

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

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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.

Subsidiaries / Investments

Subsidiaries : NumTV Limited (Mauritius) and Esoftcom (Mauritius) Limited are the 100% subsidiaries of the Company.

As per the direction under Section 212(8) of the Companies Act, 1956 vide General Circular No: 2 /2011 from Ministry of Corporate Affairs dt.08.02.2011 for general exemption from publishing the financials of subsidiaries and as approved by the board, the Company is not attaching the financial statements of subsidiaries. However the annual accounts of the subsidiary companies and the related detailed information will be available to shareholders inspection. The Company will furnish the hard copy of details of accounts of subsidiaries to any shareholder on demand. The subsidiaries whose financial reflect total turnover of Esoftcom (Mauritius) Limited amounting to ₹ 6.70 crores, net loss is ₹ 0.33 crores and total turnover of NumTV Limited (Mauritius) amounting to ₹ 12.58 crores, net profit is ₹ 5.42 crores.

These subsidiaries viz., NumTV Limited for Pentamedia and Esoftcom (Mauritius) Limited 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) were established in the year 2000 under Special Purpose Vehicle (SPV) Scheme as per RBI guidelines to avail the benefits in India & with Mauritius having trade agreement with all other countries. Indian government has withdrawn the tax benefits for the STP/EHTP scheme in last budget. The Company is planning to relook at the the operations through these subsidiaries and will approach the customers directly or through associates to reduce cost and other overheads.

Investments : With the present trend and business conditions, the Company is relooking at its investments in Mayajaal Entertainment Limited and to associate only with the line of activities / business connected only with technology and animation. Mayajaal had withdrawn the IPO proposal and Mayajaal wants to exploit the land bank to build residential houses / apartments on JVs / JDs with real estate firms. In such a case the Company would like to divest its investments since the real estate exploitation is a long drawn and large funding proposal. The Company has gone to Company Law Board regarding this matter and the proceeds will be utilized to clear the debts of the company.

Public Deposits

Your company has not accepted deposits from the Public within the meaning of Section 58A of the Companies Act, 1956 and as such no amount and as such no amount principal or interest was outstanding on the date of the Balance Sheet

Directors

Mr. Joseph Jerome, Non-executive Director of the Company retires by rotation and being eligible offers himself for re-appointment at the ensuing Annual General Meeting in accordance with Article 37 of the Articles of Association.

A brief resume of Director retiring by rotation at the ensuing annual general meeting, nature of his expertise in specific functional areas, and names of Companies in which he holds

directorship and / or membership/ chairmanship of Committees of the Board, as stipulated under Clause 49 of the Listing Agreement are given in the section on Corporate Governance elsewhere in the Annual Report.

Director's Responsibility Statement

The Directors would like to assure the Members that the financial statements for the year under review conform in their entirety to the requirements of the Companies Act, 1956 pursuant to Section 217 (2AA) and that

- a) The Annual audited financials have been prepared in conformity with the applicable Accounting Standards.
- b) The Directors have selected such accounting policies and applied them consistently except where otherwise stated in the notes to the accounts and made judgments and estimates that are reasonable and prudent so as to vie a 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 that period;
- c) The Directors 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. The internal auditors have conducted periodic audits to provide reasonable assurances that established policies and procedures of the Company have been followed. However, it must be recognized that there are inherent limitations in weighing the assurances provided by any system on internal controls;
- d) The Directors have prepared the annual accounts on a going concern basis

Auditors

M/s. Sudhindran & Co., Chartered Accountants, Chennai as Statutory Auditors of the Company holds office until the conclusion of the ensuing Annual General Meeting and is eligible for re-appointment.

The Company has received letter from M/s. Sudhindran & Co., Chartered Accountants to the effect that their appointment, if made would be within the prescribed limits under Section 224(1B) 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.

Particulars of Employees

Relations with employees continued to be cordial throughout the year. Your directors place on record their appreciation of the efforts, dedication, commendable teamwork and exemplary contribution of the employees in the various initiatives of the Company and contributing to the performance of the Company during the year under review. The executives are hired on contractual basis on requirement to complete the jobs/tasks in time.

Information under Section 217(2A) of the Companies Act, 1956.

No Employee of the company is covered by the provisions of the Section 217(2A) (a) (iii) of the Companies Act, 1956.

Internal Control System

Your Company having a sound internal system, which enable that all assets are protected against loss from unauthorized use and all transactions are recorded and report correctly. This system is further supplemented by internal audit carried out by an independent Chartered Accountant and periodical review by management. The Audit Committee of the Board reviewed issues raised by both Internal and Statutory Auditors.

Human Resources

Your Company takes pride in the commitment, competence and dedication shown by its employees (including outsourced) in all areas of business. Various Human Resource initiatives are taken to align the HR policies to the growing requirements of the business of the Company.

Conservation Of Energy, Technology Absorption & Foreign Exchange Earning

Your Company is into the business of Media and Training for Animation and Software . Since these activities do not involve any manufacturing activity, most of the Information required be provided 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 are set out in the Annexure to the Director's Report.

Consolidated Financial Statements

In compliance with the Listing Agreements entered with the Stock Exchanges, a Consolidated Financial Statement of the Company and all its subsidiaries is attached. The Consolidated Financial Statement has been prepared in accordance with Accounting Standards 21, 23 and 27 issued by the Institute of Chartered Accountants of India and show the financial resources, assets, liabilities, income, profits and other details of the Company and its subsidiaries after elimination of minority interest, as a single entity. The statement pursuant to section 212 of the Companies Act, 1956 forms part of this report.

Corporate Governance

Your Company continues to be committed to good Corporate Governance aligned with good practices. Your Company is in compliance with the standards set out by Clause 49 to the Listing Agreement with the Stock Exchanges. A separate Report on Corporate Governance along with the Auditors' certificate on compliance with the Corporate Governance as stipulated in Clause 49 is set out in this Annual Report and forms part of this Report.

Cautionary statement

Statement in this Directors' report & Management Discussion and Analysis describing the Company's objective, future, estimates, expectations or predictions may be "Forward-looking Statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries in which the Company conducts business and other incidental factors.

Acknowledgement

Your Directors takes this opportunity to express their sincere appreciation of the co-operation and support received from shareholders, institutions, state & central governments, other regulatory authorities, Students and other business constituents during the year under review.

Your Directors also wish to place on record their deep sense of dedication and commitment displayed by all employees including out-sourced, resulting in the successful performance of the Company during the year.

By Order of the Board

Place: Chennai
Date: 04.08.2011

V.Chandrasekaran
Chairman & CEO

Annexure A

Information u/s 271(1)(e) of the Companies Act,1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors)Rules, 1988

Conservation of Energy

	2011	2010
Power Consumption in units	45,270	85700
Electricity Charges (₹)	294,250	557,053
Cost Per Unit (₹)	6.50	6.50
Self generated units	2263	727
Fuel Costs (₹)	90,522	29,060
Cost Per units (₹)	40.00	40.00

Research & Development and Technology Absorption

During the year, the Company has carried out the R & D work in the followings areas:

- Stereoscopic media conversion from 2D animation to 3D animation films
- Audio & Video compression techniques in HD for i-phone & i-pad
- Audio & Video compression for Android & Symbian operating systems used in mobile phones.

Foreign Exchange Earnings and Outgo

	2011	2010
Foreign Exchange Earnings	64,510	129,127
Foreign Exchange outgo	31,878	71,629

₹ 000s

By Order of the Board

Place: Chennai
Date: 04.08.2011

V.Chandrasekaran
Chairman & CEO

REPORT ON CORPORATE GOVERNANCE

The Directors have great pleasure in presenting the Corporate Governance Report for the year ended 31st March, 2011.

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Pentamedia Graphic's Corporate Governance philosophy rests on the pillars of integrity, accountability, equity, transparency and environmental responsibility and is committed to the highest standards of Corporate Governance in all its activities and processes. The company adheres to good corporate practices and is constantly striving to improve them and adopt the best practices.

Corporate Governance refers to the manner, in which a Company is directed, and laws and customs affecting that direction. The Corporate Governance structure specifies the relationship, and the distribution of rights and responsibilities, among primarily three groups of participants, viz., the Board of Directors, Managers and Shareholders. This system spells out the rules and procedures for making decisions on corporate affairs; it also provides the structure through which the Company objectives are set, as well as the means of attaining and monitoring the performance of those objectives.

The Company is in compliance with all the requirements of the Corporate Governance code as enshrined in Clause 49 of the Listing Agreement.

2. BOARD OF DIRECTORS

Composition:

The Board has a balanced mix of Executive and Non-Executive Independent Directors. The Board consists of 4 members as on 31st March, 2011 and out of which the 3 are Non-Executive Independent Directors. The Chairman of the Board is a Executive Director and half of the Board is independent. The Composition of the Board is in compliance with the requirements of Clause 49(l)(A) of the Listing Agreement.

The Composition and category of the Board of Directors as on 31st March, 2011 and the number of other directorships/ committee memberships held by them are as follows:-

All the directors have certified that they are not members of more than ten mandatory committees in terms of the Listing Agreement and do not act as the Chairman of more than five mandatory committees in terms of the Listing Agreement across all companies in which they are directors.

Name of the Director	Category	No of Director-ship (out of which as Chairman) excluding Pentamedia Graphics Limited \$	No of committee membership (including Pentamedia Graphics Limited) (out of which as Chairman) #
Mr. V. Chandrasekaran	Chairman & CEO	-	-
Mr. S D Viswanathan	Non Executive Independent Director	-	-
Mrs.Sumathi Sridharan	Non Executive Independent Director	-	3
Mr. Joseph Jerome	Non Executive Independent Director	-	-

§ Directorship in private limited companies(which are not subsidiary or holding company of a public limited company) , foreign companies and companies under Section 25 of the Companies Act are excluded.

Only Membership in Audit Committee, Share transfer Committee and Remuneration Committee are considered for this purpose.

The Independent Directors have confirmed that they satisfy the “criteria of independence” as stipulated in the clause 49(I)(A) of the Listing Agreement.

Board Procedure

The dates of the Board Meeting for the calendar year are decided in advance. The Board meets at least once in a quarter and the interval between two meetings is not more than four months. Apart from the statutory requirements, the role of the Board includes periodic review of operations and considering proposals for business re-organization., etc. The Board has complete access to any information within the Company. The information periodically placed before the Board includes proceedings/ minutes of all committee meetings, significant developments etc.

Details of Director seeking re- appointment:-

Mr. Joseph Jerome, Director retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re- appointment.

Relevant details relating to the above Director is furnished in the Notice convening the Annual General Meeting to be held on Wednesday, the 14th September, 2011 which forms part of the Annual Report.

Board Meetings and Attendance at Board Meetings & Annual General Meeting

The Board of Directors met Six times during the year ended 31.03.2011. The dates of the Board Meetings were, 30th April, 2010, 14th May 2010, 30th July 2010, 10th August 2010, 29th October 2010 and 31st January, 2011.

The attendance of each Director at the Board Meeting, the last Annual General Meeting and number of other directorships held by them as on 31.03.2011 are as under.

SI No	Name	No of Board Meetings Attended	Attendance at Last AGM
1	Mr. V. Chandrasekaran	6	Yes
2	Mr. S D Viswanathan	6	Yes
3	Mrs.Sumathi Sridharan	5	Yes
4	Mr. Joseph Jerome	5	-

3. AUDIT COMMITTEE:

Role:

The Audit Committee has been formed to monitor and provide effective supervision of the Financial and reporting process. The terms of reference of the Committee is to review the financial reporting process, internal audit process, accounting policies, adequacy of internal control systems, management audit and recommend appointment of the statutory/internal Auditors and to fix their remuneration. The members of this Committee are Independent Directors.

