



CINERAD COMMUNICATIONS LIMITED

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NINETEENTH
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R E P O R T
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CINERAD COMMUNICATIONS LIMITED

BOARD OF DIRECTORS

ZAFAR HAI

(Chairman and Managing Director)

JAVED GAYA

RASHPAL MALHOTRA

MANMOHAN SHETTY

AUDITORS

M/S. NAIK DANAIT & ASSOCIATES

Chartered Accountants

BANKERS

BANK OF INDIA

HONGKONG & SHANGHAI BANKING CORPORATION LTD.

ABU DHABI COMMERCIAL BANK LTD.

REGISTERED OFFICE

G-3, BOMBAY MARKET APARTMENTS CO-OP. SOCIETY LIMITED,
78, TARDEO ROAD, TARDEO,
MUMBAI- 400 034.

CORPORATE OFFICE

91-A, MITTAL TOWER,
NARIMAN POINT,
MUMBAI - 400 021.

REGISTRARS AND SHARE TRANSFER AGENTS

SYSTEM SUPPORT SERVICES
209, SHIVAJI INDUSTRIAL ESTATE,
89 ANDHERI KURLA ROAD,
SAKINAKA, NEAR L.I.C.,
MUMBAI - 400 072.

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NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Members of CINERAD COMMUNICATIONS LIMITED will be held at the Conference Hall, 16th Floor, Wing C, Mittal Tower, Nariman Point, Mumbai- 400 021, on Friday, 16th December, 2005 at 10.00 a.m. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Balance Sheet as at 31st March, 2005 and the Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Manmohan Shetty, who retires by rotation but does not offer himself for re-appointment.
3. To appoint Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

NOTES:

1. The Register of Members and the Share Transfer Registers of the Company will remain closed on December 16, 2005.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS/HER STEAD. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE MEETING.
3. Members are requested to notify change of address, if any, (a) to their respective Depository Participant in case of shares held in electronic form and (b) to the Company's Registrars & Transfer Agents, M/s. System Support Services, 209, Shivai Industrial Estate, 89 Andheri Kurla Road, Sakinaka, Near L.I.C., Mumbai - 400 072, in case of shares held in physical form.
4. Any Member desirous of obtaining any information pertaining to the Accounts may forward such queries in writing to the Accounts Department at the Registered Office of the company at least 10 days prior to the Meeting in order to enable the Company to keep the information ready to the extent possible.
5. Members or their Authorised Representatives/ Proxies are requested to bring their copies of Annual Report at the Meeting.

For and on behalf of the Board of Directors

ZAFAR HAI
Chairman and Managing Director

Registered Office:
G-3, Bombay Market Apartments
78, Tardeo Road
Mumbai- 400 034.
Dated: October 27, 2005



DIRECTORS' REPORT

Dear Members,

Your Directors present the 19th Annual Report of the Company along with the Audited Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

The Financial Results of the Company are as under:

	Financial Year ended 31.3.2005 (Rs. in Lakhs)	Previous Year ended 31.3.2004 (Rs. in Lakhs)
Profit/(Loss) before Depreciation and Taxation	42.21	63.14
Less : Extra Ordinary & Abnormal Items	325.25	0.09
Less: Depreciation	25.93	25.93
Less: Provision for Taxation (current)	-	0.90
Deferred Tax (Net)	(3.54)	(1.88)
Profit/(Loss) after Depreciation and Taxation	(305.44)	38.11
Balance brought forward from Previous Years	(82.06)	(120.17)
Balance carried forward	(387.50)	(82.06)

In view of the losses, the Directors are unable to recommend any dividend for the year ended 31st March, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Industry Structure and Development

The Indian economy remained buoyant in the last fiscal. The Real Gross Domestic Product (GDP) is estimated to have grown at 6.9 % in the year 2004-05, as compared to 8.5 % in 2003 - 04. (Source : Government of India Economic Survey 2004 - 2005). The economy has managed to maintain the growth momentum inspite of hardening international prices of crude oil.

Entertainment Industry

The Indian entertainment industry in 2004 was marked by consolidation, realignment and growth in most segments of the industry. The burgeoning middle class, adding 30 - 40 million people every year, is fuelling higher consumer spending, thus spurring the growth of the entertainment sector. A recent report by PricewaterhouseCoopers (PWC) estimates the size of the Indian entertainment industry at Rs. 20,000 crores in 2004.

