



23rd Annual Report

2011 - 2012

Datuk K. Keetheeswaran
Non- Executive Chairman

K. Murugavel
Executive Director & COO

R.Chandrasegaran
Director

K. Ramadasan
Director

Harakchand Kamal Nayan
Director

S.Yuvaraj
Director

P.Krishnaswamy
Company Secretary

REGISTERED OFFICE:

9th Floor, GEE GEE Emerald,
312, Valluvar Kottam High Road
Nungambakkam, Chennai – 600034.
Tel : +91-44-30632454/2455
Fax No : +91-44-30632453
Website : www.mvel.in

STATUTORY AUDITORS

Venkatesh & Co
Chartered Accountant
'Sri Ranga'
151, Mambalam High Road
T'Nagar, Chennai-600017.
Tel : +91-44-28144763/64/65/66
Email: venkateshandco@gmail.com

LEGAL ADVISOR:

K Ramasamy
Advocate
New No-337, Linghi Chetty Street
Chennai – 600 001.

BANKERS:

Lakshmi Vilas Bank
Nungambakkam , Chennai -34

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 23rd Annual General Meeting of the company will be held on Thursday, the 28th February 2013 at 10.00 a.m at 9th Floor, 312, Valluvar Kottam High Road, Nungambakkam, Chennai – 600 034. to transact the following business:

ORDINARY BUSINESS:-

1. To receive, consider and adopt the Audited Balance Sheet as at 31st May 2012, Profit & Loss Account for the year ended 31st May 2012 together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. R. Chandrasegaran who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a Director in place of Mr. Harakchand Kamal Nayan who retires by rotation and being eligible, offers himself for re-election.
4. To appoint Auditors for the period from conclusion of the Annual General Meeting to conclusion of next Annual General Meeting and decide their remuneration. The retiring auditors M/s.Venkatesh & Co, Chartered Accountants are eligible for re-appointment.

SPECIAL BUSINESS :-

5. To consider, and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution.

“RESOLVED THAT in accordance with the provisions of sections 198, 269, 309 & 310 read with Schedule XIII of the Companies Act, 1956(including any statutory modification or re-enactment thereof for the time being) and subject to the approval of the members and the approval of the Central Government and such other approvals, if any, as may be required, the Company hereby accords its approval for the variation in the terms of appointment of Mr. K. Murugavel, as an Executive Director & COO of the company with effect from 01.06.2011 on the remuneration and terms and conditions as given below:-

Basic Salary at the rate of Rs.1,50,000/-per month and other perquisites as eligible as per the provisions of Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT in the case of loss or inadequacy of profits in any financial year, the above remuneration shall be paid to as the minimum remuneration.

Further Resolved that the Board of Directors (hereinafter referred to as "the Members" which term shall be deemed to include any Committee of the Board duly constituted to exercise its powers, including the powers conferred by this resolution) to alter vary the terms and conditions and/ or remuneration, subject to the same not exceeding the limits prescribed under Schedule XIII of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof."

By Order of the Board of Directors
For **Midvalley Entertainment Limited**

(Sd/-)
P KRISHNASWAMY
Company Secretary

Place: Chennai
Date: 27.12.2012

Notes:

- (1) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. The instrument appointing the proxy and the power of attorney or other authority, if any, under which it is signed or a notary certified copy of that power of authority should however be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the Meeting.
- (2) The Register of Members and the Share Transfer books of the company will remain closed from 25th February 2013 to 28th February 2013(both days inclusive).
- (3) Corporate members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing such representatives to attend and vote at the Annual General Meeting.
- (4) In the case of Joint holders attending the meeting, only such joint holder who is higher in order of names will be entitled to vote.
- (5) As a measure of economy copies of the Annual Report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copy of Annual Report to the Meeting.
- (6) Pursuant to the provisions of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of the shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B duly filled in and signed by them, to the Registrars and Transfer Agents M/s.Cameo Corporate Services Limited, Chennai-600 002 and to the Depository Participants in case the shares are held in electronic form.
- (7) All documents referred to it in the accompanying Notice are available for inspection by the members at the registered office of the company on all working days between 11.00 a.m. and 1.00 p.m. prior to the date of the Meeting.