The Company had constituted an Audit Committee. The terms of Audit Committee broadly are as under:

- a. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- b. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- c. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- d. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval
- e. Reviewing, with the management, performance of statutory and internal auditors adequacy of the internal control systems.
- f. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

Composition & Meetings

The Audit Committee of the Company has been constituted as per the requirements of Clause 49 of the Listing Agreement. The Composition of the Committee is in compliance with the requirements of Clause 49 (II) (A) of the Listing agreement. It consists of 3 members, all of whom including the Chairman are independent directors. The Chair-

man of the Audit Committee was present at the last Annual General Meeting of the Company. The Company Secretary of the Company acts as the Secretary of the Audit Committee.

During the financial year 2010-2011, the Audit Committee met 5 times viz., 14th May 2010, 30th July 2010, 10th August, 2010, 29th October 2010 and 31st January, 2011.

Name of the Member	Status	No. of Meetings Attended
Mr. S D Viswanathan	Chairman	5
Mrs.Sumathi Sridharan	Member	5
Mr. Joseph Jerome	Member	4

4. REMUNERATION COMMITTEE

Terms of Reference

The Committee advises the broad policy for remuneration, terms of employment and any changes, including service contracts of Executive and Non-Executive Directors, the manager. The Remuneration Committee decides on the remuneration of the Executive and Non-Executive Directors, the manager, takes into account the general market trend pertaining to the industry viz., the rules of the Company.

Name	Status
Mr. S D Viswanathan	Member
Mrs.Sumathi Sridharan	Member
Mr. Joseph Jerome	Member

Remuneration Policy and Remuneration to Directors

Remuneration to Executive directors has been decided based on job profile, special skill requirements, number of years of experience and contribution made by the respective directors and is consistent with the existing industry practice. As regard payment of sitting fees to Non –Executive Directors, the same is within the limits prescribed by the Companies Act, 1956. The details of remuneration paid to directors during the financial year 2010-11 is noted below;-

(a) Executive Directors:-

₹000s

Name	Salary/ Allowance	Contribution to Funds	Value of Perquisites	Commission
Mr. V. Chandrasekaran	2,400	288	-	-

(b) Non Executive Directors :

The Non - Executive Directors are not paid any remuneration except sitting fees for attending the meetings of the Board of Directors and / or committees thereof. The Company does not have material pecuniary relationship or transactions with its non executive directors. The details of sitting fees paid, stock options granted and shares held by the non- executive directors are as under:

Name of the Non – Executive Director	Sitting Fees (₹ 000s)	Stock Options granted	Shareholding in the Company
Mr. S D Viswanathan	42	NIL	Nil
Mrs. Sumathi Sridharan	37	NIL	NIL
Mr. Joseph Jerome	20	NIL	NIL

5. SHAREHOLDERS' / INVESTORS SERVICE

The Company promptly attends to investors' queries or grievances. In order to provide timely service, the power to approve the transfer of shares had been delegated by the board to the share transfer and investors grievance committee. The Board has also authorized the directors and executives of the company to approve the transfer/transmissions. Share transfer requests are processed within 15 days from the date of receipt. Cameo Corporate Services Limited, Chennai is the company's Registrar and Share Transfer Agent and Depository registrar.

Terms of Reference

The broad terms of reference includes the following:

- (a) redressal of shareholder and investors' complaints including but not limited to transfer of shares and issue of duplicate share certificates, non – receipt of balance sheet, non – receipt of declared dividends, etc and
- (b) monitoring transfers, dematerialisation, rematerialisation, splitting and consolidation of shares issued by the Company.

Composition and meetings

The Investors Grievance Committee of the Company consists of three members, all of whom are independent directors of the Company.

During the financial year 2010-11, the investors' grievance committee met five times on 14th May 2010, 30th July 2010, 10th August 2010, 29th October 2010 and 31st January, 2011.

Name, Designation and Contact Details of the Compliance officer

Mr. G. Swaminathan, Company Secretary is the Compliance Officer of the Company. The Compliance Officer can be contacted at :

No. 25, 'Taurus', First Main Road,

United India Colony,

Kodambakkam,

Chennai – 600 024.

Tel: +91- 044- 24803898

Fax: +91-044- 24726042

E-mail: shares@penta-media.com

Separate e-mail id for redressal of investors' complaints

As per Clause 47(f) of the Listing Agreement, the Company has designated a separate e-mail id (pmgl2008@live.com) exclusively for redressal of investors' complaints.

There are no pending complaints as on March 31,2011.

There were no pending requests for transfer of shares of the Company as at March 31, 2011.

6. GENERAL BODY MEETINGS:

The date, time and venue of the last three general meetings are given below:

Year	Date	Time	Venue
2007-2008	29th August, 2008	10.00 A.M.	Rani Seethai Hall, No.603,Anna Salai, Chennai - 600 006.
2008-2009	30th September, 2009	10.00 A.M.	Vani Mahal New No. 103, G.N. Chetty Road, T.Nagar, Chennai 600 017
2009-2010	28th September, 2010	10.00 AM	Rani Seethai Hall, Rani Seethai Hall, No.603,Anna Salai, Chennai - 600 006

SPECIAL RESOLUTION PASSED AT LAST THREE ANNUAL GENERAL MEETINGS:

(a) Special Resolution passed at the Thirty Second Annual General Meeting for delisting of equity shares from National Stock Exchange of India Limited (NSE) and Madras Stock Exchange Limited (MSE).

PASSING OF RESOLUTIONS BY POSTAL BALLOT:-

l).No resolution requiring a Postal Ballot under Section 192A of the Companies Act, 1956 was placed before the last Annual General Meeting.

Similarly, no resolution requiring postal ballot is being proposed at the ensuing Annual General Meeting.

The company will seek shareholder's approval through postal ballot in respect of resolutions relating to such business as prescribed in the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, as and when the occasion arises.

7. Code of Conduct

The Board has adopted a Code of Conduct which serves as a guide for your company and its employees on the standards of values, ethics and business principles, which should govern their conduct. The Company operates within accepted standards of propriety, fair play and justice and aims at creating a culture of openness in relationships between itself and its stakeholders. It has set up a system, which enables all its employees to voice their concerns openly and without any fear or inhibition. A certificate of code of conduct by Chairman & CEO is attached to this report.

8 Risk Management

The Company has laid down procedures to inform the Board members about the risk assessment and minimization procedures, which is reviewed by Board periodically.

9 Prevention Of Insider Trading:-

The Securities Exchange Board of India (SEBI) has, effective February 20, 2002 introduced amendments to the existing Insider Trading Regulations of 1992 which ordain new steps by corporates and other market intermediates for the purposes of prevention of insider trading.

Pursuant to the above requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended, the Company has adopted a 'Code of Conduct', for Prevention of Insider Trading (The Code) with effect from October 1,2002. The code is applicable to all Directors and such Designated Employees who are expected to have access to unpublished price sensitive information relating to the Company.

Mr. G. Swaminathan, Company Secretary has been appointed as the Compliance Officer for monitoring adherence to the Regulations.

10 DISCLOSURES:

i) Disclosures on materially significant related party transactions

There were no materially significant related party transactions during the financial year 2010-2011 that may have potential conflict with the interest of the Company at large. The details of related party transactions as per Accounting Standard – 18 forms part of notes to the Accounts.

ii) Disclosure of Accounting Treatment

The Company follows accounting standards issued by Institute of Chartered Accountants of India (ICAI) and in the preparation of financial statements, the Company has not adopted a treatment different from that prescribed in any accounting standard.

iii) Board Disclosures- risk management

The risk assessment and minimization procedures are in place and the Audit Committee of the Board is regularly informed about the business risks and the steps taken to mitigate the same.

iv) Management Discussion and Analysis Report

The management discussion and analysis report forms part of this annual report.

v) Profile of Directors seeking appointment/ reappointment

(i) 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.

vi) Certification from Chairman & CEO and Manager – Finance

The requisite certification from Chairman & CEO and Manager- Finance for the financial year 2010-11 under Clause 49(V) has been placed before the Board of Directors of the Company.

vii) Details of non – compliance with regard to Capital Market

There were no instances of non- compliances by the Company on any matter related to capital markets. The Company has complied with requirements of listing agreement as well as the regulations and guidelines prescribed by SEBI. The Company has paid the listing fees to the stock exchange and annual custodial fees to the depositories for the financial year 2011-12 in terms of Clause 38 of the Listing Agreement. There were no penalties or strictures imposed by any statutory authority on any matter related to capital markets during the last three years.

viii) Details of compliance with mandatory requirements and adoption of non- mandatory requirements of Clause 49 of the listing agreement

The Company has complied with all the mandatory requirements under Clause 49 of listing agreement. A certificate from the Statutory Auditors of the Company to this effect has been included in this report.

ix) Whistle Blower Policy

The Company has taken steps to establish the Whistle Blower Policy as is stipulated in the clause 49 of the Listing Agreement. This provides a mechanism to raise concerns about actual or suspected frauds, unethical behavior, safeguards against victimization of employees, etc.

MEANS OF COMMUNICATION

The quarterly results - Published within 48 hours of the meeting

Newspapers wherein results are normally published in	a) NEWS TODAY (English Daily) b) MALAI SUDAR (Tamil Daily)
Website wherein results are normally available	www.penta-media.com

GENERAL SHAREHOLDER INFORMATION

A separate section has been annexed to the Annual Report furnishing various details viz., AGM venue, share price movement, distribution of shareholding, location of factories, means of communication etc.,

Place: Chennai
Date: 04.08.2011

V. Chandrasekaran
Chairman & CEO

SHAREHOLDER'S INFORMATION

Registered Office

"TAURUS"

No. 25, 1st Main Road
United India Colony,
Kodamabakkam
Chennai - 600 024.

Annual General Meeting

Day : Wednesday
Date : 14th September, 2011
Time : 10.00 A.M
Venue : Rani Seethai Hall, No.603,Anna Salai,Chennai-600006

Date of Book Closure

Thursday, the 8th September 2011 to Wednesday, the 14th September 2011

Listing on stock exchanges and stock code

Bombay Stock Exchange Limited
Phiroz Jheejhee Bhai Towers,
Dalal Street, Fort,
Mumbai – 400 001.

Luxembourg Stock Exchange

Societe te Bourse De Luxumbourg
Societe p Binyrene/Rc B8222 8P 165 1- 2011
Luxumbourg.

Listing Fees paid to

Bombay Stock Exchange Limited (BSE)

Stock Code:-

BSE, Mumbai - 500329 (BSE)

ISIN Numbers

NSDL & CDSL - INE202A01022

Stock Market Data

The monthly high and low quotations and volume of shares traded on BSE during the year were as follows:

For the Period: April 2010 to March 2011

₹

Month	Open Price	High Price	Low Price	Close Price
Apr'10	2.70	3.47	2.55	3.05
May' 10	3.11	3.15	2.40	2.69
Jun '10	2.43	3.00	2.27	2.57
Jul' 10	2.32	2.85	2.06	2.57
Aug' 10	2.71	2.89	2.04	2.48
Sep' 10	2.44	2.96	2.40	2.45
Oct '10	2.45	2.69	1.97	2.37
Nov' 10	2.38	2.82	1.65	2.04
Dec' 10	2.05	2.60	1.59	2.14
Jan'11	2.06	2.30	1.57	1.78
Feb' 11	1.87	1.90	1.20	1.44
Mar' 11	1.49	1.60	1.07	1.43

Registrar and Share Transfer Systems:

In due compliance with SEBI norms, the Company has entrusted the share transfer work both physical as well as electronic transfers to the transfer agents mentioned below:

M/s Cameo Corporate Services Limited
Fifth Floor, Subramanian Building,
No.1, Club House Road,
Chennai - 600 002.