The Indian film industry is still the largest in the world in terms of number of films produced. However, the comparatively low average admission prices have resulted in the industry gaining no more than a small percentage in the global box office stakes. Films with varied themes were churned out, with just a handful of them recovering their investment.

India is the third largest television market in the world today with over 119 million television households and an industry size of Rs. 12,900 crores. (Source : the PWC report). The appointment of Telecom Regulatory Authority of India (TRAI) as the regulator for the broadcasting and cable services in India has been hailed as a welcome step in further catalysing the growth of the television segment in India.

Performance

Your Company is a production house specialising in corporate films, documentaries and promotional films. It has over the last three years achieved a position as market leader in this segment.

During the year under review, your Company has posted impressive top line growth. The Company has a total income of Rs. 383.04 lakhs for the year under review, as compared to Rs. 281.11 lakhs in the previous year, an increase of 36 %. The Company has made an operating profit of Rs. 42.21 lakhs for the year, as against an operating profit of Rs. 63.14 lakhs for the previous year. However, owing to substantial write offs on bad debts and project development expenses as detailed below, the loss after depreciation and taxation for the year is Rs. 305.44 lakhs, as against a profit after depreciation and taxation of Rs. 38.11 lakhs for the previous year.

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The loss incurred is solely on account of the write offs on bad debts and project development expenses. In respect of project development expenses, the Company had aggregated expenses of Rs. 150.13 lakhs over the last few years. Your Company felt it financially prudent to write off these expenses against which no revenues till date have been received. The bad debts written off pertain to debts incurred in the course of the Company's earlier business of providing post-production services. The Company had imported editing equipment that was the first of its kind to be installed in India. It however lacked adequate maintenance support and software upgrades. The bad debts written off relate to disputed amounts accumulated on account of unsatisfactory quality of work due to technical defects in this imported equipment. Over the years, the Company has made vigorous efforts to recover these debts. In the year under review, considering the totality of the situation and the fact that more than 85% of the debts are over five years old, the Company has deemed it financially prudent not to postpone further the writing off of debts doubtful of recovery aggregating Rs. 186.44 lakhs.

During the year, the Company further consolidated its niche business – the production of corporate films and documentaries. The Company completed the production of a prestigious film for the Tata Group – a commemorative film on the lives of the pioneering industrialists Jamsetji Nusserwanji Tata and JRD Tata, shot extensively in Europe and India. This film was premiered at the prestigious Victoria & Albert Museum in London. It is being screened currently to specially invited audiences in the Indian metros. It is slated for a television release soon, which should result in excellent exposure for your Company. During the year, your Company also made corporate films for the Tata Power Company Limited and for the Essar Group.

Outlook**Entertainment Industry**

The Economic Survey 2004 – 2005 projects GDP growth at 7 % for 2005 –06. The Indian entertainment industry is expected to significantly benefit from the expanding economy. Rising incomes result in proportionately more outlay on leisure and entertainment in consumer spending.

The film industry is expected to grow by 18 % compounded annually over the next five years (Source : the PWC report). The rapid increase in number of multiplexes, the burgeoning home video market, improved revenues from sale of satellite rights, the increasing overseas collections targeting the growing Indian diaspora and the advent of digital delivery system of films to fight piracy are the main growth drivers fuelling revenues from the film industry.

Subscription revenues will drive growth in the television segment in the next five years. In the short term, growth is projected at 14 % annually, primarily from growth in the number of cable and satellite households and improved realisations.

Company Prospects

Your Company will continue to build further on its leadership position in the production of corporate films for blue – chip companies / organizations. It also continues to look at ways to expand its revenue base through entering other areas of film production, without necessarily going in for ventures involving undue risk.

The Company is also considering inducting prospective investors/partners, well placed to strengthen and augment the business operations of the Company.

Segment-wise Reporting

The Company has only one segment and segment-wise reporting does not apply to it.

Internal Control & Systems

The Company maintains an adequate and effective internal control system commensurate with its size and complexity. We believe that these internal control systems provide a reasonable assurance that transactions are executed with management authorization and that they are recorded in all material respects to permit preparation of financial statements in conformity with established accounting principles and that the assets of the company are adequately safe-guarded against significant misuse and loss. Significant findings of the Internal Auditor are brought to the notice of the Audit Committee of the Board and corrective measures recommended for implementation.

