

GV FILMS LIMITED

Where every dream, a dream come true

19th ANNUAL REPORT (2007-2008)



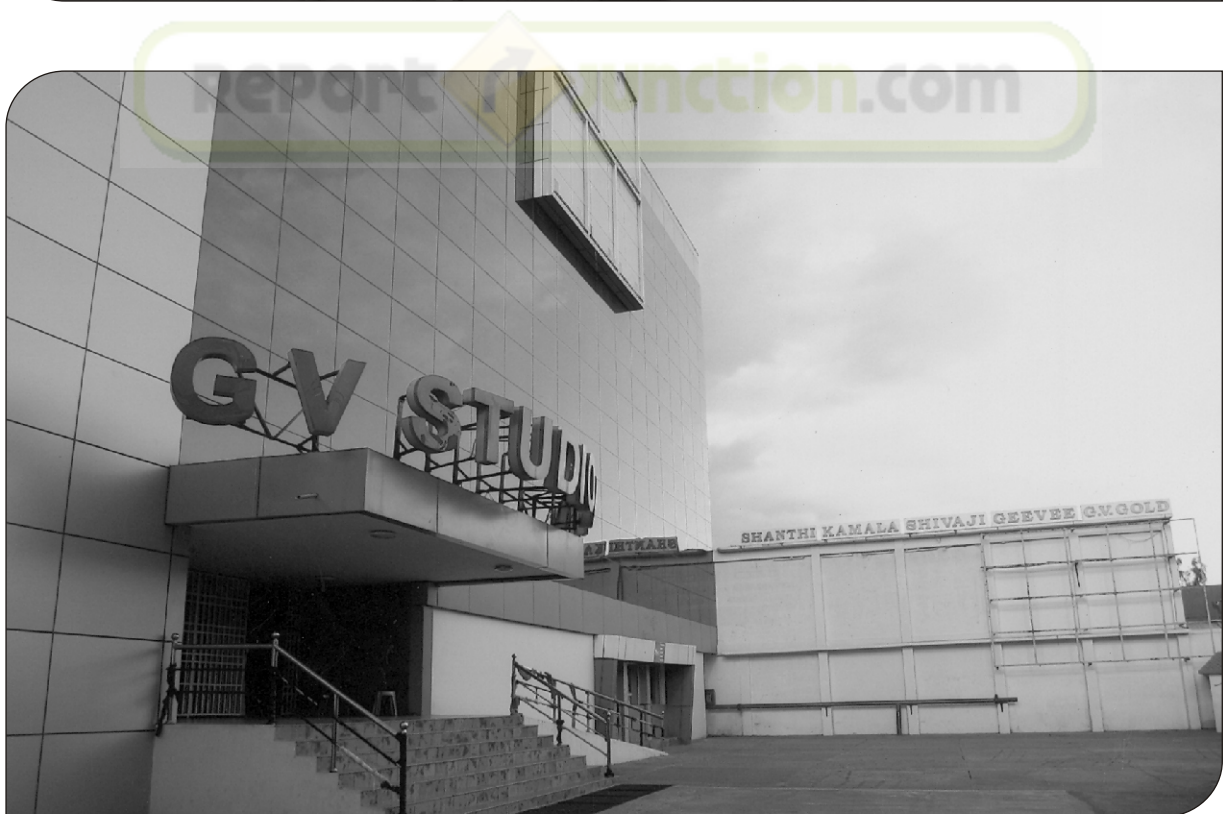
A GV - SICA Award presented by your Director to "Aachi"



GV - SICA best film Award presented by your Director to Paruthiveeran Team



SICA
AWARDS
2008



New look of Thanjavur Theatre Complex

GV FILMS LIMITED

Regd. Office : LVR Centre, III Floor, New No.7 (Old No.4), Seshadri Road, Alwarpet, Chennai-600 018.

Nineteenth Annual Report

Board of Directors

Mr. MAHADEVAN GANESH

Mr. A. VENKATRAMANI

Mr. S. RAMANATHAN

Mr. P. RAGHURAMAN

Whole - Time Director

Mr. R. GOPALAN

Ms. MANISHA KOIRALA

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Company Secretary

Mr. P. THIRUMALAI KUMAR

Registered Office

LVR Centre, III Floor,
New No.7 (Old No.4), Seshadri Road,
Alwarpet, Chennai - 600 018.

Auditors

G. PARTHASARATHY,
Chartered Accountant
New No.1 (Old No. 3), 3rd Main Road,
4th Cross Street, Jagannathapuram,
Velachery, Chennai - 600 042.

