



PENTAMEDIA
GRAPHICS LIMITED



29th Annual Report
2004 - 2005

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Chairman & CEO	Dr.V. Chandrasekaran
Board of Directors	Mr.T.V.Krishnamoorthy Mr.S.D.Viswanathan Mr.K.Ganesh Babu (w.e.f 30.03.2005)
Company Secretary	Mr.G.Subramaniam
Auditors	M/s. CNGSN & Associates Chartered Accountants,Chennai
Legal Advisor(s)	Mr.T.K.Seshadri
Bankers	Bank of India Oriental Bank of Commerce HSBC Ltd. UTI Bank Ltd.
Registered Office	"Taurus", No.25, 1st Main Road United India Colony, Kodambakkam Chennai-600024, Tamil Nadu (India)
Development Centre / Studio	Software Development Park & Multimedia Centre 1/162, IT Highway (Old Mahabalipuram Road), Thaiyur Sengammal Village, Kelambakkam – 603 103 Tamil Nadu (India)

From the Chairman's Desk

Dear Friends,

This is the 13th Continuous year I am communicating to you with my views, ideas and the company's progress after it went public in May 1992. All these years we have seen – 'the only thing permanent in this world is Change'.

Over the years the company has made many pioneering efforts using multimedia technologies in Education, Enterprise & Entertainment. The company has restructured itself in these years through subsidiaries, mergers, de-mergers & acquisitions keeping in mind, the business dynamics and needs prevailing at that point of time.

The latest restructuring of Entertainment Content into Production, Distribution & Exhibition with Mayajaal Entertainment Limited has been done through Hon'ble High Court of Madras approvals with effect from 01st January 2004. The details of the same have been presented in this report.

There have been ups and downs due to various happenings in the global scenario which have made us to do the 'right things' with optimistic outlook. During the years the company emphasized more from merely doing things to 'Logical', 'Creative' and now 'Lateral Thinking and doing'. This require fresh minds, fresh ideas, fresh blood and innovative leadership which can lead the company into the next growth stage, benefiting all the stake holders.

With your as usual support the company will be implementing these plans progressively.

I would like to thank all of you for your co-operation and support at all times.

Dr.V.Chandrasekaran
Chairman & CEO

PENTAMEDIA GRAPHICS LIMITED

PENTAMEDIA GRAPHICS LIMITED
Regd. Office: Taurus", No.25, First Main Road,
United India Colony, Chennai-600024.

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Twenty Ninth Annual General Meeting of Pentamedia Graphics Limited will be held on Thursday the 29th December, 2005 at 10.00 a.m at Rani Seethai Hall, 603, Anna Salai, Chennai-600006, to transact the following business

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, the Audited Profit and Loss Account for the year ended 31st March 2005 and the Balance Sheet as on that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Mr.S.D.Viswanathan, who retires by rotation, and is eligible for re-appointment.
3. To appoint Statutory Auditors and fix their remuneration. M/s CNGSN & Associates, Chartered Accountants, Chennai, the retiring auditors of the Company, are eligible for re-appointment.

SPECIAL BUSINESS

4. 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 provision of Section 257 and other applicable provisions if any of the Companies Act, 1956 and Articles 33 of Articles of Association of the Company Mr.K.Ganesh Babu, be and is hereby appointed as Director of the Company whose period of office shall be liable to retirement by rotation.

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

"RESOLVED THAT in accordance with the applicable provisions if any of the Companies Act, 1956, Article 34 of the Articles of Association of the Company and the Listing Agreement entered with the Stock Exchange, or any amendment or re-enactment thereof, consent be and is hereby accorded for payment of sitting fees to the Non executive Directors of the company, for attending meetings of the Board of Directors and committee thereof as may be determined by the Board, within the limit of Rs.20000 (Rupees Twenty thousand) individually per meeting as presently prescribed by the Central Government or such other limit as may be prescribed by the Central Government from time to time."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to decide, as they may deem fit, determine the quantum of sitting fees payable to each of the non -executive Directors in any financial year."

