

# Annual Report

2011 - 2012



( Formerly known as 7Seas Technologies Ltd.)

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# C O N T E N T S

1. Corporate Information	4
2. Notice of Annual General Meeting	5
3. Directors' Report	7
4. Report on Corporate Governance	9
5. Auditor's Certificate on Corporate Governance	14
6. Management's Discussion and Analysis	15
7. Auditor's Report	31
8. Annexure to Auditor's Report	32
9. Balance Sheet	33
10. Profit and Loss Account	34
11. Cash Flow Statement	35
12. Notes to Accounts	36
13. Balance Sheet abstract	44
14. Statement Pursuant to Section 212	45
15. Consolidated Auditor's Report	46
16. Consolidated Balance Sheet	47
17. Consolidated Profit and Loss Account	48
18. Consolidated Cash Flow Statement	49
19. Consolidated Notes to Accounts	50
20. Proxy Form & Attendance Slip	57

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Mr. L. Maruti Sanker	- Managing Director
Mr. Devabhaktuni V. Sai Prasad	- Director
Dr. M. Ramamohan Rao	- Director
Mr. A.S.R. Murthy	- Director

### COMPANY SECRETARY

Mrs. A. Vishnu Priya

### REGISTERED OFFICE

6-3-1239/2/A, Renuka Enclave  
3<sup>rd</sup> Floor, KOTIS COURT, Rajbhavan Road  
Somajiguda, Hyderabad-500082  
Ph.Nos.040-30686161/30686162  
Fax: 040-30686163

### AUDITORS

M/s M M Reddy & Co.  
Chartered Accountants, Hyderabad

### AUDIT COMMITTEE

Dr. M. Ramamohan Rao  
Mr. A.S.R. Murthy  
Mr. L. Maruti Sanker

### REMUNERATION COMMITTEE

Dr. M. Ramamohan Rao  
Mr. A.S.R. Murthy  
Mr. L. Maruti Sanker

### INVESTOR GRIEVANCE COMMITTEE

Dr. M. Ramamohan Rao  
Mr. Devabhaktuni V. Sai Prasad  
Mr. L. Maruti Sanker

### BANKERS

Indian Overseas Bank  
Rajbhavan Road, Hyderabad – 500082

### Listing / Trading

Ahmedabad Stock Exchange Limited  
Bombay Stock Exchange Limited (Indonext model)

### REGISTRAR & SHARE TRANSFER AGENTS

M/s. Venture Capital and Corporate Investments Private Limited  
12-10-167, Bharat Nagar, Hyderabad - 500 018  
Ph.Nos.040-23818475/23818476/23868023  
Fax: 040-23868024

## NOTICE

NOTICE is hereby given that the 21<sup>st</sup> Annual General Meeting of the Shareholders of 7SEAS ENTERTAINMENT LIMITED will be held on Friday, the 28<sup>th</sup> September 2012 at 9.30 AM at Hotel Inner Circle, 6-3-905, Saboo Heights, Behind Saboo Maruti Showroom, Somajiguda, Hyderabad-500082 to transact the following business:

### ORDINARY BUSINESS

1. To receive and adopt the Auditor's Report, Directors' Report, the Audited Profit and Loss Account and the Cash Flow statement for the year ended 31<sup>st</sup> March, 2012 and the Balance Sheet as at that date.
2. To appoint a director in place of Mr. M. Ramamohan Rao who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M M Reddy & Co, Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration as may be fixed by Board of Directors.

### SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions of the Companies Act, 1956 and Rules framed there under, the existing Articles of Association of the Company be and is hereby amended as under:

i) After Article 53 of the Articles of Association of the Company, the following new Article 53A shall be inserted:

53A: The Board may provide video conference facility and / or other permissible electronic mode of communication to the shareholders of the Company for participating in General Meetings of the Company. Such participation by the shareholders at General Meetings of the Company through video conference facility and / or other permissible electronic mode of communication shall be governed by the Rules and Regulations as applicable to the Company for the time being in force.

ii) After Sub-Article (b) of Article 88 of the Articles of Association of the Company, the following new sub article (c) shall be inserted:

88c: Directors may participate in Meetings of the Board and / or Committees thereof, through video conference facility and / or other permissible electronic mode of communication. Such participation by the Directors at Meetings of the Board and / or Committees thereof, through video conference facility and / or other

permissible electronic mode of communication shall be governed by the Rules and Regulations as applicable to the Company for the time being in force."

