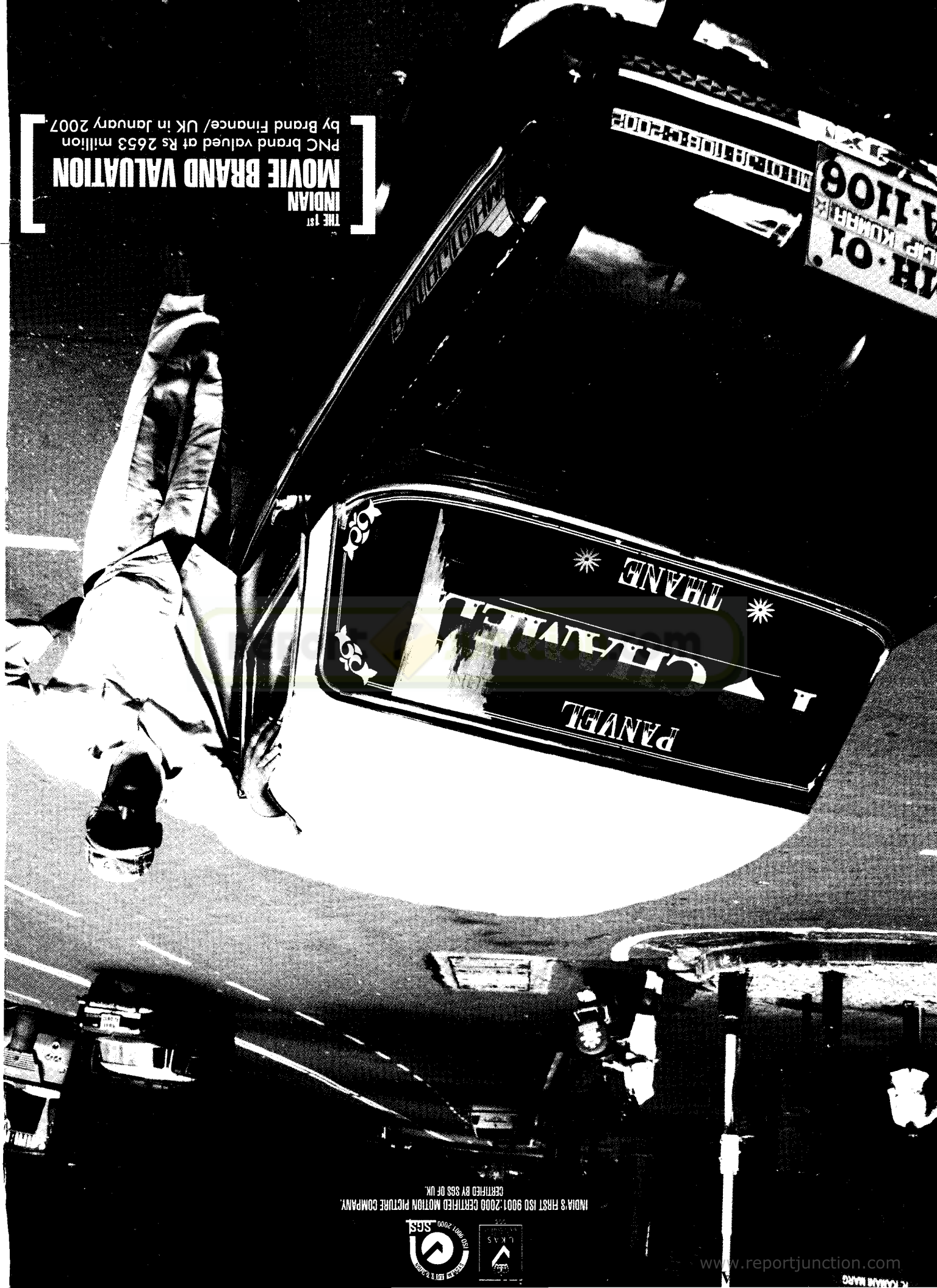


PRITISH NANDY
COMMUNICATIONS LTD

MESSAGES THAT ROCK

THE 15TH ANNUAL REPORT AND ACCOUNTS 2008

THE 1ST INDIAN
MOVIE BRAND VALUATION
 PNC brand valued at Rs 2653 million
 by Brand Finance/ UK in January 2007



