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G V FILMS LIMITED

Annual Report 1999-2000

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G V FILMS LIMITED

Regd. Office : 'Sujatha Centre', No.4, Seshadri Road, Alwarpet, Chennai - 600 018.

ELEVENTH ANNUAL REPORT

BOARD OF DIRECTORS

Mr. G. VENKATESWARAN, B.Com., F.C.A.
(Chairman & Managing Director)
Mr. C.L. NARASA REDDY, B.A.
Prof. P.M. GOPALAKRISHNA, M.Com.
Mr. DE. RAMAKRISHNAN

COMPANY SECRETARY

Mr. K. RAMARATHNAM, B.Sc., A.C.S.

AUDITORS

M/s. MAHADEV & CO.
M M Complex
57, Kodambakkam High Road
T.Nagar, Chennai - 600 017.

BANKERS

- * CENTRAL BANK OF INDIA
Nungambakkam, Chennai - 600 006.
- * BANK OF INDIA
- * STATE BANK OF INDIA
- * THE SOUTH INDIAN BANK LTD.

THEATRE DIVISIONS

- * GOODLUCK PREVIEW THEATRES, CHENNAI
- * SHANTI-KAMALA THEATRES, THANJAVUR



From The Chairman & Managing Director

Dear Shareholders,

Its gives me immense pleasure in presenting to you the Company's Eleventh Annual Report for the year 1999-2000.

Your Company has performed well during the Financial Year 1999-2000 as is evident from the Net Profit of Rs.1.04 crores earned, registering a growth of 1680 percent over the previous year's loss of Rs.6.58 lakhs. It is also encouraging to note that the trend will continue through the current financial year and the results for the 1st Quarter ended 30th June, 2000 will be a trend setter for the same.

Information Technology has revolutionized the whole world in terms of speed, perceptions of the people, their lifestyle, etc. The impact of information technology on the Film Industry is rather awe inspiring. The break through in technology is at such an advanced stage that at the touch of a key /button, one can view the desired movie on the television/computer screen by paying a nominal amount through one's credit card. This concept of pay per view is likely to catch up fast and offer immense potential to the Internet Entertainment Media. Indian movies are not only popular in our country, but they have proved to be major hits in Japan, Singapore, Malaysia, U.K., Korea, U.S.A., Canada, Middle East, Australia, South Africa, Sri Lanka and with the innumerable NRI population living all over the world.

A report by consultants M/s. Arthur Andersen suggests that by the end of 2005, the film industry would generate revenue of Rs.28,000 crores, up from the around Rs. 5000 crores made in 1999. It would rise to a modest Rs.6,000 crores by the year end and set to cross 10,000 crore mark by the end of 2002. Projected tax revenues to the Government, which stood at around Rs.500 crores in 1999, are expected to rise more than five-fold to Rs.2,700 crores by the end of 2005. They are expected to touch Rs.600 crores this year and Rs.2,100 crores by the end of 2004. The growth of film industry would also set the ball rolling for other industries such as television software, event management and music industry, the study hints.

As Mr. Arun Jaitley, Hon'ble Minister for Information & Broadcasting points out, several jobs would be created - FM radio stations would spurt, and demand would grow for music technicians, even radio jockeys. The size of the music industry is expected to grow from Rs.1,300 crores in 1999 to around Rs.3,400 crores by the end of 2005. The rationalization of the entertainment tax rates for the film industry in the Budget would also have ripple effects. More revenues would accrue to exhibitors, allowing them to expand and upgrade. There would also be an increase in revenue flowback to producers enabling them to produce better quality and sector specific movies. Export earnings would also increase. The report also suggests that the demand from expatriate Indians, the rekindling of global interest in Indian culture and art forms and the promise of convergence are "launching the Film Industry into orbit. There is a move to use the essence of


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convergence of technologies to script India's future and films may well provide the success formula for the same". [Source : BUSINESS LINE, March 28, 2000]

You all already know that your Company, apart from its main business of production, distribution and exhibition of feature films, has put a giant step forward in the direction of exploring the overseas Internet Media by initially acquiring the overseas Internet rights of 400 feature films from Mr. Mahadevan Ganesh. This, together with the already existing 250 titles with the Company, and the proposed acquisition of 1000 South Indian film titles from M/s. Kavitha Film International, Chennai, by allotting fully paid equity shares of the Company at a price as per SEBI'S guidelines for preferential issues, is sure to land the Company in an enviable position vis-a-vis others.

Your Company's plan in this regard is already in the pipeline by means of a tie-up with M/s. Asian Online Plc., which will enable your Company to explore overseas Internet media via "simovies.com.". The income from this project is expected to be around Rs. One crore per annum.

Your Company has also proposals to own a music library consisting of Classical, Caranatic and Hindustani music with a view to entertain the population across the world and to propagate Indian culture by means of audio cassettes and CDs and thereby generate very good revenue in the near future.

Your Company is fully geared to meet the challenges of the future and I am sure that with your kind cooperation and patronage, the Company will reach dizzy heights and will be a cynosure of all eyes.

Yours sincerely,

G.VENKATESWARAN

Chairman & Managing Director



DIRECTORS' REPORT

Your Directors submit their Report and Audited Accounts for the financial year ended 31st March 2000.