"FURTHER RESOLVED THAT the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee or any person which the Board may nominate / constitute to exercise its powers, including the powers by this Resolution) be and is hereby authorized to carry out the above mentioned amendments in the existing Articles of Association of the Company and that the Board may take all such steps as may be necessary to give effect to this Resolution."

For and on behalf of the Board  
7SEAS ENTERTAINMENT LIMITED

Sd/-

Place : Hyderabad  
Date : 31.07.2012

L. MARUTI SANKER  
Managing Director

### NOTES

1. An Explanatory Statement pursuant to section 173(2) of the companies Act, 1956 in relation to the Special Business of the Meeting is annexed hereto and forms part of this notice.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. The Register of Members and Share Transfer Books of the Company will be closed from 24.09.2012 to 28.09.2012 (Both days inclusive).
4. Members are requested to produce the Attendance Slip duly signed as per the Specimen Signature recorded with the Company / Depository Participant for admission to the meeting hall.
5. A Member desirous of receiving any information on the accounts or operations of the company is requested to forward his / her queries to the company at least 7 working days prior to the meeting, so that the required information can be made available at the meeting.
6. Members holding shares in physical form are requested to notify immediately any change in their address along with address proof, i.e Electric / Telephone Bill, Driving License or a copy of passport and Bank particulars to the company or its Registrar & Share Transfer Agent and in case their shares are held in dematerialized form, this information should be passed on directly to



their respective Depository Participants and not to the company / RTA without delay.

7. Members, who hold shares in de-materialized form, are requested to bring their Client ID and DP IDs for easier identification of attendance at the meeting.
8. It shall be mandatory for the transferee(s) to furnish copy of PAN Card to the Company / RTAs for registration of transfer of shares for securities market transactions and off market/private transaction involving transfer of shares in physical form of listed companies.
9. As part of Green Initiative in Corporate Governance the Ministry of Corporate Affairs (MCA), Government of India vide its Circular has allowed paperless compliances by Companies inter-alia stating that if the Company sends official documents to their shareholders electronically, it will be in compliance with the provisions of Section 53 of the Companies Act, 1956. Keeping in view shareholders are requested to update their E-Mail ID with their DP.

#### EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

##### Item No. 4

The Ministry of Corporate Affairs (MCA), Government of India, New Delhi vide General Circulars No.27/2011 and 28/2011 dated May 20, 2011 and Circular No. 35/2011 dated June 06, 2012 have permitted the companies to hold

Board Meetings and Shareholders' Meetings through video conference facility, as part of the Green Initiatives under Corporate Governance.

Further, MCA vide Circular No. 72/2011 dated December 27, 2011 made the video conference facility at the Shareholders' Meetings optional to the Company. In order to provide video conference facility to its Directors and Shareholders, your Company has been advised to carry out necessary amendments in the existing Articles of Association of the Company by inserting enabling provisions. In terms of Section 31 of the Companies Act, 1956, approval of the Members by way of a Special Resolution is required to amend the Articles of Association of the Company. The relevant documents shall be available for inspection at the Registered Office of the Company on any working day during usual business hours up to the date of the Meeting.

Accordingly, your Board recommends passing of the Resolution No.4 as a Special Resolution.

None of the Directors is interested or concerned in this Resolution.

For and on behalf of the Board  
7SEAS ENTERTAINMENT LIMITED  
Sd/-

Place : Hyderabad  
Date : 31.07.2012

L. MARUTI SANKER  
Managing Director

## DIRECTORS' REPORT

To  
The Members

We have pleasure in presenting the 21<sup>st</sup> Annual Report with Audited Statements of Accounts for the year ended 31<sup>st</sup> March 2012.

### FINANCIAL RESULTS

*On standalone basis*

(Rupees in Lakhs)

Particulars	2011-12	2010-11
Income	1695.95	868.34
Expenditure	1246.25	714.10
Profit for the year	299.18	122.72
Less: MAT credit	27.79	0.00
Add: Profit brought forward	395.81	273.09
Profit carried to Balance Sheet	667.20	395.81

*On Consolidated basis*

(Rupees in Lakhs)

Particulars	2011-12	2010-11
Income	2308.74	1362.95
Expenditure	1837.86	1202.69
Profit for the year	316.98	126.93
Less: MAT credit	27.79	0.00
Add: Profit brought forward	402.24	275.31
Profit carried to Balance Sheet	691.43	402.24

### PERFORMANCE REVIEW

#### A) STANDALONE

The Ministry of Corporate Affairs (MCA) vide notification no. S.O. 447(E) dated 28<sup>th</sup> February, 2011 amended the existing Schedule VI to the Companies Act, 1956. The Revised Schedule VI is applicable from financial year commencing from 1<sup>st</sup> April, 2011. The financial statements of your Company for the year ended 31<sup>st</sup> March, 2012 have been prepared in accordance with the Revised Schedule VI and accordingly, the previous year's figures have been reclassified/ regrouped to conform to this year's classification.