Notes:

1. A Member entitled to attend the Annual General Meeting is also entitled to appoint one or more proxies to attend and vote instead of himself and the proxy or proxies need not be a member. A proxy should be duly stamped, completed and signed and must be deposited at the registered office of the company, not later than 48 hours before the meeting.
2. The register of members and Share Transfer Books of the company will remain closed from Tuesday the 20th December 2005 to Thursday the 29th December 2005 (Both days inclusive) for the Purpose of Annual General Meeting and for

implementing the Scheme of Amalgamation / Arrangement approved by the Hon'ble High Court of Madras vide its Order dated 12th October 2004 and modified Order dated 08th November 2004 including the following:

- a. Determining the list of Shareholders of Pentamedia Graphics Limited whose nominal value of shares stand reduced from Rs.10/- per equity share fully paid up to Re.1/- per share fully paid-up pursuant to Scheme of Amalgamation.
- b. Determining the list of equity Shareholders of Pentamedia Graphics Limited eligible for the allotment of 6 fully paid up equity shares of Mayajaal Entertainment Limited for every 10 fully paid up equity shares held by them in Pentamedia Graphics Limited pursuant to demerger and vesting of the two divisions of Pentamedia Graphics Limited with Mayajaal Entertainment Limited.
- c. Determining the list of 6% non-cumulative optionally convertible redeemable preference shareholders of Pentamedia Graphics Limited eligible for the allotment of 6 fully paid up equity shares of Mayajaal Entertainment Limited for every 10 fully paid up 6% non-cumulative optionally convertible redeemable preference shares held by them in Pentamedia Graphics Limited pursuant to demerger and vesting of the two divisions of Pentamedia Graphics Limited with Mayajaal Entertainment Limited.
- d. Determining the list of shareholders of Media Dreams Limited eligible for the allotment of 30 fully paid up equity shares of Mayajaal Entertainment Limited for every 25 fully paid equity shares held in Media Dreams Limited pursuant to the Scheme of Amalgamation.
- e. Determining the list of shareholders of Kris Srikanth Sports Entertainment Limited eligible for the allotment of 3 fully paid up equity shares of Mayajaal Entertainment Limited for every 5 fully paid equity shares held in Kris Srikanth Sports Entertainment Limited pursuant to the scheme of Amalgamation.
- f. Determining the list of shareholders of Intelivision Limited eligible for the allotment of 30 fully paid up equity shares of Mayajaal Entertainment Limited for every 22 fully paid equity shares held in Intelivision Limited pursuant to the Scheme of Amalgamation.
- g. The number of fully paid up equity shares to be issued to the Creditors of Pentamedia Graphics Limited for the conversion of the Secured loan in to equity shares of Re.1/- each of Pentamedia Graphics Limited pursuant to the Scheme of arrangement.
3. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the special business are given in Annexure, forms part of the notice.
4. Members are requested to intimate any change in their address to the company or its share Transfer Agents and in case their shares are held in Dematerialized form, this information has to be given to the concerned depository participants without any Delay.
5. Members of the company desirous of getting information about the accounts or operations of the company are requested to address their queries to the shares department at least seven days in advance of the meeting so that the information required can be made readily available at the meeting.
6. Members holding shares in physical form are requested to Dematerialise the shares in electronic form to facilitate faster transfer and avoid rejections of bad deliveries. The share



certificates may be sent directly to our share transfer agent: M/s. Cameo Corporate Services Ltd., No.1, Club House Road, 5th Floor, "Subramaniam Building", Anna Salai, Chennai-600002.

7. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer of dividend to Company's Special Dividend Account will be transferred to the Investor Education and protection Fund established by the Central government as per the amendments to section 205A read with Section 205C of the Companies Act, 1956. Thereafter, no claims would be entertained.

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

Item-4 Appointment of Mr.K.Ganesh Babu as a Director

The Board of Directors had appointed Mr.K.Ganesh Babu as an Additional Director at the Board meeting held on 30th March 2005, to hold office only upto the date of this annual general meeting. The Company has received a notice in writing along with the a deposit of Rs.500/- from a member of the Company under Section 257 of the Companies Act, 1956, signifying his intention to propose the appointment of Mr.K.Ganesh Babu as Director of the Company. Hence the resolution is placed before the shareholders for their approval.