Registrars & Share Transfer Agents

M/s. CAMEO CORPORATE SERVICES LTD,
“Subramanian Building”
No.1, Club House Road,
Chennai - 600 002.

Bankers

STATE BANK OF INDIA
ICICI Bank
HDFC Bank

COMMITTEES

Share Transfer Committee

S. RAMANATHAN, Chairman
R. GOPALAN, Member
A. VENKATRAMANI, Member

Shareholder / Investors Grievance Committee

MAHADEVAN GANESH, Chairman
R. GOPALAN, Member
S. RAMANATHAN, Member

Audit Committee

S. RAMANATHAN, Chairman
A. VENKATRAMANI, Member
R. GOPALAN, Member

Equity Shares Listed At

The Madras Stock Exchange Ltd, Chennai
The Bombay Stock Exchange Ltd, Mumbai
The Hyderabad Stock Exchange Ltd, Hyderabad (De - Recognised by SEBI)

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NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the members of the Company will be held at **New Woodlands Hotel (P) Ltd, 72-75, Dr. Radhakrishnan Salai, Mylapore, Chennai - 600 004 on Thursday, the 25th September 2008 at 11.30 a.m.** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Balance Sheet as on 31st March 2008, the Audited Profit and Loss Account for the year ended on that date, together with the Reports of the Board of Directors and Auditor thereon.
2. To appoint a director in place of Mr. R.Gopalan, who retires by rotation and being eligible offers himself for re-appointment
3. To appoint Auditor to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix his remuneration and to pass the following resolution thereof

"RESOLVED that Mr. G. Parthasarathy, Chartered Accountant, be and is hereby re-appointed as the Auditor of the company from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting, as on remuneration as may be determined by the board of directors in consultation with the auditor."

For and on behalf of **THE BOARD OF THE DIRECTORS**

Place : Chennai

Date : 14-08-2008

MAHADEVAN GANESH
DIRECTOR

Notes :

1. A member entitled to attend and vote is entitled to appoint a proxy and the proxy need not be a member of the Company. The proxy form to be valid must be deposited at the Company's Registered office not less than forty-eight hours before the time of the meeting.
2. Members desiring any information on the accounts are requested to write to the Company at least 7 days (on or before 18th September 2008) before the meeting so as to enable the Company to keep the information ready. The Members/ Proxies are requested to bring the copies of the Annual Report to the Meeting and the same will not be distributed at the meeting.
3. The Register of Members and Share Transfer Books of the Company shall remain closed **from 22nd September 2008 to 25th September 2008** (Both days inclusive) to ascertain the list of members for 19th Annual General Meeting.
4. The Members are requested to notify immediately any change in their address to the Company's Registrar and Transfer Agents (M/s. Cameo Corporate Services Ltd)
5. **Details of Director seeking reappointment at the forthcoming Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement):-**

As required under the Listing Agreement, the particulars of Director, Mr. R.Gopalan (who is seeking re-appointment) is given below:-

I. NAME	- R. GOPALAN
DATE OF BIRTH	- 15th December 1937
QUALIFICATION	- Cost Accountant (AICWA)
EXPERIENCE	- Mr. R. Gopalan, is an associate member of the Institute of Cost and Works Accountant of India. He is having extensive experience of over 37 Years in all areas of Financial Management. He retired as Executive Director (Finance) of Bharat Earth Movers Limited. His expertise will help your Company in its operations.
OTHER DIRECTORSHIP	- M/s. Kaashyap Technologies Limited
COMMITTEE MEMBERSHIP	- NIL

EXPLANATORY STATEMENT

Under Section 173(2) of the Companies Act, 1956.

Item No. 2

As per the provisions of Section 256 of the Companies Act, 1956, Mr. R. Gopalan is retiring by rotation and being eligible offer himself for reappointment at the ensuing Annual General Meeting.

Your directors recommend passing this resolution. None of the Directors are concerned or interested in the said resolution except Mr. R. Gopalan.

DIRECTORS' REPORT

To

The Members,

Your Directors are pleased to present the 19th Annual Report on the business and operations of your Company for the year ended on 31st March 2008.

Financial Results:

(Rs. in Lakhs)

Particulars	Year ended 31.03.2008	Year ended 31.03.2007
Turnover	4,170.30	4,411.68
Profit Before Depreciation & Tax	263.10	2,093.83
Less: Depreciation	115.58	48.94
Profit Before Tax	147.52	2,044.88
Less: Provisions for tax	16.71	229.43
Less: Fringe Benefit Tax	8.89	18.88
Profit After Tax	121.92	1,796.56
Add: Surplus b/f from previous year	2,639.44	842.88
Amount available for appropriation	2,779.78	2,639.44

Dividend:

Your board has decided to conserve the resources for the on going projects and hence it has not recommended any dividend for this year.

