorships do not include directorship in private limited companies, foreign companies and companies registered under Section 25 of the Companies Act, 1956.

+Committee includes only two committees: Audit Committee and Shareholders/ Investors Grievances Committee of public companies.

\*\*Relationship among Directors: Pritish Nandy and Rina Pritish Nandy are husband and wife and Rangita Pritish-Nandy is their daughter.

#Participated in 3 meetings through conference.

All directors have made necessary disclosures regarding committee positions occupied by them in other companies. The membership and chairmanship of committees of other companies in which the directors of the Company are member or chairman are in compliance with clause 49 of the listing agreement.

*Profile of Directors retiring by rotation/ reappointed/ appointed at the Annual General Meeting*

Vishnu Kanhere, independent director of the Company was appointed as an additional director on October 30, 2006 and as a director at the Annual General Meeting held on September 6, 2007.

Dr Kanhere is a practising Chartered Accountant and a qualified Cost Accountant. He is a PhD in Management from Jamnalal Bajaj Institute of Management Studies, University of Mumbai. He is also a Certified Fraud Examiner (Association of Certified Fraud Examiners, USA), a Certified Information Systems Auditor (Information Systems Audit & Control Association, USA), Certified in the Governance of Enterprise IT – CGEIT (USA) and ISO 9001:2000 Quality Systems Auditor. His expertise in finance, commerce and information technology provides valuable inputs to the Company. The author of the book Software Valuation published by Thomson Learning from Singapore, Dr Kanhere is known in academic circles for his research on valuation techniques for intangible corporate assets.

Other directorships of Dr Kanhere are PNC Productions Ltd and Tilaknagar Industries Ltd.

He holds the following committee memberships in other companies

Sr no	Company	Name of committee	Designation
a.	Tilaknagar Industries Ltd	Audit	Member
b.	Tilaknagar Industries Ltd	Remuneration	Member
c.	Tilaknagar Industries Ltd	Compensation	Chairman

Dr Kanhere holds 2,000 shares in the Company as a Karta of his HUF. He is retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment. Except Dr Kanhere, none of the directors of the Company are in any way concerned or interested in this resolution. The Board recommends the resolution for your approval.

*Harshawardhan Sabale*, independent director of the Company was appointed as an additional director on October 30, 2006 and as a director at the Annual General Meeting held on September 6, 2007. He is a Chartered Accountant and a fund manager with twelve years of experience at CDP Capital, Arthur Andersen and Navis Capital in the business of private equity, finance, investment management and consulting with special focus on technology, media and entertainment. He set up Arthur Andersen's Technology Risk Consulting practice and was the youngest partner of Navis Capital in Hong Kong, when formulating and executing Navis' India strategy. Currently, he operates a content business based in Hong Kong and Mumbai focusing on the television, film and graphic novel spaces.

Other directorships of Mr Sabale are Power Engineering (India) Private Ltd, Ahimsa Silk (India) Private Ltd, Zfriction Ltd, Hong Kong, Max Bloom Ltd, Hong Kong, Ahimsa Silk (HK) Ltd, Hong Kong, Ahimsa Silk International, Mauritius and Lauris Capital Partners (HK) Ltd.

Mr Sabale is a member of audit committee and remuneration committee of the Company. He does not hold membership or chairmanship of committees of other Companies. He does not hold any share in the Company in his individual capacity. He is retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

*Pallab Bhattacharya*, Wholtime Director and CEO of the Company is associated with the Company since November 1995. Mr Bhattacharya has a bachelor's degree in arts from Calcutta University as well as a diploma in printing technology from the Regional Institute of Printing Technology, Jadavpur. He has 29 years of experience in media, which includes publishing and printing, television and cinematic content production. Mr Bhattacharya worked in The Times of India from 1983 till 1991, after which he joined The Observer Group of Newspapers as Chief Manager, Operations. He joined PNC in 1995 and is currently Chairman of the Corporate Leadership Team and also looks after the Company's day-to-day affairs and administration.

Other directorships of Mr Bhattacharya are PNC Productions Ltd, PNC Wellness Ltd, PNC Sippy Media Ltd, Artinvest India Private Ltd, Ideas.com India Private Ltd and Blue Whale Network Private Ltd.

Mr Bhattacharya is a member of the Shareholders/ Investor Grievances Committee of the Company. He holds 2,000 shares in the Company. He is to be reappointed for a period of 5 years as Wholtime Director and CEO of the Company.

*Rangita Pritish-Nandy* is Creative Director on the Board of the Company and holds the status of an executive director. She studied in HR College, Mumbai and has a background in commerce and has also done a course in design and animation. Prior to joining PNC, Ms Nandy has worked as an advertising and management trainee at Percept Advertising and Ogilvy & Mather. She joined PNC in 1999 to design and produce its entertainment shows on television and prepare the essential groundwork for the Company's foray into the motion picture business. Currently she heads the Company's creative functions, supervises the in-house production team, greenlights specific projects, handles strategic marketing and is a member of the Corporate Leadership Team.

Other directorships of Ms Nandy are PNC Productions Ltd, PNC Sippy Media Ltd, Ideas.com India Private Ltd, Sarvakala India Private Ltd and Studio PNC Private Ltd.

Ms Nandy does not hold membership or chairpersonship of any committees. She holds 93,500 shares in the Company. She is the daughter of Pritish Nandy and Rina Nandy, directors of the Company. She is to be reappointed for a period of 5 years as Creative Director of the Company.

### 3. AUDIT COMMITTEE

The constitution of the audit committee meets with the requirements of section 292A of the Companies Act, 1956 and clause 49 of the listing agreement with the stock exchanges as amended till date. The terms of reference specified by the Board to the audit committee are as per clause 49 of the listing agreement and the same is part of the corporate governance policy adopted by the Board.

As on March 31, 2009, the audit committee consists of Vishnu Kanhere as Chairman, Udayan Bose, Nabankur Gupta and Harshawardhan Sabale as members. All members of the audit committee including the Chairman are independent directors and financially literate. The Chairman, Dr Kanhere is a practicing Chartered Accountant and has extensive expertise in financial management. Nirav Joshi, Company Secretary acts as Secretary of the audit committee.

During the year 2008-09, the audit committee met 5 times: on May 30, 2008, June 30, 2008, July 31, 2008, October 24, 2008 and January 27, 2009. Attendance of committee members during the year 2008-09 is as under

Name of member	Attendance	May 30, 2008	June 30, 2008	July 31, 2008	October 24, 2008	January 27, 2009
Vishnu Kanhere (Chairman)	5	Yes	Yes	Yes	Yes	Yes
Udayan Bose	3	No	Yes	No	Yes	Yes
Nabankur Gupta	5	Yes	Yes	Yes	Yes	Yes
Harshawardhan Sabale	2	No	No	No	Yes	Yes

### 4. REMUNERATION COMMITTEE

The remuneration committee was constituted in January 2009. Constitution of the committee and the terms of reference specified by the Board to the committee are as per the requirements of listing agreement and Schedule XIII of the Companies Act, 1956. The remuneration committee consists of Vishnu Kanhere as Chairman, Nabankur Gupta and Harshawardhan Sabale as members. All members of the committee including the Chairman are independent directors. Nirav Joshi, Company Secretary acts as Secretary of the committee. During the year 2008-09, the Committee met on January 27, 2009 and all members were present.

#### Directors' Remuneration

- Advisory fees- The Company has paid Rs 60 lakh per annum as advisory fee to the non-executive Chairman. The payment of this fee is approved under section 309(1) of the Companies Act, 1956 by the Government of India, Ministry of Law, Justice & Company Affairs, Department of Company Affairs.
- Sitting fees- Sitting fees are paid to non-executive directors for attending board meetings. All non-executive directors are paid sitting fees of Rs 10,000 for attending board meetings and audit committee meetings.
- Remuneration- Details of current remuneration paid to wholtime directors are as under

Pallab Bhattacharya, Wholtime Director and CEO was appointed for a period of 5 years commencing February 18, 2005. He was entitled to a salary of Rs 105,000 per month. Mr Bhattacharya has been paid a total remuneration of Rs 1,161,237 for the year ended March 31, 2009.

Rangita Pritish-Nandy, Creative Director was appointed for a period of 5 years commencing January 31, 2005. She was entitled to a salary of Rs 96,000 per month. Ms Nandy has been paid a total remuneration of Rs 1,095,894 for the year ended March 31, 2009.

Wholtime directors of the Company are entitled to annual increments, as decided by the Board, effective from 1st April every year. Annual increments are merit based and take into account the Company's performance. Company provides car with driver to wholtime directors and Gratuity is payable to them as per the rules of the Company at the end of their tenure. Wholtime directors are entitled to reimbursement of traveling, hotel and other reasonable expenses actually incurred in the performance of their duties. If in any financial year, the Company has no profits or its profits are inadequate, remuneration by way of salary and perquisites will be subject to the provisions of schedule XIII of the Companies Act, 1956.

#### Shareholdings of the Non-Executive Directors of the Company

Of the 7 non-executive directors, only promoter directors Pritish Nandy and Rina Nandy holds 3,152,196 (21.79%) and 625,000 (4.32%) equity shares of the Company respectively. Dr Kanhere holds 2,000 shares as a Karta of his HUF. The other 4 independent directors, Udayan Bose, Nabankur Gupta, Harshawardhan Sabale and Hema Malini do not hold any shares of the Company in their individual capacity as on March 31, 2009.

### 5. SHAREHOLDERS/ INVESTORS GRIEVANCES COMMITTEE

Shareholders/Investors Grievances Committee is constituted under the chairmanship of independent director, Vishnu Kanhere and Pallab Bhattacharya is its member.

Nirav Joshi, Company Secretary is the Compliance Officer. The committee reviews and redresses all matters connected with the transfer of securities, dividend and other investor grievances like non-receipt of balance sheet and non-receipt of dividends. The Committee also oversees the performance of the Registrar and Transfer Agents and recommends measures for overall improvement of the quality of investor services. The Board of Directors has delegated the power for approving transfer of securities to this Committee.

During the year under review, no dematerialization requests were received; one re-materialization request for one share was received and processed. There are no investor complaints pending as on March 31, 2009.

#### 6. GENERAL BODY MEETINGS

Year	Location	Date and Time
Annual General Meeting(s)		
2005-2006	MC Ghia Hall, Mumbai 400001	September 30, 2006 at 3.30 PM
2006-2007	MC Ghia Hall, Mumbai 400001	September 6, 2007 at 11.00 AM
2007-2008 <sup>+</sup>	MC Ghia Hall, Mumbai 400001	September 17, 2008 at 3.00 PM
Extra Ordinary General Meeting*		
2006-2007	MC Ghia Hall, Mumbai 400001	February 14, 2007 at 11.00 AM

\*Extra Ordinary General Meeting was held to obtain members approval to authorise the Board of Directors for increasing the authorised share capital of the Company from Rs 15 crore to Rs 20 crore and issue of further securities through Qualified Institutional Placement to Qualified Institutional Buyers in terms of Chapter XIII A of SEBI (DIP) Guidelines, 2000 and subject to necessary compliances and/or approvals as needed in one or more tranches upto an aggregate amount not exceeding Rs 50 crore, issue of share warrants to entities belonging to promoter group by means of special resolutions. All the special resolutions were duly passed unanimously at the said EGM.

<sup>+</sup>At the Annual General Meeting held on September 17, 2008 a special resolution under section 314 of the Companies Act, 1956 for office of Ishita Pritish Nandy, Vice President, Creative Services was passed.

Apart from above, no special resolution(s) have been passed in Annual General Meetings of the Company held for the years 2005-06 and 2006-07 or through postal ballots process during the year ended March 31, 2009.

#### 7. DISCLOSURES

- Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large. — None of the transactions with any related party were in conflict with the interests of the Company.
- Details of non-compliance by the Company, penalties, and strictures imposed on the Company by stock exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last 3 years. — There were no instances of non-compliance on any matter related to the capital markets during the last 3 years.
- Whistle blower policy and affirmation that no personnel have been denied access to the audit committee. —The Company has not adopted the non-mandatory requirement of whistle blower policy. However, no personnel have been denied access to the audit committee.
- Details of compliance with mandatory requirements and adoption of the non mandatory requirements of this clause. — The Company has complied with all mandatory requirements of clause 49 of the listing agreement. The Company has constituted remuneration committee, which is a non-mandatory requirement.

#### 8. MEANS OF COMMUNICATION

- The unaudited quarterly financial statements, audited annual financial statements and quarterly shareholding pattern are posted on the website of the Company at [www.pritishnandycom.com](http://www.pritishnandycom.com). Also the website carries official news about the Company's upcoming activities.
- The quarterly unaudited and annual audited financial statements are generally published in Business Standard or Financial Express, all editions, and Dainik Sagar, Mumbai, a vernacular Marathi daily. The same are also uploaded on the EDIFAR (Electronic Data Information Filing and Retrieval System) website. All the material information about the Company including the financial results is immediately submitted to stock exchanges where the shares of the Company are listed to enable them to upload the same on their website.
- The Company also makes presentations to investors from time to time.
- Management discussion and analysis forms part of this annual report.

#### 9. GENERAL SHAREHOLDER INFORMATION

- 9.1 Annual General Meeting
 

Date and time	: September 16, 2009 at 3:00 PM
Venue	: MC Ghia hall, Bhogilal Hargovindas building, 18/ 20 Kaikhushru Dubhash marg, Mumbai 400001
- 9.2 Financial calendar (tentative) for financial year : April 1, 2009 to March 31, 2010
  - Board meetings to consider financial results
 

Last week of July, 2009	: Results for the first quarter
Last week of October, 2009	: Results for the second quarter
Last week of January, 2009	: Results for the third quarter
Last week of April, 2010	: Results for the fourth quarter and year ending March 31, 2010
  - Annual general meeting : September, 2010
- 9.3 Date of book closure : September 12, 2009 to September 16, 2009 (both days inclusive)
- 9.4 Dividend payment date : Not applicable
- 9.5 Listing on stock exchanges :
  - Bombay Stock Exchange Ltd, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400023
  - National Stock Exchange of India Ltd, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai 400051
- 9.6 Stock code and other information : 
 

Bombay Stock Exchange – 532387
National Stock Exchange – PNC
Market lot – 1 share
ISIN: INE 392B01011 (Equity)
Equity shares of the Company are traded only in dematerialized form
- 9.7 Company's share price performance in comparison to broad based indices – BSE SENSEX and NSE NIFTY

Period (As on March 31, 2008 and March 31, 2009)	% change in Company's share price	% change in Indices
BSE-SENSEX	-72.60%	-37.94%
NSE-NIFTY	-71.78%	-36.19%

## 9.8 Market price data

(Rs)

	NSE		BSE	
	Month's high price	Month's low price	Month's high price	Month's low price
April 2008	60.20	44.35	60.35	47.75
May 2008	77.80	48.70	76.40	51.00
June 2008	67.70	43.00	66.80	44.95
July 2008	54.00	31.60	59.95	31.20
August 2008	48.00	35.40	46.60	35.50
September 2008	39.55	28.00	39.00	29.50
October 2008	32.35	14.20	30.90	14.00
November 2008	21.60	16.00	21.45	16.10
December 2008	19.90	16.00	19.75	15.90
January 2009	21.60	15.00	21.80	15.25
February 2009	17.45	13.75	16.50	14.00
March 2009	15.50	12.10	15.20	12.25

9.9 Registrar and transfer agents : Link Intime India Private Ltd

9.10 Share transfer system : Share transfer requests received in physical form are registered within 30 days from the date of receipt and demat requests are normally confirmed within an average of 15 days from the date of receipt.

## 9.11 Distribution of shareholding as on March 31, 2009

Shares of nominal value of Rs	Equity shares of face value of Rs 10 each				
	Number of shareholders	%	Number of shares	Share amount (Rs)	%
Up to 5,000	4,712	82.29	731,773	7,317,730	5.06
5,001 to 10,000	502	8.77	425,197	4,251,970	2.94
10,001 to 20,000	230	4.02	363,279	3,632,790	2.51
20,001 to 30,000	88	1.54	225,420	2,254,200	1.56
30,001 to 40,000	36	0.63	128,909	1,289,090	0.89
40,001 to 50,000	37	0.65	177,883	1,778,830	1.23
50,001 to 100,000	58	1.01	434,259	4,342,590	3.00
100,001 and above	63	1.10	11,980,280	119,802,800	82.81
Total	5,726	100.00	14,467,000	144,670,000	100.00

Distribution of shareholding as on March 31, 2009 (Category wise)		%
Promoters holding	:	35.01
Mutual funds and Unit Trust of India	:	4.43
Banks and financial institutions	:	2.88
Foreign institutional investors	:	21.40
Public and private corporate bodies	:	11.85
NRI/OCBs	:	3.75
Indian public and others	:	20.68
Total	:	100.00

## 9.12 Dematerialization of shares and liquidity

About 14,462,009 equity shares of the Company are held in dematerialized form which constitutes 99.97% of the total number of equity shares dematerialized as on March 31, 2009. Trading in the equity shares of the Company is permitted only in dematerialized form. The equity shares of the Company are actively traded on BSE and NSE.