Share Transfer And Investors Service System

A committee constituted for this purpose approves transfers in the physical form on fortnightly basis. The Board has also authorized its directors and executives to approve the transfer/transmission. As per the directions of SEBI, the company immediately on transfer of shares sends letters to the investors, in the prescribed format, informing them about the simultaneous transfer and dematerialisation option available for the shares transferred in their names. The committee also looks into all the communications received from the shareholders and complaints received from the stock exchanges. There are no Pending Complaints as on 31.03.2011.

Share holding pattern /Distribution of shareholding

Shareholding pattern as on 31.03.2011

Category	No of shares	% of shareholding
Indian Promoters	47221111	11.38
Mutual Fund/ UTI	550	0.00
Financial Institutions/ Banks	61051986	14.71
Central / State Government	100	0.00
Foreign Institutional Investors	516055	0.12
Private Bodies Corporate	47188118	11.37
Indian Public	243546089	58.68
Clearing Members	253062	0.06
HUF	12199632	2.94
NRIs	2991087	0.72
OCBs	15528	0.00
Trusts	42846	0.01
Others (FOREIGN NATIONALS)	4	0.01
ADRs/ GDRs	NIL	0.00
GRAND TOTAL	415026168	100

Distribution of shareholding as on 31.03.2011

Category		Number of holders	% on total	No of shares	% on total
1	5000	195503	96.29	110617729	26.65
5001	10000	4174	2.06	30664546	7.39
10001	20000	1973	0.97	27767615	6.69
20001	30000	579	0.29	14383723	3.47
30001	40000	248	0.12	8688700	2.09
40001	50000	157	0.08	7313202	1.76
50001	100000	227	0.11	16123326	3.89
100001 and above		172	0.08	199467327	48.06
Total		203033	100.00	415026168	100.00

DEMATERIALISATION

The Shares of the company are compulsorily traded in dematerialisation form. The code number allotted by the National Securities Depository Limited (NSDL) and Central Depository Services limited (CDSL) to Pentamedia Graphics Limited is - **INE202A01022**.

Number of shares held in Dematerialised and physical mode as on 31st March, 2011 are noted below:

Particulars	No of Shares	% of total capital issued
Shares held in Dematerialised form with NSDL	296327142	71.40
Shares held in Dematerialised form with CDSL	77318654	18.63
Shares held in Physical form	41380372	9.97
Total	415026168	100.00

NOMINATION FACILITY

The shareholders may avail themselves of the nomination facility under section 109A of the Companies Act, 1956. The nomination form (Form 2B) along with instruction will be provided to the members on request. In case the members wish to avail of this facility, they are requested to write to the company's registrars M/s. Cameo Corporate Services Limited.

The facility of nomination is not available to non-individuals shareholders such as societies, trust, bodies corporate, Karta of Hindu Undivided Families and holders of Power of Attorney.

Investors are advised to avail this facility, especially investors holding securities in single name, to avoid the process of transmission by law. Investors holding shares held in electronic form, the nomination has to be conveyed to your Depository participants directly, as per the format prescribed by them.

PLANT LOCATION: Not applicable

Address for Correspondence

Registered Office:

"TAURUS" No. 25, 1st Main Road, United India Colony, Kodambakkam
Chennai - 600 024. E-Mail: shares@penta-media.com , pmgl2008@live.com

For all matters relating to Shares
M/s. Cameo Corporate Services Limited
Fifth Floor, Subramaniam Building,
No.1, Club House Road, Chennai - 600 002.
Tel: (054) – 28460390 (5 lines) Fax: (054) - 28460129
Email: investor@cameoindia.com , cameo@cameoindia.com

As per the circular dated 21st April 2011 from Ministry of Corporate Affairs on "Green Initiatives", the Company is requesting all shareholders to provide E-mail Id to enable us to communicate the reports and other updates electronically

Place: Chennai
Date: 04.08.2011

V.Chandrasekaran
Chairman & CEO

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To

The Members.

PENTAMEDIA GRAPHICS LIMITED

We have examined all relevant records of M/s. Pentamedia Graphics Limited for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited for the financial year ended March 31, 2011. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of certification.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof. This Certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

We state that no investor grievance is pending for a period exceeding one month against the company as per records maintained by the share/debenture/ Investors' grievance committee

On the basis of our examination of the records produced, explanations and information furnished, we certify that the Company has complied with all the mandatory conditions of the said Clause 49 of the listing Agreement.

For Sudhindran & Co
Chartered Accountants

Place: Chennai
Date: 04.08.2011

P. Sudhindran
Partner
Firm Reg.No. 006019S
M. No : 032100

DECLARATION OF CODE OF CONDUCT

This is to confirm that the Board has laid down a code of conduct for all Board Members and senior management of the Company.

It is further confirmed that all the directors and senior management personnel of the company have affirmed compliance with the code of conduct of the company for the year ended 31st March 2011, as envisaged in Clause 49(I) (D) (ii), of the Listing Agreement.

Place: Chennai
Date: 04.08.2011

V.Chandrasekaran
Chairman & CEO

**DIRECTOR & CEO's DECLARATION IN TERMS OF CLAUSE 49(V)
OF THE LISTING AGREEMENT:-**

I hereby certify that we have

- (a) Reviewed financial statements and the cash flow statement for the year and to the best of their knowledge and belief;

These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

- (b) There are to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

- (c) Accept responsibility for establishing and maintaining internal controls and that they have evaluated the effectiveness of the internal control systems of the company and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

- (d) we have indicated to the Auditors and the Audit Committee

significant changes in internal control during the year;

significant changes in accounting policies during the year and that the same have been disclosed in the notices to the financial statements; and

instances of significant fraud of which they have become aware and the involvement therein, if any of the management or and employee having a significant role in the company's internal control system.

V.CHANDRASEKARAN
CHAIRMAN & CEO

V.VENKATARAMANAN
Head - Finance

Place : Chennai
Date: 04.08.2011

AUDITOR'S REPORT TO THE MEMBERS OF PENTAMEDIA GRAPHICS LIMITED

We have audited the attached the Balance Sheet of Pentamedia Graphics Limited as at 31st March 2011, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 (as amended) hereinafter referred to as "the order" issued by the Central Government of India in terms of sub section (4A) of section 227 of the Companies Act, 1956, hereinafter referred to as the "the Act" we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.

Further to our comments in the annexure referred to above, we report that:

- i. We have obtained all the information and explanations, which, to the best of our knowledge and belief were necessary for purpose of the audit;
- ii. In our opinion, proper books of accounts have been kept as required by law so far as appears from our examination of those books;
- iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with books of account;
- iv. In our opinion, balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable excepting the Note no. (vi) of the auditor's report relating to Accounting Standard 2.
- v. On the basis of written representations received from directors, as on 31st March 2011 and taken on record by the Board of Directors, we report that, none of the Directors are disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi. Attention is invited to:
 - a. *The company has valued inventory at the lower of cost or net realizable value. The determination of realizable value of this inventory is a technical matter and we have relied*

on the valuation conducted by the technical experts in the management. We have not conducted audit procedure for the same.

b. The company valued long term investments at cost as per the present market conditions and as per valuation done by the valuer. Increase / Decrease in value is provided for, where the management is of the opinion that the variation is permanent in nature. We have not conducted audit procedure for the same.

c. The value of loans and advances amounting to ₹ 136.08 crores is based on confirmation from management as to recoverability and consequent implications of AS-28 and the value of Secured creditors amounting to ₹ 40.19 crores, unsecured creditors amounting to ₹ 30.70 crores and sundry creditors amounting to ₹ 0.24 crores is subject to confirmation.

vii. The effect of the qualifications in Item (vi) above on the profit of the company cannot be ascertained owing to the non quantifiable and non-ascertainable causes for the same.

viii. In our opinion and to the best of our information and according to the explanation given to us, subject to the effect on the financial statements of the matter referred to in the preceding para vi & vii the said accounts given the information required by the Companies Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. in the case of Balance Sheet, the state of affairs of the company as at 31st March, 2011,
- b. in the case of Profit and Loss account, of the profit for the year ended on that date; and
- c. in the case of cash flow statement, of the cash flows for the year ended on that date.

for M/s.Sudhindran & Co
Chartered Accountants

Place : Chennai
Date : 04.08.2011

CA. P. Sudhindran
Partner
Firm Reg.No. 006019S,
M. No : 032100

ANNEXURE TO AUDITORS' REPORT OF EVEN DATE

1. FIXED ASSETS

- a) The Company has maintained proper records showing full particulars including quantitative details and the situation of fixed assets, on the basis of available information.
- b) According to the explanations given to us, all the fixed assets have been physically verified by the management during the year, which in our opinion is reasonable, having regard to the size of the Company and the nature of its assets. Due to the fact that, the Company is in the process of reconciling physical assets with the book records, we have no comments to offer with regard to material discrepancies, if any, arising on such verification.

2. INVENTORIES

The company has valued inventory at the lower of cost or net realizable value. The determination of realizable value of this inventory is a technical matter and is based on the estimates of management. We have not conducted audit procedures for the same.

3. LOANS TO/FROM 301 PARTIES

According to the records of the company and information and explanations given to us, the company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Act.

The company has granted loan to company covered in the register maintained under section 301 of the Companies Act, 1956. No interest was charged on the above loans during the year under report. To this extent, the terms in connection with these loans are, prima facie, prejudicial to the interests of the company. Though no payment terms have been stipulated, management is of the opinion that recovery of the said loans / advances will not pose a problem.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to sale of the goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control.

5. TRANSACTIONS COVERED BY SECTION 301

- a. Based on the audit procedure applied by us and according to the information and explanations provided by the management, we are of the opinion that the Company has entered all transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
- b. In our opinion and according to the information and explanation given to us, the transaction made in pursuance of contract or arrangements entered in the registers maintained under section 301 of the Companies Act, 1956 and exceeding the value of ₹ 5,00,000/-in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

6. The Company has not accepted any deposit from the public and consequently, the directives issued by the Reserve Bank of India, the provisions of section 58A and 58AA of the Companies Act, 1956 and the rules framed there under are not applicable.

7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

8. According to the information and explanation given to us, the Central Government has not prescribed the maintenance of cost records by the Company under section 209 (1) (d) of the Companies Act 1956.

9. STATUTORY DUES

According to the information and explanation given to us there are no dues of income tax, wealth tax, sales tax, custom duty, excise duty and cess which have not been deposited on account of any dispute except in the following cases.

Income Tax:

- i. The Company has filed a writ petition no. 2357/2010 in High Court of Madras for a refund of ₹ 62 crores against the Income Tax demands of ₹ 112.51 crores as mentioned in their notice dated 05.02.2009 and has obtained stay till the disposal of all issues mentioned in the above writ petition from the High Court of Madras vide order dated 15.07.2010 and the court has instructed the Income- tax department to furnish the details from the AY 1995-96 to 2006-07.
- ii. The Company has also obtained the order dated 11.01.2010 from the High Court of Madras, directing the Income Tax Department to process the revised returns filed by the company as per the modified composite scheme of amalgamation and arrangement between Pentamedia Graphics Limited and its subsidiaries as on 01.01.2004. The response from the Income Tax Department is awaited.
- iii. Regarding Pentasoft Technologies Limited the Company has filed a writ petition no. 25120/2009 in High Court of Madras for a refund of ₹ 18 crores against the Income Tax demands of ₹ 89.97 crores as mentioned in their notice dated 19.01.2009 and obtained a absolute stay from the High Court of Madras vide order dated 18.12.2009.