Business Performance Review:

There is a marginal drop of 5.79% in the total income of your Company during the year under review compared to the previous year. There was substantial reduction in the profits before tax in FY 2007-08 from Rs. 2044.88 Lakhs to Rs.147.52 Lakhs due to various reasons viz. (a) competition due to large scale entry of global players in entertainment sector (b) some of the mega films distributed by the company not doing well in the box-office (c) some unforeseen delay in reopening of Shanti-Kamala theaters under renovation (d) the cost of film production going up substantially due to competition among corporates / NRI producers to sign up popular artists at mind boggling professional fees.

Recent initiatives which augurs well for future:

Your Directors feel that it is only a matter of time before your Company is back with a bang and continue to march ahead as a lot of initiatives have been taken by your management during the last 3 years to improve the performance of your Company on all fronts. Your Company continues to produce quality films in Tamil and also distribute films in other languages including English either on own or through jointly with other entertainment media partners. Also your company has taken certain initiatives to promote Web-casting business through exports. Last year GV New Media Tech (WebCasting) Division has recorded an export turnover of Rs.314.02 lakhs and this is bound to go up in the coming years.

The Scheme of De-merger (the meeting of Shareholders of the Company convened by the Order of Hon'ble High Court of Madras Judicature has approved the Scheme of Demerger on 24th January 2008) will be given effect by the Company on receipt of order of the Hon'ble High Court of Madras Judicature.

Statutory Disclosures:**Conservation of Energy and Technology Absorption:**

The Company is not engaged in any manufacturing activities, and as such the Particulars relating to conservation of energy and technology absorption is not applicable. The company makes every efforts to conserve energy as far as possible in its Theatre division production floor, offices etc.

Foreign Exchange Earnings and Outgoings:

During the year under review, the foreign exchange earnings amounted to Rs.177,89,86,956/- and the foreign exchange outgo amounted to Rs. 193,41,78,068/- in Equivalent Indian Currency.

Particulars of Employee's Remuneration and Industrial Relations:

There were no employees whose particulars, pursuant to Section 217(2A) of The Companies Act 1956, read with Companies (Particulars of Employees) Rules 1975, are to be disclosed. Industrial relations in the company were very cordial and stable.

Public Deposits:

Your Company has not accepted any public deposit during the year under review.

Directors:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. R. Gopalan & Ms. Manisha Koirala will retire by rotation and being eligible for reappointment. Ms. Manisha Koirala has not offered herself for re-election and hence not considered for reappointment. Your directors wish to place on record their sincere appreciation for the services rendered by Ms Manisha Koirala as a Director of the Company.

Mr. R Gopalan offers himself for re-appointment. His re-appointment requires the approval of the members at the ensuing AGM. Necessary resolutions has been proposed in this regard. Your directors feel his continuance will be beneficial to the Company and therefore recommend his re-appointment.

AUDITORS

Mr. G. Parthasarathy, Chartered Accountant, Auditor of the Company retires at the ensuing Annual General Meeting and has confirmed his eligibility and willingness to accept the office for re-appointment.

The Auditor has made certain observations in his report and also in the notes to the accounts, and the observations are self explanatory.

Corporate Governance:

We continue in benchmarking our corporate governance policies with the best in the industry. Our efforts are widely recognized by investors both in India and abroad.

We have complied with the recommendations of the Corporate Governance Committee constituted by the Securities and Exchange Board of India (SEBI). For fiscal 2008, the compliance report is provided in the Corporate Governance Report section of this Annual Report. The Auditors' certificate on compliance with the mandatory recommendations of the committee is annexed to this report.

We have documented our internal policies on corporate governance. In line with the committee's recommendations, the management's discussions and analysis of the financial position of the company is provided in this annual report and is incorporated here by reference.

Directors' Responsibility Statement:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:-

- (1) that in the preparation of the accounts for the financial year ended 31st March, 2008 the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (2) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 and of the profit of the Company for the year under review
- (3) that 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.
- (4) that the Directors have prepared the accounts for the financial year ended 31st March, 2008 on a 'going concern' basis.

Acknowledgement:

Your Directors wish to place on record their deep sense of gratitude to the employees, 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 THE DIRECTORS**

Place : Chennai

Date : 30-06-2008

MAHADEVAN GANESH
DIRECTOR

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to Clause 49 of Listing Agreement, the Management Discussion and Analysis Report is as under:

(i) Industrial Structure and development

The Entertainment industry has witnessed large number of newcomers in all segments of business. This has led to a healthy competition in the Industry. Your Company has increased its scope of activities to the most important areas of Film Industry viz., film production, distribution, exhibition, web-casting, animation and graphics.

