

BOARD OF DIRECTORS

Mr. V. Chandrasekaran - Chairman & CEO

Mr. S. D. Viswanathan - Director

Mrs. Sumathi Sridharan - Director

Mr. Joseph Jerome - Director

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. G. Swaminathan

AUDITORS

M/s. Sudhindran & Co.,
Chartered Accountants,
Firm No.: 006019S
G - 1, Kesari Kuteeram,
22, West Cott Road,
Royapettah, Chennai - 600 014.

BANKERS

Indian Bank
Oriental bank Of Commerce

REGISTERED OFFICE

No.25,"Taurus", First Main Road
United India Colony, Kodambakkam
Chennai - 600 024, Tamil Nadu
Tel : 044-2483 3067 Fax : 044-24726042
E-Mail : shares@penta-media.com
Visit us at : www.penta-media.com

REGISTRAR & TRANSFER AGENT

Cameo Corporate Services Ltd.,
Unit "Pentamedia Graphics Ltd"
"Subramaniam Building",
No.1, Club House Road,
Annasalai, Chennai - 600 002.
Tel : 044-2846 2700 Fax : 2846 0129
E-Mail : investor@cameoindia.com

Contents

★ Chairman's Message	2
★ Notice to the Shareholders	3
★ Directors' Report & Management Discussion and Analysis Report	7
★ Report on Corporate Governance	16
★ Standalone Financial Statements	31
★ Consolidated Financial Statements	51
★ E-Communication Registration Form	65

Chairman's Message

Dear Friends,

Wish you and your family members a happy forthcoming festive season.

Though there have been disturbances, slowdowns and see-saw effects on the economy world over, let us look at all these events with optimism. The perception of positiveness and negativisms of the happenings always educate us in the long run.

The resources of man, machine, material and time which have been used in the past as 'Limitless' is being considered today 'With Limits' and loud messages of 'Recycle' 'Go Green', etc are being heard everywhere and are starting to get implemented. But, unfortunately 'Time' cannot be Recycled and we have to move in time for the betterment of ourselves and the country. From the company side, in whatever possible way we can, let us do so to purify this world.

This different outlook requires different education of mankind. As per prediction, India with its population of around 40 Crores of Youngsters under the age of 25 years can be a driving force in the global arena. This will require imparting them with knowledge and skills in Education & Enterprise with Entertainment so that it reaches one and all. These sectors - Edutainment, Infotainment and Entertainment are estimated to grow around on an annual average of 15% for the next five years and our company will be targeting this space.

We also hope to achieve in the current year the near debt free status so that the company will be free to restructure and redefine its resources for the benefit of its stakeholders.

Once again thank you for your co-operation all these years.

V.Chandrasekaran

Chairman & CEO

PENTAMEDIA GRAPHICS LIMITED

Regd. Office : Taurus, No. 25, 1st Main Road, United India Colony,
Kodambakkam, Chennai – 600 024.

NOTICE

Notice is hereby given that the THIRTY FIFTH Annual General Meeting of the members of the Company will be held on Wednesday, the 14th day of September 2011 at 10:00 AM at Rani Seethai Hall , No. 603, Anna Salai, Chennai – 600 006 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March 2011 and the Balance Sheet as at the date together with the Report of the Board of Directors and the Auditors thereon.
2. To appoint a director in the place of Mr. Joseph Jerome, who retires by rotation and is eligible for re-appointment.
3. To appoint Statutory Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and this connection, to consider and if deemed to fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**.

“RESOLVED THAT M/s.Sudhindran &Co., Chartered Accountants, Firm Reg.No. 006019S, be and hereby re-appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors.”

SPECIAL BUSINESS

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

“RESOLVED THAT pursuant to Provisions of Section 198, 269, 309, 310, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and applicable rules thereof, Mr V Chandrasekaran, be and is hereby re-appointed as Chief Executive Officer of the Company for a further period of 1 year with effect from 1st August 2011 on such terms and conditions of remuneration as prescribed below subject to overall limit of 5 % of the Net Profits of the Company for each financial year computed in the manner as prescribed U/s 349 and 350 of the Companies Act, 1956:

- a) Salary of ₹ 2,00,000/- per month in the scale of ₹ 2,00,000/- to ₹4,00,000/-.
Increments to be decided by the Remuneration Committee.