10. The Company neither has accumulated losses at the end of the financial year nor has it incurred any losses during the financial year covered by our audit or in the immediately preceding financial year.

11. Though the Company has defaulted in repayment of the following dues, with interest to banks, it has contested in DRT / High Court towards settlement of Loans.

- i) The secured loans availed from Bank of India, Oriental Bank of Commerce, HSBC by Pentamedia Graphics Limited and Corporation Bank, United Western Bank by Pentasoft Technologies Limited (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), have been settled and the petitions before Debt Recovery Tribunal(DRT) have been disposed off "as settled".

ii) The following bank dues are pending before DRT for disposal:

- a) ₹ 24.97 crores to Axis Bank (UTI Bank) by Pentamedia Graphics Limited
- b) ₹ 14.85 crores to Axis Bank (UTI Bank) by Pentasoft Technologies Limited
- c) ₹ 10.80 crores to Dhanalakshmi Bank Ltd by Pentasoft Technologies Limited.

iii) UPS Capital Business is claiming an amount of ₹ 19.85 crores in respect of Pentamedia Graphics Ltd. The company petition is pending with High Court of Madras for orders.

The above amount due to Banks/Institutions does not include any interest that may accrue on the principal amount due from 01.04.2005.

The representations are based on information provided by the management. The ultimate liability that may arise is not ascertainable.

Further it is not possible to ascertain the contingent liability in this regard with respect to Accounting Standard 29.

12. As explained to us, the Company has not granted any loans & advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The Company is not a chit fund or nidhi, mutual benefit fund, society. Accordingly, clause 4(xiii) of Companies (Auditors Report) Order, 2003 is not applicable.

14. According to the information and explanation given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiv) of Companies (Auditors Report) Order, 2003 is not applicable.

15. In our opinion, the terms and conditions on which, the Company has not given guarantee for loans taken by others from banks or financial institution.

16. The Company has not raised any new term loan during the year.

17. According to the information and explanation given to us and on an overall examination of the Balance Sheet of the Company, we report that, short term funds have not been used for long term purposes.

18. The company has not issued any debentures. Accordingly clause 4(xix) of Companies (Auditors Report) Order, 2003 is not applicable.

19. No monies have been raised by way of public issue.

20. In our opinion and according to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the year, that causes the financial statement to be materially misstated.

for **M/s.Sudhindran & Co,**
Chartered Accountants,

Place : Chennai
Date : 04.08.2011

CA. P. Sudhindran,
Partner,
Firm Reg.No. 006019S,
M. No : 032100

BALANCE SHEET AS AT

₹ 000s

	Sch.	31.03.2011	31.03.2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	415,026	415,026
Reserves and Surplus	2	4,080,980	4,076,274
LOAN FUNDS			
Secured Loans	3	401,904	401,903
Unsecured Loans	4	307,030	307,030
Deferred Tax Liability -Net		20,204	19,213
Total		5,225,144	5,219,445
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	3,346,972	3,389,827
Less : Depreciation		2,349,915	2,393,781
Net Block		997,057	996,046
Add : Capital work-in-progress		897,812	897,812
		1,894,869	1,893,859
INVESTMENTS			
CURRENT ASSETS, LOANS & ADVANCES AND DEPOSITS:			
Inventories	7	262,133	277,633
Sundry Debtors	8	29,055	30,850
Cash and Bank Balances	9	2,094	1,965
Loans & Advances and Deposits	10	1,360,818	1,347,215
		1,654,100	1,657,663
LESS : CURRENT LIABILITIES AND PROVISIONS			
Liabilities	11	5,098	15,551
Provisions	12	7,733	6,564
NET CURRENT ASSETS		1,641,269	1,635,548
MISCELLANEOUS EXPENSES (to the extent not written off)	13	2,235	2,793
Total		5,225,144	5,219,445
NOTES ON ACCOUNTS	18		

As per our report even date Annexed.

for M/s . SUDHINDRAN & CO
Chartered Accountants

V.CHANDRASEKARAN
Chairman & CEO

SUMATHI SRIDHARAN
Director

CA. P.SUDHINDRAN,
Partner
Firm Reg.No. 006019S,
M. No : 032100
Place : Chennai
Date : 04.08.2011

G. SWAMINATHAN
COMPANY SECRETARY

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED

₹ 000s

	Sch.	31.03.2011	31.03.2010
INCOME			
Sales / Services			
Overseas		64,510	129,127
Domestic		1,711	2,051
Other Income	14	658	45
Total		66,879	131,223
EXPENDITURE			
Materials and Multimedia / Software Development Expenses	15	31,878	71,629
Administration and Other expenses	16	7,572	8,803
Preliminary expenses		559	-
Total		40,009	80,432
Profit before Interest, Depreciation and Tax		26,870	50,791
Interest and Finance charges	17	22	19
Depreciation	5	19,899	13,458
Profit before tax		6,949	37,314
Provision for MAT		1,251	5,597
Deferred Tax - Liabilities / Asset		(991)	69
Profit after tax		4,707	31,786
Surplus brought forward from previous year		110,725	78,939
AMOUNT AVAILABLE FOR APPROPRIATION		115,431	110,725
Balance carried to Balance Sheet		115,431	110,725
Earnings per share - Basic		0.01	0.08
- Diluted		0.01	0.08

The schedules referred to above form an integral part of the Profit & Loss account.

This is the Profit & Loss account referred to in our report of even date.

As per our report even date annexed.

for M/s . SUDHINDRAN & CO
Chartered Accountants

V.CHANDRASEKARAN
Chairman & CEO

SUMATHI SRIDHARAN
Director

CA. P.SUDHINDRAN,
Partner
Firm Reg.No. 006019S,
M. No : 032100
Place : Chennai
Date : 04.08.2011

G. SWAMINATHAN
COMPANY SECRETARY

SCHEDULES TO THE BALANCE SHEET AS AT

	31.03.2011	₹ 000s 31.03.2010
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
4,45,00,00,000 Equity Shares of ₹ 1/- each.	4,450,000	4,450,000
5,00,00,000 Preference Shares of ₹ 10/- each.	50,000	50,000
Total	4,500,000	4,500,000
Issued and subscribed		
Equity Share Capital		
24,77,54,125 Equity shares of ₹ 1/- each fully paidup	247,754	247,754
3,85,11,595 Equity shares of ₹ 1/- each, issued to the equity share holders of Pentasoft Technologies Ltd	38,512	38,512
12,87,60,443 Equity shares of ₹ 1/- each, issued to the secured creditors of Pentasoft Technologies Ltd	128,760	128,760
Total	415,026	415,026
SCHEDULE 2		
RESERVES AND SURPLUS		
Securities premium account	987,780	987,780
Share Premium On account of Scheme of arrangement with Pentasoft Technologies Ltd as per High Court Order	2,546,597	2,546,597
General Reserve	369,593	369,593
Contingency Reserve	61,579	61,579
Surplus as per Profit and Loss Account	115,431	110,725
Total	4,080,090	4,076,274
SCHEDULE 3		
SECURED LOANS		
From Banks		
Working Capital loan (Secured by a first & second charge on the fixed assets of the Company and by a hypothecation and charge on book debts, stock and other current assets of the Company on pari passu basis).	401,904	401,903
Total	401,904	401,903
SCHEDULE 4		
Unsecured Loans		
From Banks	306,530	306,530
From Others	500	500
Total	307,030	307,030

**SCHEDULE 5
DEPRECIATION SCHEDULE**

₹ 000s

	GROSS BLOCK- AT COST			DEPRECIATION			NET BLOCK	
	As at 01.04.2010	Additions	Deductions	As at 01.04.2010	For the Year	Deductions	As at 31.03.2011	As at 31.03.2010
Assets								
Land	27,325	-	-	27,325	-	-	27,325	27,325
Buildings	131,867	-	-	131,867	4,404	-	85,549	89,953
Plant and Machinery	13,577	-	-	13,577	960	-	5,448	6,408
Computer & Software	2,214,114	-	-	2,214,114	-	-	344	344
Furniture and Fittings	117,201	-	-	117,201	7,419	-	43,866	51,285
Digital Content	-	20,910	-	20,910	6,969	-	13,941	-
Product Rights	820,427	-	-	820,427	-	-	820,427	820,427
Vehicles	1,551	-	-	1,551	147	-	1,394	304
Total	3,326,062	20,910	-	3,346,972	19,899	-	2,349,915	996,047

SCHEDULE 6
INVESTMENTS (Long Term, Trade, at cost)

Particulars	31.03.2011		31.03.2010	
	No of shares	Amount ₹ 000s	No of shares	Amount ₹ 000s
Other Investments Mayajaal Entertainment Ltd) [Equity shares of ₹ 10/- each, previous year year the price was ₹ 1/-each]	16,877,800	759,501	16,877,800	379,750
Sub Total (A)		759,501		379,750
Investments in subsidiary company Num TV Limited, Mauritius [Ordinary shares of US \$ 1 each]	4,605,000	207,225	4,605,000	198,254
Esoftcom (Mauritius) Limited [Ordinary shares of US \$ 1 each]	16,001,000	720,045	16,001,000	1,109,242
Sub Total (B)		927,270		1,307,496
Total (A+B)		1,686,771		1,687,246

₹ 000s

	31.03.2011	31.03.2010
SCHEDULE 7 INVENTORIES		
Work - In - Progress	123,015	128,315
Distribution Rights	132,670	138,770
Finished Goods	3,315	4,815
Stock of Training Materials	3,134	5,734
Total	262,133	277,633
SCHEDULE 8 SUNDRY DEBTORS		
Unsecured considered good		
Debts outstanding for a period exceeding six months	2,872	26,309
Other debts	26,183	4,541
Total	29,055	30,850
SCHEDULE 9 CASH AND BANK BALANCES		
Cash on hand	7	11
Balances with scheduled banks		
- On current account	2,088	1,955
Total	2,094	1,965

₹ 000s

	31.03.2011	31.03.2010
SCHEDULE 10		
LOANS AND ADVANCES & DEPOSITS		
Advances recoverable in cash or in kind or for value to be received	1,354,616	1,340,993
Deposits	6,202	6,222
Total	1,360,818	1,347,215
SCHEDULE 11		
LIABILITIES		
Sundry Creditors	2,399	8,862
Other Liabilities	2,699	6,689
Total	5,098	15,551
SCHEDULE 12		
PROVISION		
Taxation	7,733	6,564
Total	7,733	6,564
SCHEDULE 13		
MISCELLANEOUS EXPENSES		
(to the extent not written off)		
MISCELLANEOUS EXPENSES	2,793	2,793
Less : Preliminary Expenses W/off	559	-
Total	2,235	2,793

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

SCHEDULE 14		
OTHER INCOME		
Royalty Receipts	43	-
Others	615	45
Total	658	45
SCHEDULE 15		
COST OF GOODS CONSUMED/SOLD		
MULTIMEDIA DEVELOPMENT AND WEBCASTING EXPENSES		
Opening Stock	-	4,850
Add : Purchases	-	-
Less : Closing Stock	-	-
Total	-	4,850

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

₹ 000s

	31.03.2011	31.03.2010
MULTIMEDIA DEVELOPMENT AND WEBCASTING EXPENSES		
Salaries, Allowances and Incentives	4,645	4,670
Multimedia Development Expenses	27,176	62,109
Travelling and Conveyance	57	-
Sub Total	31,878	66,779
Total	31,878	71,629
 SCHEDULE 16		
ADMINISTRATION AND OTHER EXPENSES		
Director's sitting fees	100	88
Training Expenses	126	1
Power and Fuel	385	586
Rates and Taxes	1,684	1,837
Office maintenance	334	230
Administration and other exp	310	767
Telephone and Postage	403	1,542
Printing and Stationery	537	526
Travelling and Conveyance	151	197
Repairs and Maintenance - Buildings	91	0
- Plant and Machinery	19	24
- Others	110	28
Miscellaneous Expenses	75	18
Insurance	20	15
Advertisement	298	533
Legal and professional charges	2,686	2,180
Auditor's Remuneration - Audit fees	150	150
- Tax audit	25	25
- Others	68	55
Total	7,572	8,803
 SCHEDULE 17		
INTEREST AND FINANCE CHARGES		
Interest - Loans		-
Finance Charges	22	19
Total	22	19

SCHEDULE No. 18
NOTES TO THE ACCOUNTS AS AT 31.03.2011

SIGNIFICANT ACCOUNTING POLICIES :

A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable Accounting Standards notified u/s 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

a) REVENUE RECOGNITION

- Revenue from Multimedia business (for sale of digital content on fixed price basis) is recognized based on milestones reached.
- Revenue in respect of Training and Education services is recognized on rendering of services, only when it is reasonably certain that the ultimate collection will be made. The revenue from fixed time contracts is recognized over the period of contracts. For services rendered through franchisees only the company's share of revenue is recognized.
- Revenue from sales is recognized after dispatch of goods to customers.
- Revenue for service charges is recognized after completion of each stage of service.
- Revenue from software development (on time and material basis) is recognized based on software developed and billed to the clients.