The Company has recorded a turnover of Rs.1695.95 Lakhs and the profit of Rs. 299.18 Lakhs in the current year against the turnover of Rs. 868.34 lakhs and profit of Rs. 122.72 Lakhs in the previous financial year ending 31.03.2011.

The Company has been continuously working on quality up gradation and austerity measures for achieving efficient running of the organization.

#### B) CONSOLIDATION

The Company has recorded a turnover of Rs.2308.74 Lakhs and the profit of Rs. 316.98 Lakhs in the current year against the turnover of Rs. 1362.95 Lakhs and profit of Rs. 126.93 Lakhs in the previous financial year ending 31.03.2011.

The Consolidated Financial Statements of your company for the financial year 2011-2012, have been prepared in compliance with applicable Accounting Standards and where applicable Listing Agreement as prescribed by the Securities and Exchange Board of India.

### DIVIDEND

Keeping the Company's expansion and growth plans in mind, your Directors have decided not to recommend dividend for the year.

### PUBLIC DEPOSITS

Your Company has not accepted any deposits falling within the meaning of Sec.58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, during the financial year under review.

### LISTING

The equity shares of your company are listed on The Ahmedabad Stock Exchange and are being traded on IndoNext Model of Bombay Stock Exchange.

### CAPITAL OF THE COMPANY

During the period, the company has allotted 1,00,000 equity shares on conversion of warrants into equity shares to the promoter at an issue price of Rs 50/- each. Further 1,82,960 equity shares were allotted to the employees on exercise of conversion of 1,82,960 options at an exercise price of Rs 14.85/- per option. In view of the above allotments, the outstanding shares of the Company during the year increased from 62,02,940 equity shares of Rs. 10/- each to 64,85,900 equity shares of Rs. 10/- each.

### UTILISATION OF FUNDS

During the period the company has raised funds of about Rs.77.17 Lakhs by way of preferential allotment of shares / ESOPs etc. The amount has been spent towards the capital expenditure and working capital requirements etc., of the Company.

### SUBSIDIARY COMPANY

Your Company has one wholly owned subsidiary company in the name of Fortune 7 Inc, located in USA with an intention to expand its products range outside India.

### MANAGEMENT DISCUSSION AND ANALYSIS

A detailed review of operations, performance and future outlook of your Company and its businesses is given in the Management Discussion and Analysis, which forms part of this Report.

### INSURANCE

The company's assets have been adequately insured against major risks.

### DIRECTORS

In accordance with the Companies Act, 1956 read with



Articles of Association of the company the Director namely Mr. Ramamohan Rao retires by rotation and is eligible for re-appointment. Your Board recommends the re appointment of the Director above in the best interest of the Company.

## DIRECTORS' RESPONSIBILITY STATEMENT

In pursuance of Section 217(2AA) of the Companies Amendment Act, 2000 your directors confirm

- That the directors in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanations relating to material departures.
- That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year.
- That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the company and for preventing and deleting fraud and other irregularities.
- That the directors had prepared the annual accounts on the going concern basis.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUT GO

The required information as per Sec.217 (1) (e) of the Companies Act 1956 is provided hereunder:

### A. Conservation of Energy

Your Company's operations are not energy intensive. Adequate measures have been taken to conserve energy wherever possible by using energy efficient computers and purchase of energy efficient equipment.

### B. Technology Absorption

- Research and Development (R&D) : NIL
- Technology absorption, adoption and innovation : NIL

### C. Foreign Exchange Earnings and Out Go

- |                           |                   |
|---------------------------|-------------------|
| Foreign Exchange Earnings | : Rs.1398.40 lacs |
| Foreign Exchange Outgo    | : NIL             |

## PARTICULARS OF EMPLOYEES

There is no employee who is falling under section 217 (2A). Therefore, the disclosures required to be made under section 217 (2A) of the Companies Act, 1956 and the rules made there under are not applicable.

