

GV FILMS LIMITED

Where every dream, a dream come true

**21st Annual Report
2009-2010**



Tanjore Theatre Opening Ceremony

G.V.FILMS LIMITED

Twenty First Annual Report

Board of Directors

Mr.M.V.BALAGIRI
(Chairman & Managing Director)
Mr. MAHADEVAN GANESH
Mr. A.VENKATRAMANI
Mr. S.RAMANATHAN
Mr. R.GOPALAN
Mr. A.PRAKASHCHANDRA HEGDE

Registered Office

F-0, "Whispering Height",
132, St. Mary's Road, Alwarpet,
Chennai - 600 018

Corporate Office

No-5,Pace House, No-7,Swastik Society,
Gulmohar Road,Vile Parle, Mumbai - 400 049

Auditors

R.Ravindran & Associates
(Chartered Accountants)
14, Ashatalakshmi Street,
Muthulakshmi Nagar
Chitlapakkam, Chennai - 600 064

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

Shareholders' / 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 Twenty First 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 Friday, the 24th September 2010 at 12.15 P.M to transact the following business:

ORDINARY BUSINESS

1. To consider, approve and adopt the Audited Balance Sheet as on 31st March 2010, 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. A.Venkatramani, who retires by rotation and being eligible offers himself for re-appointment
3. To appoint Auditors to hold office from the conclusion of the this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration and to pass the following resolution thereof

"RESOLVED that M/s R.Ravindran & Associates , Chartered Accountants, be and is hereby re-appointed as the auditors of the company from the conclusion of the this Annual General Meeting until the conclusion of next Annual General Meeting, at any such remuneration as may be determined by the board of directors in consultation with the auditor."

SPECIAL BUSINESS**4. APPOINTMENT OF MANAGING DIRECTOR AND FIXING OF REMUNERATION**

To consider and, if thought fit, to pass, with or without modification the following resolution as an ordinary resolution:

"RESOLVED THAT the appointment of Mr. M V Balagiri as Chairman & Managing Director, with effect from 29th January 2010 for a period of 5 years be and is hereby approved and ratified."

"RESOLVED FURTHER THAT the Board of Directors be and hereby authorized to fix the remuneration of Mr. M V Balagiri, Managing Director, subject to limits prescribed under section 198,309,310,311 and all other applicable provisions of Companies Act, 1956 read with Schedule XIII and the amendments made there in, including payment of minimum remuneration.

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors be and is hereby authorized to execute all such agreements and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, expedient and proper."

5. APPOINTMENT OF A DIRECTOR

To consider and, if thought fit, to pass, with or without modification the following resolution as an ordinary resolution:

"RESOLVED THAT Mr. A.Prakashchandra Hegde, be and is hereby appointed as a director of the company under section 257 of the Companies Act, 1956 and whose period of office shall be liable to determination by retirement of directors by rotation."

For and on behalf of THE BOARD OF THE DIRECTORS

M.V.BALAGIRI

Chairman & Managing Director

Place: - Chennai

Date: - 13th August 2010

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 17th September 2010) 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 **21st September 2010 to 24th September 2010 (Both days inclusive)** to ascertain the list of members for 21st 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 Directors, Mr. A.Venkatramnai, (seeking re-appointment) and Mr.A.Prakashchandra Hegde (seeking a fresh appointment under section 257) are detailed below:-

I. NAME-A.VENKATRAMANI

DATE OF BIRTH 07-04-1958

QUALIFICATION – Bachelor Degree in Commerce

EXPERIENCE-

Mr. A Venkatramani is a commerce graduate, promoter of Kaashyap Technologies Limited. Marketing and People Management is his forte. Starting his carrier as a Sales Manager with Hindustan Lever Ltd, he moved to become the Executive Director of Shriram Chits Private Ltd and then moved to set up the present Kaashyap Technologies Ltd. He has also produced several teleserials and movies. He has been appointed as Non-Executive Director of the Company. His expertise and acumen will help the Company to grow manifold. He is the Chairman & Managing Director of Kaashyap Technologies Ltd. Chennai.