9.13 Outstanding GDR/ ADRs warrants or convertible instruments : The Company has no outstanding instruments convertible into equity shares.

9.14 Plant locations : The Company has no plant.

## 9.15 Address for investor correspondence

a. Registrar and share transfer agent	b. Company
Link Intime India Pvt Ltd	The Company Secretary
Unit: Pritish Nandy Communications Ltd	Pritish Nandy Communications Ltd
C-13, Pannalal Silk Mills Compound,	87/88, Mittal Chambers,
LBS Marg, Bhandup (West), Mumbai 400078	Nariman Point, Mumbai 400021
Tel : 022-2596 38 38 email : isrl@linkintime.co.in	Tel : 022-4213 00 00 email : investorgrivance@prishnandycom.com
Fax : 022-2596 69 69 Website : www.linkintime.co.in	Fax : 022-4213 00 33 Website : www.pritishnandycom.com

## 10 OTHER INFORMATION

a. Listing fees for the financial year 2009-10 have been paid to both the Exchanges.

b. Code of conduct for Board of Directors

The Board has adopted a code of conduct for its directors and senior management of the Company. This code of conduct has been followed by all. The code is available on the website of the Company.

c. PNC's code for prevention of insider trading

The Board has adopted a code of conduct in accordance with the model code of conduct prescribed by SEBI. The code, besides other relevant matters, prohibits an insider from dealing in the shares of the Company while in possession of unpublished price sensitive information in relation to the Company. The Company Secretary has been appointed as the Compliance Officer for monitoring implementation of the Code. The Code of Conduct is applicable to all employees who have access to unpublished price sensitive information relating to the Company as well as the directors; they have complied with the code and the Company has received confirmation to that effect. During the time of declaration of results, dividend and other material events, the trading window is closed as per the code.

d. Risk management

The Company has adopted procedures for risk assessment and minimization. The risk management policy is adopted by the Board.

e. CEO/ CFO Certification

A certificate from the Wholtime Director and CEO and the Vice President, Finance, Compliances and Legal Affairs on the financial statement of the Company was placed before the Board.

For and on behalf of the Board

Pallab Bhattacharya  
Wholtime Director and CEO

Yatender Verma  
Vice President, Finance,  
Compliances and Legal Affairs

Nirav Joshi  
Company Secretary

## COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To  
The Members  
Pritish Nandy Communications Ltd  
Mumbai

We have examined the compliance of conditions of Corporate Governance by Pritish Nandy Communications Ltd, for the year ended on March 31, 2009 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was conducted in the manner described in the "Guidance Note on Certificate of Corporate Governance" issued by The Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

As required by the Guidance Note on certification of Corporate Governance issued by The Institute of Chartered Accountants of India, we state that, the Registrar of the Company have certified that as at March 31, 2009, there were no investor grievances pending for a period exceeding one month, and as explained to us by the management, the Registrar have reported to the Shareholders/ Investors Grievance Committee regularly on the status of such grievances.

We further state that such compliance is neither an assurance to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Jaideepsingh P Deore & Co  
Chartered Accountants

Jaideepsingh P Deore  
Proprietor  
M No 44055

Mumbai, June 29, 2009

## AUDITOR'S REPORT

To  
The Members  
Pritish Nandy Communications Ltd

We have audited the attached Balance Sheet of Pritish Nandy Communications Ltd as at March 31, 2009 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that 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.

1. 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 mis-statement. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to in paragraph 2 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 purpose of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956;
  - v. On the basis of written representations received from the Directors, as on March 31, 2009 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on March 31, 2009 from being appointed as a Director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956;
  - vi. Further reference is invited to
    - a. note no B(7) of Schedule 19 regarding reliance being placed on legal opinion obtained by the Company that the bank guarantee encashed in the year ended March 31, 2001 of Rs 75,050,000 in respect of marketing of Olympic Games 2000 is fully recoverable and consequent non-provision of any amount there against; and
    - b. note no B(22) of Schedule 19 to the accounts in respect of loans and advances aggregating to Rs 46,753,181, where Company has initiated recovery proceedings. The management considers the same as good and fully recoverable. The legal opinion obtained by the Company supports this. We have relied on the same and consequent non-provision of any amount there against at this stage.

Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with accounting policies and notes to the accounts, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2009;
- ii. in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Jaideepsingh P Deore & Co  
Chartered Accountants

Jaideepsingh P Deore  
Proprietor  
M No 44055

Mumbai, June 29, 2009



## The challenge for a creative organisation is to cope

with constantly changing consumer expectations on one hand and technology shifts on the other. This is the challenge we try to meet at all times. Being such a young company and working such an exciting space, where India is today the world leader in terms of both number of films made and size of audience, we are always learning, always evolving ourselves.



Rangita Prithish-Nandy  
Creative Director/ Prithish Nandy Communications  
Creativity Professional

Annexure referred to in paragraph (2) of Auditor's Report to the Members of British Nandy Communications Ltd on the Accounts for the year ended March 31, 2009.

1. a. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- b. The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.
- c. In our opinion and according to the information and explanations given to us by the Management, fixed assets disposals during the year were not substantial and therefore do not affect the going concern assumption.
2. a. As explained to us by the Management, the production/ making of content requires various types, qualities and quantities of content related consumable and inputs in different denominations. Due to the multiplicity and complexity of the items, it is not practical to maintain the quantitative record/ continuous stock register, as the process of making content is not amenable to it. All the purchases of content related consumable/ consumables are treated as consumed. In view of this the Company does not maintain stock register and also does not carry out physical verification of stock. However, the Management physically verifies the finished content in hand at the end of the year.
- b. In our opinion and according to the information and explanations given to us, the procedure of physical verification of finished content followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c. In view of the clause(a) above, this clause is not applicable for content under production. However, in respect of finished content the Company has maintained proper records. As explained to us, there were no material discrepancies noticed on physical verification of finished content as compared to register of finished content.
3. a. The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 other than the balance consideration receivable on transfer of wellness business segment to its wholly owned subsidiary company which has been considered as interest bearing unsecured loan as per mutual understanding. The details of which are as under

Name of the Company	Relationship	Maximum amount involved	Year end balance
PNC Wellness Ltd	wholly owned subsidiary		
Unsecured loan including interest		Rs 26,910,820	Rs 18,965,470
Current account		Rs 1,241,108	Rs 1,241,108

- b. In our opinion and according to the information and explanations given to us and on the basis of rescheduled terms and conditions of the above, said unsecured loan are not prima facie prejudicial to the interest of the Company.
- c. According to the information and explanations given to us and on the basis of rescheduled terms and conditions of the above said unsecured loan, repayment of the principal amount and payment of interest is regular, where applicable.
- d. In respect of above said loan granted, there is no overdue amount more than rupees one lakh.
- e. As the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956, the provisions of clauses (iii)(b), (iii)(c), (iii)(d), (iii)(f) and (iii)(g) of Paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
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 the purchase of content, related consumables and fixed assets and for the sale of content. During the course of audit and according to information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the internal control system.
5. a. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered into in the register maintained under Section 301 of the Companies Act, 1956 have been entered.
- b. In our opinion and according to the information and explanations given to us, transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the rules framed thereunder.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. As informed to us, the maintenance of the cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 in respect of the activities carried on by the Company.
9. a. According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Service Tax, Cess and other statutory dues have been generally regularly deposited with the appropriate authorities as applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2009 for a period of more than six months from the date of becoming payable except VAT liability amounting to Rs 13,703,567.
- b. According to information and explanations given to us, there are no dues of Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Service Tax and Cess, which have not been deposited on account of any dispute except the following

Name of statute	Nature of dues	Period to which relate	Amount (Rs)	Forum where pending
Income Tax Act, 1961	Income tax	AY 2001-2002	629,204	Rectification pending before ACIT 11(1)
VAT Act, 2005	VAT	FY 2003-2004	1,520,760	Appeal is under preparation

10. The Company does not have accumulated losses as at March 31, 2009 and in the immediately preceding financial year. However, the Company has incurred cash losses in the financial year covered by our audit.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, bank or debenture holders.
12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to information and explanations given to us, the Company is not a chit fund/ nidhi/ mutual benefit fund/ societies. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
14. In our opinion and according to information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions during the year.
16. In our opinion and according to the information and explanations given to us, generally the term loans have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, funds raised on a short term basis have not been used for long term investment.
18. The Company has not made any preferential allotment of shares to parties and Companies covered in the Register maintained under Section 301 of the Companies Act, 1956 during the year.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issue during the year.
21. 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 material fraud on or by the Company noticed or reported during the year, nor have been informed of such case by the management.

For Jaideepsingh P Deore & Co  
Chartered Accountants  
Jaideepsingh P Deore  
Proprietor  
M No 44055

Mumbai, June 29, 2009

			As at March 31, 2009	
	Schedule No		March 31, 2009 Rupees	March 31, 2008 Rupees
<b>SOURCES OF FUNDS</b>				
1. Shareholders' funds				
a. Share capital	1	144,670,000	144,670,000	
b. Reserve and surplus	2	792,078,051	936,748,051	954,112,227
2. Loan funds				
a. Secured loans	3	2,211,306	2,441,340	
b. Unsecured loans	4	10,776,125	12,987,431	13,945,042
3. Deferred taxation (net)	5			
Deferred tax liabilities		125,978,033	128,626,699	
Less: deferred tax assets		0	0	128,626,699
			1,075,713,515	1,096,683,968
<b>APPLICATION OF FUNDS</b>				
1. Fixed assets	6			
a. Gross block		22,938,793	22,780,732	
b. Less: depreciation		6,510,222	16,428,571	16,509,067
2. Investments	7		14,018,200	14,018,200
3. Current assets, loans and advances				
a. Cinematic and television content	8		421,162,715	417,669,562
b. Sundry debtors	9		43,601,381	151,891,945
c. Cash and bank balances	10		188,511,080	235,771,156
d. Loans and advances	11		495,673,274	408,096,187
	(A)		1,148,948,450	1,213,428,850
Less: current liabilities and provisions				
a. Liabilities	12		63,960,776	90,628,629
b. Provisions	13		39,720,930	56,643,520
	(B)		103,681,706	147,272,149
Net current assets	(A-B)		1,045,266,744	1,066,156,701
			1,075,713,515	1,096,683,968
<b>Significant accounting policies and notes to Balance Sheet and Profit and Loss Account</b>				
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As per our attached report of even date  
For Jaideepsingh P Deore & Co  
Chartered Accountants

Authenticated by us  
For Pritish Nandy Communications Ltd

Pallab Bhattacharya  
Wholetime Director and CEO

Vishnu Kanhere  
Director

Jaideepsingh P Deore  
Proprietor  
M No 44055

Bobbie Ghosh  
Chief Operating Officer

Yatender Verma  
VP, Finance,  
Compliances and  
Legal Affairs

Nirav Joshi  
Company Secretary

Mumbai, June 29, 2009

Mumbai, June 29, 2009

# PROFIT AND LOSS ACCOUNT

PRITISH NANDY COMMUNICATIONS LTD  
THE 16TH ANNUAL REPORT AND ACCOUNTS 2009

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For the year ended March 31, 2009

	Schedule No	March 31, 2009 Rupees	March 31, 2008 Rupees
<b>INCOME</b>			
Sales and services	14	128,539,467	307,319,948
Other income	15	24,771,522	31,091,132
		<u>153,310,989</u>	<u>338,411,080</u>
<b>EXPENDITURE</b>			
Cost of content	16	130,601,758	182,395,824
Administrative and other expenses	17	40,136,270	42,644,894
Depreciation		1,760,071	1,571,170
Financial expenses	18	300,900	8,327,422
		<u>172,798,999</u>	<u>234,939,310</u>
Profit/ (loss) before taxation		(19,488,010)	103,471,770
Provision for taxation			
Current tax		0	17,000,000
Wealth tax		38,800	35,000
Fringe benefit tax		290,000	249,993
Deferred tax		(2,648,666)	20,066,048
Net profit/ (loss) after taxes		(17,168,144)	66,120,729
Add: prior years adjustments		0	69,907
Less: prior years adjustments		196,032	507,877
Net profit/ (loss)		(17,364,176)	65,682,759
Balance brought forward from previous year		115,348,263	73,159,894
		<u>97,984,087</u>	<u>138,842,653</u>
<b>APPROPRIATIONS</b>			
Proposed dividend		0	14,467,000
Corporate tax on dividend		0	2,459,390
Transferred to general reserve		0	6,568,000
Balance carried over to Balance Sheet		<u>97,984,087</u>	<u>115,348,263</u>

Significant accounting policies and notes to  
Balance Sheet and Profit and Loss Account

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As per our attached report of even date  
For Jaideepsingh P Deore & Co  
Chartered Accountants

Authenticated by us  
For Pritish Nandy Communications Ltd

Pallab Bhattacharya  
Wholetime Director and CEO

Vishnu Kanhere  
Director

Bobbie Ghosh  
Chief Operating Officer

Yatender Verma  
VP, Finance,  
Compliances and  
Legal Affairs

Nirav Joshi  
Company Secretary

Jaideepsingh P Deore  
Proprietor  
M No 44055

Mumbai, June 29, 2009

Mumbai, June 29, 2009



## The media and entertainment industry has just

gone through its most difficult year ever but appears to be slowly recovering. We may still have tough days ahead but the process of healing has begun. These times have taught us to introspect, relearn our skills, redesign some of our operations and, above all, appreciate the importance of making our existing resources go as far as possible. This will continue to be the challenge till the world economy eventually recovers and people regain their confidence.



