The 18th Annual Report and Accounts 2011

1.2

billion people. One connect.

Movies.

PRITISH NANDY® COMMUNICATIONS LTD

The power of entertainment.

www.pritishnandycom.com


The Corporate Leadership Team
Back Row [Left to Right] Anand Upadhyay, Yatender Verma, Kishor Palkar, Anoop Kumar
Front Row [Left to Right] Ram Kamal Mukherjee, Rangita Pritish Nandy, Pallab Bhattacharya, Mahesh Vyas, Ishita Pritish Nandy
PNC PRITISH NANDY®
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Pritish Nandy Communications Ltd
18th Annual Report and Accounts
2010/2011

Board of Directors
Pritish Nandy/ Chairman
Udayan Bose
Nabankur Gupta
Hema Malini
Rina Pritish Nandy
Dr Vishnu Kanhere
Tapan Chaki
Pallab Bhattacharya/ Wholetime Director & CEO
Rangita Pritish Nandy/ Creative Director

Company Secretary
Anand Upadhyay

Auditors
Jaideepsingh P Deore & Co
Chartered Accountants

Principal Bankers
Yes Bank
Nariman Point Mumbai 400021
Standard Chartered Bank
Breach Candy Mumbai 400036

Registered Office
87/88 Mittal Chambers Nariman Point Mumbai 400021

Corporate Leadership Team
Pallab Bhattacharya/ Director and CEO, Chairman Rangita Pritish Nandy/ Creative Director
Anand Upadhyay/ Company Secretary Yatender Verma/ Vice President, Finance, Compliances & Legal Affairs
Ishita Pritish Nandy/ Chief Brand Strategist Ramkamal Mukherjee/ Chief Media Strategist
Anoop Kumar/ Chief Production Officer Mahesh Vyas/ Chief Manager, Accounts Kishor Palkar/ Chief Manager, Accounts

PNC is an equal opportunities employer. There are 9 members in the Corporate Leadership Team that runs the affairs of the Company. The Corporate Leadership Team has an average age of 39, 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.

	Year ended									
	31.3.02	31.3.03	31.3.04	31.3.05	31.3.06	31.3.07	31.3.08	31.3.09	31.3.10	31.3.11
										in ₹ lakh
PROFIT AND LOSS ACCOUNT										
Total turnover	2,039.21	4,136.54	3,188.08	3,586.43	3,480.25	3,950.07	3,384.11	1,533.11	1,506.87	1,320.09
Total expenditure	1,790.75	3,926.13	2,738.14	2,927.84	2,781.58	3,366.89	2,349.39	1,727.99	1,734.27	1,456.68
Profit/ (loss) before taxation	248.46	210.41	449.94	658.59	698.67	583.18	1,034.72	(194.88)	(227.40)	(136.59)
Provision for taxation	9.20	15.05	27.20	53.48	62.58	69.76	172.85	3.29	0.18	(22.83)
Net profit/ (loss)	239.26	195.36	422.74	605.11	636.09	513.42	861.87	(198.17)	(227.58)	(113.76)
Provision for deferred tax	64.12	32.43	162.82	194.06	234.12	236.71	200.66	(26.49)	11.85	4.18
Dividend (%)	10	7.5	10	10	10	10	10	0	0	0
BALANCE SHEET										
Net block	596.55	705.45	705.59	675.87	571.92	221.00	165.09	164.29	177.15	166.21
Investments	1,037.67	973.09	1,275.55	285.10	746.47	405.59	140.18	140.18	140.18	140.18
Current assets (net)	4,388.80	4,466.06	5,159.90	5,866.69	6,539.26	9,668.96	10,661.57	10,452.67	10,694.04	10,485.82
Miscellaneous expenditure	233.24	203.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total application of funds	6,256.26	6,347.84	7,141.04	6,827.66	7,857.65	10,295.55	10,966.84	10,757.14	11,011.37	10,792.21
Borrowings	118.85	131.98	827.62	188.30	703.35	161.68	139.45	129.88	648.79	543.55
Deferred tax liabilities	229.28	261.71	424.53	614.77	848.88	1,085.61	1,286.27	1,259.78	1,271.64	1,275.81
Paid up capital	1,046.70	1,046.70	1,046.70	1,046.70	1,046.70	1,446.70	1,446.70	1,446.70	1,446.70	1,446.70
Reserves	4,861.43	4,907.45	4,842.19	4,977.89	5,258.70	7,601.57	8,094.42	7,920.78	7,644.24	7,526.15
Net worth	5,674.89	5,750.91	5,888.89	6,024.59	6,305.40	9,048.27	9,541.12	9,367.48	9,090.94	8,972.85

I welcome you all to your Company's 18th AGM.