Personnel

Relations with employees continued to remain cordial during the year. The total number of people employed in the Company as on March 31, 2005 was 10.



Cautionary Statement

The statements forming part of the Directors' Report may contain certain forward looking remarks within the meaning of applicable securities laws and regulations. Many factors could cause the actual results, performances or achievements of the Company to be materially different from any future results, performances or achievements that may be expressed or implied by such forward looking statements.

FIXED DEPOSITS

The Company has not accepted any Fixed Deposits from the Public during the financial year under review

DIRECTORS

Mr. Manmohan Shetty, Director, retires by rotation at the ensuing Annual General Meeting. In view of his increased pre-occupations and responsibilities, he regrets his inability to offer himself for re-appointment. Your Directors place on record their sincere appreciation for the valuable advice and guidance provided by him during his tenure as a Director of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2005 and of the loss of the Company for that year;
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors have prepared the annual accounts on a 'going concern' basis.

CORPORATE GOVERNANCE

A separate section on Corporate Governance and the certificate from the Company's Auditors confirming the compliance of conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement is included in and forms part of the Annual Report.

AUDITORS

The Auditors M/s. Naik Danait & Associates, Chartered Accountants, retire at this Annual General Meeting and are eligible for re-appointment. They have confirmed that their appointment, if made, will be in accordance with the limits specified in Section 224(1-B) of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES

There were no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975, as amended.

INFORMATION PURSUANT TO SECTION 217(1)(e)

Provisions of Section of 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 are not applicable to the Company, in respect of Conservation of Energy and Technology Absorption and Research & Development.

FOREIGN EXCHANGE EARNINGS AND OUTGO

	Financial Year ended 31.3.2005 (Rs. in lakhs)	Previous Year ended 31.3.2004 (Rs. in lakhs)
a) Total foreign exchange earned	NIL	NIL
b) Total Foreign Exchange used	61.88	2.53

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the contribution of employees at all levels. Your Directors also take this opportunity to thank the Company's Bankers, Shareholders and all others concerned for their valuable support and co-operation extended to the Company.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

ZAFAR HAI
CHAIRMAN AND MANAGING DIRECTOR

PLACE : MUMBAI
DATED : October 27, 2005

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CORPORATE GOVERNANCE REPORT

(Pursuant to Clause 49 of the Listing Agreement)

Company's philosophy on Corporate Governance

The Company is listed on the Bombay Stock Exchange and has complied in all material respects with the features of corporate governance as specified in the Listing Agreement.

Board of Directors

During the year under review, 6 Board Meetings were held on the following dates: April 20, 2004; July 7, 2004; August 12, 2004; September 17, 2004; October 29, 2004; January 31, 2005.

The composition of the Board, attendance at Board Meetings (BM) held during the financial year under review and at the last Annual General Meeting (AGM), number of Directorships and memberships / chairmanships in public companies (including the Company) are given below :

Name of Director	Category	FY 2004-05 Attendance at		No. of Directorships	As Committee Chairman	Positions as Member
		BM	AGM			
Mr. Zafar Hai (Chairman)	Promoter Managing Director	06	Yes	01	01	00
Mr. Javed Gaya	Independent Non-Executive	06	Yes	03	00	02
Mr. Rashpal Malhotra	Independent Non-Executive	00	No	01	00	01
Mr. Manmohan Shetty	Independent Non-Executive	06	Yes	11	00	02

Audit Committee

The Audit Committee comprises of three members, viz: Mr. Javed Gaya, Mr. Rashpal Malhotra and Mr. Manmohan Shetty. The scope of the activities of the audit committee is as set out in clause 49 of the listing agreement with the stock exchange read with section 292 A of the Companies Act, 1956. The terms of reference of the audit committee broadly are as under:

- To hold periodic discussions with the statutory and internal auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the auditors;
- To review compliance with the internal control systems;
- To review the quarterly, half yearly and annual financial results of the company before submission to the board;
- To make recommendations to the board on any matter relating to the financial management of the company, including the audit report of the statutory and internal auditors.

During the period under review the audit committee met on five occasions:

April 20, 2004; July 7, 2004; August 12, 2004; October 29, 2004; January 31, 2005.

Remuneration Committee

The Company has no wholtime Director on the Board other than the Managing Director whose appointment and remuneration has been fixed by the Board in terms of resolution passed by the members.

In view of this, no Remuneration Committee is required to be constituted.