## EMPLOYEES STOCK OPTION SCHEME

The members of the Company in the AGM held on 22.09.2011 approved formulation of 'Employees Stock Option Scheme - 2011'. A certificate has been obtained from the Statutory Auditor regarding compliance with the ESOP guidelines.

## CODE OF CONDUCT

The Code of Conduct has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. Code of Conduct has also

been placed on the website of the company. A declaration signed by the Managing Director is given in Annexure.

## AUDITORS

Your directors propose the appointment of M/s. M M Reddy & Co. as statutory auditors to hold office until the conclusion of the next Annual General Meeting of the Company.

## CORPORATE GOVERNANCE

As a listed company, necessary measures have been taken to comply with the listing agreements of Stock Exchanges. A report on Corporate Governance, along with a certificate of compliance from the Auditors, Forms part of this Report as Annexure.

## AWARDS TO THE COMPANY

- The Company for the 4<sup>th</sup> year in a row has won the International Stevie Business Award 2011 in creative and media award category for best website design for its free mobile content portal [www.mobizill.com](http://www.mobizill.com)
- Has won 'Game Site Standard of Excellence Award from Web Marketing Association for the year 2011 for its online gaming portal [www.onlinerealgames.com](http://www.onlinerealgames.com)
- Has won two FICCI (BAF) Awards 2012 in online games category for its online game 'KILLER INSTINCT' and in mobile game category for its mobile game 'ALEXIA THE GREAT'.
- Has won the 24 FPS 2011 MAAC International Animation Award under 'Best Game Design' category for its online casual game 'THE DARKMAN'
- Has won Appreciation Award from CSI (Computer Society of India) 2011 for its online casual game 'THE DARKMAN'

## ACKNOWLEDGEMENTS

Your directors would like to express their grateful appreciation for assistance and co-operation received from clients, banks, investors, Government, other statutory authorities and all others associated with the company. Your directors also wish to place on record their deep sense of appreciation for the excellent contribution made by the employees at all levels, which enabled the company to achieve sustained growth in the operational performance during the year under review.

## DECLARATION BY MANAGING DIRECTOR OF AFFIRMATION BY DIRECTORS AND SENIOR MANAGEMENT PERSONNEL OF COMPLIANCE WITH THE CODE OF CONDUCT

The shareholders

I, L. Maruti Sanker, Managing Director of the Company do hereby declare that the directors and senior management of the Company have exercised their authority and powers and discharged their duties and functions in accordance with the requirements of the code of conduct as prescribed by the company and have adhered to the provisions of the same.

For and on Behalf of the Board  
7SEAS ENTERTAINMENT LIMITED

Sd/-

L. MARUTI SANKER  
Managing Director

Place : Hyderabad  
Date : 31.07.2012



## REPORT ON CORPORATE GOVERNANCE

### (Forming part of Directors' Report)

#### I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Fairness, accountability, disclosures and transparency form the four pillars of your Company's philosophy of Corporate Governance. Your Company strongly believes that for attaining sustainable growth in this competitive corporate world, Corporate Governance is a pre-requisite. The governance practices followed by your Company have played a vital role in its journey of continued success. Our endeavour over the years has been to strengthen the governance processes and systems attributing to constant improvisations, sustainability, profitable growth and creating long-term value for the stakeholders.

All the procedures, policies and practices followed by your Company are based on sound governance principles.

Comprehensive disclosures, structured accountability in exercise of powers, adhering to international standards and commitment in compliance with regulations and statutes in letter as well as spirit have enabled your Company to enhance shareholder value. In fact, this has become an integral part of the way business is done. The governance practices followed by your Company are continuously reviewed and the same are benchmarked to the best governed companies.

Your Company has complied with all the regulations stipulated by the Securities Exchange Board of India (SEBI) in the Listing Agreement.

#### II. BOARD OF DIRECTORS

- a) The Board of Directors consists of 4 Members of whom 2 are Non-Executive Independent Directors. The Composition of the Board is in conformity with the listing requirements.
- b) The details of the Directors being appointed/ re-appointed on retirement by rotation at the ensuing Annual General Meeting, as required pursuant to Clause 49(IV) (G) of the Listing Agreement, are mentioned in the Notice to the Annual General Meeting, forming part of the Report.
- c) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships/Memberships held by them in other companies is given below. Other Directorships do not include alternate directorships, directorships of private limited companies, section 25 companies and of companies incorporated outside India. Chairmanship/ Membership of Board Committees include only Audit and shareholders/ investor Grievance Committees.
- d) Pecuniary relationship or transaction of the Non – executive Directors vis-à-vis the company.