The world is living through difficult times. One long recession was just about to conclude when everyone started talking about another. And, before long, we found the economies of the Western world, from the US to UK to almost all of Europe once again floundering. In a global economy, it is no longer possible for nations like ours to remain insulated from international trends and, thus, the Indian economy is also under stress. As a natural corollary, like many other businesses, the business of your Company is also facing difficult times though not perhaps in exactly the same way as other Indian businesses are facing. Like others, we are also acquiring the right skills and learning to adapt to the new environment so that, over the next two years, we can hone our expertise in production and distribution in a manner such that we can face the future with greater confidence.

The past year was indeed trying. As were the two preceding years, when the tremors of the first recession were felt by the entertainment business and the motion picture industry, one of the most robust businesses in the sector, began to face rather overwhelming odds. This coincided with a strong technology shift with new platforms emerging for the distribution of content and older ones diminishing in reach or simply folding up. The music industry, for instance, underwent a sea change and packaged music products almost vanished from the retail shelves. Young consumers began to use new technology to directly download music. Now home videos have gone the same way and the last year saw their business halving, according to the KPMG report for FICCI Frames.

Your Company had expected the movie industry to stabilise if not look up this year, as predicted by KPMG in their last year's FICCI Frames report which I had quoted to you. Last year when we met, the motion picture business had seen a de-growth of 14 per cent, with overseas sales falling 30 per cent. These figures reflected the quiet struggle within the industry to find its way forward through difficult times. This year, the fall continues, a bit less sharply perhaps but still deeply concerning all those who are interested in the welfare and growth of India's biggest talent business that survives on the courage and determination of self employed professionals who are constantly looking for the opportunity to realise their true potential. Taxes continue to increase for the industry as a whole and the reliefs asked for from the Government have not yet materialised though assurances have been made to the industry on various Government platforms such as the India International Film Festival in Goa last year.

Your Chairman was privileged to be the Chairman of an Expert Committee set up by the Ministry of Information and Broadcasting to advise it on upgrading what is undoubtedly India's biggest and most successful official festival of films where film makers from all over the world come to share their talent and experience. The Committee Report has been submitted to the Government of India and we look forward to further action on it which will, hopefully, encourage the growth of small and medium budget cinema that India excels in. These are the films that are winning us plaudits and awards from the world's top festivals. What is even more interesting, as a report in Hindustan Times recently stated, these are the films that show us the way forward. These films have consistently outperformed the much vaunted big films that are propelled by star power and big budgets. Given the right tax incentives, they can not only outperform market expectations, they can provide opportunities to new talent and provide thousands of more jobs in the motion picture business.

Regional cinema should be another thrust zone. Viewers are increasingly flocking to see Tamil, Telugu, Bengali, Malayalam films and many of these are now being remade into mainstream Hindi films. The Punjabi, Bhojpuri, Kannada, Marathi film industries are also emerging strong, giving a further growth impetus to the Indian motion picture industry. In fact, given that Indian authors in English are among the most critically acclaimed in the world and Indian newspapers are among the world's most widely read English newspapers, there is no reason why the Indian film industry cannot produce its own English cinema to challenge the best of the West. We have started this in a small way with films like *Bollywood Calling, Mumbai Matinee, Jhankaar Beats, Kaante, Hazaaron Khwaishein Aisi, Bow Barracks Forever* and others where Hindi and English are used in equal measure. I am pleased to see other producers, including Aamir Khan, taking this trend forward with films like *Delhi Belly*.

So even though the motion picture industry declined by a further 6.7 per cent during the past year and KPMG warns that low success rate and spiralling costs are adding to the turmoil, we share its cautious optimism that by leveraging alternate marketing and distribution platforms we can soon turn the trend. The old order has certainly changed while the new order is yet to fall in place. That is actually why the industry is finding it so difficult to transition despite all the markers for outstanding performance being in place. Technology is constantly changing. It is changing so swiftly in fact that the industry is not always prepared to adapt to it. But adapt it inevitably will and new opportunities to exploit these technology shifts will open up. Traditional distributors may have disappeared. But new distribution mechanisms are slowly falling into place. New media platforms to showcase content are also emerging and once the telecom tangle is solved we hope to exploit the vast opportunities that broadband and 3G will bring in their wake.