Pallab Bhattacharya  
CEO and Director/ Pritish Nandy Communications  
Management Professional



# SCHEDULES FORMING PART OF THE ACCOUNTS

PRITISH NANDY COMMUNICATIONS LTD  
THE 16TH ANNUAL REPORT AND ACCOUNTS 2009

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	March 31, 2009 Rupees	March 31, 2008 Rupees		March 31, 2009 Rupees	March 31, 2008 Rupees
<b>SCHEDULE 1 SHARE CAPITAL</b>			<b>SCHEDULE 3 SECURED LOANS</b>		
Authorised share Capital 20,000,000 (LY 20,000,000) equity shares of Rs 10 each	200,000,000	200,000,000	Term loan (Secured against the hypothecation of vehicles)		
Issued, subscribed and fully paid up 14,467,000 (LY 14,467,000) equity shares of Rs 10 each	144,670,000	144,670,000	ICICI Ltd	1,913,749	1,759,644
Notes: Of the above shares			Kotak Mahindra	272,284	499,140
496,000 equity shares of Rs 10 each were issued as fully paid up bonus shares by capitalisation of Rs 4,960,000 from retained profits during the year 96-97			Citibank	25,273	182,556
6,250,000 equity shares of Rs 10 each are issued as fully paid up bonus shares by utilisation of General Reserves and Profit and Loss Account and Share Premium Account during the year 99-00				2,211,306	2,441,340
4,000,000 equity shares of Rs 10 each were issued at premium of Rs 60 through QIP during the year 06-07			<b>SCHEDULE 4 UNSECURED LOANS</b>		
	144,670,000	144,670,000	International Communications & Investments		
<b>SCHEDULE 2 RESERVES AND SURPLUS</b>			Mauritius Ltd	10,000,000	10,000,000
Capital reserve (as per last Balance Sheet)	36,865	36,865	Interest payable on above	776,125	776,125
General reserve (as per last Balance Sheet)	22,098,279	15,001,149	Kotak Mahindra Bank Ltd	0	727,577
Add: net assets recognised as per revised AS - 15	0	529,130		10,776,125	11,503,702
Add: transferred during current year	0	6,568,000			
Profit and Loss Account	97,984,087	115,348,263	<b>SCHEDULE 5 DEFERRED TAXATION</b>		
Share premium account (as per last Balance Sheet)	671,958,820	671,958,820	(Refer note no B(13) of schedule 19)		
	792,078,051	809,442,227	Deferred tax liabilities		
			As at April 1, 2008	128,626,699	119,476,604
			Add: additional adjustment for current year	0	14,226,502
			Less: reversed during current year - net	2,648,666	5,076,407
			Deferred tax assets		
			As at April 1, 2008	0	10,915,953
			Add: created during current year	0	0
			Less: reversed during current year	0	0
				125,978,033	128,626,699

## SCHEDULE 6 FIXED ASSETS

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
Particulars	As at April 1, 2008	Additions	Deductions	As at March 31, 2009	As at April 1, 2008	For the year	Deductions	Total	As at March 31, 2009	As at March 31, 2008
Office premises	723,764	0	0	723,764	321,924	63,329	0	385,253	338,511	401,840
Furniture and fixtures	1,258,999	50,000	0	1,308,999	348,508	82,675	0	431,183	877,816	910,491
Office equipment	8,381,940	112,221	73,300	8,420,861	1,798,054	400,364	16,248	2,182,170	6,238,691	6,583,886
Motor car	9,550,574	2,303,083	1,682,339	10,171,318	2,291,430	941,704	652,607	2,580,527	7,590,791	7,259,144
Computers, printers and software	2,307,301	926,150	919,600	2,313,851	1,511,749	271,999	852,659	931,089	1,382,762	795,552
Pre-operative expenditure	558,154	260,000	818,154	0	0	0	0	0	0	558,154
Total (Rs)	22,780,732	3,651,454	3,493,393	22,938,793	6,271,665	1,760,071	1,521,514	6,510,222	16,428,571	16,509,067
As on March 31, 2008	28,742,452	3,349,215	9,310,935	22,780,732	6,642,362	1,571,170	1,941,867	6,271,665	16,509,067	

	March 31, 2009 Rupees	March 31, 2008 Rupees		March 31, 2009 Rupees	March 31, 2008 Rupees
<b>SCHEDULE 7 INVESTMENTS</b>			<b>SCHEDULE 8 CINEMATIC AND TELEVISION CONTENT</b>		
Long term investments			At cost or net realisable value whichever is lower		
Unquoted investments			(As valued and certified by the management)		
In subsidiary company			Unamortised content	395,182,296	391,565,518
PNC Productions Ltd	6,999,200	6,999,200	Unexploited content	20,000,000	20,000,000
496,850 (LY 496,850) equity shares of face value of Rs 10 each fully paid up			Unfinished content	5,560,474	5,684,099
In wholly owned subsidiary company			Production property and tapes	419,945	419,945
PNC Wellness Ltd	5,100,000	5,100,000		421,162,715	417,669,562
60,000 (LY 60,000) equity shares of Rs 10 each fully paid up			<b>SCHEDULE 9 SUNDRY DEBTORS</b>		
Quoted investments			Unsecured		
Moving Picture Company (India) Ltd	1,919,000	1,919,000	Debts outstanding for more than six months		
95,000 (LY 95,000) equity shares of face value Rs 10 each fully paid up			Considered good	43,348,381	16,097,585
Market value Rs 4.46 (LY Rs 20.20)			Considered doubtful	0	0
	14,018,200	14,018,200		43,348,381	16,097,585
Aggregate value of quoted and unquoted investments			Less: provision for doubtful debts	0	0
	Cost	Market Value	Cost	Market Value	
Quoted investments	1,919,000	423,700	1,919,000	1,919,000	135,794,360
Unquoted investments	12,099,200	NA	12,099,200	NA	0
					135,794,360
					43,601,381
					151,891,945

	March 31, 2009 Rupees	March 31, 2008 Rupees		March 31, 2009 Rupees	March 31, 2008 Rupees
<b>SCHEDULE 10</b>			<b>SCHEDULE 16</b>		
<b>CASH AND BANK BALANCES</b>			<b>COST OF CONTENT</b>		
Cash and imprest account	15,005	181,095	Opening balance as on April 1, 2008		
(As verified and certified by the management)			Unamortised content	391,565,518	357,931,280
Cash at bank	3,555,740	50,590,363	Unexploited content	20,000,000	24,875,000
Cash at bank in exchange earners foreign currency account	0	10,413,434	Unfinished content	5,684,099	6,236,091
Cash at bank - fixed deposits	176,759,312	172,749,320	Production property and tapes	419,945	419,945
(Includes Rs 300,000 (LY 800,000) pledged with banks against guarantees)			Add: production cost of content incurred during the year	134,094,911	210,603,070
Accrued interest on fixed deposits	7,923,702	1,578,878	Less: closing balance as on March 31, 2009	551,764,473	600,065,386
Cash at bank - unpaid dividend account	257,321	258,066	Unamortised content	395,182,296	391,565,518
	188,511,080	235,771,156	Unexploited content	20,000,000	20,000,000
			Unfinished content	5,684,099	5,684,099
			Production property and tapes	419,945	419,945
<b>SCHEDULE 11</b>				421,162,715	417,669,562
<b>LOANS AND ADVANCES</b>				130,601,758	182,395,824
(Unsecured considered good)			<b>SCHEDULE 17</b>		
Intercompany deposits	0	2,500,000	<b>ADMINISTRATIVE AND</b>		
Interest on above	0	232,020	<b>OTHER EXPENSES</b>		
a. Loans			Annual listing fees	83,127	58,000
Wholly owned subsidiary company (inclusive of interest)	18,965,470	26,910,820	Auditor's remuneration	303,325	308,660
Staff*	246,000	259,000	Advances, deposits and interest written off	1,080,094	380,976
Others	3,000	54,000	Bad debts, rebate and discount	5,932,630	3,871,864
			Bank charges	48,337	45,776
b. Advances			Business promotion expenses	2,401,041	599,900
(Recoverable in cash or kind or for value to be received)			Rent, rates, taxes and business service centre charges	5,164,255	4,285,398
Income tax payments	14,782,905	14,382,905	Communication expenses	699,799	877,269
Tax deducted at source	40,424,343	32,237,743	Conveyance and motor car expenses	827,921	670,649
Advances to subsidiary			Directors sitting fees	400,000	410,000
PNC Productions Ltd	58,299,085	60,150,376	Diminution in value of investments	0	5,301,000
Advances to wholly owned subsidiary			Foreign exchange rate difference	0	1,004,102
PNC Wellness Ltd	1,241,108	0	Insurance charges	171,426	90,490
Other advances	344,597,665	253,336,385	Internet subscription and website expenses	571,643	290,050
	459,345,106	360,107,409	Legal, professional and consultancy fees	5,233,252	4,158,285
c. Deposits	17,113,698	18,032,938	License, registration and processing charges		9,000
*Maximum amount outstanding during the period Rs 504,000 (LY Rs 315,000)			Loss on sale of fixed assets	446,925	335,978
	495,673,274	408,096,187	Impairment of assets	0	457,167
			Membership and subscriptions	70,510	95,351
<b>SCHEDULE 12</b>			Profession tax	2,500	2,500
<b>CURRENT LIABILITIES</b>			Provision for tax	240,015	3,390,346
Sundry creditors			General expenses	1,618,759	2,708,839
For cinematic and television content	28,461,449	55,429,394	Personnel cost	12,358,454	10,428,544
(Includes Rs Nil (LY 10,298,599) to subsidiary company)			Printing and stationery	661,225	1,037,140
For expenses and other liabilities	2,608,425	2,631,067	Contribution to provident fund	47,049	87,218
			Contribution to group gratuity fund	59,472	97,397
Advances and other liabilities	32,633,581	32,310,102	Repairs and maintenance	271,800	152,165
Unclaimed dividend	257,321	258,066	ROC filing fees and stamp duty	357,992	625,420
	63,960,776	90,628,629	Traveling expenses	1,084,719	779,192
			Long term capital loss	0	86,218
				40,136,270	42,644,894
<b>SCHEDULE 13</b>					
<b>PROVISIONS</b>			<b>SCHEDULE 18</b>		
Provision for taxation	39,682,130	39,682,130	<b>FINANCIAL EXPENSES</b>		
Provision for wealth tax	38,800	35,000	Finance charges	300,900	448,670
Provision for dividend	0	14,467,000	Processing and documentation charges	0	831,464
Provision for corporate tax on dividend	0	2,459,390	Interest on secured loan	0	7,000,342
	39,720,930	56,643,520	Interest on overdraft account	0	46,946
				300,900	8,327,422
<b>SCHEDULE 14</b>					
<b>SALES AND SERVICES</b>					
Income from content	128,539,467	307,319,948			
	128,539,467	307,319,948			
<b>SCHEDULE 15</b>					
<b>OTHER INCOME</b>					
Interest on fixed deposits	19,916,177	23,685,615			
(TDS Rs 4,513,005 (LY Rs 5,367,126))					
Miscellaneous income	1,187,915	792,076			
Dividend on units of mutual fund	0	1,256,064			
Interest on intercompany deposits	300,000	300,000			
Interest on advances to subsidiary	1,363,654	1,859,696			
Foreign exchange rate difference	2,003,776	0			
Gain on redemption of units of mutual fund	0	122,704			
Profit on sale of fixed assets	0	3,074,977			
	24,771,522	31,091,132			

## SCHEDULE 19

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED MARCH 31, 2009.

## A. SIGNIFICANT ACCOUNTING POLICIES

## 1. General

- The financial statements have been prepared as per historical cost convention and in accordance with generally accepted accounting policies.
- Expenses and revenue are generally accounted for on accrual basis, except those associated with significant uncertainties and ex-gratia which are accounted on cash basis.

## 2. Revenue recognition

- In respect of commissioned content/ content produced/ acquired, income is recognised as on date of delivery of Digi Betas.
- In respect of sponsored content/ content produced/ acquired, income is recognised as and when the relevant content is telecast.
- In respect of cinematic content produced/ acquired, income is recognised on the following basis
  - In respect of cinematic content, which is not complete i.e. under production, no income is recognised.
  - In respect of cinematic content, which is complete but not released, income is recognised as – so much of the estimated income on release as bears to the whole of the estimated income the same proportion as the actual recoveries/ realisations/ confirmed contracts bears to the total expected realisations.
  - In respect of cinematic content completed and released during the year, income is recognised on release/ delivery of release prints except income, if any, already recognised as per clause c (ii).
  - In respect of cinematic content, which is complete but not released, income from streams other than theatrical release is recognised on the basis of contracts/ deal memo and delivery of Digi Betas.
  - In respect of music rights, income is recognised on its release or exploitation contract.
- In respect of consultancy services, income is recognised as and when services are actually rendered resulting in enforceable claim.
- Dividend on investments is accounted as and when received.

## 3. Cinematic content

The cinematic content has been valued on the following basis

- Incomplete cinematic content : at lower of allocated/ identified cost or net realizable value.
- Abandoned/ shelved cinematic content : at lower of cost or net realisable value.
- Completed cinematic content : at lower of unamortised allocated cost as estimated by the management depending on the genre, nature and contents of the cinematic content or net realizable value.

The Company allocates cost of production amongst music rights, exhibition rights, other rights and residual rights on an equitable basis.

Basis of amortisation of allocated costs

- Music rights are amortised at 100% on the basis of release of music/ exploitation contract.
- All rights other than music and residual rights are amortised as under
 

First release	Second release	Third release
50%	30%	20%

- Residual rights are amortised on an equitable basis.

The Company estimates useful life of the cinematic content at 20 years.

## Notes

- The production/ acquiring costs are amortised on the above basis by the Company. The production costs are revenue costs and are treated as such for the purposes of taxation.
- No unamortised costs are retained once the entire rights in respect of the cinematic content are sold out on an outright basis.

## 4. Television content

The television content has been valued on the following basis

- Unexploited television content : at lower of average of allocated cost or net realizable value.
- Unfinished television content : at lower of average of allocated cost or net realizable value.
- Production property : at lower of allocated cost or net realisable value.
- Exploited television content is amortised as under
 

Exploited television content	
	: at lower of unamortised cost as estimated by the management on the following basis or net realizable value

Particulars	1st Telecast	2nd Telecast	3rd Telecast	Residual value
Entertainment content	50%	30%	15%	5%
Current affairs and news based content	95%	—	—	5%
Commissioned content	100%	—	—	—

No unamortised costs shall be carried forward beyond a period of 10 years.

## Notes

- The Company amortises production costs in respect of television content once telecast and further retelecastable on the basis of the nature and contents of the television content and the expected number of telecasts as per the chart depicted above.
- The production costs are amortised as per the above-referred policy followed by the Company. The production costs are revenue costs and are treated as such for the purposes of taxation.
- The Company retains one copy of its own television content for record purpose.

## 5. Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Cost comprises purchase price including any attributable cost of bringing the asset to its working condition for its intended use and any other identifiable direct expenses.

All expenditure incurred prior to commencement of project is carried forward as pre-operative expenditure which would be capitalised/ written off on commencement of business.

## 6. Depreciation

Depreciation has been provided on Straight Line Method at the rates specified in schedule XIV of the Companies Act, 1956 as under

- No depreciation has been charged on the assets, which have not been put to use during the period.
- Depreciation on addition/ deletion to assets is calculated on a pro-rata basis from the month of such addition/ deletion.
- Depreciation on improvement to leave and licence premises is calculated over the period of leave and licence.

## 7. Taxation

Current tax: Provision for current tax for the year has been made after considering deduction/ allowances claims admissible to the Company under the Income Tax Act, 1961.

Deferred tax: Deferred tax is recognised, on timing differences, being difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets arising from temporary timing differences are recognised to the extent there is reasonable certainty that the assets can be realised in future.

Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised if there is virtual certainty that there will be sufficient future taxable income available to realise such losses.

## 8. Investments

Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary. Current investments are stated at lower of cost or market value.

Investments in subsidiaries being of strategic importance, the Company does not consider it necessary to provide for diminution in the book value of investments, till such relationship continues with the investee company.

## 9. Writing off preliminary expenses and share issue expenses

Preliminary expenses have been written off at 10% of the total cost. Share issue expenses shall be adjusted/ written off against share premium account.

## 10. Writing off deferred revenue expenditures

Deferred revenue expenditure has been written off at 20% of the total cost.

## 11. Contingent liabilities

No provision has been made for liabilities, which are contingent in nature.

## 12. Foreign currency transactions

- Transactions in foreign currency are recorded at the rate prevailing on the date when the amount is received or remitted.

- Foreign currency assets and liabilities are converted into rupee at the exchange rate prevailing on the balance sheet date; gains/ losses are reflected in the profit and loss account.

- Exchange difference on account of acquisition of fixed assets is adjusted to carrying cost of fixed assets.

## 13. Retirement benefits

- Regular contributions are made to Provident Fund and charged to revenue.
- The Company contributes to Employees Group Saving Linked Insurance Scheme with Life Insurance Corporation of India to cover its liability towards employee gratuity.
- The Company does not have any policy for leave encashment.

## 14. Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of such assets. The qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

## 15. Impairment of assets

At Balance Sheet date, the Company assesses whether there is any indication that any asset may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the assets exceeds the recoverable amount, an impairment loss is recognised in the accounts to the extent the carrying amount exceeds the recoverable amount.

## 16. Provisions and contingencies

The Company recognises a provision when there is a present obligation as a result of past events, 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.

Contingent assets are not recognised in the financial statement.

## B. NOTES TO ACCOUNTS

	2008-2009 (Rs)	2007-2008 (Rs)
1. Estimated amount of contracts to be executed on capital account. (Net of capital advances)	Nil	Nil
2. Bank guarantee issued by the bankers	300,000	800,000
3. Contingent liabilities		
a. Claims against the Company not acknowledged as debts.	150,100,000	150,100,000
b. Disputed VAT demand	1,520,760	Nil
Future cash outflow in respect of (a) and (b) above are determinable only on receipt of judgment/ decision pending with authorities.		
4. Auditors remuneration includes: (inclusive of service tax)		
Statutory audit fees	259,205	263,764
Tax audit fees	44,120	44,896
Fees for certification work	46,299	61,732
5. Additional information as required by paragraph 3 and 4 of part II of schedule VI of the Companies Act, 1956.		