Overseas sales & services represent sales to the overseas customer for multimedia and other software development services done.

b) FIXED ASSETS

- i Fixed assets are stated at cost including taxes, duties, freight etc related to purchase and installation less accumulated depreciation.
- ii Capital Work in Progress

Capital work in progress represents capital advances and expenditure incurred during the period of software development pending capitalization

c) INTANGIBLE ASSETS

Intangible assets are recognized only if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. The intangible assets are recorded at cost and are carried at cost.

d) DEPRECIATION

Depreciation on fixed assets other than computers is provided on the straight-line method in accordance with the rates specified under schedule XIV to the Companies Act, 1956. As the computers have exhausted the useful life, major portion of their value is written off as depreciation.

e) INVENTORIES

Raw Materials are valued at cost. Finished goods are valued at lower of cost or net realizable value.

f) INVESTMENTS

Long term investments are valued at cost as per the present market conditions and as per valuation done by the valuer. Increase / Decrease in value is provided for, where the management is of the opinion that the diminution is permanent in nature.

g) RETIREMENT BENEFITS TO EMPLOYEES

As the numbers of permanent employees have been reduced to a bare minimum, the management is of the opinion that retirement benefit can be met as and when the liability arises. As such no provision for gratuity is created for the employees.

h) BORROWING COSTS

Borrowing Costs attributable to acquisition of assets, are capitalized as part of the cost of such assets. Other borrowing costs are charged to revenue.

i) FOREIGN CURRENCY TRANSACTIONS

Transaction in foreign currency is recorded at the rate of exchange prevailing on the date of transaction. Current assets and liabilities are not translated at the year end closing rates. Exchange difference in respect of foreign currency liabilities incurred for acquiring fixed assets is added to the cost of respective fixed assets.

j) TAXES ON INCOME

Provision for current tax is made on the basis of minimum alternative Tax is provided in accordance with the provisions of Income Tax Act, 1961.

The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and law that have been substantively enacted as of the balance sheet date. Deferred tax liability for difference in depreciation ₹ 9,91,499/- has been created

k) IMPAIRMENT OF ASSETS

The company has not provided for impairment of any assets, this is in contravention of Accounting Standard 28.

l) PRELIMINARY EXPENSES

Preliminary expenses consequent to the merger of Pentasoft Technologies Limited Company are amortized over a period of five years commencing from the current year.

B. NOTES ON ACCOUNTS

1(a) Secured Loans:

- i) The secured loans availed from Bank of India, Oriental Bank of Commerce, HSBC by Pentamedia Graphics Limited and Corporation Bank, United Western Bank by Pentasoft Technologies Limited (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), have been settled and the petitions before Debt Recovery Tribunal(DRT) have been disposed off "as settled".
- ii) The following bank dues are pending before DRT for disposal:
 - a) ₹ 24.97 crores to Axis Bank (UTI Bank) by Pentamedia Graphics Limited
 - b) ₹ 14.85 crores to Axis Bank (UTI Bank) by Pentasoft Technologies Limited
 - c) ₹ 10.80 crores to Dhanalakshmi Bank by Pentasoft Technologies Limited
- iii) UPS Capital Business is claiming an amount of ₹ 19.85 crores in respect of Pentamedia Graphics Ltd. The company petition is pending with High Court of Madras for orders.

The above amount due to Banks/Institutions does not include any interest that may accrue on the principal amount due from 01.04.2005.

1(b) Claim against the company not acknowledged as Liability:

According to the information and explanation given to us there are no dues of income tax, wealth tax, sales tax, custom duty, excise duty and cess which have not been deposited on account of any dispute except in the following cases.

Income Tax:

- i. The Company has filed a writ petition no. 2357/2010 in High Court of Madras for a refund of ₹ 62 crores against the Income Tax demands of ₹ 112.51 crores as mentioned in their notice dated 05.02.2009 and has obtained stay till the disposal of all issues mentioned in the above writ petition from the High Court of Madras vide order dated 15.07.2010 and the court has instructed the Income-Tax department to furnish the details from the AY 1995-96 to 2006-07.
 - ii. The Company has also obtained the order dated 11.01.2010 from the High Court of Madras, directing the Income Tax Department to process the revised returns filed by the company as per the modified composite scheme of amalgamation and arrangement between Pentamedia Graphics Limited and its subsidiaries as on 01.01.2004. The response from the Income Tax Department is awaited.
 - iii. Regarding Pentasoft, the Company has filed a writ petition no. 25120/2009 in High Court of Madras for a refund of ₹ 18 crores against the Income Tax demands of ₹ 89.97 crores as mentioned in their notice dated 19.01.2009 and obtained a absolute stay from the High Court of Madras vide order dated 18.12.2009.
2. Confirmation of balances/Reconciliation is pending in respect of certain Banks/ Loans and Advances/Sundry Debtors/ Sundry creditors' unclaimed dividend and other liabilities. Adjustments if any which may arise upon completion of confirmation/reconciliation will be dealt with upon confirmation/completion of reconciliation.
 3. The Reconciliation of subsidiary records with General Ledger is in progress relating to Fixed Assets / Capital Work in Progress and Inventories. Adjustment if any which may arise upon confirmation/reconciliation of above items are unascertainable at this stage, and are not provided for.
 4. The Company has recognized deferred tax liability (Net) ₹ 2.02 cores as per the requirements of Accounting Standard 22.

4. EPS

Number if equity shares of ₹ 1each (basic)	415,026,168
Number if equity shares of ₹ 1 each (diluted)	415,026,168
Net profit after tax available for equity shareholders - ₹	4,706,533
Basic EPS - Weighted Average ₹	0.01
Diluted EPS - Weighted Average ₹	0.01

5. Segmental Reporting Primary Business Segmental Results.

As the assets (Computers and software's) are being used interchangeably by different segments, segment wise capital employed is not ascertainable.

Particulars	₹ 000s
Sales & Services	
Media Products & Services	41,057
Software Products & Services	25,164
Total	66,221
Profit Before Interest & Tax	
Media Products & Services	4,322
Software	2,649
Total	6,971
Depreciation	19,899
Interest	22
Profit before Tax & Extraordinary item	6,949

As the assets (computers and software's) are being used interchangeably by different segments, segment wise capital employed is not ascertainable.

6. Payments to Auditors:

₹ 000s

Particulars	2011	2010
a. Statutory Audit	150	150
b. Tax Audit	25	25
c. Other services	68	55
Total	243	230

7. Disclosures in respect of related parties pursuant to Accounting Standard 18:

List of Related Parties:

- Subsidiaries : NumTV Ltd, Mauritius, Esoftcom (Mauritius) Ltd
- Key Management personnel : Mr. V. Chandrasekaran Chairman and CEO
- Related parties : Mayajaal Entertainment Ltd & MAYAs Food Court
Advance received and outstanding as on 31.03.2011
₹ 21,95,33,452/- & Rs.5,93,112/- respectively

₹ 000s

Particulars	Subsidiaries	Fellow Subsidiaries	Key Management Personnel	Total
Purchase of Goods	-	-	-	-
Sale of Goods	-	-	-	-
Purchase of Fixed Assets	-	-	-	-
Sale of Fixed Assets	-	-	-	-
Rendering of Services	-	-	-	-
Receiving of Services	-	-	-	-

Collection Arrangements	-	-	-	-
Leasing Or Hire Purchase Agreements	-	-	-	-
Transfer of Research & Development	-	-	-	-
License Agreements	-	-	-	-
Finance (Including Loans & Equity contributions in cash or in kind)	-	-	-	-
Guarantees & Collaterals	-	-	-	-
Rent Received	-	-	-	-
Payment of Salary & Benefits	-	-	2,688	2,688

8. MANAGERIAL REMUNERATION

₹000s

	2011	2010
Salary	2,400	2,400
Contribution to Provident Fund & Other funds	288	288
Commission	Nil	Nil
Total	2,688	2,688

Computation of net profit under section 198 / 349 of the Companies Act, 1956 and Director's commission

₹ 000s

	2011	2010
Net Profit for the year as per Profit & Loss account	6,949	37,314
Add : Depreciation as per Profit & Loss account	19,899	13,458
Less: Director's Remuneration	2,688	2,688
Director's Sitting fees	100	88
Depreciation as per Sec 350 of the Companies Act, 1956	19,899	13,458
Net Profit	4,161	34,538

9. Computer Software for Multimedia.

The Company is mainly engaged in Multimedia business of consultancy, training, sale of digital content, service for pre-post production, special / visual effects and distribution is not capable of being expressed in any generic units.

Hence it is not possible to furnish the quantitative details and the information required under paragraphs 3, 4c and 4 d of part II of Schedule VI of the Companies Act, 1956 of India.

10. EXPENDITURE IN FOREIGN CURRENCY

₹ 000s

	2011	2010
Import on CIF basis		

Capital goods	Nil	Nil
Raw Materials	Nil	Nil
Spare parts, Components & Consumables	Nil	Nil
Travel (including maintenance allowances)	Nil	Nil
Others (includes listing fees, seminar expenses & Expenditure incurred overseas for Multimedia Development)	31,878	71,629

11. EARNING IN FOREIGN CURRENCY

₹ 000s

	2011	2010
Multimedia Development Services & Products (Exports)	64,510	129,127

12. DIVIDEND REMITTED IN FOREIGN CURRENCY

	2011	2010
a) No. of Shares	Nil	Nil
b) Year to which Dividend Relates	Nil	Nil
c) Number of Shareholders	Nil	Nil
d) Dividend remitted during the year (₹000s)	Nil	Nil

13. DUES TO SMALL SCALE INDUSTRIAL UNDERTAKINGS

As of 31st March 2011 the Company has no outstanding exceeding ₹ 100 thousands to Small Scale Industrial Undertakings as defined under the Industrial Development Regulation Act, 1951.

14. PREVIOUS YEAR COMPARATIVES

The previous year figures have been reclassified, wherever necessary to conform to current year's classification.