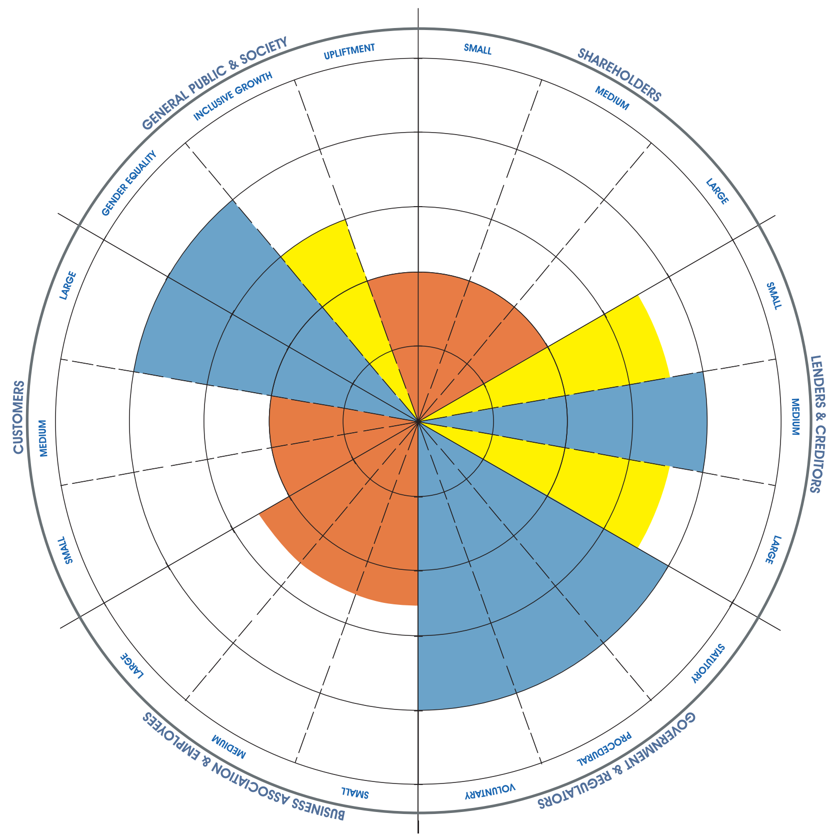
So while things remain difficult in the business in which your company operates today, there is clearly great hope that the world's biggest entertainment industry will soon regain its health and vigour. India is defined by its movies. These movies bring together our finest creative talent, be it in writing, music, acting, dance, fashion, art, design, and ofcourse production skills that can put all of these together and create truly remarkable works of art and entertainment that can enthral millions of people all over the world, bring magic to their life and dreams to their hearts. I feel confident that the industry which has provided so much joy to millions of our countrymen will overcome its current problems and move ahead with the same confident strides it has always shown.

As George Lucas predicted two years ago at USC, the Age of the Blockbuster is over. The secret to the future is a large quantity of small and medium sized movies. Some of these will change the face of theatrical viewing. Others will create an entire distribution system on the web. Still others will capture the imagination of TV viewers. As indeed will the home video market seek its future in the same genre. The Indian motion picture industry is projected to grow at a CAGR of 9.6 per cent to touch Rs 133.5 billion in revenues by 2015. This is certainly a positive trend in overall terms and, if the industry achieves this target, it could well be on its way to becoming a global leader in this business by the end of this decade. That is where your Company will be playing a critical role.

Let me end by thanking all our stakeholders for their patience and wisdom which is what will see your Company through, into the future. I would also like to thank all members of Team PNC and the Corporate Leadership Team who have struggled through a difficult year and yet kept their spirits high. I am confident that with your support and encouragement, they will overcome every adversity and take your Company to new heights in coming years.

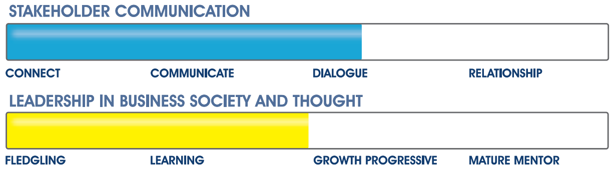
We at PNC always try to provide additional information over and above that prescribed by law. We were the first entertainment company in India to provide annual reports attested by key operating staff, before it became a statutory requirement. The report provided here is an attempt in this direction. 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