OTHER DIRECTORSHIP :

1. Kaashyap Technologies Limited
2. M/s Eyclight Events & Promotions (India) Private Limited

COMMITTEE MEMBERSHIP - 1

II. NAME- M. V. BALAGIRI

DATE OF BIRTH - 01-08-1955

EXPERIENCE-

Mr. M.V.Balagiri, is well known personality in South Indian and Bollywood Film Industry having an experience of more than 30 years. He has produced quite a few successful films in Hindi & Marathi.

OTHER DIRECTORSHIP: - M/s Siddhesh Films Private Limited

COMMITTEE MEMBERSHIP- Nil

III. NAME-A.PRAKASHCHANDRA HEGDE

DATE OF BIRTH - 02-11-1949

QUALIFICATION – B.Com, LLB, CAIIB (I)

EXPERIENCE-

Mr.A.Prakashchandra Hegde, B.Com, LLB, CAIIB (I), retired General Manager of a PSU Bank, having experience of over 39 years in the Banking field. As General Manager of the Bank he was heading Mumbai

Region one, of the prestigious region of the Bank and was Heading Banks Retail Credit Dept. at Head office Bangalore as General Manager prior to his superannuation.

He is the recipient of many awards during his various assignments in the Bank, the latest one being the 'Best Region' of the Bank in Metro category received during the year 2009.

As an Independent Director (Additional Director) of the Company with effect from 29th Jan 2010 and his enriched knowledge and experience, will be beneficial to the Company.

OTHER DIRECTORSHIP - Sidhesh Corporation 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. A Venkatramani is retiring by rotation and being eligible offer himself for reappointment at the ensuing Annual General Meeting.

Your directors recommend reappointment of Mr A Venkatramani as a Director. None of the Directors are concerned or interested in the said resolution except Mr. A Venkatramani himself.

Item No.4

Mr. MV Balagiri was appointed as Chairman & Managing Director 29th January 2010. He has produced a few successful films in Hindi and in Marathi. He is also the director in M/s. Siddhesh Films Private Limited. With his enormous experience in film production, distribution and entrepreneurial experience he is expected to contribute immensely for the growth of the company.

Subject to approval of members Mr.M.V.Balagiri's remuneration shall be decided by the board of your company subject to the provisions of the Companies Act 1956.

Your directors recommend passing this resolution. None of the Directors are concerned or interested in the said resolution except Mr. M V Balagiri

Item No -5

Mr. A.Prakashchandra Hegde was appointed by the Board of Directors of your company in their meeting held on 29.01.2010 as an Additional Director under section 260 of the Companies Act, 1956 w.e.f. 29.01.2010 in terms relevant clause in Articles of Association of your company. He is vacating office at the ensuing Annual General Meeting.

Your company has received a notice under section 257 of the Companies Act, 1956 from a shareholder of your company, signifying his intention to propose the name of Mr. A.Prakashchandra Hegde for appointment as a Director of your company.

Mr. A.Prakashchandra Hegde is having expertise knowledge in banking and finance and was a General Manager with a PSU Bank for more than 39 years. His enriched knowledge and experience, will be beneficial to the Company and it is in the interests of the company that Mr. A.Prakashchandra Hegde be appointed as a Director, subject to retirement by rotation.

None of the Directors other than Mr. A.Prakashchandra Hegde is interested in this resolution.

Your Directors recommend his appointment.

DIRECTORS' REPORT

To

The Members,

Your Directors are pleased to present the 21st annual report on the business and operations of your Company for the year ended on 31st March 2010.