The film exhibition business has also undergone sea change with technology upgradation viz; multiplexes, DTS and Digital etc. With its focus on the main part of the entertainment industry and with the new wave technology of 3D Serials and animation besides the conventional film making and exhibition, the Company plans to secure a premier place in the Industry. The company is also trying to expand its operations of tele-serials operations by producing mega serials in various languages to be aired in prominent channels. The Company is following the principle 'Content is the King' for its production including Television content division. At the last count it is estimated that there are over 180 television channels that are being aired in the Country making a bee line for content. The television serial 'Mayavi' received good response from the Tamil audience and it has already been shown in Telugu and Malayalam. Shortly it will be on air in Marathi as well.

Strengths

GV is one of the first to enter entertainment business as a corporate house and first public limited company who invited public participation in the hitherto private film production industry.

- GV Films Limited has built a strong brand over the years and one of the reputed production houses in Tamil Nadu, with strong industry standing and relationship with artistes.
- Internet film rights of about 5500 films of different Indian languages in addition to 8000 Hollywood films recently added to the library. The Content Creation is the company's forte.
- Apart from the experience in areas of exhibition, the Company has several years of experience in film production and distribution and further perfected the technology of Film Making by using 3D technology.
- The Promoters have fair knowledge and rich experience in the industry and the company is managed by hard core professionals having hands on experience.
- The company has its presence in all segments of the entertainment chain like production, distribution, tele-serials, animation and graphics, Web-casting and entertainment Portal and screening through multiplex theaters.

Weaknesses

- Being a corporate structure with set values and governance, at times it is difficult to compete with the industry practices as it is lying on un-organized sector of the Industry.
- the web casting business requires huge investment in content acquisition and fair amount of gestation period before results in terms of revenue generation could be expected.
- Screening business i.e. construction of Multiplex theaters, hotels and shopping malls under GV Studio City projects also entail huge capital out lay and gestation period.
- The risk and reward of each type of business under taken by the company is different. The business of production and distribution is very risky and rewards are also very high.
- The entertainment business is highly competitive with too many new players entering the market.

(ii) Opportunities and Threats

Opportunities

- GV Studio City Projects consisting of Multiplex, shopping mall and hotels have excellent demand and potential for growth and the focus being on Tier II and tier III cities, the complex will be the landmark building in the town.
- The portal business of downloading films (Webcasting) has a trillion dollar market and has excellent revenue generation potential in near future.
- with the country's economy booming, entertainment industry is also growing and the technological innovations like Digital, DTS, state of art multiplex theaters offer more choice to the screens and is bringing back masses to the theaters.

Television serials is another big opportunity as the Company has proved its expertise in that field and have won international awards

Threats

- The conventional way of doing business by the un-organized sectors and still a part of the business being done by them in cash is a major issue to be addressed.

(iii) Segment-wise or product-wise performance

Statement of Segment-wise performance contribution of the divisions to the total income of the company in last two years.

Sl. No.	Divisions and Turn Over	F.Y.2007-08 (Rs. Lacs)	Percentage	F.Y.2006-07 (Rs. Lacs)	Percentage
1	Film Division	3,501.60	88.76	4,134.84	96.7
2	GV Studio City (Theatre) Division	129.52	3.28	138.93	3.3
3	GV New Media Tech (WebCasting) Division	314.02	7.96	0.00	0.00
	Total Income	3,945.14	100.00	4,272.77	100.00

(iv) Outlook, risks and concerns

During the year under report, the Company has shown a downward trend in performance recording marginally lower income and lesser profits due to following macro factors:

The entry of new corporates and star struck NRI producers with deep pockets have impacted the cost of film production to a great extent in recent times. While overheads relating to production has gone up substantially, public response to films has become very unpredictable and lukewarm with pirated CDs hitting rock bottom price and available from the day of release of a film. These are all some of the concerns which the industry has to address immediately. However your company expects reversal in the trend in the years to come.

Thanks to rapidly decreasing internet connectivity costs and increase in connectivity speeds, the potential for web-casting of the films is good. As the company has a large library of films for which it possesses internet rights, it stands to gain in this scenario.

(v) Internal control systems and their adequacy

The company has regular internal audit system covering all key processes and has in place adequate internal control.

(vi) Financial performance Vs operational performance;

The top-line and bottom-line both have not shown expected growth during the financial year ended 31st march 2008 compared to the previous year.

(vii) Material developments in Human Resources

During the year, the Company has added employees at different levels in tune with the growth and expansion of the business in general and various divisions in particular. The Company enjoys harmonious relationship with its employees.