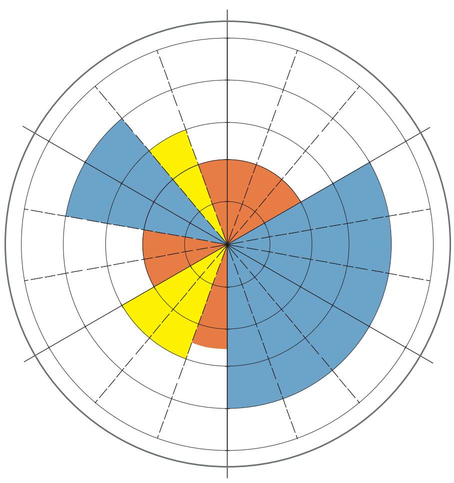


STAKEHOLDER COMMUNICATION

LEADERSHIP IN BUSINESS SOCIETY AND THOUGHT



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 fourth 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, intangibles and value creation.

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.

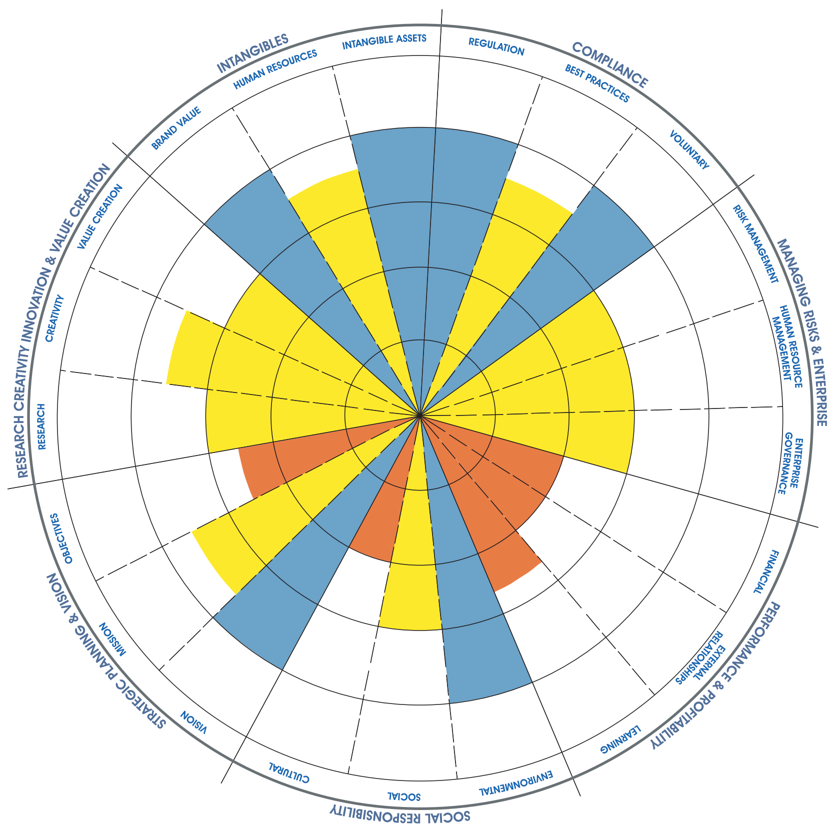
The model enables stakeholders as well as the Company to assess where it has come from and where it is moving, giving its true bearings in its journey towards progress. It is unique in as much as it incorporates seemingly opposite drivers such as transparency, corporate social responsibility on one hand 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.

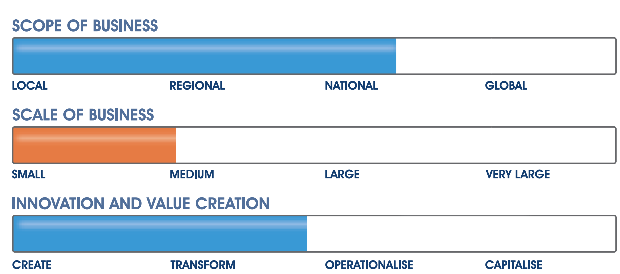
360° Corporate Reporting is like a compass that covers learning, growth, creativity and innovation. It is not designed to provide an exact measure of the distance travelled but indicates the direction in which the Company has progressed on its corporate journey.