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



PRITISH NANDY COMMUNICATIONS LTD
15TH ANNUAL REPORT
YEAR 2007-2008

BOARD OF DIRECTORS

Pritish Nandy, Chairman

Udayan Bose

Nabankur Gupta

Hema Malini

Harshawardhan Sabale

Rina Pritish Nandy

Vishnu Kanhere

Pallab Bhattacharya, Wholetime Director and 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

SHEKHAR KAPUR

THIS IS WITHOUT DOUBT
THE MOST IMPORTANT FILM
TO COME OUT OF INDIA IN A LONG LONG TIME!



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 and Legal Affairs

Ishita Pritish Nandy, Vice President, Creative Services

Ramkamal Mukherjee, Vice President, Media and Special Projects

Mahesh Vyas, Chief Manager, Accounts

Kishor Palkar, Chief Manager, Accounts

Savio Rodrigues, Chief Financial Strategist

PNC is an equal opportunities employer. In all, there are 10 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 7 years, demonstrating continuity and effective HR. Most members of the team have risen from the ranks.

PRITISH HANDY COMMUNICATIONS

CRICKET'S BIGGEST ROCKSTARS

N T UT

reportjunction.com

THIS IS THE FIRST OF SEVERAL MOVIES THAT WE
WANT TO DO IN INDIA AND WE ARE CONFIDENT
THAT MEERABAI NOT OUT WILL BE A

HIT WITH CRICKET LOVERS!

SONY PICTURES

TEN YEAR PROFILE

	Year ended									
	31.3.99	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
	in Rs lakh									
PROFIT AND LOSS ACCOUNT										
Total turnover	855.58	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
Total expenditure	664.45	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
Profit before taxation	191.13	326.51	502.71	248.46	210.41	449.94	658.59	698.67	583.18	1,034.72
Provision for taxation	27.00	85.00	40.00	9.20	15.05	27.20	53.48	62.58	69.76	172.85
Net profit	164.13	241.51	462.71	239.26	195.36	422.74	605.11	636.09	513.42	861.87
Provision for deferred tax	0.00	0.00	0.00	64.12	32.43	162.82	194.06	234.12	236.71	200.66
Dividend (%)	20	20	20	10	7.5	10	10	10	10	10
BALANCE SHEET										
Net block	164.34	160.42	321.73	596.55	705.45	705.59	675.87	571.92	221.00	165.09
Investments	89.99	133.68	2,209.68	1,037.67	973.09	1,275.55	285.10	746.47	405.59	140.18
Current assets (net)	661.96	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
Miscellaneous expenditure	0.59	3.93	263.24	233.24	203.24	0.00	0.00	0.00	0.00	0.00
Total application of funds	916.88	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
Borrowings	310.47	0.00	16.23	118.85	131.98	827.62	188.30	703.35	161.68	139.45
Deferred tax liabilities	0.00	0.00	0.00	229.28	261.71	424.53	614.77	848.88	1,085.61	1,286.27
Paid up capital	100.00	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
Reserves	506.41	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
Net worth	605.82	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

‘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

I welcome you all to your Company's 15th AGM.

Fifteen years in the life of a Company is a good time to assess where we have gone right and where we need course correction. No, I am not going into SWOT analysis or any such abstract theoretical exercise. All I am stating is that your Company has crossed an important landmark in its history and we stand here today, young, self assured, confident that the future of your Company and the business it is in will see a huge surge ahead in coming years.