Financial Results:

Particulars	Year ended 31.03.2010 (Rs. in Lakhs)	Year ended 31.03.2009 (Rs. in Lakhs)
Turnover	1281.99	940.30
Profit (Loss) Before Depreciation & Tax	(270.85)	(11860.31)
Less : Depreciation	92.09	93.49
Profit / (Loss) Before Tax	(362.94)	(11953.80)
Less: Provisions for Tax	1.70	-
Less: Fringe Benefit Tax	-	6.07
Profit / (Loss) After Tax	(364.65)	(11959.87)
Add: Surplus /(Deficit) from previous year	(9180.09)	2779.78
Loss carried over to Balance Sheet	(9544.74)	(9180.09)

Dividend

Your Board has not recommended any dividend in view of the loss reported by the company during the year under review.

Business Performance Review:

During the year 2009-10 your Company has reported an improved performance in terms of turnover and reduction in losses. The company's turnover during the year 2009-10 is Rs.1282 Lacs against Rs.940.30 Lacs in 2008-09 (previous year) recording a growth of 36% increase in turnover. During the year your Company has taken a conscious decision of keeping the business activities in film production and distribution on a low key in the light of global recession which continues to hamper the world even though impact on our economy is not significant. As a result of lower volume of business your Company has not made profits even though losses were kept at a minimum of Rs.364.65 Lacs against Rs.11959.87 Lacs in the previous year.

During the year on 29.01.2010 the Shanthi Kamala complex at Tanjore with 5 screens multiplex was reopened after renovation and all the screens are now operational.

Recent initiatives and future prospects:-

The fact that the Tanjore Multiplex is now fully operational augurs well for the future as theatre divisions are likely to report larger revenue and earnings in the current year 2010-11.

Your Company is planning to expand its theatre division in a big way by investing in cineplexes /multiplexes. A chain of cineplexes is planned throughout the country especially in Maharashtra and Tamil Nadu to start with. The Company shall continue to focus on its core activities of film production and distribution and expand the business further to make it more viable and profitable. The Company shall explore every possible opportunity to leverage the film rights bank (14000 film rights) and activate the webcasting division to earn large revenues in the coming years.

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 Company does not have any foreign exchange earnings and only there is an out go of Rs.18,49,873 towards interest on FCCBs.

Non- Payment of Interest due on FCCBs:

Your directors wish to report that there is a non payment of interest due for three quarters in 2009-10 on FCCBs due to dispute with FCCBs holders and your management is taking steps to settle the issue amicably through on going negotiations with the bond holders.

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

During the year Mr. P. Raghuraman (Whole – Time Director) resigned from the board with effect from 29th January 2010 and consequently Mr. M.V. Balagiri, a director of the Company has been was re-designated as Chairman & Managing Director w.e.f. 29.01.2010. Mr. Balagiri has more than 30 years hands on experience of producing and successfully exhibiting films in regional languages in Marathi and in addition to crafting the success of mainstream Bollywood Hindi films.

Mr. A.Prakashchandra Hegde, a retired General Manager of a PSU Bank was appointed as an additional director on 29.01.2010 u/s 260 of the Companies Act. He is vacating office in the ensuing Annual General Meeting. Being eligible for appointment u/s 257 of the Companies Act, 1956, he offers himself for re-appointment and a notice has been received from a member of the Company recommending him as a Independent Non executive Director..

Mr. A.Venkatramani, a director of the Company, will retire in the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

AUDITORS

Mr. G. Parthasarathy, Chartered Accountant, Statutory Auditor of the Company, expired on 17.10.2009 and in his place, M/s. R. Ravindran & Associates, Chartered Accountants were appointed as Statutory Auditors of the Company with immediate effect. They shall vacate office at the ensuing Annual General Meeting. Being eligible they offer themselves for re-appointment and your Board recommends their appointment.

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 2010, 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, 2010 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, 2010 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 DIRECTORS

M.V.BALAGIRI

Chairman & Managing Director

Place: - Chennai
Date: - 13.08.2010

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 new comers 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 up gradation 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.

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 theatres and owns 8 screens in Tamil Nadu and plans to open more in Tamil Nadu and Maharashtra.

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 require lot of investment in content acquisition and require fair amount of gestation period before results in terms of revenue generation could be expected.
- ◆ Screening business i.e. construction of Multiplex theatres, 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.