FINANCIAL RESULTS :

	Rs.
Turnover	: 3,22,36,954
Net Profit Before Depreciation and Tax	: 1,32,29,270
Less : Depreciation	: 14,54,670
Profit Before Tax	: 1,17,74,600
Provision for Taxation	: 13,59,966
Profit After Tax	: 1,04,14,634
Proposed Dividend	: Nil

PERFORMANCE DURING 1999-2000 :

Your Company has turned round the corner and has made a net profit of Rs.1,04,14,634 compared to a loss of Rs.6,57,861 during the previous year. As your Company proposes to embark upon development activities, such as exploring overseas Internet media for Indian movies, there is a need to preserve the resources of the Company for such activities. So your Board is constrained to skip the dividend for the financial year ended 31st March 2000. However, your Directors are confident that with the development activities gaining momentum during the current financial year (2000-2001), the prospects of the Company declaring a dividend for the financial year ending 31st March 2001 are bright.

INCREASE IN PAID-UP CAPITAL :

Consequent to the allotment of 10,00,000 equity shares of Rs.10/- each of the Company to Mr. Mahadevan Ganesh on 23rd March 2000 at a premium of Rs.45/- in terms of the approvals given by the shareholders at the Extra Ordinary General Meeting held on 23rd March 2000 and in accordance with the SEBI guidelines for preferential issues, the paid-up capital of the Company has increased from Rs.5.75 crores to Rs.6.75 crores.

The proposal to allot 10,00,000 equity shares of the Company to M/s. Asian Online Plc. London on a preferential basis as approved by the shareholders at the Extra Ordinary General Meeting held on 23rd March 2000 is pending sanction with the FIPB and other clearances from RBI.

THEATRE DIVISIONS :

During the year under review, we had exhibited some good hit Tamil movies at Shanthi/Kamala Theatres, Thanjavur viz., Rajini's Padayappa, Amarkalam, Pattali, Sethu, Mugavari, Thirupathi Elumalai Venkatesa and Sangamam. The collection through sale of tickets in these two theatres for the first quarter ended 30th June 2000 amounted to approximately Rs.54,51,465/-.

DEMAT FACILITY is now available for the equity shares of your Company. The Company has entered into a Tripartite Agreement in this regard with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Limited (CDSL).

M/s. CAMEO CORPORATE SERVICES LIMITED (CAMEO), "Subramanian Building", No.1, Club House Road, Chennai - 600 002 [Phone No. 8528390] have been appointed as Registrar for providing Depository Services through NSDL & CDSL.

However, the transfer of physical mode of shares of the Company will continue to be done at the Registered Office of the Company.


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Further, SEBI has notified that trading in the shares of the Company will be in Compulsory Demat form with effect from September 25, 2000.

DEPOSITS :

No Fixed Deposits were accepted by the Company during the year.

DIRECTORS :

In accordance with the Articles of Association of the Company, Mr. P M Gopalakrishna retires by rotation, and being eligible, offers himself for re-election.

DECLARATION UNDER SECTION 217 OF THE COMPANIES ACT, 1956 :

There were no employees drawing a remuneration of Rs.6,00,000 per annum or Rs.50,000 per month either on full time or on part time basis during the year under review.

The nature of the business of the Company is such that it is not necessary to report about the technological absorption and conservation of energy.

During the year under review, the foreign exchange earnings amounted to Rs.4,98,168/- and the foreign exchange outgo amounted to Rs.79,232/-.

AUDITORS :

M/s.Mahadev & Co. retire at the close of the 11th Annual General Meeting and are eligible to be re-appointed. Your Directors recommend that they be re-appointed to hold office till the end of the 12th Annual General Meeting.

EMPLOYEE RELATIONS :

The relationship between the management and the employees of the Company was very cordial and your Directors wish to place on record their appreciation of the sincere services rendered by the employees.

ACKNOWLEDGEMENT :

Your Directors wish to place on record their deep sense of gratitude to our bankers, distributors, exhibitors, customers and shareholders for their active co-operation during the year under review.

For and on behalf of
THE BOARD OF DIRECTORS

Place : Chennai
Dated : 03.07.2000

G. VENKATESWARAN
Chairman & Managing Director

A D D E N D U M

With reference to the Auditors' remark @ Item No.13, your Directors wish to report that contributions towards Provident Fund upto the period ended 31st March 2000 have already been remitted and there is no arrear pending payment in this regard.

For and on behalf of
THE BOARD OF DIRECTORS

Place : Chennai
Dated : 03.07.2000

G. VENKATESWARAN
Chairman & Managing Director



REPORT OF THE AUDITORS

TO THE MEMBERS OF G V FILMS LIMITED

We have audited the Balance Sheet of G V FILMS LIMITED as at 31st March 2000 together with the annexed Profit and Loss Account for the year ended on that date and report that :

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
4. In our opinion, the Profit & Loss Account and Balance Sheet comply with the requirements of the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view
 - in the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2000 and
 - in the case of Profit and Loss Account, of the profit of the Company for the year ended on that date.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 and on the basis of such checks of the books and records of the Company, as we considered appropriate and the information and explanations given to us during the course of audit, we report that :

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The management has physically verified the fixed assets during the year and no discrepancies were noticed on such verification.
2. The fixed assets of the Company have not been revalued during the year.
3. The Company is principally engaged in distribution of motion pictures. As such, the Company does not carry any finished goods, raw materials and spare parts and hence, the question of physical verification of the same does not arise.
4. The Company has not taken any loans, secured or unsecured, from the companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. The Company has granted advances to companies and parties listed in the register maintained under Section 301 of the Companies Act, 1956 and the terms and conditions of such advances are prima facie not prejudicial to the interest of the Company. No company is under the same management of the Company as defined under Section 370(1B) of the Companies Act, 1956.
5. Loans and advances in the nature of loans have been given to employees of the Company without interest. The recovery of principal amount was regular.