No other Director except Mr.K.Ganesh Babu is deemed to be concerned or interested in this resolution.

The Board recommends the resolution for your approval.

Item-5 Approval of fees/compensation paid to non-executive directors

The revised Clause 49 of the listing agreement read with the Circular MRD/SE/CIR-31/2003/26/08 dated 26th August, 2003 stipulates that "all fees and the compensation, if any paid to non-executive directors, including independent directors, shall be fixed by the Board of Directors and shall require previous approval of shareholders in general meeting. The shareholders resolution shall specify the limits for the maximum number of stock options that can be granted to the non-executive directors, including independent directors, in any financial year and in aggregate". The revised Clause 49 is to be complied with on or before 31st December 2005.

The Non- executive Directors of your Company are entitled to sitting fees, as determined by the Board of Directors from time to time, for attending the meeting of the Board and committees thereof. The sitting fees are presently Rs.5000/- and Rs.2500/- per meeting of the Board, Audit committee respectively.

The payment of sitting fees to Non-executive Directors from January 2006 requires previous approval of the members in the general meeting and hence the resolution is proposed in item no.5 of this notice. The Board recommends the resolution for your approval.

All the Directors, except Dr.V.Chandrasekaran, Chairman & CEO, are deemed to be interested in this resolution.

Additional Disclosure required under clause 49 of the listing agreement.

Item No.2

Mr.S.D.Viswanathan, aged 70 years, has graduated from Madras University with B.E (Honours) (Electrical & Electronics) and has vast

experience in various fields. Before joining Pentamedia Graphics Limited he worked in the following institutions

- Madras Institute of Technology
- Indian Institute of technology
- Indian Railways
- Best & Crompton
- Technical consultant in Crompton Greaves, Universal Cables, RITES (IDD)
- Director and member of Governing Council, TANSITA-FNF service center, Madras.

He was a General Manager & Chief Executive of Auto Electrical division of Premier Auto Electric, Madras during 1994-96; President and Executive director of Electrodyn Group of Industries from 1996 to 2000 and Technical consultant.

Mr.S.D.Viswanathan is not holding any directorship or committee membership other than this company.

Additional information under Clause 49 of the Listing Agreement

Item No:4

Mr.K.Ganesh Babu, is an Electrical Engineer from the University of Madras. Before his induction as director on the board he had Worked for three decades in the Engineering, Procurement and Construction (EPC) Field.

He has worked on various overseas assignments in Saudi Arabia, UAE, Ghana, Nigeria, Qatar, and Turkey; and had Undergone specialized Executive Management Programs from reputed Management Institutions like Administrative Staff College of India (ASCI).

He has been incharge of the Projects Implementation and had dealt with Project Financing from World Bank, African Development Bank, Asian Development Bank etc., besides interactions with many reputed Foreign Banks as well as Banks in India, including EXIM Bank.

Mr.K.Ganesh Babu is not holding any directorship or committee membership other than this company.

Place : Chennai
Date : 28.11.2005

By and on behalf of the Board
V.Chandrasekaran
Chairman & CEO

DIRECTORS' REPORT

Dear Members

The Board of Directors hereby present the twenty ninth Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March 2005 and revised accounts of 31.03.2004 with effect given as per the Composite Scheme of arrangement.

Composite Scheme of arrangement

The Hon'ble High Court of Madras has sanctioned the composite scheme of amalgamation, arrangement and compromise between the Company and Media Dreams Limited, Kris Srikanth Sports Entertainment Limited, Intelivision Limited and Mayajaal Entertainment Limited vide its Order dated 12th October 2004 and amended Order 8th November 2004 and effective from 1st January 2004. The Scheme has come into force from 6th December 2004 the date on which the companies have filed the copy of modified order of the Hon'ble High Court of Madras with Registrar of Companies, Chennai.