- b) As per Article 37 of the Articles of Association of the Company, Mr. V Chandrasekaran shall not be subject to retirement by rotation during his tenure as Managing Director.
- c) Perquisites (evaluated as per Income-Tax Rules, wherever applicable, and at actual cost to the Company in other cases) like the benefit of the gas, electricity, water, club fees, personal insurance, use of car & telephone at residence or reimbursement of expenses in lieu thereof, medical reimbursement, leave and leave travel concession, education benefits, provident fund, superannuation fund, gratuity and other retirement benefits in accordance with the scheme(s) and rule(s) applicable to the members of the staff from time to time, for the aforesaid benefits.
- d) Mr. V Chandrasekaran shall not be entitled to any sitting fee for the meeting of the Board or of any committee thereof.
- e) Mr. V Chandrasekaran will be subject to all other service conditions as applicable to any other employee of the company.”

“RESOLVED FURTHER THAT Mrs. Sumathi Sridharan, Director of the Company be and is hereby authorized to sign physically or digitally the necessary returns required to be filed with the Registrar of Companies, Chennai.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things that may be required to give effect to the aforesaid resolution.”

By Order of the Board

Place: Chennai
Date: 04.08.2011

G Swaminathan
Company Secretary

NOTES:

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him / her and the proxy need not be a member of the Company. A blank proxy form is enclosed, which if used should be returned to the Company duly completed not later than forty eight hours before the commencement of the meeting.**
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 with regard to Special Business mentioned above is annexed herewith.
3. The Company's Register of Members and the Share Transfer Books will be closed from Thursday, the 08th day of September 2011 to Wednesday, the 14th day of September 2011 (both days inclusive).
4. Corporate members are requested to send a duly certified copy of the Board Resolution / Power of Attorney authorizing their representatives to attend and vote at the meeting.
5. Members / proxies are requested to bring their admission slips along with the copies of annual reports to this meeting.
6. 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.
7. Members who hold shares in electronic form are requested to write their Client ID and DP ID numbers. Members holding shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting to facilitate identification of membership at the meeting. Members are requested to bring their attendance slip along with their copy of annual report to the meeting.
8. Members holding shares in physical form are advised to intimate any change of address and bank details immediately to the Company's Registrar and Share Transfer Agents, Cameo Corporate Services Limited. Shareholders holding shares in electronic form must send the advice about change in address and bank details to their respective Depository Participants and not to the Company.
9. Members desirous of making a nomination in respect of their shareholding in the Company, as permitted U/s 109A of the Companies Act, 1956 are requested to write to the Company's Registrars in the prescribed form.
10. Relevant documents referred to the accompanying Notice are open for inspection at the Registered Office of the Company on all working days (Monday to Friday) between 10:00 AM and 05:00 PM till the date of Annual General Meeting and will also be available for inspection at the meeting.
11. Complete set of the Annual Report is also available at the Company's Website www.penta-media.com under the Investor's Relation Section.
12. As per Clause 49 of the Listing Agreement, a brief resume and functional expertise of the Directors proposed for appointment / reappointment are furnished below along with the details of companies in which they are Directors and the Board Committees of which they are members.

13. The Company requests all its members to provide their e-mail id to Company's Registrar and Share Transfer Agents, Cameo Corporate Services Limited by enabling us to communicate the reports and other updates electronically vide the circular issued by Ministry of Corporate Affairs on "Green Initiatives" dated 21st April 2011.

14. Members holding physical forms of shares are requested to get them converted into electronic holdings by enabling us to hold a status of 100% Dematerialized Company.

Mr. Joseph Jerome

Mr. Joseph Jerome, a Master in Business Administration (MBA) with more than 30 years of experience in Banking and IT. He has served in Nationalized Bank in India and abroad for many years. He has rich experience in implementing Quality Procedures in Bank and other Companies. He is a certified associate of Indian Bankers, India and Fellow of Islamic Institute of Banking and Insurance, London. He has a Law Degree as well as Certified ISO 9001 auditor. He was responsible for development of more than twenty products for the Banks and Finance Segment and marketed them successfully worldwide.

The details of his directorship in other Companies and membership of Committees as on date are as follows:

Company	Position	Committee Membership	Number of Shares held
Nil	Nil	Nil	Nil

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

Item No: 4

Mr. V Chandrasekaran was appointed as Chairman and Chief Executive Officer (CEO) of the Company for a period of Five Years from 1st day of August 2006 to 31st day of July 2011. He was reappointed as Chairman & CEO for a further period of One year till July 2012 by the Board at its meeting held on 4th day of August 2011. The reappointment of Dr. V Chandrasekaran as Chairman & CEO of the Company is subject to the shareholders approval.