	2008-2009 (Rs)	2007-2008 (Rs)
a. The Company is in the business of producing/ acquiring cinematic and television content which is not subject to any license, hence licensed capacity is not given. Further, in this type of business the installed capacity is not quantifiable.	Nil	Nil
b. Consumption of raw materials, components, spare parts and other inputs	NA (see note 6)	NA (see note 6)
c. Information pursuant to paragraph 4C of Part II of Schedule VI of the Companies Act, 1956 due to nature of the industry and the multiplicity of contents it is not practicable to quantify actual production.		
d. Remuneration to Director and Managing Director charged to the accounts		
i. Remuneration to Managing Directors	Nil	Nil
ii. Professional fees to Directors	6,000,000	5,850,000
iii. Sitting fees to Directors	400,000	410,000
iv. Payment to Wholtime Directors	2,257,131	2,028,000
v. Contribution to Provident Fund and other Funds	Nil	Nil
e. Dividend remitted in foreign currency	Nil	Nil
f. CIF value of imports	Nil	Nil
g. FOB value of imports	Nil	Nil
h. Expenditure in foreign currency		
Traveling expenses	US\$ 15,000	US\$ 15,000
(equivalent Indian Rupees)	Rs 648,800	Rs 605,625
Traveling expenses	GBP 3,000	GBP 5,500
(equivalent Indian Rupees)	Rs 209,150	Rs 463,350
Traveling expenses	EURO 10,000	EURO 2,500
(equivalent Indian Rupees)	Rs 598,150	Rs 139,250
Professional fees and out of pocket expenses	Nil	Nil
(equivalent Indian Rupees)	Nil	Nil
i. Earning in foreign currency	Nil	US\$*
(equivalent Indian Rupees)	Nil	Rs 29,973,161
Earning in foreign currency	Nil	US\$ 208
(equivalent Indian Rupees)	Nil	Rs 7,895

\*Received in Indian Rupees

6. The Company is engaged in the production/ making of cinematic and television content, which requires various types, qualities and quantities of raw materials and inputs in different denominations. Due to the multiplicity and complexity of the items it is not practicable to maintain the quantitative record/ continuous stock register, as the process of making content is not amenable to it. Hence quantitative details are not maintained. Physical stock of finished content is taken at the end of year. The Company has received approval from Ministry of Corporate Affairs under section 211(4) of the Companies Act, 1956 granting exemption from giving quantitative details of para 3(ii)(a)(1) & (2) of Part II, Schedule VI to the Companies Act, 1956.

7. Arbitration proceedings initiated by the Company against Prasar Bharati on account of wrongful encashment of bank guarantees of Rs 75,050,000 were ongoing before former Chief Justice YV Chandrachud. The parties completed the pleadings before the arbitrator but unfortunately he passed away in July 2008 while the cross examinations were on. The Company has filed a petition before the High Court at Bombay for appointment of a sole arbitrator in place and stead of Justice Chandrachud in January 2009, which is pending disposal before the High Court at Bombay. Opinion obtained by the Company from Justice AM Ahmadi, former Chief Justice of the Supreme Court of India, supports the Company's stand that the amount is fully recoverable. In view of this, the management of the Company does not consider it necessary to make provision thereagainst in the accounts. The Company is showing the amount withheld by Prasar Bharati as "Loans and Advances".

8. Accounting Standard (AS) 26 on "Intangible Assets" states that in the absence of persuasive evidence that there is presumption that intangible assets have a useful life of 10 years. In respect of cinematic content, the Company has persuasive evidence that the useful life of cinematic content is over 20 years.

The management has considered the following factors viz. the expected usage of the asset by the enterprise, typical product life cycles, technical, technological or other types of obsolescence, expected actions by competitors or potential competitors, the level of maintenance expenditure required to obtain the expected future economic benefits from the asset, the period of control over the asset, the useful life of the asset and for reasons viz. shelf lives of movies have substantially increased since 2000, getting better value for longer lease in excess of ten years, emergence of channels dedicated only for featuring content more than ten years old, growth in the numbers of distribution channels, rapid multiplication of remaking, animation and other new versions etc., is of the view that the useful life of the cinematic content is 20 years. The Company is in line with International Accounting Practices and is a step towards complying with IFRS norms which will become mandatory from 2011.

The details of cinematic and television content is as under

	Cinematic content (Rs)	Television content (Rs)	Total (Rs)
Gross carrying amount	1,208,704,003	564,484,957	1,773,188,960
Add: additions during the year	18,067,571	116,027,340	134,094,911
Total	1,226,771,574	680,512,297	1,907,283,871
Less: accumulated amortisation	825,335,699	530,603,644	1,355,939,343
Less: amortised during the year	18,067,571	112,534,188	130,601,759
Net carrying amount	383,368,304	37,374,465	420,742,769

The total unamortised cost of content as at March 31, 2009 is Rs 395,182,296. Based on a review of estimates of future realisations taken as a whole, the management is of the view that

future recoverable amount from content rights to be more than its carrying unamortised cost of content. Hence, no impairment/ write down is considered necessary on this account.

During the year, the Company has amortized its television content amounting to Rs 1,086,238, which has completed 10 years.

9. As per Accounting Standard (AS) 28 on "Impairment of Assets", the Company has assessed whether there is any indication that any assets has impaired. Since the carrying amount is less than the recoverable amount, there is no necessity for making any provision for impairment.

10. Segment information

During the year, Company operated in only one business segment viz content business.

11. Related party disclosure

In accordance with Accounting Standard (AS) 18 "Related Party Disclosure", the disclosure in respect of transactions with the companies related parties are as given below

i. Subsidiaries of the Company	a. PNC Productions Ltd b. PNC Wellness Ltd (wholly owned subsidiary)
ii. Key managerial personnel	a. Pallab Bhattacharya, Wholtime Director and CEO b. Rangita Pritish-Nandy, Wholtime Director and Creative Director c. Nirav Joshi, Company Secretary
iii. Non executive Directors and their relatives	a. Pritish Nandy, Non Executive Chairman b. Rina Nandy, Non Executive Director c. Udayan Bose, Non Executive, Independent Director d. Nabankur Gupta, Non Executive, Independent Director e. Vishnu Kanhere, Non Executive, Independent Director f. Harshawardhan Sabale, Non Executive, Independent Director g. Hema Malini, Non Executive, Independent Director h. Ishita Pritish Nandy - daughter of Non Executive Chairman

Details relating to parties/ persons referred to in above items are as under

Subsidiary Companies	Nature of transactions	in Rs lakh
	Advances given	96.47
	Balance outstanding as at year end	
	Receivables	785.05
Key managerial personnel	Remuneration	26.48
	Dividend	00.96
	Balance outstanding as at year end	
	Payable	1.71
Non executive Directors and their relatives		
	Remuneration/ sitting fees	69.64
	Dividend	37.98
	Balance outstanding as at year end	
	Payable	11.42

Note: Related party relationship is as identified by the Company and relied upon by the Auditors.

12. Earning per share (EPS)

In accordance with Accounting Standard (AS) 20 "Earning Per Share", the numerators and denominators used to calculate basic earning per share.

Particulars	2008-09	2007-08
Net profit/ (loss) after taxes and prior years		
adjustments for basic and dilutive EPS (Rs)	(17,364,177)	65,682,759
Weighted average number of equity share outstanding during the year for basic and diluted EPS	14,467,000	14,467,000
Basic and diluted earning per share (Rs)	(1.20)	4.54
Nominal value of equity shares (Rs)	10	10

13. The Company estimates deferred tax charge/ credit using the applicable rate of taxation based on the impact of timing differences between financial statements and estimated taxable income for the current year. The net deferred tax liability as at March 31, 2009 is given below

	As at April 1, 2008	Created during the year	Reversed during the year	As at March 31, 2009
Deferred tax liabilities				
Unamortised content	(1,295.67)	(14.15)	0.00	(1,309.82)
Depreciation and capital loss	(2.02)	(0.66)	1.56	(1.12)
Adjustment for change in tax rate	11.42	39.74	0.00	51.16
Deferred tax assets				
Unabsorbed business loss and depreciation	0.00	0.00	0.00	0.00
Net amount	(1,286.27)	24.93	1.56	(1,259.78)

14. Lease commitments

i. Finance lease

The Company takes vehicles under finance lease. Future minimum lease payments under finance leases as of March 31, 2009 are as under

Particulars	Principal (Rs)	Interest (Rs)	Total (Rs)
Not later than one year	1,033,007	195,411	1,228,418
Later than one year and not later than five years	1,178,299	91,751	1,270,050
Later than five years	Nil	Nil	Nil
Total minimum payments	2,211,306	287,162	2,498,468

## ii. Operating leases

The Company has taken premises under operating lease. Gross rental expenses for the year ended March 31, 2009 aggregated to Rs 5,164,255. The minimum rental payments to be made in future in respect of these leases are as follows

Particulars	Amount (Rs)
Not later than one year	5,091,990
Later than one year and not later than five years	2,940,275
Later than five years	Nil
Total	<u>8,032,265</u>

## 15. The disclosures as required under the Accounting Standard (AS) 15 (Revised) in respect of gratuity, a defined benefit scheme (based on Actuarial Valuation) is as follows

During the year, Company has recognised the following amounts in the financial statements

## a. Defined Contribution Plan

- Contribution to defined contribution plan, recognised as expense for the year are as under

Particulars	in Rs lakh
Employer's contribution to Provident Fund	0.47

## b. Defined benefit plan

Particulars	in Rs lakh Gratuity (Funded)
-------------	---------------------------------

- Reconciliation of opening and closing balances of defined benefit obligation
 

Defined benefit obligation at the beginning of the year	9.64
Current service cost	0.77
Interest cost	0.97
Actuarial (gain)/ loss	0.34
Benefit paid	0.95
Defined benefit obligation at the end of year	10.77
- Reconciliation of opening and closing balances of fair value of plan assets and defined benefit obligation
 

Fair value of plan assets at the beginning of the year	16.07
Expected return on plan assets	1.49
Actuarial gain/ (loss)	0.00
Employers contribution	0.91
Benefit paid	0.95
Fair value of plan assets at the end of the year	17.52
- Actual return on plan assets
 

Expected return on plan assets	1.49
Actuarial gain/ (loss) on plan assets	0.00
Actual return on plan assets	1.49
- Reconciliation of fair value of plan assets and benefit obligation
 

Fair value of assets as at March 31, 2009	17.51
Present value of obligation as at March 31, 2009	10.77
Amount recognised in Balance Sheet	6.74
- Expenses recognised during the year
 

Current service cost	0.97
Interest cost	0.77
Expected return on plan assets	1.49
Actuarial (gain)/ loss	0.34
Expenses recognised in Profit and Loss Account	0.59
- Investment details
 

The Company made annual contribution to LIC of India of an amount advised by them. The company was not informed by LIC of the investments made or the break down of plan assets by investment type.
- Actuarial assumptions
 

Discount rate (per annum)	8%
Expected rate of return on plan assets (per annum)	8%
Salary escalation (per annum)	4%

## 16. The Company has incurred loss during the year. Managerial remuneration paid/ payable is within the limit of minimum remuneration payable as per Part II of Schedule XIII of the Companies Act, 1956. The payment of remuneration is duly approved by the Remuneration Committee.

## a. Managerial remuneration to Wholtime Directors

Salary	1,485,291
Other perquisites	771,840
Total	<u>2,257,131</u>

## b. Directors' sitting fees

Directors' sitting fees	<u>400,000</u>
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Total managerial remuneration	<u>2,657,131</u>
-------------------------------	------------------

## c. Computation of profit in accordance with Section 198/ 349 of the Companies Act 1956

Profit/ (loss) before taxes and prior years adjustments	(19,488,011)
Add:	
Remuneration to Directors (excluding provision of Gratuity as separate actuarial valuations are not available)	2,257,131
Loss on sale of fixed assets	446,925
Advances written off	1,080,094
Net profit/ (loss) for Section 198/ 349 of the Companies Act, 1956.	<u>(15,703,861)</u>

17. The Company has not received any intimation from suppliers regarding the status under The Micro, Small And Medium Enterprises Development Act, 2006 and hence disclosures if any relating to the amount unpaid as at year end and together with interest paid/ payable as required under the Act have not been given.

18. During the financial year 2006-2007, the Company concluded its QIP issue, through which 4,000,000 Equity Shares of Rs 10 each for cash at a price of Rs 70 per equity share. Out of the total QIP issue proceeds of Rs 280,000,000, the Company has utilized Rs 221,120,856 towards cinematic content, QIP expenses, working capital and general corporate purpose etc. as at March 31, 2009.

The balance unutilized amount of Rs 58,879,144 has been kept in fixed deposits with Banks.

19. The Company is taking necessary steps for repayment of External Commercial Borrowing (ECB) unsecured loan of Rs 10,000,000 along with interest @ 3% p.a. taken from International Communications & Investments (Mauritius) Ltd for a period of three years with grace period of one year. The repayment period along with grace period of one year has expired in financial year 2005-2006.

20. The Government of Maharashtra has notified copyright as an item of intangible character liable to levy of VAT @ 4%. The Film & Television Producers GUILD of India Ltd is continually representing the entertainment industry before the Government of Maharashtra for relief which includes a plea to pass VAT liability to the final consumer, which is awaiting response. During the year, as a matter of prudence, a provision amounting to Rs 240,015 has been made in the accounts.

21. The Government of Maharashtra has introduced stamp duty in respect of agreements relating to specific performance by individuals or groups and assignment of copyrights @ 0.25% of the value of transactions exceeding Rs 100,000. The Film & Television Producers GUILD of India Ltd is continually representing the entertainment industry before the Government of Maharashtra with a plea to grant rebate to the entertainment industry on the lines of administrative relief given to the banking industry, which is awaiting a positive response from the concerned authorities. However, during the year, as a matter of prudence, a provision amounting to Rs 337,672 has been made in the accounts.

22. Loans and Advances of Rs 46,753,181 includes: i) Rs 15,000,000 advanced against the Music, Asian and Indian Satellite rights of a film where the Company has lien over the exploitation of the said rights and ii) Rs 31,753,181 being balance amount advanced towards joint production of a film where the Company has joint re-exploitation rights. The Company has initiated recovery proceedings in respect of the aforesaid advances. i) The Company has filed a Summary Suit with the High Court at Bombay which is pending hearing and disposal and ii) The Company has initiated arbitration proceedings which are ongoing before Justice Smt KK Baam (Retired). The management considers the same are good and fully recoverable. Legal opinion obtained by the Company supports this and consequently no provision has been made in the accounts at this stage.

23. Sundry debtors includes an amount aggregating to Rs 5,105,874 in respect of which legal proceedings have been initiated by the company. The management considers the same are good and fully recoverable, hence no provision has been made in the accounts at this stage.

24. Certain sundry debtors, sundry creditors and loans and advances are subject to confirmation by the respective parties.

25. In the opinion of the management investments, current assets and loans and advances are of the value stated in the financial statements and realisable in the ordinary course of business. The provisions for all known liabilities and depreciation are adequate and are not in excess of the amounts considered, reasonably necessary.

26. There are no dues payable to the Investor Education and Protection Fund as at March 31, 2009.

27. All known liabilities have been provided in the books of accounts.

28. There are no claims against the Company, except as stated in point no 3, which are not acknowledged as debts. Further, contingent liability on account of VAT that may arise due to non receipt of necessary declarations amounting to Rs 610,000.

29. Refer Annexure for additional information to Part IV of Schedule VI to the Companies Act, 1956.

30. Figures in respect of previous year have been re-grouped, re-arranged and re-cast to correspond with the figures of the current year.