None of the Non-executive Directors has any pecuniary relationship or transactions with the company.

- e) The Board of Directors met 6 times during the year on 29.04.2011, 23.07.2011, 28.10.2011, 07.12.2011, 02.02.2012 and 06.02.2012 and the maximum gap between any two meetings was less than four months, as stipulated under Clause 49.

The details of Composition of Board of Directors, directors' attendance at Board Meetings, AGM and details of other directorships, committee chairmanships/ memberships held by the Directors during the year are as follows:

S. No.	Name of the Directors	Category	Attendance Particulars		No. of other Directorships and Committee memberships/ chairmanships		
			No. of Board meetings held during the tenure of the director	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
			Held	Attended			
1.	Mr. L. Maruti Sanker	Promoter Executive	6	6	Yes	NIL	NIL
2.	Mr. Devabhaktuni V. Sai Prasad	Promoter Non-Executive	6	6	Yes	NIL	NIL
3.	Mr. M. Ramamohan Rao	Independent Non-Executive	6	6	Yes	2	NIL
4.	Mr. ASR Murthy	Independent Non- executive	5	5	Yes	NIL	NIL

#### Board's Procedure

Agenda papers along with explanatory statements were circulated to the directors in advance for each of these meetings. All relevant information as per Clause 49 of the Listing Agreement was placed before the Board from time to time.

#### Committees of the Board

Currently, there are four (4) Committees of the Board, namely: Audit Committee, Remuneration Committee, Shareholders/ Investors Grievance Committee and Share Transfer Committee. The Board decides the terms of reference for these Committees. The minutes of the meetings of the Committees are placed before the Board for information. The details as to the composition, terms of reference, number of meetings and related attendance, etc., of these Committees are provided hereunder:

#### III. AUDIT COMMITTEE

- a) The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956.
- b) The terms of reference of the Audit Committee include a review of;

- Overview of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing the financial statements and draft audit report including quarterly / half yearly financial information.
- Reviewing with management the annual financial statements before submission to the Board, focusing on:
  1. Any changes in accounting policies and practices;
  2. Qualification in draft audit report;
  3. Significant adjustments arising out of audit;
  4. The going concern concept;
  5. Compliance with accounting standards;
  6. Compliance with stock exchange and legal requirements concerning financial statements;
  7. Any related party transactions
- Reviewing the company's financial and risk management's policies.
- Disclosure of contingent liabilities.
- Reviewing with management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the audit character, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors of any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

- Reviewing compliances as regards the Company's Whistle Blower Policy.

- c) The previous Annual General Meeting of the Company was held on 22nd September 2011 and Devender R. Poreddy, Chairman of the Audit Committee, attended previous AGM.
- d) The composition of the Audit Committee and the attendance of each member of the Audit Committee are given below:

The Company has complied with all the requirements of Clause 49 (II) (A) of the Listing Agreement relating to the composition of the Audit Committee. During the financial year 2011-2012, 4 meetings of the Audit Committee were held on the 29.4.2011, 23.7.2011, 28.10.2011 and 06.02.2012.

The details of the composition of the Committee and attendance of the members at the meetings are given below:

Name	Designation	Category	No. of meetings attended
Mr. M. Ramamohan Rao	Chairman	NED (I)	4
Mr. ASR Murthy	Member	NED (I)	4
Mr. L. Maruti Sanker	Member	ED (P)	4

**NED (I): Non Executive Independent Director**

**ED: Executive Director Promoter**

The necessary quorum was present at all the meetings.

#### IV. REMUNERATION COMMITTEE

The details of composition of the Committee are given below:

Name	Designation	Category
Mr. M. Ramamohan Rao	Chairman	NED (I)
Mr. ASR Murthy	Member	NED (I)
Mr. L. Maruti Sanker	Member	ED (P)

##### Terms of reference:

The main term of reference of the Committee is to approve the fixation/revision of remuneration of the Managing Director/Whole Time Director or other key employees of the Company and while approving:

- To take into account the financial position of the Company, trend in the industry, appointee's qualification, experience, past performance, past remuneration etc.
- To bring out objectivity in determining the remuneration package while striking a balance between the interest of the Company and the Shareholders.