The resolution reappointing Mr. V Chandrasekaran as Chairman & CEO was placed before the Shareholders for their approval.

None of the Directors except Mr. V Chandrasekaran is interested in the resolution.

By Order of the Board

Place: Chennai
Date: 04.08.2011

G Swaminathan
Company Secretary

Directors' Report

Dear Members,

The Directors are pleased to present the Thirty-fifth Annual report of the Company with the Audited Statement of Accounts and the Auditor's Report for the year ended 31st March 2011.

Financial Highlights of 31st March 2011

₹ 000s

Particulars	Parent	Consolidated
Total Income	66,879	259,675
Profit before Interest, Depreciation & Tax	26,869	88,903
Net Profit After Tax	4,706	55,655
Add : Surplus Brought Forward	110,725	965,459
Profit available for appropriation	115,431	1,021,114
Balance carried to Balance Sheet	115,431	1,021,114

Business Review

During the year turnover of parent is ₹ 668.79 lakhs against previous year of ₹ 1312.23 lakhs and profit is ₹ 47.06 lakhs against previous year of ₹ 317.86 lakhs. The consolidated turnover is ₹ 2596.75 lakhs against previous year of ₹ 5402.74 lakhs and the consolidated profit is ₹ 556.55 lakhs against previous year of ₹ 1570.46 lakhs. After merging M/s. Pentasoft Technologies Limited with the Company w.e.f 01.10.2008 as per the order dt.03.08.2009 of Hon'ble High Court of Madras the shares allotted were relisted in Bombay Stock Exchange from Feb'2010. The media and software restructuring undertaken by the company will be fully effective from the current year.

Operations Review

Media

During the year, Pentamedia has executed projects in 2D & 3D Animation for various clients including Banks & Advertising Companies. With the worldwide deployment of Theatrical STEREO SCOPIC 3D Technology gaining momentum, the company is in the process of exploring and evaluating the option of converting some of its own 2D/3D films – SINDBAD, PANDAVAS, ALIBABA & LEGEND OF BUDDHA into STEREO SCOPIC 3D Technology where by further revenue potential can be exploited. The pre-production/production of Animation films 'Kathy in Space' and 'Tarzan and the Aliens' are being reworked to make it more effective for the new STEREO SCOPIC 3D technology.

Software

The company is in the process of updating software products in banking and insurance domain to enable them to work on new platforms including mobile phones and tablets. It also has

executed application oriented projects in the following areas;

- Security Systems for Commercial Properties
- Banking Application for ATM
- Global Positioning System (GPS) for Vehicles
- Software Modules for Bharath Operating System
- Stereoscopic media conversion from 2D to 3D
- Application development on i-phone & i-pad
- Application development on Android & Symbian
- Application system for Multiplex , Malls & Food court

Training

The company is conducting application oriented training courses in media and software areas as listed below;

- 3D & 2D Animation in MAYA & FLASH
- Special Effects in AFTER EFFECTS & COMBUSTION
- Gaming Development in BLENDER
- Mobile & Tablet Application Development for i-phone, i-pad
- Mobile & Tablet Application Development for Android & Symbian
- Cloud Computing
- Software Testing in PHP & My SQL
- Search Engine Optimization & Operating Systems

Implant training to various educational institutions is also being conducted by the company. Some of the colleges for which training has been given are listed below;

- Bharathiar Engineering College
- Rajalakshmi Engineering College
- Thiruvallur Engineering College
- Sushendran Engineering College
- St. Peter's Engineering College
- Nadar Saraswathi Engineering College
- MGR Engineering College
- Thanjore Engineering College
- Vellamal Engineering College

Some of these courses are offered through franchisee centres viz., Chennai, Coimbatore, Tirunelveli, Tirupur etc.

Statutory Dues

Your Company is a 100% EOU under STP/EHTP scheme. The Company has obtained stay order from Hon'ble High Court of Madras in January 2010 for Pentasoft (Pentasoft Technologies Ltd merged with Pentamedia Graphics Ltd w.e.f 01.10.2008 as per Hon'ble High Court of Madras order dated. 03.08.2009) and in July 2010 for Pentamedia against Income Tax demands

Dividend

Your Directors do not recommend any dividend for the financial year 2010-11 to conserve cash resources for future operations and to clear the balance overdue debt to Axis Bank and is hoping to become a near debt free Company during this year.