31. Schedules referred to above form an integral part of Balance Sheet and Profit and Loss account.

As per our attached report of even date  
For Jaideepsingh P Deore & Co  
Chartered Accountants

Authenticated by us  
For Pritish Nandy Communications Ltd

Pallab Bhattacharya  
Wholtime Director and CEO

Vishnu Kanhere  
Director

Jaideepsingh P Deore  
Proprietor  
M No 44055

Bobbie Ghosh  
Chief Operating Officer

Yatender Verma  
VP, Finance,  
Compliances and  
Legal Affairs

Nirav Joshi  
Company Secretary

Mumbai, June 29, 2009

Mumbai, June 29, 2009

## BALANCE SHEET ABSTRACT

		The Companies Act, 1956 ( I of 1956)
		Schedule VI part IV
I.	Registration details	
	Registration No	74214
	State code	11
	Balance sheet date	March 31, 2009
II.	Capital raised during the year (Amount in Rs thousand)	
	Public issue	Nil
	Right issue	Nil
	Bonus issue	Nil
	QIP issue	Nil
	Private placement	Nil
III.	Position of mobilisation and deployment of fund (Amount in Rs thousand)	
	Total liabilities	1,075,714
	Total assets	1,075,714
	Sources of funds	
	Paid-up capital	144,670
	Reserve and surplus	792,078
	Secured loans	2,212
	Unsecured loans	10,776
	Deferred tax liabilities	125,978
	Total	1,075,714
	Application of funds	
	Net fixed assets	16,429
	Investments	14,018
	Net current assets	1,045,267
	Miscellaneous expenditure	0
	Accumulated losses	0
	Total	1,075,714
IV.	Performance of Company (Amount in Rs thousand)	
	Turnover (Includes other income)	153,311
	Total expenditure	172,799
	Profit/ (loss) before tax	(19,488)
	Profit/ (loss) after tax and prior years adjustment	(17,364)
	Earning per share (weighted average basic and diluted) in Rs	(1.20)
	Dividend @ %	0
V.	Generic name of three principal products of the Company (as per monetary terms)	
	Item code no (ITC Code)	Nil
	Product description	Cinematic and television content
	Item code no (ITC Code)	Nil
	Product description	Consultancy services
	Item code no (ITC Code)	Nil
	Product description	Advertising agency services

As per our attached report of even date  
For Jaideepsingh P Deore & Co  
Chartered Accountants

Jaideepsingh P Deore  
Proprietor  
M No 44055

Mumbai, June 29, 2009

Authenticated by us  
For Pritish Nandy Communications Ltd

Pallab Bhattacharya  
Wholtime Director and CEO

Bobbie Ghosh  
Chief Operating Officer

Mumbai, June 29, 2009

## CASH FLOW STATEMENT

		For the year ended March 31, 2009	
		March 31, 2009 Rupees	March 31, 2008 Rupees
A.	CASH FLOW FROM OPERATING ACTIVITIES		
	Profit/ (loss) before taxes and prior years adjustments	(19,488,010)	103,471,770
	Bad debts, rebate and discount	5,932,630	3,871,864
	Depreciation	1,760,071	1,571,170
	Finance charges	300,900	8,327,422
	Loss on sale of fixed assets	446,925	335,978
	Advances written off	1,080,094	380,976
	Foreign exchange rate difference - expenses	0	1,004,102
	Impairment of assets	0	457,167
	Diminution in value of investment	0	5,301,000
	Sundry creditors balances written back	(1,326,417)	(991,814)
	Interest on fixed deposit	(19,916,177)	(23,685,615)
	Foreign exchange rate difference - income	(2,003,776)	0
	Profit on sale of fixed assets	0	(3,074,977)
	Dividend on units of mutual fund	0	(1,256,064)
	Gain on redemption of units of mutual funds	0	(122,704)
	Operating cash flow before working capital changes	(33,213,760)	95,590,275
	Adjusted for		
	Cinematic and television content	(3,493,153)	(28,207,245)
	Sundry debtors	102,357,934	(15,617,843)
	Current liabilities	(25,341,437)	4,553,962
	Changes in loans and advances	(87,474,027)	(104,161,783)
	Cash generated from/ (used in) operations before prior period items	(47,164,443)	(47,842,634)
	Net prior year adjustments	(196,032)	(437,970)
	Direct taxes paid	(690,000)	(3,157,007)
	Net cash used in operating activities	(48,050,475)	(51,437,611)
B.	CASH FLOW FROM INVESTING ACTIVITIES		
	Purchase of fixed assets	(3,651,454)	(3,349,215)
	Sale of fixed assets	706,800	9,650,900
	Changes in investments	0	21,240,146
	Interest on fixed deposit	19,916,177	23,685,615
	Dividend on mutual fund	0	1,256,064
	Gain on redemption of units of mutual funds	0	122,704
	Foreign exchange rate difference - income	2,003,776	0
	Foreign exchange rate difference - expenses	0	(1,004,102)
	Net cash used in investing activities	18,975,299	51,602,112
C.	CASH FLOW FROM FINANCING ACTIVITIES		
	Additional borrowings	1,752,235	52,664,803
	Repayment of borrowings	(2,709,845)	(54,887,625)
	Dividend paid	(14,467,000)	(14,467,000)
	Corporate tax on dividend paid	(2,459,390)	(2,459,390)
	Finance and other charges paid	(300,900)	(8,327,422)
	Net cash used in financing activities	(18,184,900)	(27,476,634)
	Net changes in cash and cash equivalents (A+B+C)	(47,260,076)	(27,312,133)
	Cash and cash equivalents- opening balance	235,771,156	263,083,289
	Cash and cash equivalents- closing balance	188,511,080	235,771,156

## Notes

- The above cash flow statement has been prepared as per indirect method.
- Direct taxes paid are treated as arising from operating activities and are not bifurcated between investing and financing activities.
- Figures in brackets represents deductions/ outflows.
- Previous year's figures have been regrouped wherever necessary.

Vishnu Kanhere  
Director

Yatender Verma  
VP, Finance,  
Compliances and  
Legal Affairs

Nirav Joshi  
Company Secretary

## AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENT

To  
The Board of Directors  
Pritish Nandy Communications Ltd

We have examined the attached consolidated Balance Sheet of Pritish Nandy Communications Ltd and its subsidiaries as at March 31, 2009 and the Consolidated Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of Pritish Nandy Communications Ltd. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with generally accepted Auditing Standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared in all material respects, in accordance with an identified financial reporting framework and are free of material mis-statements. An audit includes, examining on 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. We believe that our audit provides a reasonable basis for our opinion.
2. We did not audit the financial statements of the subsidiaries viz. PNC Productions Ltd and PNC Wellness Ltd, whose financial statements reflect total assets of Rs 6,167,556 and Rs 24,065,470 as at March 31, 2009 and total revenues of Rs 129,161 and Rs 27,953,520 respectively for the year ended on that date. These financial statements have been audited by another auditor, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of subsidiaries, is based solely on the report of the other auditor.
3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21, "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Pritish Nandy Communications Ltd, and its subsidiaries included in the consolidated financial statements.
4. Further reference is invited to
  - a. note no C(7) of Schedule 20 regarding reliance being placed on legal opinion obtained by the Company, that the bank guarantee encashed in the year ended March 31, 2001 of Rs. 75,050,000 in respect of marketing of Olympic Games 2000 is fully recoverable and consequent non-provision of any amount there against; and
  - b. note no C(22) of Schedule 20 to the accounts in respect of loans and advances aggregating to Rs 46,753,181, where Company has initiated recovery proceedings. The management considers the same as good and fully recoverable. The legal opinion obtained by the Company supports this. We have relied on the same and consequent non-provision of any amount there against at this stage.

Subject to above, on the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Pritish Nandy Communications Ltd and its subsidiaries, we are of the opinion that the said consolidated financial statements read together with accounting policies and notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India.

- i. in the case of consolidated Balance Sheet, of the state of affairs of Pritish Nandy Communications Ltd and its subsidiaries as at March 31, 2009;
- ii. in the case of consolidated Profit and Loss Account, of the consolidated results of operations of Pritish Nandy Communications Ltd and its subsidiaries for the year ended on that date; and
- iii. in the case of consolidated Cash Flow Statement, of the consolidated cash flow of Pritish Nandy Communications Ltd and its subsidiaries for the year ended on that date.

For Jaideepsingh P Deore & Co  
Chartered Accountants

Jaideepsingh P Deore  
Proprietor  
M No 44055

Mumbai, June 29, 2009

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended March 31, 2009

	March 31, 2009 Rupees	March 31, 2008 Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/ (loss) before taxes and prior years adjustments	(17,563,613)	103,211,444
Bad debts, rebate and discount	5,932,630	3,871,864
Depreciation	7,594,463	7,155,169
Diminution in value of investment	0	5,301,000
Preliminary expenses written off	5,890	5,890
Advances written off	1,119,929	425,304
Finance charges	305,770	8,416,411
Loss on sale of fixed assets	446,925	683,615
Impairment of assets	0	457,167
Foreign exchange rate difference - expenses	0	1,004,102
Foreign exchange rate difference - income	(2,003,776)	0
Sundry creditors balances written back	(1,326,417)	(991,814)
Interest on fixed deposit	(20,299,071)	(23,938,101)
Profit on sale of fixed assets	0	(3,074,977)
Dividend on units of mutual fund	0	(1,256,064)
Gain on redemption of units of mutual funds	0	(122,704)
Operating cash flow before working capital changes	(25,787,270)	101,148,306
Adjusted for		
Cinematic and television content	(3,493,152)	(28,129,904)
Sundry debtors	112,306,958	(25,653,102)
Current liabilities	(31,231,671)	18,423,026
Changes in loans and advances	(95,691,859)	(105,736,046)
Cash generated from/ (used in) operations	(43,896,994)	(39,947,720)
Net prior year adjustments	(208,157)	(492,970)
Direct taxes paid	(740,000)	(3,299,391)
Net cash used in operating activities	(44,845,151)	(43,740,081)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(4,728,287)	(4,088,385)
Sale of fixed assets	706,800	9,682,900
Changes in investments	(1,614,583)	21,240,146
Interest on fixed deposit	20,299,071	23,938,101
Dividend on mutual fund	0	1,256,064
Gain on redemption of units of mutual funds	0	122,704
Foreign exchange rate difference - income	2,003,776	0
Foreign exchange rate difference - expenses	0	(1,004,102)
Net cash used in investing activities	16,666,777	51,147,428
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Additional borrowings	1,752,235	52,664,803
Repayment of borrowings	(2,934,490)	(55,727,971)
Dividend paid	(14,467,000)	(14,467,000)
Corporate tax on dividend paid	(2,459,390)	(2,459,390)
Finance and other charges paid	(305,770)	(8,416,411)
Net cash used in financing activities	(18,414,415)	(28,405,969)
Net changes in cash and cash equivalents (A+B+C)	(46,592,789)	(20,998,622)
Cash and cash equivalents- opening balance	244,657,043	265,655,665
Cash and cash equivalents- closing balance	198,064,254	244,657,043

### Notes

- i. The above cash flow statement has been prepared as per indirect method.
- ii. Direct taxes paid are treated as arising from operating activities and are not bifurcated between investing and financing activities.
- iii. Figures in brackets represents deductions/ outflows.
- iv. Previous year figures have been regrouped wherever necessary.

As per our attached report of even date  
For Jaideepsingh P Deore & Co  
Chartered Accountants

Authenticated by us  
For Pritish Nandy Communications Ltd

Jaideepsingh P Deore  
Proprietor  
M No 44055

Pallab Bhattacharya  
Wholtime Director and CEO

Vishnu Kanhere  
Director

Bobbie Ghosh  
Chief Operating Officer

Yatender Verma  
VP, Finance,  
Compliances and  
Legal Affairs

Nirav Joshi  
Company Secretary

Mumbai, June 29, 2009

Mumbai, June 29, 2009

			As at March 31, 2009		
			March 31, 2009	March 31, 2008	
			Rupees	Rupees	
SOURCES OF FUNDS					
1.	Shareholders' funds				
a.	Share capital	1	144,670,000	144,670,000	
b.	Reserve and surplus	2	781,430,448	797,687,120	942,357,120
2.	Minority interest		38,855		38,710
3.	Loan funds				
a.	Secured loans	3	2,211,306	2,665,985	
b.	Unsecured loans	4	10,776,125	11,503,702	14,169,687
4.	Deferred taxation (net)	5			
	Deferred tax liabilities		125,978,033	128,626,699	
	Less: deferred tax assets		2,600,513	3,189,237	125,437,462
			1,062,504,254		1,082,002,979
APPLICATION OF FUNDS					
1.	Fixed assets	6			
a.	Gross block		60,467,312	59,232,418	
b.	Less: depreciation		23,259,833	17,186,883	42,045,535
2.	Investments	7	8,533,583		6,919,000
3.	Current assets, loans and advances				
a.	Cinematic and television content	8	417,333,146		413,839,994
b.	Sundry debtors	9	43,979,300		162,218,888
c.	Cash and bank balances	10	198,064,254		244,657,043
d.	Loans and advances	11	476,316,780		380,511,695
	(A)		1,135,693,480		1,201,227,620
	Less: current liabilities and provisions				
a.	Liabilities	12	78,727,688		111,285,776
b.	Provisions	13	40,243,830		56,950,520
	(B)		118,971,518		168,236,296
	Net current assets	(A-B)	1,016,721,962		1,032,991,324
4.	Preliminary expenses	14	41,230		47,120
			1,062,504,254		1,082,002,979
Significant accounting policies and notes to Balance Sheet and Profit and Loss Account			20		

As per our attached report of even date  
For Jaideepsingh P Deore & Co  
Chartered Accountants

Authenticated by us  
For Pritish Nandy Communications Ltd

Pallab Bhattacharya  
Wholetime Director and CEO

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Bobbie Ghosh  
Chief Operating Officer

Yatender Verma  
VP, Finance,  
Compliances and  
Legal Affairs

Nirav Joshi  
Company Secretary

Mumbai, June 29, 2009

Mumbai, June 29, 2009

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

PRITISH NANDY COMMUNICATIONS LTD  
THE 16TH ANNUAL REPORT AND ACCOUNTS 2009

33

For the year ended March 31, 2009

	Schedule No	March 31, 2009 Rupees	March 31, 2008 Rupees
INCOME			
Sales and services	15	156,014,637	330,100,841
Other income	16	24,015,379	32,100,321
		<u>180,030,016</u>	<u>362,201,162</u>
EXPENDITURE			
Cost of content	17	130,601,759	182,023,165
Administrative and other expenses	18	59,091,636	61,394,973
Depreciation		7,594,463	7,155,169
Financial expenses	19	305,770	8,416,411
		<u>197,593,628</u>	<u>258,989,718</u>
Profit/ (loss) before taxation		(17,563,612)	103,211,444
Provision for taxation			
Current tax		215,900	17,172,000
Wealth tax		38,800	35,000
Fringe benefit tax		290,000	292,267
Deferred tax		(2,059,942)	19,247,072
Net profit/ (loss) after taxes		(16,048,370)	66,465,105
Add: prior years adjustments		2,621	69,907
Less: prior years adjustments		210,778	562,878
Net profit/ (loss)		(16,256,527)	65,972,134
Share of minority interest		(145)	(16,038)
Net profit after minority interest		(16,256,672)	65,956,096
Balance brought forward from previous year		103,593,156	61,131,450
		<u>87,336,484</u>	<u>127,087,546</u>
APPROPRIATIONS			
Proposed dividend		0	14,467,000
Corporate tax on dividend		0	2,459,390
Transferred to general reserve		0	6,568,000
Balance carried over to Balance Sheet		<u>87,336,484</u>	<u>103,593,156</u>

Significant accounting policies and notes to  
Balance Sheet and Profit and Loss Account

20

As per our attached report of even date  
For Jaideepsingh P Deore & Co  
Chartered Accountants

Authenticated by us  
For Pritish Nandy Communications Ltd

Pallab Bhattacharya  
Wholetime Director and CEO

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Nirav Joshi  
Company Secretary

Jaideepsingh P Deore  
Proprietor  
M No 44055

Mumbai, June 29, 2009

Mumbai, June 29, 2009

# 34 SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

PRITISH NANDY COMMUNICATIONS LTD  
THE 16TH ANNUAL REPORT AND ACCOUNTS 2009

	March 31, 2009 Rupees	March 31, 2008 Rupees		March 31, 2009 Rupees	March 31, 2008 Rupees
<b>SCHEDULE 1 SHARE CAPITAL</b>			<b>SCHEDULE 3 SECURED LOANS</b>		
Authorised share capital 20,000,000 (LY 20,000,000) equity shares of Rs 10 each	200,000,000	200,000,000	Term loan (Secured against the hypothecation of vehicles) ICICI Ltd Kotak Mahindra Citi Bank (Secured against the hypothecation of equipments) SREI Infrastructure Finance Ltd	1,913,749 272,284 25,273 0	1,759,644 499,140 182,556 224,645
Issued, subscribed and fully paid up 14,467,000 (LY 14,467,000) equity shares of Rs 10 each	144,670,000	144,670,000		2,211,306	2,665,985
Notes: Of the above shares 496,000 equity shares of Rs 10 each were issued as fully paid up bonus shares by capitalisation of Rs 4,960,000 from retained profits during the year 96-97 6,250,000 equity shares of Rs 10 each were issued as fully paid up bonus shares by utilisation of General Reserves and Profit and Loss Account and Share Premium Account during the year 99-00 4,000,000 equity shares of Rs 10 each were issued at premium of Rs 60 through QIP during the year 06-07			<b>SCHEDULE 4 UNSECURED LOANS</b>		
			International Communications & Investments Mauritius Ltd Interest payable on above Kotak Mahindra Bank Ltd	10,000,000 776,125 0	10,000,000 776,125 727,577
	144,670,000	144,670,000		10,776,125	11,503,702
<b>SCHEDULE 2 RESERVES AND SURPLUS</b>			<b>SCHEDULE 5 DEFERRED TAXATION</b>		
Capital reserve (as per last Balance Sheet)	36,865	36,865	(Refer note no C(13) to schedule 20) Deferred tax liabilities As at April 1, 2008	128,626,699	119,476,604
General reserve (as per last Balance Sheet)	22,098,279	15,001,149	Add: additional adjustment for current year	0	14,226,502
Add: net assets recognised as per revised AS 15	0	529,130	Less: reversed during current year	2,648,666	5,076,407
Add: transferred during current year	0	22,098,279	Deferred tax assets As at April 1, 2008	3,189,237	13,286,214
Profit and Loss account	87,336,484	103,593,156	Add: credited during current year	0	818,976
Share premium account (as per last Balance Sheet)	671,958,820	671,958,820	Less: adjustment for current year	588,724	0
	781,430,448	797,687,120	Less: reversed during current year	0	2,600,513
				123,377,520	125,437,462
<b>SCHEDULE 6 FIXED ASSETS</b>					