The change over the last year shows that shareholders had lesser opportunities for growth offered by the stock. The standing in the debt market due to liquidity and solvency has dipped marginally viz-a-viz lenders and creditors. Compliance with government, regulators and statutory authorities continues to be good. Relations with business associates, customers and employees are maintained but there is a dip in visibility. Responsibility towards general public and society is continuously maintained. Company's vision, mission, goals and objectives have the right direction but are not reflected in results, affecting performance and profitability. The Company has built certain new relationships. This together with continued emphasis on social responsibility, strategic planning and vision, research, innovation and value creation, despite adverse conditions have helped the Company to manage in troubled times.

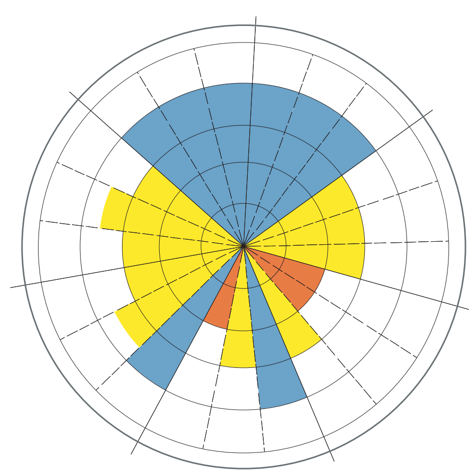
IEMAR (The Institute of Environmental Management Accounting and Research - www.iemar.org) is a non profit research organization that is working in the area of transparent, sustainable reporting and evolving techniques to measure, evaluate report and communicate economic activity and corporate performance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

CREATION OF VALUE





IN COMPARISON WITH LAST YEAR



To
The Members

Your Directors present the 18th Annual Report on the business and operations of the Company together with the audited financial accounts for the year ended March 31, 2011.

FINANCIAL HIGHLIGHTS

Turnover for the year was ₹ 1,320.09 lakh compared to ₹ 1,506.87 lakh for the earlier year. The Company incurred a loss of ₹ 136.59 lakh before tax as compared to a loss of ₹ 227.40 lakh before tax in the preceding year.

in ₹ lakh

Particulars	Year ended				
	31.3.2007	31.3.2008	31.3.2009	31.3.2010	31.3.2011
Income from operations	3,881.82	3,073.20	1,285.39	1,314.03	1,167.60
Other income	68.25	310.91	247.72	192.84	152.49
Total turnover	3,950.07	3,384.11	1,533.11	1,506.87	1,320.09
Total expenditure	3,366.89	2,349.39	1,727.99	1,734.27	1,456.68
Profit/ (loss) before taxation	583.18	1,034.72	(194.88)	(227.40)	(136.59)
Provision for current tax	65.82	170.35	0.39	0.18	(22.83)*
Profit/ (loss) after current tax	517.36	864.37	(195.27)	(227.58)	(113.76)
Fringe benefit tax	3.94	2.50	2.90	Nil	Nil
Provision for deferred tax	236.71	200.66	(26.49)	11.85	4.18
Net profit/ (loss) after tax	276.71	661.21	(171.68)	(239.43)	(117.94)
Dividend (%)	10	10	Nil	Nil	Nil
Transfer to reserves	24.97	65.68	Nil	Nil	Nil
Prior period adjustment (net)	27.02	4.38	1.96	37.11	0.15
Balance in profit and loss account	731.60	1,153.48	979.84	703.30	585.21
Paid up capital	1,446.70	1,446.70	1,446.70	1,446.70	1,446.70
Earning per share	2.36**	4.54	(1.20)	(1.91)	(0.82)
Book value per share	62.54	65.95	64.75	62.84	62.02

*net of mat credit

**weighted average of basic and diluted EPS

PRESENT ECONOMIC SITUATION AND PERFORMANCE OF THE COMPANY

Year 2010-11 was another difficult year for the global and domestic media industry. The Indian media and entertainment industry continued to suffer.

In such an adverse market scenario, the turnover and profitability of your Company was affected. However, efforts on reducing costs, re-budgeting of projects and controlling payroll expenses resulted in reducing the net loss. The management has endeavored to reduce the impact of the slowdown and tried its best to maximize return.

The entertainment and media industry and PNC, though having potential for enormous growth, has been dealt another blow through the levy of Service Tax on licensing of specified copyrights viz temporary transfer or permitting use or enjoyment of any copyright other than the original literary, dramatic, musical and artistic work and copyrights of cinematographic films and sounds. Though the constitutional levy of Service Tax on the above said items is being challenged by industry associations, the outcome is presently uncertain.

The outlook on the media and entertainment industry though is positive and PNC is geared to play a pivotal role.