The entertainment business, which has been doing well for quite some time now, looks all set to do even better. Analysts prognosticate an annual growth rate in excess of 20 per cent. Some are even more bullish. This is amazing given the current state of the economy which holds back most businesses from achieving their true potential. This year, the movie business in India is expected to cross the Rs 100 billion mark and, if the growth rate of the past five years is sustained, we could see a total business of Rs 115 billion, not taking into account music and animation which are important and intrinsic parts of this business - particularly for your Company. Internet rights, digital cinema, movie merchandise, remake rights, home video, TV rights will be the new revenue drivers according to the Price Waterhouse Coopers report for FICCI this year, as well as the remarkable growth in multiplex screens nationwide. Barely four years ago, in 2004, the movie industry was less than half this size.

This growth rate easily surpasses the growth of the motion picture industry anywhere else, including Hollywood, and proves that this is one business where India is certainly ready to take on the world. The global growth rate has been under 5 per cent over the past five years.

Your Company however remains focussed and continues to see its core strength in the making of content, which is at the heart of the entertainment business, and building IPRs and a movie library that will earn us revenues into the future. At the same time, brand PNC continues to grow from strength to strength, which indicates how the marketplace sees your Company and its competitive strengths. No, we are not basing our conclusions on hearsay and organisational feedback. Our brand was recently researched and valued by Brand Finance, UK and our movie library, by Ernst & Young.

Yes, there are bigger companies than your Company in the entertainment business. There are more profitable ones too. But where your Company scores high is in building durable creative assets and engineering talent in a manner such that all round profitability is ensured as well as responsible corporate citizenship. That is what we constantly engage in. We do not believe that being corporate means blindly following statutory compliances. We would like to be corporate in spirit, approach, belief and conviction. And that begins with being a good, responsible corporate citizen sharing in the process of nation building. 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.

This is why we thought of introducing a new model of reporting to our stakeholders this year. For we have realized how informed all stakeholders have become, and how closely they desire to monitor the performance of companies that interest them. It's our constant endeavour therefore to provide more information and better insight into your Company's working, as well as context it against the entertainment industry as a whole. We know that you are no longer just satisfied knowing about profits, dividend, growth in tangible assets. You also want to know how your Company performs on critical parameters relating to corporate governance, risk management, compliance and social responsibility, on issues encompassing environmental awareness, gender equality, inclusive growth, social engineering. Being a creative company, it is not an easy task to quantify all this. But, as you will have noticed from my speeches in past years as well, we are aware of this responsibility and trying to devise ways and means to bring the facts before you.

This year we are trying to do this through a model known as 360° Corporate Reporting. This is a unique tool developed by IEMAR that assesses companies on the strength of their performance in key areas some of which are usually ignored in profit and loss accounts and rarely find their way into financial reports. By attempting this, we offer you a more holistic picture of your Company, its strengths and frailties, and give you a strategic overview into where we need to improve our business. If you flip over this page, you will observe their findings in the form of two visual charts with supporting bars for a quick 360 degree overview of where your Company stands today in the hierarchy of stakeholder expectations. For more data on this, you can approach the Institute directly.

360° Corporate Reporting will hopefully not only give you a more accurate and comprehensive picture of your Company's performance but it will also enable us in your Company to introspect and come up with new, innovative solutions to better profitability, more sustained value creation, improved brand ratings and, above all, responsible corporate citizenship.

The business of entertainment is all about talent, self expression, marketing, and the satisfaction of deeply felt consumer needs. The smallest idea can fire the imagination of an entire nation while the biggest extravaganza can leave everyone cold. It's all about the magic of what you have on offer. Money does not drive the business. Nor scale. Nor how big an organisation you have. What drives the entertainment business is the power of imagination. If you know how to translate that into successful products, you are in.