(Rs)

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
Particulars	As at April 1, 2008	Additions	Deductions	As at March 31, 2009	As at April 1, 2008	For the year	Deductions	Total	As at March 31, 2009	As at March 31, 2008
Office premises	723,764	0	0	723,764	321,924	63,329	0	385,253	338,511	401,840
Lease premises and fixtures	17,974,825	394,000	0	18,368,825	9,275,821	4,935,642	0	14,211,463	4,157,362	8,699,004
Furniture and fixtures	1,258,999	50,000	0	1,308,999	348,508	82,675	0	431,183	877,816	910,491
Office equipment	26,858,801	795,054	73,300	27,580,555	3,437,451	1,299,114	16,248	4,720,317	22,860,238	23,421,350
Motor car	9,550,574	2,303,083	1,682,339	10,171,318	2,291,430	941,704	652,607	2,580,527	7,590,791	7,259,144
Computers, printers and software	2,307,301	926,150	919,600	2,313,851	1,511,749	271,999	852,658	931,090	1,382,761	795,552
Pre-operative expenditure	558,154	260,000	818,154	0	0	0	0	0	0	558,154
Total (Rs)	59,232,418	4,728,287	3,493,393	60,467,312	17,186,883	7,594,463	1,521,513	23,259,833	37,207,479	42,045,535
As on March 31, 2008	64,861,994	4,088,385	9,717,961	59,232,418	12,000,969	7,155,169	1,969,255	17,186,883	42,045,535	

	March 31, 2009 Rupees	March 31, 2008 Rupees		March 31, 2009 Rupees	March 31, 2008 Rupees
<b>SCHEDULE 7 INVESTMENTS</b>			<b>SCHEDULE 8 CINEMATIC AND TELEVISION CONTENT</b>		
Long term investments			At cost or net realisable value whichever is lower (As valued and certified by the management)		
Quoted investments	1,919,000	1,919,000	Unamortised content	391,352,727	387,735,950
Moving Picture Company (India) Ltd 95,000 (LY 95,000) equity shares of face value Rs 10 each fully paid up Market value Rs 4.46 (LY Rs 20.20)			Unexploited content	20,000,000	20,000,000
In Preference Shares			Unfinished content	5,560,474	5,684,099
Malpani Industries Ltd 400,000 (LY 500,000) non-cumulative redeemable preference shares of Rs 10 each fully paid up (initially redeemable at the end of five years with an option to extend redemption twice by further period of five years each)	4,000,000	5,000,000	Production property and tapes	419,945	419,945
Rural Electrification Bond	2,500,000	0		417,333,146	413,839,994
Accrued interest on above	114,583	0	<b>SCHEDULE 9 SUNDRY DEBTORS</b>		
	8,533,583	6,919,000	Unsecured		
			Debts outstanding for more than six months		
			Considered good	43,449,665	16,097,585
			Considered doubtful	0	0
				43,449,665	16,097,585
			Less: provision for doubtful debts	0	0
				43,449,665	16,097,585
Aggregate value of quoted and unquoted investments	March 31, 2009	March 31, 2008	Debts outstanding for less than six months		
	Cost	Market Value	Considered good	529,635	146,121,303
Quoted investments	1,919,000	423,700	Considered doubtful	0	529,635
Unquoted investments	6,614,583	NA		43,979,300	162,218,888

# SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

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	March 31, 2009 Rupees	March 31, 2008 Rupees		March 31, 2009 Rupees	March 31, 2008 Rupees
<b>SCHEDULE 10</b>			<b>SCHEDULE 17</b>		
<b>CASH AND BANK BALANCES</b>			<b>COST OF CONTENT</b>		
Cash and imprest account	41,607	230,899	Opening balance as on April 1, 2008		
(As verified and certified by the management)			Unamortised content	387,735,950	354,179,054
Cash at bank	11,846,092	54,011,044	Unexploited content	20,000,000	24,875,000
Cash at bank in exchange earners foreign currency account	0	10,413,434	Unfinished content	5,684,099	6,236,091
Cash at bank - fixed deposits (Includes Rs 300,000 (LY 800,000) pledged with bank against guarantees)	176,909,507	178,110,460	Production property and tapes	419,945	413,839,994
Cheques on hand	850,000	0	Add: production cost of content incurred during the year	134,094,911	210,153,069
Accrued interest on fixed deposits	8,159,727	1,633,140	Less: closing balance as on March 31, 2009	547,934,905	595,863,159
Cash at bank - unpaid dividend account	257,321	258,066	Unamortised content	391,352,727	387,735,950
	<u>198,064,254</u>	<u>244,657,043</u>	Unexploited content	20,000,000	20,000,000
			Unfinished content	5,560,474	5,684,099
<b>SCHEDULE 11</b>			Production property and tapes	419,945	417,333,146
<b>LOANS AND ADVANCES</b>				<u>130,601,759</u>	<u>182,023,165</u>
(Unsecured considered good)			<b>SCHEDULE 18</b>		
Intercorporate deposits	0	2,500,000	<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Interest on above	0	232,020	Annual listing fees	83,127	58,000
a. Loans			Auditor's remuneration	393,325	392,930
Staff*	246,000	259,000	Advances, deposits and interest written off	1,119,929	425,304
Others	3,000	54,000	Rebate and discount	5,932,630	3,871,864
	<u>249,000</u>	<u>313,000</u>	Bank charges	48,457	45,776
b. Advances			Business promotion expenses	2,425,293	738,362
(Recoverable in cash or kind or for value to be received)			Rent, rates, taxes and business service centre charges	13,504,481	12,637,398
Income tax payments	15,018,015	14,568,015	Communications expenses	699,799	877,269
Tax deducted at source	42,257,325	33,365,675	Conveyance and motor car expenses	828,421	689,399
Other advances	401,678,740	298,500,047	Diminution in value of investment	0	5,301,000
	<u>458,954,080</u>	<u>346,433,737</u>	Directors sitting fees	400,000	410,000
c. Deposits	17,113,700	31,032,938	Foreign exchange rate difference	0	1,004,102
*Maximum amount outstanding during the period Rs 504,000 (LY Rs 315,000)			Insurance charges	171,426	90,490
	<u>476,316,780</u>	<u>380,511,695</u>	Internet subscription and website expenses	571,643	290,050
			Legal, professional and consultancy fees	9,045,792	8,030,272
<b>SCHEDULE 12</b>			License, registration and processing charges	0	9,000
<b>CURRENT LIABILITIES</b>			Loss on sale of fixed assets	446,925	683,615
Sundry creditors			Impairment of assets	90	457,167
For cinematic and television content	30,081,014	55,156,901	Membership and subscriptions	70,510	95,351
For expenses and other liabilities	5,824,530	7,019,889	Profession tax	2,500	2,500
Advances	42,561,219	48,229,029	Provision for tax	240,015	3,390,346
Service tax payable	0	55,619	General expenses	7,912,188	7,960,889
TDS payable	3,605	566,272	Personnel cost	12,365,252	10,563,544
Unclaimed dividend	257,320	258,066	Printing and stationery	661,225	1,037,140
	<u>78,727,688</u>	<u>111,285,776</u>	Contribution to provident fund	47,049	87,218
			Contribution to group gratuity fund	59,472	97,397
<b>SCHEDULE 13</b>			Repairs and maintenance	609,656	649,770
<b>PROVISIONS</b>			ROC filing fees and stamp duty	361,912	627,520
Provision for taxation	40,205,030	39,989,130	Preliminary expenses written off	5,890	5,890
Provision for wealth tax	38,800	35,000	Traveling expenses	1,084,719	779,192
Provision for dividend	0	14,467,000	Long term capital loss	0	86,218
Provision for corporate tax on dividend	0	2,459,390		<u>59,091,636</u>	<u>61,394,973</u>
	<u>40,243,830</u>	<u>56,950,520</u>			
			<b>SCHEDULE 19</b>		
<b>SCHEDULE 14</b>			<b>FINANCIAL EXPENSES</b>		
<b>MISCELLANEOUS EXPENDITURE</b>			Finance charges	305,770	537,659
Preliminary expenditure	58,900	58,900	Processing and documentation charges	0	831,464
Less: written off upto last year	11,780	5,890	Interest on secured loan	0	7,000,342
Less: written off during the year	5,890	5,890	Interest on overdraft account	0	46,946
	<u>41,230</u>	<u>47,120</u>		<u>305,770</u>	<u>8,416,411</u>
<b>SCHEDULE 15</b>					
<b>SALES AND SERVICES</b>					
Income from content	128,539,467	307,319,948			
Income from membership and rent	27,475,170	22,780,893			
	<u>156,014,637</u>	<u>330,100,841</u>			
<b>SCHEDULE 16</b>					
<b>OTHER INCOME</b>					
Interest on fixed deposits (TDS Rs 4,599,769 (LY Rs 5,425,392))	20,299,071	23,938,101			
Miscellaneous income	1,192,343	794,181			
Dividend on units of mutual fund	0	1,256,064			
Interest on intercorporate deposits	300,000	300,000			
Gain on redemption of units of mutual fund	0	122,704			
Profit on sale of fixed assets	0	3,074,977			
Interest on income tax refund	0	114,294			
Foreign exchange rate difference	2,003,776	0			
Sundry creditors balance written back	105,606	2,500,000			
Interest on Rural Electrification Bond	114,583	0			
	<u>24,015,379</u>	<u>32,100,321</u>			

## SCHEDULE 20

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2009.

#### A. BASIS OF CONSOLIDATION

- The consolidated financial statements relate to Prithvi Nandy Communications Ltd and its subsidiaries.
- Basis of Accounting

The financial statements of the Subsidiaries Company viz. PNC Productions Ltd and PNC Wellness Ltd, used in the consolidation are drawn upto the same reporting date as of the Company i.e. year ended March 31, 2009.

The financial statements of the Company and its Subsidiaries have been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India, and generally accepted accounting principles.

- Principles of consolidation

The consolidated financial statements have been prepared on the following basis

The financial statements of the Company and its Subsidiaries have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances and intra-group transactions and unrealised profits or losses are fully eliminated in accordance with Accounting Standard (AS) – 21 "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India.

- Information on subsidiaries Company

The following subsidiaries are considered in the consolidated financial statements

Name of the Company	% of holding
a. PNC Productions Ltd	99.37
b. PNC Wellness Ltd	100.00

#### B. SIGNIFICANT ACCOUNTING POLICIES

- General

- The financial statements have been prepared as per historical cost convention and in accordance with generally accepted accounting policies.
- Expenses and revenue are generally accounted for on accrual basis, except those associated with significant uncertainties and ex-gratia which are accounted on cash basis.

- Revenue recognition

- In respect of commissioned content/ content produced/ acquired, income is recognised as on date of delivery of Digi Betas.
- In respect of sponsored content/ content produced/ acquired, income is recognised as and when the relevant content is telecast.
- In respect of cinematic content produced/ acquired, income is recognised on the following basis
  - In respect of cinematic content, which is not complete i.e. under production, no income is recognised.
  - In respect of cinematic content, which is complete but not released, income is recognised as – so much of the estimated income on release as bears to the whole of the estimated income the same proportion as the actual recoveries/ realisations/ confirmed contracts bears to the total expected realisations.
  - In respect of cinematic content completed and released during the year, income is recognised on release/ delivery of release prints except income, if any, already recognised as per clause c (ii).
  - In respect of cinematic content, which is complete but not released, income from streams other than theatrical release is recognised on the basis of contracts/ deal memo and delivery of Digi Betas.
  - In respect of music rights, income is recognised on its release or exploitation contract.
- In respect of consultancy services, income is recognised as and when services are actually rendered resulting in enforceable claim.
- In respect of wellness business, income from membership fee is recognised over the period of membership.
- In respect of services rendered in wellness business, income is recognised as and when services are rendered.
- In respect of PNC Productions Ltd, income from professional/ supervision activity is recognised as and when services are actually rendered resulting in enforceable claim.
- Dividend on investments is accounted as and when received.

- Cinematic content

The cinematic content has been valued on the following basis

- Incomplete cinematic content : at lower of allocated/ identified cost or net realizable value.
- Abandoned/ shelved cinematic content : at lower of cost or net realisable value.
- Completed cinematic content : at lower of unamortised allocated cost as estimated by the management depending on the genre, nature and contents of the cinematic content or net realizable value.

The Company allocates cost of production amongst music rights, exhibition rights, other rights and residual rights on an equitable basis.

Basis of amortisation of allocated costs

- Music rights are amortised at 100% on the basis of release of music/ exploitation contract.
- All rights other than music and residual rights are amortised as under
 

First release	Second release	Third release
50%	30%	20%
- Residual rights are amortised on an equitable basis.

The Company estimates useful life of the cinematic content at 20 years.

#### Notes

- The production/ acquiring costs are amortised on the above basis by the Company. The production costs are revenue costs and are treated as such for the purposes of taxation.
- No unamortised costs are retained once the entire rights in respect of the cinematic content are sold out on an outright basis.

- Television content

The television content has been valued on the following basis

- Unexploited television content : at lower of average of allocated cost or net realizable value.
- Unfinished television content : at lower of average of allocated cost or net realizable value.
- Production property : at lower of allocated cost or net realisable value.
- Exploited television content is amortised as under
 

Exploited television content	at lower of unamortised cost as estimated by the management on the following basis or net realizable value			
Particulars	1st Telecast	2nd Telecast	3rd Telecast	Residual value
Entertainment content	50%	30%	15%	5%
Current affairs and news based content	95%	—	—	5%
Commissioned content	100%	—	—	—

Particulars	1st Telecast	2nd Telecast	3rd Telecast	Residual value
Entertainment content	50%	30%	15%	5%
Current affairs and news based content	95%	—	—	5%
Commissioned content	100%	—	—	—

No unamortised costs shall be carried forward beyond a period of ten years.

#### Notes

- The Company amortises production costs in respect of television content once telecast and further retelecastable on the basis of the nature and contents of the television content and the expected number of telecasts as per the chart depicted above.
- The production costs are amortised as per the above-referred policy followed by the Company. The production costs are revenue costs and are treated as such for the purposes of taxation.
- The Company retains one copy of its own television content for record purpose.

- Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Cost comprises purchase price including any attributable cost of bringing the asset to its working condition for its intended use and any other identifiable direct expenses.

All expenditure incurred prior to commencement of project is carried forward as pre-operative expenditure which would be capitalised/ written off on commencement of business.

- Depreciation

Depreciation has been provided on Straight Line Method at the rates specified in schedule XIV of the Companies Act, 1956 as under

- No depreciation has been charged on the assets, which have not been put to use during the period.
- Depreciation on addition/ deletion to assets is calculated on a pro-rata basis from the month of such addition/ deletion.
- Depreciation on improvement to leave and licence premises is calculated over the period of leave and licence.

- Taxation

Current tax: Provision for current tax for the year has been made after considering deduction/ allowances claims admissible to the Company under the Income Tax Act, 1961.

Deferred tax: Deferred tax is recognised, on timing differences, being difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets arising from temporary timing differences are recognised to the extent there is reasonable certainty that the assets can be realised in future.

Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised if there is virtual certainty that there will be sufficient future taxable income available to realise such losses.

- Investments

Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary. Current investments are stated at lower of cost or market value.

- Writing off preliminary expenses and share issue expenses

Preliminary expenses have been written off at 10% of the total cost. Share issue expenses shall be adjusted/ written off against share premium account.

- Writing off deferred revenue expenditures

Deferred revenue expenditure has been written off at 20% of the total cost.

- Contingent liabilities

No provision has been made for liabilities, which are contingent in nature.

- Foreign currency transactions

- Transactions in foreign currency are recorded at the rate prevailing on the date when the amount is received or remitted.
- Foreign currency assets and liabilities are converted into rupee at the exchange rate prevailing on the balance sheet date; gains/ losses are reflected in the profit and loss account.
- Exchange difference on account of acquisition of fixed assets is adjusted to carrying cost of fixed assets.

- Retirement benefits

- Regular contributions are made to Provident Fund and charged to revenue.
- The Company contributes to Employees Group Saving Linked Insurance Scheme with Life Insurance Corporation of India to cover its liability towards employee gratuity.
- The Company does not have any policy for leave encashment.

- Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of such assets. The qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

- Impairment of assets

At Balance Sheet Date, the Company assesses whether there is any indication that any asset may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the assets exceeds the recoverable amount, an impairment loss is recognised in the accounts to the extent the carrying amount exceeds, the recoverable amount.

- Provisions and contingencies

The Company recognises a provision when there is a present obligation as a result of past events, 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.

Contingent assets are not recognised in the financial statement.

#### C. NOTES TO ACCOUNTS

	2008-2009 (Rs)	2007-2008 (Rs)
1. Estimated amount of contracts to be executed on capital account. (Net of capital advances)	Nil	Nil
2. Bank guarantee issued by the bankers	300,000	800,000
3. Contingent liabilities		
a. Claims against the Company not acknowledged as debts.	150,100,000	150,100,000
b. Disputed VAT demand	1,520,760	Nil
Future cash outflow in respect of (a) and (b) above are determinable only on receipt of judgment/ decision pending with authorities.		
4. Auditors remuneration includes: (inclusive of service tax)		
Statutory audit fees	329,205	331,180
Tax audit fees	64,120	61,750
Fees for certification work	46,299	61,732

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	2008-2009 (Rs)	2007-2008 (Rs)	Content (Rs)	Wellness (Rs)	Total (Rs)
5. Additional information as required by paragraph 3 and 4 of part II of schedule VI of the Companies Act, 1956.					
a. The Company is in the business of producing/ acquiring cinematic and television content which is not subject to any license, hence licensed capacity is not given. Further, in this type of business the installed capacity is not quantifiable.	Nil	Nil	Revenue		
b. Consumption of raw materials, components, spare parts and other inputs (see note 6)	NA	NA	External	128,539,467	27,475,170
c. Information pursuant to paragraph 4C of Part II of Schedule VI of the Companies Act, 1956 due to nature of the industry and the multiplicity of contents it is not practicable to quantify actual production.			Inter segment	0	0
d. Remuneration to Director and Managing Director charged to the accounts			Total revenue	128,539,467	27,475,170
i. Remuneration to Managing Directors	Nil	Nil	Expenditure		
ii. Professional fees to Directors	6,000,000	5,850,000	Direct cost	130,601,759	0
iii. Sitting fees to Directors	400,000	410,000	Administrative expenses	40,216,443	18,875,193
iv. Payment to Wholetime Directors	2,257,131	2,028,000	Depreciation	1,760,071	5,834,392
v. Contribution to Provident Fund and other Funds	Nil	Nil	Finance expenses	300,900	4,870
e. Dividend remitted in foreign currency	Nil	Nil	Total expenditure	172,879,173	24,714,455
f. CIF value of imports	Nil	Nil	Result	(44,339,706)	2,760,715
g. FOB value of imports	Nil	Nil	Add: other income	23,537,029	478,350
h. Expenditure in foreign currency			Segment results	(20,802,677)	3,239,065
Traveling expenses (equivalent Indian Rupees)	US\$ 15,000	US\$ 15,000	Profit/ (loss) before tax	(20,802,677)	3,239,065
Traveling expenses (equivalent Indian Rupees)	Rs 648,800	Rs 605,625	Provision for current tax	61,700	193,000
Traveling expenses (equivalent Indian Rupees)	GBP 3,000	GBP 5,500	Fringe benefit tax	290,000	0
Traveling expenses (equivalent Indian Rupees)	Rs 209,150	Rs 463,350	Profit/ (loss) before deferred tax	(21,154,377)	3,046,065
Traveling expenses (equivalent Indian Rupees)	EURO 10,000	EURO 2,500	Provision for deferred tax	(2,648,666)	588,724
i. Earning in foreign currency (equivalent Indian Rupees)	Nil	US\$*	Profit/ (loss) before prior years adjustments	(18,505,711)	2,457,341
Earning in foreign currency (equivalent Indian Rupees)	Nil	Rs 29,973,161	Less: prior years adjustments (net)	199,137	9,020
*Received in Indian Rupees	Nil	US\$ 208	Net profit/ (loss) after prior years adjustments	(18,704,848)	2,448,321
	Nil	Rs 7,895	Other information		
6. The Company is engaged in the production/ making of cinematic and television content, which requires various types, qualities and quantities of raw materials and inputs in different denominations. Due to the multiplicity and complexity of the items it is not practical to maintain the quantitative record/ continuous stock register, as the process of making content is not amenable to it. Hence quantitative details are not maintained. Physical stock of finished content is taken at the end of year. The Company has received approval from Ministry of Corporate Affairs under section 211(4) of the Companies Act, 1956 granting exemption from giving quantitative details of para 3(ii)(a)(1) & (2) of Part II, Schedule VI to the Companies Act, 1956.			Segment assets	1,151,434,253	30,000,289
7. Arbitration proceedings initiated by the Company against Prasar Bharati on account of wrongful encashment of bank guarantees of Rs 75,050,000 were ongoing before former Chief Justice YV Chandrachud. The parties completed the pleadings before the arbitrator but unfortunately he passed away in July 2008 while the cross examinations were on. The Company has filed a petition before the High Court at Bombay for appointment of a sole arbitrator in place and stead of Justice Chandrachud in January 2009, which is pending disposal before the High Court at Bombay. Opinion obtained by the Company from Justice AM Ahmadi, former Chief Justice of the Supreme Court of India, supports the Company's stand that the amount is fully recoverable. In view of this, the management of the Company does not consider it necessary to make provision thereagainst in the accounts. The Company is showing the amount withheld by Prasar Bharati as "Loans and Advances".			Segment liabilities	244,653,991	10,682,478
8. Accounting Standard (AS) 26 on "Intangible Assets" states that in the absence of persuasive evidence that there is presumption that intangible assets have a useful life of 10 years. In respect of cinematic content, the Company has persuasive evidence that the useful life of cinematic content is over 20 years.			Depreciation	1,760,071	5,834,392
The management has considered the following factors viz. the expected usage of the asset by the enterprise, typical product life cycles, technical, technological or other types of obsolescence, expected actions by competitors or potential competitors, the level of maintenance expenditure required to obtain the expected future economic benefits from the asset, the period of control over the asset, the useful life of the asset and for reasons viz. shelf lives of movies have substantially increased since 2000, getting better value for longer lease in excess of ten years, emergence of channels dedicated only for featuring content more than ten years old, growth in the numbers of distribution channels, rapid multiplication of remaking, animation and other new versions etc., is of the view that the useful life of the cinematic content is 20 years. The Company is in line with International Accounting Practices and is a step towards complying with IFRS norms which will become mandatory from 2011.			11. Related party disclosure		
The details of cinematic and television content is as under			In accordance with Accounting Standard (AS) 18 "Related Party Disclosure", the disclosure in respect of transactions with the companies related parties are as given below		
	Cinematic content (Rs)	Television content (Rs)	Total (Rs)		
Gross carrying amount	1,213,083,269	564,484,956	1,777,568,225	i. Key managerial personnel	
Add: additions during the year	17,937,435	116,027,340	133,964,775	a. Pallab Bhattacharya, Wholetime Director and CEO	
Total	1,231,020,704	680,512,296	1,911,533,000	b. Rangita Pritish-Nandy, Wholetime Director and Creative Director	
Less: accumulated amortisation	838,123,920	526,024,256	1,364,148,176	c. Nirav Joshi, Company Secretary	
Less: amortised during the year	17,937,435	112,534,188	130,471,623	d. Pritish Nandy, Non Executive Chairman	
Net carrying amount	374,959,349	41,953,852	416,913,201	e. Rina Nandy, Non Executive Director	
				f. Udayan Bose, Non Executive, Independent Director	
				g. Nabankur Gupta, Non Executive, Independent Director	
				h. Vishnu Kanhere, Non Executive, Independent Director	
				i. Harshawardhan Sabale, Non Executive, Independent Director	
				j. Hema Malini, Non Executive, Independent Director	
				k. Ishita Pritish Nandy, daughter of Non Executive Chairman	
				Details relating to parties/ persons referred to in above items are as under	
				Nature of transactions	in Rs lakh
				Key managerial personnel	
				Remuneration	26.48
				Dividend	00.96
				Balance outstanding as at year end	
				Payable	1.71
				Non executive Directors and their relatives	
				Remuneration/ sitting fees	69.64
				Dividend	37.98
				Balance outstanding as at year end	
				Payable	11.42
				Note: Related party relationship is as identified by the Company and relied upon by the Auditors.	
				12. Earning per share (EPS)	
				In accordance with Accounting Standard (AS) 20 "Earning Per Share", the numerators and denominators used to calculate basic earning per share.	
				Particulars	2008-09
				Net profit/ (loss) after taxes and prior years adjustments for basic and dilutive EPS (Rs)	(16,256,527)
				Weighted average number of equity share outstanding during the year for basic and diluted EPS	14,467,000
				Basic and diluted earning per share (Rs)	(1.12)
				Nominal value of equity shares (Rs)	10
				13. The Company estimates deferred tax charge/ credit using the applicable rate of taxation based on the impact of timing differences between financial statements and estimated taxable income for the current year. The net deferred tax liability as at March 31, 2009 is given below	
					in Rs lakh
				As at April 1, 2008	Created during the year
				Deferred tax liabilities	Reversed during the year
				Unamortised content	As at March 31, 2009
				(1,295.67)	(14.15)
				Depreciation and capital loss	0.00
				(2.02)	(0.66)
				Adjustment for change in tax rate	11.42
				39.74	0.00
				Deferred tax assets	
				Unabsorbed business loss and depreciation	31.89
				(1,254.38)	0.00
				Net amount	(4.32)
					(1,233.77)
				14. Lease commitments	
				i. Finance lease	
				The Company takes vehicles under finance lease. Future minimum lease payments under finance leases as of March 31, 2009 are as under	
				Particulars	Principal (Rs)
				Not later than one year	1,033,007
				Later than one year and not later than five years	1,178,299
				Later than five years	Nil
				Total minimum payments	2,211,306
					Interest (Rs)
					287,162
					Total (Rs)
					2,498,468
9. As per Accounting Standard (AS) 28 on "Impairment of Assets", the Company has assessed whether there is any indication that any assets has impaired. Since the carrying amount is less than the recoverable amount, there is no necessity for making any provision for impairment.					
10. Segment information					
The consolidated financial statements are divided into two business segment viz. content and wellness. This business segments have been identified in line with Accounting Standard (AS) 17 "Segment Reporting". Segment revenue results include amounts identifiable to each segment for consolidated purpose. Other un-allocable expenditure includes revenues and expenditure, which are not directly identifiable to the individual segment as well as expenses, which relate to the Company as a whole.					

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PRITISH NANDY COMMUNICATIONS LTD  
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## ii. Operating leases

The Company has taken premises under operating lease. Gross rental expenses for the year ended March 31, 2009 aggregated to Rs 13,504,481. The minimum rental payments to be made in future in respect of these leases are as follows

Particulars	Amount (Rs)
Not later than one year	12,051,990
Later than one year and not later than five years	2,940,275
Later than five years	Nil
<b>Total</b>	<b>14,992,265</b>

## 15. The disclosures as required under the Accounting Standard (AS) 15 (Revised) in respect of gratuity, a defined benefit scheme (based on Actuarial Valuation) is as follows

During the year, Company has recognised the following amounts in the financial statements

### a. Defined Contribution Plan

- Contribution to defined contribution plan, recognised as expense for the year are as under

Particulars	in Rs lakh
Employer's contribution to Provident Fund	0.47

### b. Defined benefit plan

Particulars	in Rs lakh Gratuity (Funded)
• Reconciliation of opening and closing balances of defined benefit obligation	
Defined benefit obligation at the beginning of the year	9.64
Current service cost	0.77
Interest cost	0.97
Actuarial (gain)/ loss	0.34
Benefit paid	0.95
Defined benefit obligation at the end of year	10.77
• Reconciliation of opening and closing balances of fair value of plan assets and defined benefit obligation	
Fair value of plan assets at the beginning of the year	16.07
Expected return on plan assets	1.49
Actuarial gain/ (loss)	0.00
Employers contribution	0.91
Benefit paid	0.95
Fair value of plan assets at the end of the year	17.52
• Actual return on plan assets	
Expected return on plan assets	1.49
Actuarial gain/ (loss) on plan assets	0.00
Actual return on plan assets	1.49
• Reconciliation of fair value of plan assets and benefit obligation	
Fair value of assets as at March 31, 2009	17.51
Present value of obligation as at March 31, 2009	10.77
Amount recognised in Balance Sheet	6.74
• Expenses recognised during the year	
Current service cost	0.97
Interest cost	0.77
Expected return on plan assets	1.49
Actuarial (gain)/ loss	0.34
Expenses recognised in Profit and Loss Account	0.59
• Investment details	
The Company made annual contribution to LIC of India of an amount advised by them. The company was not informed by LIC of the investments made or the break down of plan assets by investment type.	
• Actuarial assumptions	
Discount rate (per annum)	8%
Expected rate of return on plan assets (per annum)	8%
Salary escalation (per annum)	4%

## 16. The Company has incurred loss during the year. Managerial remuneration paid/ payable is within the limit of minimum remuneration payable as per Part II of Schedule XIII of the Companies Act, 1956. The payment of remuneration is duly approved by the Remuneration Committee.