Management Discussion and Analysis Report

Industry Outlook

Media

Currently, India being the focal point in Animation Outsourcing is likely to develop in domestic entertainment industry as well in future. The Company persists in negotiating pre & post production opportunities with domestic and international studios. Computer Animation categories include two or three dimensional graphics. Two Dimensional computer animations are used for quick rendering and for low bandwidth animation. According to NASSCOM study which is based on multiple statistical projections on the animation market from segments such as industry sources, Pixel Inc. and Arthur Andersen (Study on the Entertainment and Media sector) forecasts that the global animation market will generate revenues worth US\$ 80-90 billion by 2012. Total animation production by Indian producers meanwhile is expected to touch US\$2.0 billion by 2012 (Arthur Andersen's study on the Entertainment and Media sector).

Software

India's dominance in the IT and Software sector has elevated it to be one amongst the World's best outsourcing destinations. The participants of fair has cited that there is a better growth opportunities for the Indian Software Companies. A recent study in UK shows that about 30 companies mount an impressive show on India latest achievements in the areas of computer software and services, IT, electronics hardware and telecommunication equipments. Meanwhile efforts are being made to step up India's software and IT enabled services' exports to Germany by organizing buyer-seller meets, exchanging IT delegations and fostering contacts with trade organizations.

In 2010, the Indian Software Market showed an extensive growth and recovery with total software revenue increasing from 16.3% to total USD 2.5 billion. In 2009, the software revenue in India grew by just 4.2% to USD 2.1 billion. In 2010, major software vendors stretched out their product portfolios, acquired companies that appropriated with their plans and reached deeper into emerging markets, including India. The year represented a return to solid footing as the India market expanded in terms of revenue and maturity. The software vendor landscape

continues to amend as Mergers and Acquisitions (M&As) are expected to takeover. Vendors and service providers revolutionize to enlarge their customer bases, add unique features aligned to a vertical-market or technology function and improve overall market presence. India's exports of computer software, IT services and electronics products are projected to grow by 30% during the current financial year to USD 32 billion. The IT and computer software sectors success has been so remarkable that many nations are planning to adapt the same. India is becoming a world hub of brainpower activities and this holds great potential for growth in the coming years.

Training

During the past nature of Indian Animation Market was static and it was in early 90s when animation studios made an appearance in the country and the industry extended an additional serious export oriented outlook. India is now arousing to a host of global opportunities that promises lot of "action" for the country's leading design specialists.

According to a recent study by NASSCOM on the animation industry, the major factor behind the industry's development in India constitutes to be the availability of low cost, expected demand from domestic Indian television channels and formation of domestic animation studios and training centres, powerful computer animation platforms, the technical manpower to meet the 2D and 3D requirements and much lower labour rates in the Asian and Pacific Rim countries compared to North America and Europe. Bulk sum of animation outsourcing happens to be 2D content while 3D contributes to a certain extent. The major factor behind the shift of computer animation production to the Asia/Pacific region continues to be the availability of low cost, powerful computer animation platforms and much lower labor rates in the Asian and Pacific Rim countries compared to North America and Europe. India's animation studio caters to various end user sectors such as feature films, TV programs, advertisements/commercials and computer games. Animation solutions finds a place in niches viz., film titling, special effects, Web entertainment programs, TV broadcast graphics, 3D modeling and background development. Skill sets in 2D and 3D animation leads to greater opportunities in segments such as TV programs and feature films.

In modern days, the use of computer networks and information technology are becoming an important part of the everyday work in almost all professions, especially in scientific areas, and facing new education concepts, many universities and education organizations decided to plan new strategies concerning computer based technologies. As a result of these developments Computer Aided Education (CAE) methods came out. Computers' being the main source of communication/connectivity has paved way for imparting Software Education which is internationally recognised by local experts in developing software training. Through 50 different courses viz., Business Analysis, System Design, Programming, Software Testing, IT Management and Agile Development etc., it does not only provide you with access to leading-edge content but also makes you connected with an unrivalled network of international experts.

In India there are around 200 small, medium & large animations companies , around 20,000 software companies and around 5000 engineering colleges / institutions and scope to have more skill base training opportunities in both animation and software solutions to the world market.