15. All figures are rounded off to nearest in thousands.

for **M/s. SUDHINDRAN & CO**
Chartered Accountants

V. CHANDRASEKARAN
Chairman & CEO

SUMATHI SRIDHARAN
Director

CA. P. SUDHINDRAN,
Partner
Firm Registration No. 006019S
M.No. : 032100

G. SWAMINATHAN
Company Secretary

Place : Chennai
Date : 04.08.2011

ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No

7 1 4 2

State Code

1 8

Balance Sheet date

3 1

0 3

Month

2 0 1 1

Year

II. Capital raised during the year (Amount Rs. in Thousands)

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

III. Position of Mobilisation and Deployment of Funds (Amount Rs. in Thousands)

Total Liabilities

5 2 2 5 1 4 4

Total Assets

5 2 2 5 1 4 4

Sources of Funds :

Paid-up Capital

4 1 5 0 2 6

Reserves and Surplus

4 0 8 0 9 8 0

Secured Loans

4 0 1 9 0 4

Unsecured Loans

3 0 7 0 3 0

Application of Funds :

Net Fixed Assets

1 8 9 4 8 6 9

Investments

1 6 8 6 7 7 1

Net Current Assets

1 6 4 1 2 6 9

Misc. Expenditure

2 2 3 5

Accumulated Losses

N I L

IV. Performance of the Company (Amount Rs. in Thousands)

Turnover

6 6 8 7 9

Total Expenditure

4 0 0 0 9

+ / -

Profit/loss before tax

6 9 4 8

+ / -

Profit/loss after tax

4 7 0 8

SCHEDULE 18 - NOTES ON ACCOUNTS (Contd..)

Earnings per share in ₹.

.01

Dividend rate %

N I L

V. Generic Names of Three Principal Products / Services of Company

Item Code No (ITC Code)

8 5 2 4

Product Description

Pre & Post production of contents for Film, TV & Internet, Consultancy on Multimedia & Software, Training & Maintenance of Media & Software products

Signature to Schedules 1 to 18

for M/S SUDHINDRAN & CO

Chartered Accountants

CA P.SUDHINDRAN

Partner

Firm Registration No. 006019S

M.No. : 032100

Place : Chennai

Date : 04.08.2011

V. CHANDRASEKARAN

Chairman & CEO

G.SWAMINATHAN

Company Secretary

SUMATHI SRIDHARAN

Director

STATEMENT OF CASH FLOW FOR THE YEAR ENDED

₹ 000s

	31.03.2011	31.03.2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit for the year before tax and extraordinary income	6,949	37,314
Depreciation	19,899	13,458
Interest Expense	22	19
Other income	658	45
Operating profit before working capital changes	27,528	50,836
Changes in current assets and current liabilities		
(Increase) / Decrease in Sundry Debtors	1,795	33,270
(Increase) / Decrease in Inventories	15,500	32,830
(Increase) / Decrease in Loans & Advances and other misc Current Assets	(13,603)	(27,977)
Increase / (Decrease) in Liabilities	(10,453)	(109,506)
Cash used in operating activities	20,767	(20,547)
Interest Paid	(22)	(19)
Deferred Tax	991	(69)
Taxation	1,251	(5,597)
Net cash provided by operating activities	22,987	(26,232)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	20,910	344
Net cash provided by / (used in) Investing activities	20,910	344
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase / (Decrease) in working capital	(43,768)	92,957
Repayment of Long Term borrowings	-	(69,169)
Net cash provided by / (used in) Financing activities	(43,768)	23,788
Net increase in cash and cash equivalents	129	(2,100)
Cash and cash equivalents at the beginning of the year	1,965	4,066
Cash and cash equivalents at the end of the year	2,094	1,966

* Cashflow for current year has been prepared based on restructured financials

V.CHANDRASEKARAN
Chairman & CEO

SUMATHI SRIDHARAN
Director

G. SWAMINATHAN
COMPANY SECRETARY

Place : Chennai
Date : 04.08.2011

AUDITOR'S CERTIFICATE

The above Cash Flow statement has been compiled from and is based on the audited accounts of Pentamedia Graphics Limited for the year ended 31st March 2011 reported upon by us on 04.08.2011. According to the information and explanations given together with Notes thereon, the aforesaid Cash Flow Statement has been prepared pursuant to clause 32 of the Listing agreement with Stock Exchange and the reallocations required for the purpose are as made by the Company.

for M/s . SUDHINDRAN & CO
Chartered Accountants

Place : Chennai
Date : 04.08.2011

CA. P.SUDHINDRAN,
Partner
Firm Registration No. 006019S
M. No : 032100

AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the attached Consolidated Balance Sheet of M/s.Pentamedia Graphics Limited and its subsidiaries as at 31st March 2011, the Consolidated Profit & Loss Account and the Cash Flow Statement for the year ended.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Accounting Standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared in all material respects in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiaries whose financial statements reflect Total Assets ₹ 188.87 Crores as at 31st March 2011, and Total Revenues of ₹ 19.28 Crores for the year ended. The financial statements have been audited by other auditors, whose report have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the other auditors.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirement of Accounting Standard 21 – as per the Consolidated Financial Statements.

Subject to Para 1 above,

- i. The consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of M/s. Pentamedia Graphics Limited and its subsidiaries as at 31st March, 2011,
- ii. The consolidated Profit & Loss Account gives a true and fair view of the consolidated results of operations of M/s. Pentamedia Graphics Limited and its subsidiaries for the year ended.
- iii. The consolidated Cash Flow gives a true and fair view of the consolidated state of affairs of M/s. Pentamedia Graphics Limited and its subsidiaries as at 31st March, 2011.

for M/s.Sudhindran & Co
Chartered Accountants

Place : Chennai
Date : 04.08.2011

CA. P. Sudhindran,
Partner,
Firm Registration No. 006019S
M.No. : 032100

CONSOLIDATED BALANCE SHEET AS AT

₹ 000s

	Sch.	31.03.2011	31.03.2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	415,026	415,026
Reserves and Surplus	2	4,743,970	4,679,363
LOAN FUNDS			
Secured Loans	3	401,904	401,903
Unsecured Loans	4	307,030	307,030
Deferred Tax Liability -Net		20,204	19,213
Total		5,888,134	5,822,534
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	5,451,950	5,494,805
Less : Depreciation		3,123,291	3,156,257
Net Block		2,328,659	2,338,548
Add : Capital work-in-progress		897,812	897,812
		3,226,471	3,236,360
INVESTMENTS			
CURRENT ASSETS, LOANS AND ADVANCES			
DEPOSITS :			
Inventories	7	262,133	277,633
Sundry Debtors	8	425,041	444,212
Cash and Bank Balances	9	2,606	2,543
Loans and Advances & Deposits	10	1,383,516	1,550,458
		2,073,296	2,274,846
LESS : CURRENT LIABILITIES AND PROVISIONS			
Liabilities	11	165,635	64,651
Provisions	12	7,733	6,564
NET CURRENT ASSETS		1,899,927	2,203,631
MISCELLANEOUS EXPENSES (to the extent not adjusted)		2,235	2,793
Total	13	5,888,134	5,822,534
NOTES ON ACCOUNTS	18		

As per our report even date Annexed.

for M/s . SUDHINDRAN & CO
Chartered Accountants

V.CHANDRASEKARAN
Chairman & CEO

SUMATHI SRIDHARAN
Director

CA. P.SUDHINDRAN,
Firm Registration No. 006019S
M. No : 032100
Place : Chennai
Date : 04.08.2011

G. SWAMINATHAN
COMPANY SECRETARY

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

₹ 000s

	Sch.	31.03.2011	31.03.2010
INCOME			
Sales / Services			
Overseas		257,306	538,178
Domestic		1,711	2,051
Other Income	14	658	45
Total		259,675	540,274
EXPENDITURE			
Materials and Multimedia / Software Development Expenses	15	140,843	295,613
Administration and Other expenses	16	29370	22,585
Preliminary expenses		559	-
Total		170,772	318,198
Profit before Interest, Depreciation and Tax		88,903	222,076
Interest and Finance charges	17	207	434
Depreciation	5	30,799	59,068
Profit before tax and Extraordinary Income/Expense		57,897	162,574
Profit before tax		57,897	162,574
Provision for MAT		1,251	5,597
Fringe Benefit Tax			-
Deferred Tax - Liability / Asset		(991)	69
Profit after tax		55,655	157,046
Surplus brought forward from previous year		965,459	808,413
AMOUNT AVAILABLE FOR APPROPRIATION		1,021,114	965,459
Balance carried to Balance Sheet		1,021,114	965,459

The schedules referred to above form an integral part of the Profit & Loss account.
This is the Profit & Loss account referred to in our report of even date.
As per our report even date annexed.

for M/s . SUDHINDRAN & CO
Chartered Accountants

V.CHANDRASEKARAN
Chairman & CEO

SUMATHI SRIDHARAN
Director

CA. P.SUDHINDRAN,
Firm Registration No. 006019S
M.No. : 032100

G. SWAMINATHAN
COMPANY SECRETARY

Place : Chennai
Date : 04.08.2011

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT

₹ 000s

	31.03.2011	31.03.2010
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
4,45,00,00,000 Equity Shares of ₹ 1/- each.	4,450,000	4,450,000
5,000,000 Preference Shares of ₹ 10/- each.	50,000	50,000
Total	4,500,000	4,500,000
Issued and subscribed		
Equity Share Capital		
24,77,54,125 Equity shares of ₹ 1/- each fully paidup,	247,754	247,754
3,85,11,595 Equity shares of ₹ 1/- each, issued to the the equity share holders of Pentasoft Technologies Ltd	38,512	38,512
12,87,60,443 Equity shares of ₹ 1/- each, issued to the secured creditors of Pentasoft Technologies Ltd	128,760	128,760
Total	415,026	415,026
SCHEDULE 2		
RESERVES AND SURPLUS		
Securities premium account	987,780	987,780
Share Premium on account of Scheme of amalgamation and arrangement with Pentasoft Technologies Ltd	2,546,597	2,546,597
General Reserve	369,593	369,593
Contingency Reserve	61,579	61,579
Capital Reserve	662,990	603,089
Surplus as per Profit and Loss Account	115,431	110,725
Total	4,743,970	4,679,363
SCHEDULE 3		
SECURED LOANS		
From Banks		
Working Capital loan (Secured by a first & second charge on the fixed assets of the Company and by a hypothecation and charge on book debts, stock and other current assets of the Company on pari passu basis).	401,904	401,903
Total	401,904	401,903
SCHEDULE 4		
Unsecured Loans		
From Banks	306,530	306,530
From Others	500	500
Total	307,030	307,030
SCHEDULE 6		
INVESTMENTS		
Investments in Mayajaal Entertainment Ltd	759,501	379,750
Total	759,501	379,750

**SCHEDULE 5
DEPRECIATION SCHEDULE TO THE CONSOLIDATED BALANCE SHEET**

₹ 000s

	GROSS BLOCK- AT COST			DEPRECIATION			NET BLOCK		
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	As at 01.04.2010	For the Year	Deductions	As at 31.03.2011	As at 31.03.2010
Assets									
Land	27,325	-	-	27,325	-	-	-	27,325	27,325
Buildings	131,867	-	-	131,867	41,914	4,404	-	85,549	89,953
Plant and Machinery	13,577	-	-	13,577	7,169	960	-	5,448	6,408
Computer & Software	4,319,092	-	-	4,319,092	2,976,246	10,900	-	1,331,946	1,342,846
Furniture and Fittings	117,201	-	-	117,201	65,916	7,419	-	43,866	51,285
Digital Content	-	20,910	-	20,910	-	6,969	-	13,941	-
Product Rights	820,427	-	-	820,427	-	-	-	820,427	820,427
Vehicles	1,551	-	-	1,551	1,247	147	-	1,394	304
Total	5,431,040	20,910	-	5,451,950	3,092,492	30,799	-	3,123,291	2,338,549