The company has obtained the permission from Registrar of Companies, Chennai for extension of 29th Annual General Meeting till 31.12.2005 to effect the restructuring scheme as per the order of High Court of Madras.

During the year the company has set off an amount of Rs.690.07 Crores arising out of impairment of assets against the balance standing in the Securities Premium Account of PMGL as on 31st March 2003 as mentioned in Clause: 4.8 of the Composite Scheme of Arrangement.

Financial Highlights

Rs.000s

	2004-2005	2003-2004
Total Income	648,687	1,427,080
Profit before Interest, Depreciation & Tax	272,304	560,122
Net Profit after Tax	40,104	57,865
Add: Surplus Brought Forward	684,480	626,615
Profit available for appropriation	724,584	684,480
Transfer to General Reserve	-	-
Surplus carried to Balance Sheet	724,584	684,480

Financial Review

The company after September 11 scenario & various destructions around the world, has decided to restructure the business as has been done by the media companies in the world. Pentamedia will concentrate on consultancy, co-production, distribution, pre-production, post-production, digital & multimedia products and special effects for films, TV and PCs. Mayajaal will concentrate on facilities and production of contents on Animation & Live-action for Big, Small & Personal screens. This restructuring has come into effect from 1st January 2004 through a Court convened EGM held on 3rd May 2004 and an approval from the Hon'ble High Court of Madras vide its order dated 12th October 2004 & Amended order dated 8th November 2004. Due to this, appropriate adjustments have been done between Pentamedia & Mayajaal and hence the comparison with previous years may not be appropriate.

During the year the company made a turnover of Rs.64.86 Crores as against Rs.142.71 Crores (9 months pre and 3 months post restructured) in the previous year. Reduction in turnover was mainly due to the fact that two divisions of the company has been demerged and vested with the company's subsidiary Mayajaal Entertainment Limited from 1st January 2004.

The Profit before Interest, Depreciation and Taxation for the year ended 31st march 2005 has reduced from Rs.27.23 Crores during the previous year to Rs.56.01 Crores (9 months pre and 3 months post restructured) during the year. The PBDIT ratio dropped to 52.68% on sales from 55.09% on sales during the previous year, which was mainly due to the exchange fluctuation on account of sharp appreciation of the Indian Rupees against US Dollar.

Dividend

Your Directors have not recommended any dividend and wish to conserve the profit for the future

Future Prospects

Your company is focusing mainly on Consultancy, Co-production, Pre-production, Post-production and Distribution of contents including Animation, Live Action films, TV, and PC.

Segment Wise Reporting

Consultancy:

Consultancy of our Creative & Professional services on works relating to Animation, Multimedia & Visual Effects software such as Maya, Softimage, 3D Max, Flash, Flint etc., for various assignment including Overseas turnkey projects.

Pre-Production:

The division has successfully completed the Pre-Production work for 'Sinbad & the Secret of Colonis' - which is a sequel to the company's first animated feature 'Sinbad: Beyond the Veil of Mists' and 'Hanji' while the Pre-production for 'Lalka in Space' is nearing Completion. The scripts for 'Tarzan & the Aliens' are undergoing stylizing treatment at Hollywood.

Co-Production:

Proposals on Co-Production Joint Venture with the French and Canadian studios have progressed to the next level. Exploring the Possibilities of Co-Production in the same line as already done with Economic Development Board (EDB), Singapore is underway.

Many more promising Co-production responses that came out of our participation in world media events & markets from studios worldwide are being processed for film, TV & games to be taken-up in the coming years.

Post Production:

The post production for 'Gulliver's Travel' is being done in various overseas centers and is being planned for an entry into Oscars 2005.

Other post production Services like Film Scanning, Recording & Avid Editing have been successfully completed for over 3,00,000 frames.

Distribution:

The distribution activities worldwide for the products dealt by the company has been very active with our participation in Media Markets & Exhibitions namely AFM (American Film Market), NATPE (National Association of Television Program Executives), ATF (Asia TV Forum), TAFF (Thailand Animation Film Festival) and Annecy (in France).