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 vide letter number 46/ 36/ 2011-CL-III dated January 12, 2011 for the financial year ending on March 31, 2011.

DIVIDEND

Considering the financial results, your Directors do not recommend dividend for the year ended March 31, 2011.

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 2011-2012 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 vide letter number 47/ 32/ 2011-CL-III dated January 18, 2011 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.pritishnandycom.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, which is in process.

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, 2011 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

Nabankur Gupta and Pallab Bhattacharya retire from the Board by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

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

Jaideepsingh P Deore & Co, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting. The Company has received a letter from Jaideepsingh P Deore & Co, Chartered Accountants, stating that due to their other pre-occupations it would not be possible for them to act as Statutory Auditors. In view of their unwillingness, your Directors have therefore proposed the appointment of KR Khare & Co, Chartered Accountants, as Statutory Auditors of the Company. The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits under section 224(1-B) of the Companies Act, 1956 and that they are not disqualified for such appointment within the meaning of Section 226 of the Companies Act, 1956.

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 ₹ 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(21) of Schedule 19 to the accounts in respect of loans and advances aggregating to ₹ 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.

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(21) 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 there against.

Note no B(7)- Arbitration proceedings initiated by the Company against Prasar Bharati on account of wrongful encashment of bank guarantees of ₹ 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 had 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. The Bombay High Court appointed Justice BN Srikrishna, former Judge of Supreme Court of India as Sole Arbitrator vide order dated November 27, 2009 and the arbitration proceedings are ongoing. 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 a provision there against in the accounts. The Company is showing amount withheld by Prasar Bharti as "Loans and Advances".

Note no B(21)- Loans and Advances of ₹ 46,753,181 includes: i) ₹ 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) ₹ 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 from SF Rego, Judge (Retired), City Civil and Sessions Court, Mumbai 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.

CORPORATE GOVERNANCE VOLUNTARY GUIDELINES

Your Directors have taken note of the Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs (MCA) in December 2009. The Company is committed to maintaining the highest standards of corporate governance and is compliant with all the mandatory standards. The Board would consider adopting the relevant provisions of the said voluntary guidelines at appropriate time.

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, 2011 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.

BRAND PNC

Brand Finance, the UK-based brand valuation experts, last valued the Pritish Nandy Communications brand at ₹ 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 putting it within the top 10 per cent of all brands across all segments and all categories. Brand PNC's 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

Pallab Bhattacharya, Wholetime Director and CEO
Vishnu Kanhere, Director

Mumbai, August 10, 2011

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, 2011	March 31, 2010
1.	Total foreign exchange earned	Nil	₹ 243,888 (Received in INR)
2.	Total foreign exchange used		
	a. On import of raw material and capital goods	Nil	Nil
	b. Expenditure in foreign currencies on travel, subscription, etc	₹ 313,821 (US$ 6,811.90)	₹ 248,993 (US$ 5,100)
		Nil Nil	₹ 268,800 (£ 3,500)
		₹ 20,284	Nil
		(Thailand Baht 14,029)	Nil
	c. Dividend remitted in foreign currencies	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, RELATING TO SUBSIDIARIES

	Name of subsidiary	PNC Wellness Ltd	PNC Productions Ltd
	Financial year ended on	March 31, 2011 (₹)	March 31, 2011 (₹)
1.	Capital	600,000	5,000,000
2.	Reserves	4,500,000	1,322,168
3.	Total assets	26,483,432	6,322,168
4.	Total liabilities	26,483,432	6,322,168
5.	Details of investments		
	Rural Electrification Bond and interest thereon	Nil	2,607,813
6.	Turnover (including other income)	17,432,454	157,451
7.	Profit/ (loss) before taxation	(1,827,633)	62,228
8.	Provision for taxation and prior year adjustments	(729,167)	20,000
9.	Profit/ (loss) after taxation and prior year adjustments	(1,098,466)	42,228
10.	Proposed/ interim dividend	Nil	Nil

STATEMENT UNDER SECTION 212 RELATING TO THE SUBSIDIARIES

1.	Name of subsidiary	PNC Wellness Ltd	PNC Productions Ltd
2.	The financial year of the Company ended/ ending on	March 31, 2011	March 31, 2011
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	₹ (1,098,466)	₹ 42,228
	b. Previous year	₹ (1,872,877)	₹ 112,384
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	Nil	Nil

For and on behalf of the Board of Directors

Pallab Bhattacharya, Wholetime Director and CEO
Vishnu Kanhere, Director

Mumbai, August 10, 2011