- (8) Details of directors seeking appointment/ re-appointment at the Annual General Meeting Pursuant to Clause 49 of the Listing Agreement At the ensuing Annual General Meeting, Mr. R. Chandrasegaran and Mr. Harakchand Kamal Nayan, Directors retire by rotation and being eligible offer themselves for reappointment. The information or details pertaining to the Director to be provided in terms of clause 49 of the Listing Agreement with the Stock Exchange are furnished in the Report on Corporate Governance published in the Annual Report.

By Order of the Board of Directors
For **Midvalley Entertainment Limited**

(Sd/-)

Place: Chennai
Date: 27.12.2012

P. KRISHNASWAMY
Company Secretary

ANNEXTURE TO NOTICE

Explanatory statement pursuant to section 173 of the Companies Act, 1956,

Item No.5

Members of the Company at the Extra Ordinary General Meeting of the Company held on 22nd April 2010 had approved the appointment and remuneration of Mr. K. Murugavel as an Executive Director & COO of the Company for the period of three years w.e.f April 01, 2010.

The Board of Directors considered it just, fair and reasonable to revise the remuneration for the remaining tenure as an Executive Director & COO of the Company.

Shareholders approval is sought for the variation in terms of remuneration of Mr. K. Murugavel as an Executive Director & COO of the Company with effect from 01.06.2012. The remuneration payable to Mr. K. Murugavel is within the limits provided under Section 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions of the Companies Act, 1956.

The Executive Director & COO so long as he functions as such shall not be paid any sitting fees for attending the meeting of the Board or Committees thereof.

This may be treated as an abstract of the terms and conditions of appointment including remuneration of an Executive Director under the provisions of Section 302 of the Companies Act, 1956.

The Directors recommend the said resolution for your approval. None of the directors except Mr. K. Murugavel is interested in the resolution.

DIRECTOR'S REPORT

TO ALL MEMBERS

Your Directors have pleasure in presenting the Twenty third Annual Report of the Company along with the Audited statement of accounts for the year ended 31st May 2012.

1. FINANCIAL RESULTS

The highlights of the financial results of the Company for the year ended 31-5-2012 (13 months) compared with the previous year are given below:-

{Rs in lakhs}		
PARTICULARS	AS ON 31-05-2012	AS ON 30-04-2011
Total Income	585.83	1891.77
Profit /(Loss) before Taxation	-2452.85	42.40
Less:Provision for Taxation	-	8.65
Add/(Less):Provision for deferred taxation	-260.52	29.45
Less: Income tax of earlier year	-	-
Net profit/ (Loss) after tax	-2192.33	4.30
Add:Profit brought forward	1900.93	1896.62
Amount available for appropriation	-	
Balance carried forward	-219.41	1900.93

The Profit/ (Loss) before tax (PBT) for the year was Rs. (2452.85) Lakhs as compared to the previous year figure of Rs. 42.40 Lakhs. The net profit/ (Loss) after tax for the year was Rs.(2192.33) Lakhs compared to profit of Rs. 4.30 lakhs last year.

3. DIVIDEND

Considering your Company's expansion and the necessity to preserve funds for the future business plan of your Company, on a conservative basis, your directors have not recommended any dividend for the year.

4. DIRECTORS

Mr. R. Chandrasegaran and Mr. Harakchand Kamal Nayan, Directors retires by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

5. PUBLIC DEPOSITS

During the year your Company has not received any deposits nor renewed any deposit from the public.

6. FOREIGN EXCHANGE EARNINGS & OUTGO

During the year under review the Company has not booked overseas revenue or incurred any expenditure.

7. PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217 OF THE COMPANIES ACT 1956

The particulars required to be given in terms of section 217(1)(e) of the companies Act,1956 regarding conservation of energy, technology absorption are not applicable to your company.

None of the employees of your company fall under this section 217(2A).

8. QUALITY MANAGEMENT SYSTEM

The Company continues to lay emphasis on excellence in quality and services and is committed to total customer satisfaction.

9. DIRECTOR'S RESPONSIBILITY STATEMENT

The Directors confirm;

- A. That in the preparation of Annual Accounts, the applicable accounting standards have been followed and no material departures have been made.
- B. That they 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 and of the profit of the Company for the year under review.
- C. That they 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 your Company and for preventing and detecting fraud & other irregularities.
- D. The annual accounts have been prepared on a going concern basis.

10. CORPORATE GOVERNANCE

Your Company will always strive to incorporate appropriate standards for good corporate Governance.

11. AUDITORS

Messrs Venkatesh & Co, Chartered Accountants, Statutory auditors of the Company retire on the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

12. REPLY TO AUDITORS' QUALIFICATION/OBSERVATION

No provision has been made in the accounts for Gratuity since the payments are made on cash basis and the necessary provision will be made as and when the liability arises.