Effective Licensing has been done for TV & DVD Home Video Rights. The Titles well exploited are 'Sinbad', 'Pandavas', 'Alibaba', 'Son of Alladin' and 'The Legend of Buddha' in the Territories of Russia,

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Malaysia, Thailand, Indonesia & India. In India the DVD Distribution is being handled by **Shemaroo Video Private Limited** and the TV Rights are being exercised by **'Turner Entertainment Network Asia'**. Negotiations for Licensing the world / territorial rights is nearing completion.

The movie **'Gulliver's Travel'** has already generated interest among distributors at festivals in US, Europe and ASIA. Also the company has initiated the Licensing & Distribution of its Digital Asset Rights.

Special/Visual Effects:

The company has successfully completed more than 250 minutes of visual effects work for the year. Some of the Premium / Blockbuster hits in tamil and telugu and the movie "February 14" which was critically acclaimed by the media for the Special effects in the film. Work in progress includes "God Father", "Sandakozhi", "Azhaga Irukirai Bayamai Irukku", "ABCD", "Ada", "Rowdi", and "Lemon". The division is also planning to enhance the existing postproduction setup with latest Hardware and Software, making it one of the best postproduction studios in India.

Multimedia Products:

The Company replicated around 4 million CD/VCDs and added 120 new customers in the fiscal year 2004 -05. The division bagged majors replication deals from various corporates, films & audio products. The CD Plant is now more than 8 years old and has served well its purpose and is all set to Revamp itself into a 'State-of-the-art' DVD replication Facility.

Subsidiaries:

Through High Court of Madras order dated November 08, 2004, Media Dreams Ltd, Kris srikanth sports Entertainment Ltd and Intellivision Ltd. are amalgamated with Mayajaal entertainment Ltd. The Num TV and Animation Division of Pentamedia is demerged and vested with Mayajaal Entertainment Limited.

Mayajaal Entertainment Limited

Mayajaal is mainly focusing on Production of 2D / 3D animation, Live Action films for big, small & personal screens after the amalgamation as per the Scheme of Arrangement and with their existing of activities of Theme Park, Resorts, Sports Village & Shopping Mall.

The details are available in the directors' report of Mayajaal Entertainment Limited, which is part of this annual report.

NumTV, Mauritius

NumTV, Mauritius is focusing on consultancy, production and distribution of contents.

Pentamedia is a Major investor in Num TV Limited, which is a listed company in Mauritius. This company has been effectively acting as a business hub between Pentamedia for various 2D/3D Animation Projects and Consultancy services. During the year 2004-05, it conducted & hosted a Film festival in Mauritius. Since Mauritius is preferred place to do business with the companies in Europe and Africa through onshore and offshore projects.

Subsidiary Company Accounts

In compliance with the provisions of Section 212 of the Companies Act, 1956, the Audited Statement of Accounts for the year ended 31st March 2005 of the Subsidiary Companies and also the statement under the said section are attached with the Balance Sheet of the Company.

Deposits

During the Financial year ended 31st March 2005 your company has not received any deposits from the public.

Directors

Dr.S.Ramani resigned from the Board with effect from 28th January 2005. The Board wishes to place on record its appreciation of the services rendered by Dr.S.Ramani as director of the company and as Chairman/member of the various committees.

Mr.K.Ganesh Babu was appointed as an additional Director with effect from 30th March 2005, his appointment as Director is proposed as Item No.4 of the Notice.

Mr.S.D.Viswanathan, retires by rotation at the ensuing annual general meeting and is eligible for reappointment.

Auditors

M/s.CNGSN & Associates, Chartered Accountants, Chennai, retire at the ensuing annual general meeting and are eligible for re-appointment.