₹ 000s

	31.03.2011	31.03.2010
SCHEDULE 7		
INVENTORIES		
Work - In - Progress	123,015	128,315
Distribution Rights	132,670	138,770
Finished Goods	3,315	4,815
Stock of Training Materials	3,134	5,734
Total	262,133	277,633
SCHEDULE 8		
SUNDRY DEBTORS		
Unsecured considered good		
Debts outstanding for a period exceeding six months	2,872	93,728
Other debts	422,169	350,484
Total	425,041	444,212
SCHEDULE 9		
CASH AND BANK BALANCES		
Cash on hand	7	589
Balances with scheduled banks		
- On current account	2,600	1,955
Total	2,606	2,543
SCHEDULE 10		
LOANS AND ADVANCES		
Advances recoverable in cash or in kind or for value to be received	1,377,314	1,544,236
Deposits	6,202	6,222
Total	1,383,516	1,550,458
SCHEDULE 11		
LIABILITIES		
Sundry Creditors	162,936	57,962
Other liabilities	2,699	6,689
Total	165,635	64,651
SCHEDULE 12		
PROVISIONS		
Taxation	7,733	6,564
Total	7,733	6,564
SCHEDULE 13		
MISCELLANEOUS EXPENSES		
MISCELLANEOUS EXPENSES	2,793	2,793
Less : Preliminary Expenses	559	-
Total	2,235	2,793
SCHEDULE 14		
OTHER INCOME		
Royalty Receipts	43	-
Others	615	45
Total	658	45

₹ 000s

	31.03.2011	31.03.2010
SCHEDULE 15		
COST OF GOODS CONSUMED/SOLD		
MULTIMEDIA DEVELOPMENT AND WEBCASTING EXPENSES		
Opening Stock	-	4,850
Add : Purchases	-	-
Less : Closing Stock	-	-
	-	4,850
MULTIMEDIA DEVELOPMENT AND WEBCASTING EXPENSES		
Salaries, Allowances and Incentives	23,610	4,670
Multimedia Development Expenses	117,176	286,093
Travelling and Conveyance	57	-
Sub Total	140,843	290,763
Total	140,843	295,613
SCHEDULE 16		
ADMINISTRATION AND OTHER EXPENSES		
Director's sitting fees	100	88
Training Expenses	126	1
Power and Fuel	385	586
Rates and Taxes	1684	1,837
office maintenance	334	230
Administration and other exp	22,108	14,549
Telephone and Postage	403	1,542
Printing and Stationery	537	526
Travelling and Conveyance	151	197
Repairs and Maintenance - Buildings	91	0
- Plant and Machinery	19	24
- Others	110	28
Miscellaneous Expenses	75	18
Insurance	20	15
Advertisement	298	533
Legal and professional charges	2,656	2,180
Auditor's Remuneration - Audit fees	150	150
- Tax audit	25	25
- Others	68	55
Total	29,370	22,585
SCHEDULE 17		
INTEREST AND FINANCE CHARGES		
Finance Charges	207	434
Total	207	434

SCHEDULE 18

CONSOLIDATED NOTES ON ACCOUNTS AS AT 31ST MARCH 2011

SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared, in all material respects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 of India.

a) REVENUE RECOGNITION

Revenue from Entertainment and Multimedia business namely, consultancy, animation special effects, contents through Film, TV, Internet, advertisement and distribution of content through various digital and analog mediums based on man hours/ Milestones/ contracts entered with customers.

Revenue in respect of sale of advertisement is recognized over the period of the campaign beginning from the first insertion of the advertisement on the website.

Overseas sales & services represent sales to the overseas customer for multimedia business done.

- i) Revenue from Multimedia business (for sale of digital content on fixed price basis) is recognized based on milestones reached.
- ii) Training and Education Income
Revenue in respect of Training and Education services is recognized on rendering of services, only when it is reasonably certain that the ultimate collection will be made. The revenue from fixed time contracts is recognized over the period of contracts. For services rendered through franchisees only the company's share of revenue is recognized.
- iii) Revenue for service charges is recognized after completion of each stage of service.
- iv) Revenue from software development (on time and material basis) is recognized based on software developed and billed to the clients.

b) FIXED ASSETS

Fixed assets are stated at cost including taxes, duties, freight etc related to purchase and installation.

c) INTANGIBLE ASSETS:

Intangible assets are recognized only if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. The intangible assets are recorded at cost and are carried at cost.

d) DEPRECIATION

Depreciation on fixed assets other than computers is provided on the straight-line method in accordance with the rates specified under schedule XIV to the Companies Act, 1956. As the computers have exhausted the useful life, major portion of their value is written off as depreciation.

e) INVENTORY

Raw Materials are valued at cost. Finished goods are valued at lower of cost or net realizable value.

f) INVESTMENTS

Long term investments are valued at cost as per the present market conditions and as per valuation done by the valuer. Increase / Decrease in value is provided for, where the management is of the opinion that the diminution is permanent in nature.

g) RETIREMENT BENEFITS TO EMPLOYEES

As the numbers of permanent employees have been reduced to a bare minimum, the management is of the opinion that retirement benefit can be met as and when the liability arises. As such no provision for gratuity is created for the employees.

h) BORROWING COSTS

Borrowing Costs, which are not directly attributable to the acquisition of the assets, are recognized as expense under Interest and Finance Charges

i) FOREIGN CURRENCY TRANSACTIONS

Foreign currency revenue transactions are accounted on the basis of the month end exchange rate. Adjustments are made for any change in the sale proceeds on conversion into Indian currency upon actual receipt. Expenditure in foreign currency is accounted at the conversion rate prevalent when such expenditure is incurred.

All foreign currency loans outstanding at the year end, are expressed in Indian currency at the appropriate rates of exchange prevailing on the date of the balance sheet.

Exchange differences arising as a result of translation of foreign currency loan taken for purchase of fixed assets are adjusted in the cost of the asset and depreciated over the remaining useful life of the asset. All other exchange differences arising out of Foreign Currency Transactions are recognized as income or expense in the year in which they arise.

j) TAXES ON INCOME

Provision for current tax is made on the basis of Minimum alternative tax is provided in accordance with the provisions of Income Tax Act, 1961.

The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and law that have been substantively enacted as of the balance sheet date. Deferred tax liability for difference in depreciation ₹ 9,91,499/- has been created

k) IMPAIRMENT OF ASSETS

The company has not provided for impairment of any assets.

l) LICENSE FEES AND OUTSOURCED PROGRAMMES

The outsourced Programmes are written off over a period of three years based on the validity period of license.

m) PRELIMINARY EXPENSES

Preliminary expenses consequent to the merger of Pentasoft Technologies Limited Company are amortized over a period of five years commencing from the current year.

n) CONTINGENT LIABILITIES

Capital contract remaining to be executed on capital account is nil. The company has no guarantees and letters of credit outstanding. (Previous year nil)

o) DEFERRED REVENUE EXPENDITURE

- i. Deferred Revenue Expenditure comprises of advertisements, publicity expenses and other administrative expenses incurred prior to the commencement of the commercial operation, to be written over a period of five years from the year of commercial operation.
- ii. Production / Distribution / Cost of films expenses are written off over a period of 4 Years. In case of Distribution rights being acquired by the company, the costs of acquisition of the rights are amortized over the period during which the rights can be exercised.
- iii. Production cost of TV serials for telecast and promotion expenses including the cost of presentation and pilot films, the benefits of which are anticipated over an extended period, are amortized over a period not exceeding 5 years. Other copyrights and ownership, which are with the company, are being written off over the estimated useful life of TV serials as estimated by the Management, which is considered to be 5 years.
- iv. Amortizations of Merger expenses are being written off over a period estimated by the management, which is considered to be five years.

B. NOTES ON ACCOUNTS

1 (a) Secured Loans:

- i) The secured loans availed from Bank of India, Oriental Bank of Commerce, HSBC by Pentamedia Graphics Limited and Corporation Bank, United Western Bank by Pentasoft Technologies Limited (Pentasoftware 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), have been settled and the petitions before Debt Recovery Tribunal(DRT) have been disposed off "as settled".
- ii) The following bank dues are pending before DRT for disposal:
 - a) ₹ 24.97 crores to Axis Bank (UTI Bank) by Pentamedia Graphics Limited
 - b) ₹ 14.85 crores to Axis Bank (UTI Bank) by Pentasoftware Technologies Limited
 - c) ₹ 10.80 crores to Dhanalakshmi Bank by Pentasoftware Technologies Limited
- iii) UPS Capital Business is claiming an amount of ₹ 19.85 crores in respect of Pentamedia Graphics Ltd. The company petition is pending with High Court of Madras for orders.

The above amount due to Banks/Institutions does not include any interest that may accrue on the principal amount due from 01.04.2005.

1 (b) Claim against the company not acknowledged as Liability:

According to the information and explanation given to us there are no dues of income tax, wealth tax, sales tax, custom duty, excise duty and cess which have not been deposited on account of any dispute except in the following cases.

Income Tax:

- i. The Company has filed writ petition no. 2357/2010 in High Court of Madras for a refund of ₹ 62 crores against the Income Tax demands of ₹ 112.51 crores as mentioned in their notice dated 05.02.2009 and has obtained stay till the disposal all issues mentioned in above writ petition from the High Court of Madras vide order dated 15.07.2010 and the court has instructed department to furnish the details from the AY 1995-96 to 2006-07.
- ii. The Company has also obtained the order dated 11.01.2010 from the High Court of

Madras, directing the Income Tax Department to process the revised returns filed by the company as per the modified composite scheme of amalgamation and arrangement between Pentamedia Graphics Limited and its subsidiaries as on 01.01.2004. The response from the Income Tax Department is awaited.

iii. Regarding Pentasoftware, the Company has filed writ petition no. 25120/2009 in High Court of Madras for a refund of ₹ 18 crores against the Income Tax demands of ₹ 89.97 crores as mentioned in their notice dated 19.01.2009 and obtained a absolute stay from the High Court of Madras vide order dated 18.12.2009.

2. Confirmation of balances/Reconciliation is pending in respect of certain Banks/Loans and Advances/Sundry Debtors/ Sundry creditors' unclaimed dividend and other liabilities. Adjustments if any which may arise upon completion of confirmation/reconciliation will be dealt with upon confirmation/completion of reconciliation.

3. The Company has recognized deferred tax liability (Net) ₹ 2.02 cores as per the requirements of Accounting Standard 22.

4. The subsidiaries whose financial reflect total turnover of Esoftcom (Mauritius) Limited amounting to ₹ 6.70 crores, net loss is ₹ 0.33 crores and total turnover of NumTV Limited (Mauritius) amounting to ₹ 12.58 crores, net profit is ₹ 5.42 crores.

5. EPS:

Number of equity shares of ₹1 each (basic)	415,026,000
Number of equity shares of ₹1 each (diluted)	249,754,000
Net profit after tax available for equity shareholders ₹	5,56,55,221
Basic EPS – Weighted Average ₹	0.12
Diluted EPS - Weighted Average ₹	0.12

6. Segmental Reporting

Primary Business Segmental Results

Particulars	₹ 000s
Sales & Services	
Media Products & Services	98,426
Software Products & Services	160,591
Total	259,017
Profit Before Interest & Tax & Depreciation	
Media Products & Services	84,506
Software Products & Services	53,520
Total	140,843
Depreciation	30,799
Interest	207
Profit before tax & extraordinary item	57,897

As the assets (computers and software's) are being used interchangeably by different segments, segment wise capital employed is not ascertainable.