During the year the company written off debtors to the tune of Rs. 19.31 Crores as the management felt that the same cannot be realized due to various reasons.

The Fixed assets register has been updated subsequently

13. CHANGE IN ACCOUNTING PERIOD

The Financial year of the Company was extended beyond 12 months and the accounts were made for 13 months period ended 31st May 2012.

14. ACKNOWLEDGEMENT

Your Directors place on record their appreciation for the contribution made by the employees at all levels enabling the Company to achieve the performance under review. Your Directors also appreciate the valuable co-operation and continued support extended by the Company's Bankers, Distributors and various Government authorities for their trust and confidence in the Management of the Company. Finally your Directors are deeply grateful to the members for their continued confidence & faith in the management of the Company.

For and on behalf of the Board
For Midvalley Entertainment Limited

Sd/-

sd/-

Place: Chennai
Date: 27.12.2012

K Murugavel
Executive Director & COO

Harakchand Kamal Nayan
Director

MANAGEMENT DISCUSSION AND ANALYSIS:

Industry Structure and Developments:

The Entertainment industry is one of the fastest growing sectors in the County at an 18% compound annual growth over the past decade. The Media and entertainment industry offers secular growth from revenue opportunities in several areas such as advertising, subscription, TV Content providers, movie and music. Spending on entertainment is one of the largest components of discretionary household expenditure in most developed markets.

The Entertainment industry has always been successful in drawing masses from the days of Roman Gladiators to present day movies. Given the inevitable convergence between entertainment and telecommunication, the potential of the industry is unlimited. From the capital market to the corridors of power there is a buzz about entertainment. Entertainment has perhaps come to be regarded as the fourth basic need of mankind after food, clothing and shelter.

The industry is projected to grow at a Compounded Annual Growth Rate (CAGR) at 14 percent to reach INR 1,275 billion by 2015 as tabulated below says the FICCI – KPMG report

Overall Industry size (INR Bn)	2007	2008	2009	2010	CAGR (2007-10)	2011 P	2012 P	2013 P	2014 P	2015 P	CAGR (2010-15)
Television	211	241	257	297	12%	341	399	455	533	630	16%
Print	160	172	175	193	6%	211	231	254	280	310	10%
Film	93	104	89	83	-3%	91	98	109	120	132	10%
Radio	7	8	8	10	11%	12	15	18	21	25	20%
Music	7	7	8	9	5%	9	11	13	16	19	17%
Out of Home	14	16	14	17	6%	19	22	24	27	30	12%
Animation and VFX	14	17	20	24	18%	28	33	40	47	56	19%
Gaming	4	7	8	10	32%	13	17	23	31	38	31%
Digital Advertising	4	6	8	10	39%	13	18	22	28	36	28%

COMPANY OVERVIEW

The company has taken on lease, various theatres in south India. It has tied up with Indian agent for acquiring content and screening rights for films at Domestic & International levels

a) Exhibition – Theatres:

We are operating Theatres in Southern India (Tamilnadu, Andhra & Karnataka). During the period under the consideration there were about 325 commercial movies released in Tamil, Telugu and Kannada released, but the success rate is only 10%.

We strived our best and with the experience and also systematic selection of content for our theatres, we are able to screen good content to our theatres to maximize the revenue.

The average occupancy rate is around 20% in the industry and it is our endeavor to increase it to 28 – 30% by selecting top content and also cooperating with the theatre owner's for the upkeep, maintenance and ambience of the theatres, so that the crowd is attracted towards our theatres and this will increase the average occupancy to the extent of 28 – 30% and make the theatres under our chain more profitable. We are doing our best to achieve the target.

b) Distribution:

In the distribution sector we are trying to lookout for the best content for Distribution at our theatres. We have accumulated to our library a good numbers of content which will be useful and handy for us when there is any shortage of content in the local market and also whenever there is need of gap program at our theatres these libraries will come in hand to fill up that gap.

Infrastructure:

Your company appoints various supervisors to supervise the theatres which are taken on lease. The company has necessary personnel to produce and distribute films.

Operations:

Your company's turnover during the year was Rs.585.83 Lakhs against Rs.1891.77 lakhs in the previous year. The company made a Loss of Rs.2,192.33 Lakhs as against a profit of Rs.4.30 lacks in the previous year.