Conservation Of Energy, Technology Absorption, Foreign Exchange Earning And Outgo

A. CONSERVATION OF ENERGY

The company is constantly involved in energy conservation activities. The Information on total energy consumption and energy consumption per unit is given in Form A

Form-A Power And Fuel Consumption

	2004-2005	2003-2004
Power consumption in Units	1819977	2175923
Electricity Charges (Rs.)	10044548	11585598
Cost per Unit (in Rs.)	5.52	5.32
Self generated Units	46563	68625
Fuel Costs (Rs.)	486892	597736
Cost Per Unit (Rs.)	10.45	8.71

B. TECHNOLOGY ABSORPTION AND INNOVATION

The Company has always been up-to-date with the latest technological advancements in the industry and has efficiently contributed Custom Economical in-house solutions instead of Costly non-customized Pre-made solutions available from third party Solution Providers. The Particulars are given in form B

FORM - B Research & Development

Pentamedia developed the expertise to produce Quality 2D, 3D, Visual Effects and CD/CBT division content with the Help of its in-house R & D Efforts. Some of the areas where Major thrust was given were:

- (i) Conversion of **3D Animation into 2D Animation** with custom Plug-ins.
- (ii) **Hybrid 3D Animation** - Developing in-house tools & utilities for Blending Motion capture & Traditional Animation techniques
- (iii) **3D Nature Effects** - Software Plug-ins for simulating Nature Phenomenon

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- (iv) Dynamic effects for Hair, Cloth and Fur Animation.
- (v) Converting of Existing CBTs and CD Titles into VCDs.
- (vi) Rendering Images to High Density format and related Compatibilities
- (vii) Digital Software based Motion tracking for Visual effects

EXPENDITURE ON R & D

	2004—2005	2003—2004
	Rs. 000's	Rs. 000's
A. Capital	Nil	Nil
B. Recurring	Nil	1,976
C.Total	Nil	1,976

**FOREIGN EXCHANGE
EARNINGS AND OUTGO**

	2004—2005	2003—2004
	Rs. 000s	Rs. 000s
Foreign Exchange Earnings	743,746	1,385,217
Foreign Exchange outgo	435,526	570,991

Employees Stock Option Scheme (ESOS)

The Employees Stock Option Scheme will be exercised as per Clause 3.22 of the Scheme of Arrangement which was approved by the Hon'ble High Court of Madras vide its order dated 12.10.2004 and amended order dated 08.11.2004.

Directors Responsibility Statement

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, the directors to the best of their knowledge and belief confirm that:

- i) in preparation of the annual accounts for the financial year ended 31st March 2005, the applicable accounting Standards had been followed along with proper explanation relating to material departures.
- ii) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the company for the year under review.
- iii) the directors had 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;
- iv) the financial statements have been prepared on a 'going concern' basis.

Auditors

M/s. CNGSN & Associates, Chartered Accountants, Chennai, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

Disclosure as per the Companies (Disclosure of particulars in the board of Directors) Rules, 1988

Rs. in 000s

Name	: Dr.V.Chandrasekaran
DOB	: 03.05.51
Designation	: Chairman & CEO
Remuneration (Rupees in Thousands)	: 2688
Date of Original Appointment	: January, 1992
Date Latest of Reappointment	: August 2001

Human Resource & Personnel

In order to meet the ever-going expectations of the customers your company took initiative for mapping skills of the existing employees. Your Company's thrust on innovation saw a number of suggestions and ideas emanate from the workforce. A number of these have been taken up for implementation. The management also regularly conducted communication meetings with the workforce, thereby enhancing their involvement in the operations. Your Directors take this opportunity to express their appreciation to all the employees for their dedication and collective contribution to enable the company to achieve the performance in the year.

Corporate Governance

As required by the Clause 49 of Listing Agreement with the stock exchanges, a report on Corporate Governance and a certificate from the Auditors on Corporate Governance are annexed.

Management Discussion and Analysis Report

A Management discussion and analysis report is attached and forms part of the Annual Report.

Acknowledgement

The Directors wish to place on record its appreciation for the cooperation and support received from customers, shareholders, financial institutions and Bankers. The Directors record their special appreciation to all employees for their efforts towards achieving this performance.