2008-09  
Amount (Rs)

a. Managerial remuneration to Wholtime Directors	
Salary	1,485,291
Other perquisites	771,840
<b>Total</b>	<b>2,257,131</b>
b. Directors' sitting fees	400,000
<b>Total managerial remuneration</b>	<b>2,657,131</b>
c. Computation of profit in accordance with Section 198/ 349 of the Companies Act 1956	
Profit/ (loss) before taxes and prior years adjustments	(17,563,612)
Add:	
Remuneration to Directors (excluding provision of Gratuity as separate actuarial valuations are not available)	2,257,131
Loss on sale of fixed assets	446,925
Advances written off	1,119,929
<b>Net Profit/ (loss) for Section 198/ 349 of the Companies Act 1956.</b>	<b>(13,739,627)</b>

- The Company has not received any intimation from suppliers regarding the status under The Micro, Small And Medium Enterprises Development Act, 2006 and hence disclosures if any relating to the amount unpaid as at year end and together with interest paid/ payable as required under the Act have not been given.
- During the financial year 2006-2007, the Company concluded its QIP issue, through which 4,000,000 Equity Shares of Rs 10 each for cash at a price of Rs 70 per equity share. Out of the total QIP issue proceeds of Rs 280,000,000, the Company has utilized Rs 221,120,856 towards cinematic content, QIP expenses, working capital and general corporate purpose etc. as at March 31, 2009.  
The balance unutilized amount of Rs 58,879,144 has been kept in fixed deposits with Banks.
- The Company is taking necessary steps for repayment of External Commercial Borrowing (ECB) unsecured loan of Rs 10,000,000 along with interest @ 3% p.a. taken from International Communications & Investments (Mauritius) Ltd for a period of three years with grace period of one year. The repayment period along with grace period of one year has expired in financial year 2005-2006.
- The Government of Maharashtra has notified copyright as an item of intangible character liable to levy of VAT @ 4%. The Film & Television Producers GUILD of India Ltd is continually representing the entertainment industry before the Government of Maharashtra for relief which includes a plea to pass VAT liability to the final consumer, which is awaiting response. During the year, as a matter of prudence, a provision amounting to Rs 240,015 has been made in the accounts.
- The Government of Maharashtra has introduced stamp duty in respect of agreements relating to specific performance by individuals or groups and assignment of copyrights @ 0.25% of the value of transactions exceeding Rs 100,000. The Film & Television Producers GUILD of India Ltd is continually representing the entertainment industry before the Government of Maharashtra with a plea to grant rebate to the entertainment industry on the lines of administrative relief given to the banking industry, which is awaiting a positive response from the concerned authorities. However, during the year, as a matter of prudence, a provision amounting to Rs 337,672 has been made in the accounts.
- Loans and Advances of Rs 46,753,181 includes: i) Rs 15,000,000 advanced against the Music, Asian and Indian Satellite rights of a film where the Company has lien over the exploitation of the said rights and ii) Rs 31,753,181 being balance amount advanced towards joint production of a film where the Company has joint re-exploitation rights. The Company has initiated recovery proceedings in respect of the aforesaid advances. i) The Company has filed a Summary Suit with the High Court at Bombay which is pending hearing and disposal and ii) The Company has initiated arbitration proceedings which are ongoing before Justice Smt KK Baam (Retired). The management considers the same are good and fully recoverable. Legal opinion obtained by the Company supports this and consequently no provision has been made in the accounts at this stage.
- Sundry debtors includes an amount aggregating to Rs 5,105,874 in respect of which legal proceedings have been initiated by the company. The management considers the same are good and fully recoverable, hence no provision has been made in the accounts at this stage.
- Certain sundry debtors, sundry creditors and loans and advances are subject to confirmation by the respective parties.
- In the opinion of the management investments, current assets and loans and advances are of the value stated in the financial statements and realisable in the ordinary course of business. The provisions for all known liabilities are adequate and are not in excess of the amounts considered, reasonably necessary.
- There are no dues payable to the Investor Education and Protection Fund as at March 31, 2009.
- All known liabilities have been provided in the books of accounts.
- There are no claims against the Company, except as stated in point no 3, which are not acknowledged as debts. Further, contingent liability on account of VAT that may arise due to non receipt of necessary declarations amounting to Rs 610,000.
- Figures in respect of previous year have been re-grouped, re-arranged and re-cast to correspond with the figures of the current year.
- Schedules referred to above form an integral part of Balance Sheet and Profit and Loss account.

As per our attached report of even date  
For Jaideepsingh P Deore & Co  
Chartered Accountants

Authenticated by us  
For Pritish Nandy Communications Ltd

Pallab Bhattacharya  
Wholtime Director and CEO

Vishnu Kanhere  
Director

Jaideepsingh P Deore  
Proprietor  
M No 44055

Bobbie Ghosh  
Chief Operating Officer

Yatender Verma  
VP, Finance,  
Compliances and  
Legal Affairs

Nirav Joshi  
Company Secretary

Mumbai, June 29, 2009

Mumbai, June 29, 2009

Notice is hereby given that the 16th Annual General Meeting of the members of PRITISH NANDY COMMUNICATIONS LTD will be held on Wednesday, September 16, 2009 at 3.00 pm at MC Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20 Kaikhushru Dubash Marg, Mumbai 400001 to transact the following business

#### ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at March 31, 2009 and Profit and Loss Account for the year ended on that date along with the Reports of the Auditors and Board of Directors thereon.
2. To appoint a Director in place of Vishnu Kanhere who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Harshawardhan Sabale who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration. In this connection, 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 224 and other applicable provisions, if any, of the Companies Act, 1956, Jaideepsingh P Deore & Co, Chartered Accountants, the retiring Auditors of the Company be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on such remuneration as may be decided by the Board of Directors in consultation with the audit committee of the Company.”

#### SPECIAL BUSINESS

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

Re-appointment of Pallab Bhattacharya as Wholtime Director and CEO

“RESOLVED THAT

- i. in accordance with the provisions of sections 198, 269, 309, 310, 316 read with schedule XIII, other applicable provisions, if any of the Companies Act, 1956 and articles of association of the Company; and
- ii. subject to the approval of Central Government, if required and such other consents and approvals, as may be required, the consent of the Company be and is hereby accorded to the re-appointment of Pallab Bhattacharya as Wholtime Director and CEO of the Company for a further period of 5 years w.e.f. February 18, 2010 to February 17, 2015 on the remuneration and other terms and conditions as set out in the agreement to be executed with him, the broad terms whereof are given herein below
  - a. Salary: Not exceeding Rs 1,40,000 per month, subject to annual increment effective April 1, every year.
  - b. Perquisites: Mr Bhattacharya is entitled to a Company car with a driver.
  - c. Gratuity is payable as per rules of the Company at the end of service.
  - d. Reimbursement of traveling, hotel and other reasonable expenses actually incurred by Mr Bhattacharya for Company work.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to alter and vary the terms and conditions and/or remuneration from time to time, within the limits specified under schedule XIII of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER THAT where in any financial year, the Company has no profits or inadequate profits, the remuneration as decided by the Board from time to time, shall be paid to Pallab Bhattacharya as minimum remuneration with the approval of the Central Government, if required.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

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

Re-appointment of Rangita Pritish-Nandy as Creative Director

“RESOLVED THAT

- i. in accordance with the provisions of sections 198, 269, 309, 310, 314, 316 read with schedule XIII, other applicable provisions, if any of the Companies Act, 1956 and articles of association of the Company; and
- ii. subject to the approval of Central Government, if required and such other consents and approvals, as may be required, the consent of the Company be and is hereby accorded to the re-appointment of Rangita Pritish-Nandy as Creative Director of the Company for a further period of 5 years w.e.f. January 31, 2010 to January 30, 2015 on the remuneration and other terms and conditions as set out in the agreement to be executed with her, the broad terms whereof are given herein below
  - a. Salary: Not exceeding Rs 1,25,000 per month, subject to annual increment effective April 1, every year.
  - b. Perquisites: Ms Nandy is entitled to a Company car with a driver.
  - c. Gratuity is payable as per rules of the Company at the end of service.
  - d. Reimbursement of traveling, hotel and other reasonable expenses actually incurred by Ms Nandy for Company work.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to alter and vary the terms and conditions and/or remuneration from time to time, within the limits specified under schedule XIII of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER THAT where in any financial year, the Company has no profits or inadequate profits, the remuneration as decided by the Board from time to time, shall be paid to Rangita Pritish-Nandy as minimum remuneration with the approval of the Central Government, if required.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

By Order of the Board

Nirav Joshi  
Company Secretary  
Mumbai, August 13, 2009

Registered Office  
87/88 Mittal Chambers  
Nariman Point  
Mumbai 400021

#### NOTES

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and a proxy need not be a member of the Company. The instrument appointing a proxy, in order to be valid, should be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.**
2. Corporate members intending to send their authorised representatives to attend the meeting are requested to send a certified copy of the board resolution authorising their representative to attend and vote on their behalf at the meeting.
3. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
4. The Company has already announced closure of register of members and share transfer books of the Company from Saturday, September 12, 2009 to Wednesday, September 16, 2009 (both days inclusive) for the purpose of annual book closure.
5. Members desirous of seeking any information at the Annual General Meeting are requested to send in their request(s) so as to reach the registered office of the Company at least 10 days before the Annual General Meeting so that the same can be suitably replied.
6. All documents referred to in the accompanying notice and the explanatory statement are open for inspection at the registered office of the Company on all working days, except Saturdays, between 11 am and 1 pm upto the date of the Annual General Meeting.
7. As a measure of economy, copies of annual reports will not be distributed at the venue of the Annual General Meeting. Members are therefore requested to bring their own copies of the annual reports to the meeting.
8. The dividend for the financial years 2001-02 and 2002-03 declared at the Annual General Meeting held on September 30, 2002 and September 19, 2003 respectively can be claimed on or before September 29, 2009 and September 18, 2010 respectively. Members who have not yet encashed their dividend warrants may send the same to the Company's registrar & share transfer agent for revalidation and encash it before the said date. Members are requested to note that no claims shall lie against the Company or the Investor Education and Protection Fund in respect of any amounts which were unpaid or unclaimed for a period of 7 years from the dates that they first became due for payment and no payment shall be made in respect of any such claim.
9. The information required to be provided under the listing agreement entered into with the stock exchanges regarding the Directors who are proposed to be appointed/re-appointed and the explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special business are given hereinbelow.
10. At the ensuing Annual General Meeting, Vishnu Kanhere and Harshawardhan Sabale shall retire by rotation and being eligible, offer themselves for re-appointment. Their brief profiles are given below

*Vishnu Kanhere*, independent director of the Company was appointed as an additional director on October 30, 2006 and as a director at the Annual General Meeting held on September 6, 2007.

Dr Kanhere is a practising Chartered Accountant and a qualified Cost Accountant. He is a PhD in Management from Jamnalal Bajaj Institute of Management Studies, University of Mumbai. He is also a Certified Fraud Examiner (Association of Certified Fraud Examiners, USA), a Certified Information Systems Auditor (Information Systems Audit & Control Association, USA), Certified in the Governance of Enterprise IT – CGEIT (USA) and ISO 9001:2000 Quality Systems Auditor. His expertise in finance, commerce and information technology provides valuable inputs to the Company. The author of the book Software Valuation published by Thomson Learning from Singapore, Dr Kanhere is known in academic circles for his research on valuation techniques for intangible corporate assets.

Other directorships of Dr Kanhere are PNC Productions Ltd and Tilaknagar Industries Ltd.

He holds the following committee memberships in other companies

Sr no	Company	Name of committee	Designation
a.	Tilaknagar Industries Ltd	Audit	Member
b.	Tilaknagar Industries Ltd	Remuneration	Member
c.	Tilaknagar Industries Ltd	Compensation	Chairman

Dr Kanhere holds 2,000 shares in the Company as a Karta of his HUF. He is retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Except Dr Kanhere, none of the directors of the Company are in any way concerned or interested in this resolution. The Board recommends the resolution for your approval.

*Harshawardhan Sabale*, independent director of the Company was appointed as an additional director on October 30, 2006 and as a director at the Annual General Meeting held on September 6, 2007. He is a Chartered Accountant and a fund manager with twelve years of experience at CDP Capital, Arthur Andersen and Navis Capital in the business of private equity, finance, investment management and consulting with special focus on technology, media and entertainment. He set up Arthur Andersen's Technology Risk Consulting practice and was the youngest partner of Navis Capital in Hong Kong, when formulating and executing Navis' India strategy. Currently, he operates a content business based in Hong Kong and Mumbai focusing on the television, film and graphic novel spaces.

Other directorships of Mr Sabale are Power Engineering (India) Private Ltd, Ahimsa Silk (India) Private Ltd, Zfriction Ltd, Hong Kong, Max Bloom Ltd, Hong Kong, Ahimsa Silk (HK) Ltd, Hong Kong, Ahimsa Silk International, Mauritius and Lauris Capital Partners (HK) Ltd.

Mr Sabale is a member of audit committee and remuneration committee of the Company. He does not hold membership or chairmanship of committees of other Companies. He does not hold any share in the Company in his individual capacity. He is retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Except Mr Sabale, none of the directors of the Company are in any way concerned or interested in this resolution. The Board recommends the resolution for your approval.

11. The Board of Directors recommends resolutions for re-appointment of Wholetime Directors namely Pallab Bhattacharya and Rangita Pritish-Nandy for your approval. Their brief profile and other information's are made part of explanatory statement.

#### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

For item no 5 - Re-appointment of Pallab Bhattacharya as Wholetime Director and CEO

*Pallab Bhattacharya*, Wholetime Director and CEO of the Company is associated with the Company since November 1995. Mr Bhattacharya has a bachelor's degree in arts from Calcutta University as well as a diploma in printing technology from the Regional Institute of Printing Technology, Jadavpur. He has 29 years of experience in media, which includes publishing and printing, television and cinematic content production. Mr Bhattacharya worked in The Times of India from 1983 till 1991, after which he joined The Observer Group of Newspapers as Chief Manager, Operations. He joined PNC in 1995 and is currently Chairman of the Corporate Leadership Team and also looks after the Company's day-to-day affairs and administration.

The Board of Directors of the Company,

- i. pursuant to sections 198, 269, 309, 310, 314, 316 read with schedule XIII, other applicable provisions, if any, of the Companies Act, 1956 and articles of association of the Company; and
- ii. subject to approval of the members, approval of the Central Government, if required and such other consents and approvals, as may be required; and
- iii. on the recommendation of remuneration committee, on August 13, 2009 has approved the re-appointment of Mr Bhattacharya for a period of 5 years w.e.f. February 18, 2010 to February 17, 2015 on the remuneration and other terms and conditions as set out in the agreement to be executed with him, the broad terms whereof are given herein below
  - a. Salary: Not exceeding Rs 1,40,000 per month, subject to annual increment effective April 1, every year.
  - b. Perquisites: Mr Bhattacharya is entitled to a Company car with a driver.
  - c. Gratuity is payable as per rules of the Company at the end of service.
  - d. Reimbursement of traveling, hotel and other reasonable expenses actually incurred by Mr Bhattacharya for Company work.

If in any financial year, the Company has no profits or inadequate profits, the remuneration as decided by the Board from time to time, shall be paid to Pallab Bhattacharya as minimum remuneration with the approval of the Central Government, if required.

Other directorships of Mr Bhattacharya are PNC Productions Ltd, PNC Wellness Ltd, PNC Sippy Media Ltd, Artinvest India Private Ltd, Ideas.com India Private Ltd and Blue Whale Network Private Ltd.

Mr Bhattacharya is a member of the Shareholders/ Investor grievances committee of the Company. He holds 2,000 shares in the Company. No other directors except Mr Bhattacharya are in any way concerned or interested in this resolution. The above information be treated as an abstract of the terms of re-appointment of Pallab Bhattacharya as per section 302 of the Companies Act, 1956. The Board recommends the resolution for your approval.

For item no 6 - Re-appointment of Rangita Pritish-Nandy as Creative Director

*Rangita Pritish-Nandy* is Creative Director on the Board of the Company and holds the status of an executive director. She studied in HR College, Mumbai and has a background in commerce and has also done a course in design and animation. Prior to joining PNC, Ms Nandy has worked as an advertising and management trainee at Percept Advertising and Ogilvy & Mather. She joined PNC in 1999 to design and produce its entertainment shows on television and prepare the essential groundwork for the Company's foray into the motion picture business. Currently she heads the Company's creative functions, supervises the in-house production team, greenlights specific projects, handles strategic marketing and is a member of the Corporate Leadership Team.

The Board of Directors of the Company,

- i. pursuant to sections 198, 269, 309, 310, 314, 316 read with schedule XIII, other applicable provisions, if any, of the Companies Act, 1956 and articles of association of the Company; and
- ii. subject to approval of the members, approval of the Central Government, if required and such other consents and approvals, as may be required, and
- iii. on the recommendation of remuneration committee, on August 13, 2009 has approved the re-appointment of Ms Nandy for a period of 5 years w.e.f. January 31, 2010 to January 30, 2015 on the remuneration and other terms and conditions as set out in the agreement to be executed with her, the broad terms whereof are given herein below
  - a. Salary: Not exceeding Rs 1,25,000 per month, subject to annual increment effective April 1, every year.
  - b. Perquisites: Ms Nandy is entitled to a Company car with a driver.
  - c. Gratuity is payable as per rules of the Company at the end of service.
  - d. Reimbursement of traveling, hotel and other reasonable expenses actually incurred by Ms Nandy for Company work.

If in any financial year, the Company has no profits or inadequate profits, the remuneration as decided by the Board from time to time, shall be paid to Rangita Pritish-Nandy as minimum remuneration with the approval of the Central Government, if required.

Other directorships of Ms Nandy are PNC Productions Ltd, PNC Sippy Media Ltd, Ideas.com India Private Ltd, Sarvakala India Private Ltd and Studio PNC Private Ltd.

Ms Nandy does not hold membership or chairpersonship of any committees. She holds 93,500 shares in the Company. She is the daughter of Pritish Nandy and Rina Pritish Nandy, directors of the Company. Apart from them, no other directors are in any way concerned or interested in this resolution. The above information be treated as an abstract of the terms of re-appointment of Rangita Pritish-Nandy as per section 302 of the Companies Act, 1956. The Board recommends the resolution for your approval.

By Order of the Board

Nirav Joshi  
Company Secretary  
Mumbai, August 13, 2009

Registered Office  
87/88 Mittal Chambers  
Nariman Point  
Mumbai 400021



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