7. Related Party

₹ 000s

Particulars	Subsidiaries	Fellow Subsidiaries	Key Management Personnel	Total
Purchase of Goods	-	-	-	-
Sale of Goods	-	-	-	-
Purchase of Fixed Assets	-	-	-	-
Sale of Fixed Assets	-	-	-	-
Rendering of Services	-	-	-	-
Receiving of Services	-	-	-	-
Collection Arrangements	-	-	-	-
Leasing Or Hire Purchase Agreements	-	-	-	-
Transfer of Research & Development	-	-	-	-
Licence Agreements	-	-	-	-
Finance (Including Loans & Equity contributions in cash or in kind)	-	-	-	-
Guarantees & Collaterals	-	-	-	-
Rent Received	-	-	-	-
Payment of Salary	-	-	-	-

- Holding Company : M/s Pentamedia Graphics Ltd
- Subsidiaries : Num TV Limited, Mauritius
: Esoftcom (Mauritius) Limited
- Related parties : Mayajaal Entertainment Ltd & MAYAs
Food Court, advance received and out standing as on 31.03.2011 ₹ 21,95,33,452/- & Rs.5,93,112/- respectively
- Key Management Personnel : V. Chandrasekaran, Chairman & CEO
(Pentamedia Graphics Ltd)

During the year, there were no transactions with Associates, Key Management Personnel and relative of Key Management personnel.

8.

₹ 000s

MANAGERIAL REMUNERATION	2011	2010
Salary	2,400	2,400
Contribution to Provident Fund & Other funds	288	288
Commission	Nil	Nil
Total	2,688	2,688

9.

₹ 000s

EXPENDITURE IN FOREIGN CURRENCY	2011	2010
Import on CIF basis		
Capital goods	Nil	Nil
Raw Materials	Nil	Nil
Spare parts, Components & Consumables	Nil	Nil
Travel (including maintenance allowances)	Nil	Nil
Others (includes listing fees, seminar expenses & Expenditure incurred overseas for Multimedia Development)	140,843	295,613

10. Payments to Auditors:

₹ 000s

Particulars	2011	2010
a. Statutory Audit	150	150
b. Tax Audit	25	25
c. Other services	68	55
Total	243	230

11. The figures of the current year are not comparable with those of previous year.

12. All figures are rounded off to nearest in thousands.

for M/s. SUDHINDRAN & CO,
Chartered Accountants

V. CHANDRASEKARAN
CHAIRMAN & CEO

SUMATHI SRIDHARAN
DIRECTOR

CA. P. SUDHINDRAN,
Partner
Firm Registration No. 006019S
Mem. No: 032100

G. SWAMINATHAN,
COMPANY SECRETARY

Place : Chennai
Date : 04.08.2011

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED

₹ 000s

	31.03.2011	31.03.2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit for the year before tax and extraordinary income	57,897	162,574
Adjustments for:		
Depreciation	30,799	59,068
Interest Expense	207	434
Other Income	658	45
Operating profit before working capital changes	89,561	222,121
Changes in current assets and current liabilities		
(Increase) / Decrease in Sundry Debtors	19,170	(218,080)
(Increase) / Decrease in Inventories	15,500	32,830
(Increase) / Decrease in Loans & Advances & other misc Current Assets	166,941	2,887
Increase / (Decrease) in Liabilities	100,984	(193,288)
Cash used in operating activities	392,157	(153,530)
Interest Paid	(207)	(434)
Deferred Tax	(991)	-
Taxation	(1,251)	(5,597)
Net cash provided by operating activities	389,708	(159,561)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	20,910	(344)
Net cash provided by / (used in) Investing activities	20,910	(344)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase / (Decrease) in working capital	(410,555)	24,474
Net cash provided by / (used in) Financing activities	(410,555)	24,474
Net increase in Cash and Cash equivalents	63	(135,431)
Cash and Cash equivalents at the beginning of the year	2,543	138,043
Cash and Cash equivalents at the end of the year	2,606	2,612

* Cashflow for current year has been prepared based on restructured financials

V.CHANDRASEKARAN
Chairman & CEO

SUMATHI SRIDHARAN
Director

G. SWAMINATHAN
COMPANY SECRETARY

Place : Chennai
Date : 04.08.2011

AUDITOR'S CERTIFICATE

The above Cash Flow statement has been compiled from and is based on the audited accounts of Pentamedia Graphics Limited for the year ended 31st March 2011 reported upon by us on 04.08.2011. According to the information and explanations given together with Notes thereon, the aforesaid Cash Flow Statement has been prepared pursuant to clause 32 of the Listing agreement with Stock Exchange and the reallocations required for the purpose are as made by the Company.

for M/s . **SUDHINDRAN & CO**
Chartered Accountants

Place : Chennai
Date : 04.08.2011

CA. P.SUDHINDRAN,
Partner
Firm Reg.No. 006019S
M. No : 032100

PENTAMEDIA GRAPHICS LIMITED

Registered Office : "Taurus", No 25, 1st Main Road, United India Colony,
Kodambakkam, Chennai - 600 024.

E-Communication Registration Form

To
Cameo Corporate Services Limited
Unit :Pentamedia Graphics Limited
5th Floor, "Subramaniam Building",
No .1, Club House Road, Anna Salai, Chennai - 600002.

Green Initiative in Corporate Governance

I/We hereby exercise my/our option to receive all communications from the Company such as AGM/EGM Notice , Financial Statements, Balance Sheet, Profit & Loss Account, Directors' Report, Auditor's Report and other documents in electronic mode pursuant to the "Green Initiative in Corporate Governance" introduced by the Ministry of Corporate Affairs as per their Circular No.17/2011 dated 21st April 2011. Please register my E-mail Id as given below, in your records, for sending the communications:

Folio / Client Id & DP Id. _____

No. of Shares held _____

Name of 1st Holder _____

Name of Joint Holder(s), if any _____

Registered Address _____

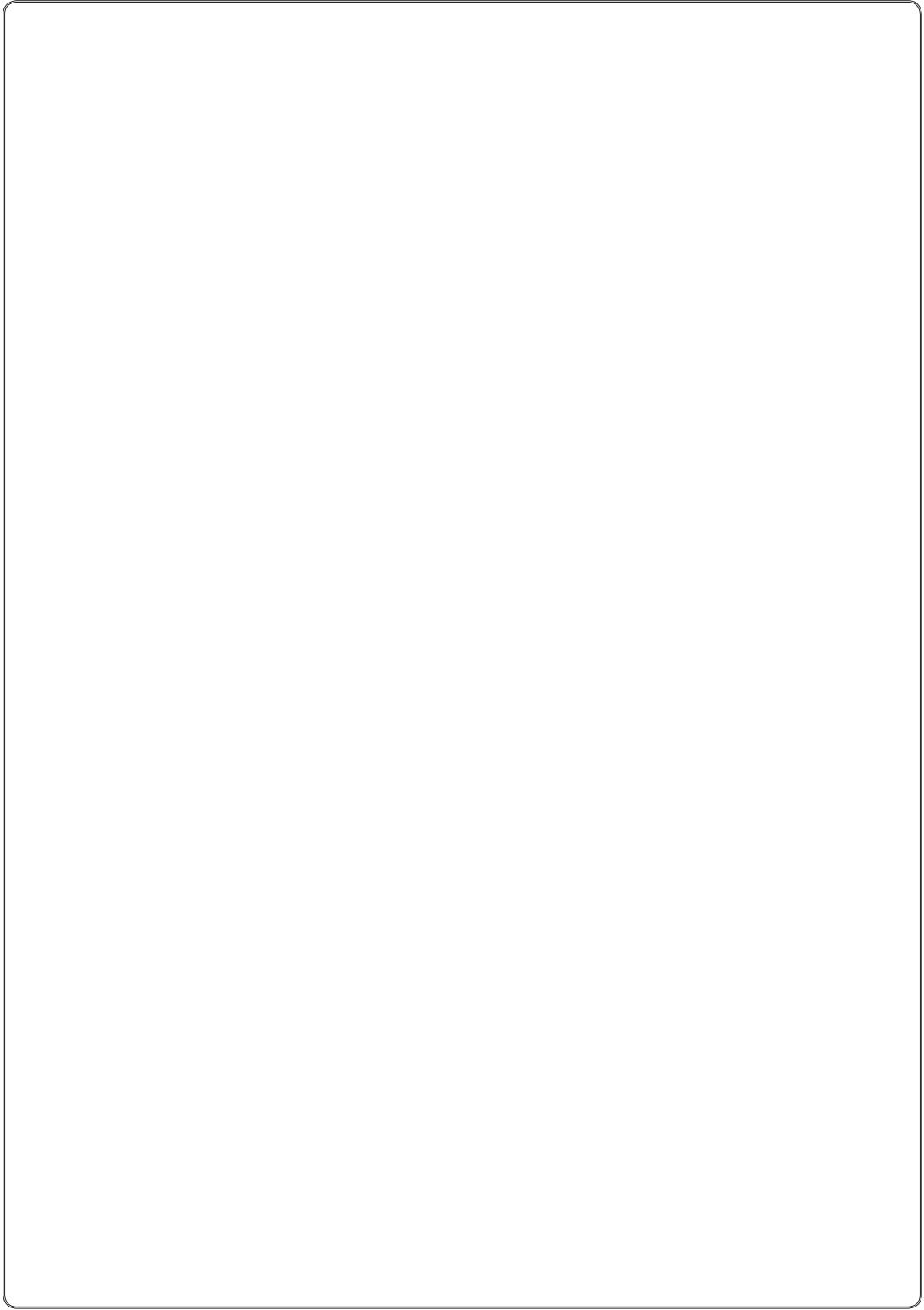
E-mail Id. _____

Date :

Signature:

Notes:

- i) On registration, all communications will be sent to the E-mail Id. Registered
- ii) The form is also available on the website of the Company www.penta-media.com under "Investor Relations"
- iii) Shareholders are requested to keep the RTA M/s.Cameo Corporate Services Limited informed as and when there is any change in the E-mail Id.



PENTAMEDIA GRAPHICS LIMITED

Registered Office : "Taurus", No 25, 1st Main Road, United India Colony,
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ATTENDANCE SLIP

(To be handed over at the entrance of the meeting hall)

Folio No / Client Id. / DP Id.	
---------------------------------------	--

Name of the person attending the Meeting :
(in Block Letters)

Number of Shares held :

I/ we hereby record my/ our presence at the 35th Annual General Meeting of Pentamedia Graphics Limited to be held on Wednesday, the 14th September, 2011 at 10.00 a.m. at "**Rani Seethai Hall**", **603, Anna Salai, Chennai - 600 006.**

Signature of shareholder / proxy.

PENTAMEDIA GRAPHICS LIMITED

Registered Office : "Taurus", No 25, 1st Main Road, United India Colony,
Kodambakkam, Chennai - 600 024.

PROXY FORM

Folio No / Client Id. / DP Id.	
---------------------------------------	--

No of Share(s) held	
----------------------------	--

I / We of
being a member/ members of Pentamedia Graphics Limited hereby appoint failing him, as my/ our proxy to vote for me/ us and on my our behalf at the 35th Annual General Meeting of Pentamedia Graphics Limited to be held on Wednesday, the 14th September 2011 at 10.00 a.m. at "**Rani Seethai Hall**", **603, Anna Salai, Chennai - 600 006** and at any adjournment thereof.

Signed this day of 2011.

Affix one
Rupee
Revenue
Stamp

Signature

Note: The Proxy, in order to be effective should be duly stamped, completed and signed and must be deposited at the registered office of the Company not less than 48 hours before the time of the Meeting. The proxy need not be a member of the Company.