Place: Chennai
Date: 28.11.2005

By and on behalf of the Board
V.Chandrasekaran
Chairman & CEO

REPORT ON CORPORATE GOVERNANCE

COMPLIANCE WITH CLAUSE 49 OF THE LISTING AGREEMENT WITH STOCK EXCHANGES AS the Company is a part of 'Group A' of Bombay Stock Exchange index, terms of Clause 49 of the Listing Agreement of the Stock Exchanges, the compliants report on Corporate Governance (in the prescribed format).

1. Corporate Governance Philosophy

The company has always believed and has been in practicing various elements of corporate governance; the board has adopted corporate governance principles to ensure that the board remains informed, independent and involved in the company. The adoption of such corporate practices ensures accountability of the persons in the management of the company on one hand and at the same time it operates not only within the regulatory framework, but also guided by ethics. The board recognizes that there is a huge scope for will be ongoing efforts on better corporate governance, and the company will seize the opportunity to review as well as implement the same.

Key elements in corporate governance are timely disclosure, establishment of internal controls and high standard of accounting fidelity, product and service quality.

Pentamedia Graphics believes that sound corporate governance practices are crucial to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and provide shareholder value.

2. Board Of Directors

The key to good corporate governance is the Board of Directors, which leads and controls the business. The Board provides leadership, strategic guidance and objective judgment on the affairs of the company. While doing so, the Board recognizes the interest of all stakeholders. The board is fully aware of the fiduciary responsibilities and recognizes its responsibilities to shareholders

The basic responsibility of the board is to provide effective governance over the company's affairs exercising its reasonable business judgment on behalf of the company.

• Composition of the Board

The board has been constituted in a manner, which will result in an appropriate mix of executive /non-executive and independent Directors to ensure proper governance and management. The Board comprises 4 members who have varied experience in engineering, finance, administration and legal fraternity. A majority of the Directors are independent meeting the criteria for independence under the listing agreements with the stock exchanges. The Directors are elected based on their qualification and experience in various fields. Dr.V.Chandrasekaran is the Chairman of the Board and the whole-time Director of the company.

The board, in order to be effective, has constituted an Audit committee, Remuneration Committee and Share transfer/Investor grievance committee.

Name of director	Category	No. of Board Meetings attended	No. of In Directorships other Companies*	No. of Committee Memberships**
Dr.V.Chandrasekaran	ED	8	2	-
Dr.S.Ramani (i)	NED/ID	6	1	-
Mr.S.D.Viswanathan	NED/ID	8	-	2
Mr.T.V.Krishnamurthy	NED/ID	7	4	6
Mr.K.Ganesh Babu (ii)	NED/ID	-	-	2

* NED-Non-executive director

* ID-Independent director

* ED-Executive director

* Excludes foreign companies, Private Limited Companies, Alternate Directorship and Companies registered under Section 25 of the Companies Act, 1956.

** Includes only member ship in Audit and Share Transfer/ Investor grievance Committee.

(i) Dr.S.Ramani ceased to be a member of the committee w.e.f. 28.1.2005

(ii) Mr.K.Ganesh Babu was appointed as a member on 30th March 2005

In view of the requirement under the corporate governance norms, a 'code of conduct' for the Directors has been adopted. Besides , information about statutory compliance, minutes of all sub-committees and information as required under listing guidelines are also provided to the Directors on a regular basis.

There is a minimum of four-scheduled Board meeting in a year. During the year ended 31st March 31,2005, eight meeting of the Board of Directors were held i.e 30th April 2004,31st May 2004, 30th July 2004, 28th August 2004, 24th September 2004, 29th October 2004, 21st January 2005 and 30th March 2005

Changes in the Board constitution

Dr.S.Ramani resigned from the board w.e.f. 28th January 2005, the board appreciates the valuable contributions made by him during his tenure and the Board of Directors at the meeting held on 30th March 2005 co-opted Mr.K.Ganesh Babu as an additional director.

Mr.S.D.Viswanathan, retires at the ensuing Annual General meeting and being eligible offers himself for re-appointment. Additional information regarding the director as required under Clause 49 of the listing agreement has been included in the notice calling the Annual General Meeting.