THE **CHAIRMAN'S** STATEMENT

There's a tale about origami, the ancient Japanese art of folding paper into different shapes. Sadako Sasaki, a 12 year old victim of the Hiroshima bombing, was diagnosed with leukaemia in 1955. Her friend told her that if she folded a thousand origami cranes her wish, any wish would be granted. Unfortunately, she did not live to see that happen. Her condition deteriorated and she died with only 644 cranes neatly lined up beside her bed. We who make movies are a bit like that. We live with a dream and a wish on our lips, hoping to reach goals we have set for ourselves. A few of us succeed. Many don't. But in that struggle lies the magic of our existence, the challenge of making billions of viewers happy, providing employment to millions of self employed talent, be it an actor or a tailor, a singer or a spot boy, a stunt man or an audio engineer, a script doctor or a negative cutter. Each one of them is a critical component in the complex art of making a successful movie. Your Company successfully integrates such talent and puts them together in a way that makes a movie happen, almost as if by a miracle.

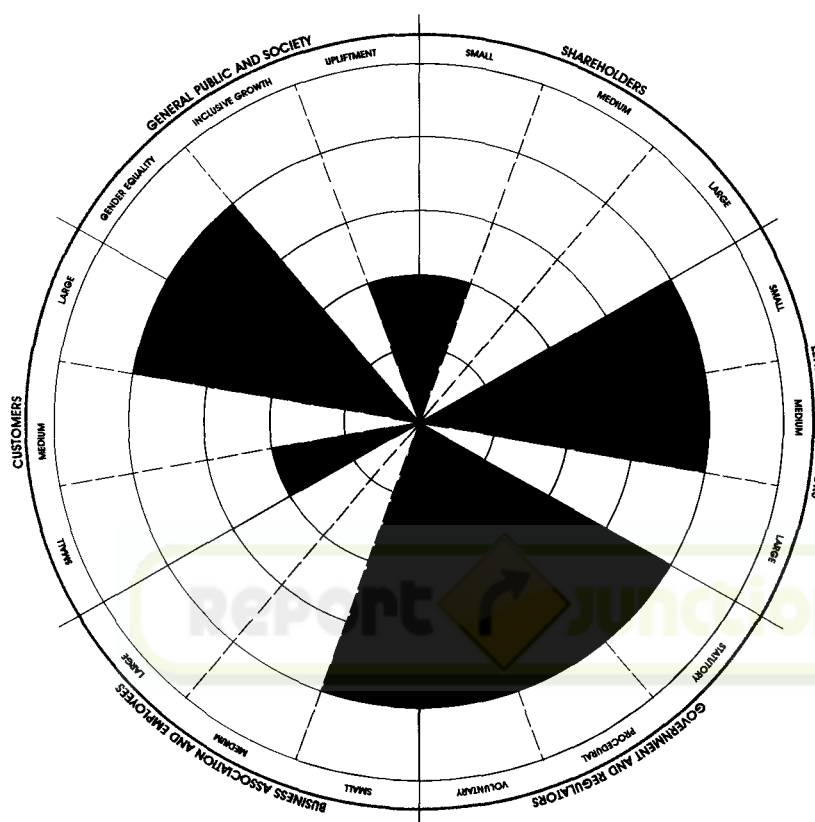
This is actually a business of teamwork. And your Company recognises and rewards this - which is why we have been able to put together so many successful films in quick succession.

Yes, fifteen years is a long time and I am proud that the dream I once dreamt is now a Company that looks all set to achieve much more. We owe this success to all our stakeholders and particularly to you, our shareholders, who have stood by us through these growing years and the staff of PNC, some new, some not so new, but all of them fiercely committed to the dream of building India's finest motion picture company. Your Company. Without you and without them, this journey would have remained unfinished.



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



STAKEHOLDER COMMUNICATION

CONNECT COMMUNICATE DIALOGUE RELATIONSHIP

LEADERSHIP IN BUSINESS SOCIETY AND THOUGHT

FLEDGLING LEARNING GROWTH PROGRESSIVE MATURE MENTOR

- 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. It 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 six sectors subdivided into