

# **GV FILMS LIMITED**

*Where every dream, a dream come true*



*(A still from Rajni starring "Sivaji" jointly distributed by G.V. - Abhirami)*



*(A scene from soon to be released 'Urchagam' produced by the Company)*

**18<sup>th</sup> ANNUAL REPORT**  
**(2006-2007)**



Front view of Shanti-Kamala theatres at Tanjavur town converted into GV Studio City (multiplex with 5 screens)



The Gudiyatham Theatre Complex under G.V. Studio City Project (3 Screens)

## - *From Chairman's Desk*



Dear fellow members,

It is indeed my privilege to share with you certain golden memories and events that marked the turn-around story of the company during 2006-07. You all may appreciate under what trying circumstances, we stepped in as new promoters in 2003-04 and I am happy that we could not only pilot the company to safety from brink of disaster, but also achieve a real turnaround in the last 2 years, thanks to your absolute trust and confidence in us and in our ability to deliver.

There is a saying that 'fortune favours the brave' and how true it is! We took some bold decisions which fortunately proved to be right like soliciting your support for a rights issue in 2005 and again seeking funds thro GDR and FCCB by appealing to global investors and we are thankful for the overwhelming support, we received from all investors and this has been a catalyst in pepping up our performance levels.

Now let me explain the various initiatives undertaken in 2006-07 some of which will bear fruit in the years to come.

You all know that your company is substantially present in entire value chain in the movie industry from script to screening, concept to completion and broadly your company's activities were grouped in to 3 major divisions during last year as follows;

1. Production and distribution of films and tele-serials and content for television channels.
2. GV Studio city projects comprising multiplexes, themed hotels and shopping malls.
3. Webcasting division including film portals

During the year under review, your company has produced films in multi languages viz., Kai Vanda Kalai, Premichi Chudu (telugu), Matyacha Chuli (Marathi) and Thirudi. Your company also distributed in select parts of Tamil Nadu some super hit films like Vallavan, Vettaiyadu Vilayadu, Deepavali, Thamiraparani etc; there was good demand for our old films having residual rights. During the year under review. Your company has produced tele-serial 'Mayavi' aired in Jaya T.V. (Tamil) and Kairali T.V. (Malayalam) by successfully absorbing 3D technology first of its kind in India. Your company has promoted Tamil Box Office (TBO) in Singapore by joining hands with a local promoter and the channel is doing very well.

Your company has purchased a stand alone theatre with 3 screens in Gudiyatham, Vellore district having a seating capacity of 1200 and the theatre was opened for public viewing from 9<sup>th</sup> February 2007. Your company has taken initiative to implement our first GV Studio city project in Tanjore by converting our existing Shanti-Kamala complex into 5 screens. The renovation work is going on and renovated theatre is to likely be opened on 15<sup>th</sup> September 2007.

Your company has initiated a film portal under the name Filmsntv.com intended for Indian diaspora settled abroad and the portal is having excellent viewer response.

We have already signed up with popular star Mr. Madavan for 3 films to be produced in the current year.

Your company has tied up with Abhirami Theatres Ltd. to co-distribute mega films. Already our co-distribution of “Shivaji” is a run away success. Your company has signed up for films distribution like “Vel” starring Surya and Asin. We are producing animation film Om muruga a mythological theme and it will hit box office in April 2008.

Your company is in the process of freezing certain arrangements for telecast with Telugu channels like Gemini T.V. of mega serials having more than 250 episodes.

Your company is planning to execute 23 studio city projects in Tamilnadu \ Andhra in the next 5 years and the total investment planned is Rs.1000 crores.

Our web casting division will certainly generate huge revenues in the coming years as our investment in content creation over the years of 5500 films with internet rights and 8000 Hollywood films recently added to our library shall testify. Also we are in the process of identifying a strategic partner to anchor this division to great heights.

As can be seen from the above, we are in the rapid growth mode and it is an opportunity as well as a huge challenge before me and my board not only to sustain the achievements but also to exceed and excel by fixing all boosters to take G.V. Films to next orbit.

I always believe that ‘Man is made by his belief, As he believes so he is’ though it may sound a bit philosophical, but we need this sort of conviction, if we have to take company to greater heights.

Before I wind up I would like to say a few things on proposed de-merger. During the year under review, we have engaged Deloitte, Haskins & sells to study our company’s performance, activities, business plan and strategies and give us a report on re-structuring plan that is in the best interests of stake holders.

They have given a detailed presentation for re-vamping and re-structuring the business. One of the key suggestion made by them is to go in for de-merger by transferring assets and liabilities of theatre division and webcasting division to two new resulting companies and to retain production and distribution with the de-merged or parent company. They have also suggested certain re-organisation of capital, and write off of assets impaired inline with Indian accounting standards. Deloitte have also suggested share entitlement ratio of one share of Re.1 each in the two resultant companies for every 3 share of Rs.10 each held in G.V. Films Ltd. The de-merger is intended to enhance value to the share holders and make business solutions more meaningful.

The process of de-merger has been initiated and I will communicate with you on the same at the appropriate time.

Looking forward to your continuous support in all our endeavors.

Regards,

**Mahadevan Ganesh,  
Chairman**

Place : Chennai

Date : 16th August 2007

**GV FILMS LIMITED**

Regd. Office: *LVR Centre, III Floor, New No.7, Seshadri Road, Alwarpet, Chennai-600 018.*

**Eighteenth Annual Report**

**Board of Directors**

**Mr. MAHADEVAN GANESH**

**Mr. A. VENKATRAMANI**

**Mr. S.RAMANATHAN**

**Mr. P. RAGHURAMAN**

Director – Admin.

**Mr. R.GOPALAN**

**Ms. MANISHA KOIRALA**

**Company Secretary**

**Mr. P.THIRUMALAI KUMAR**

**Registered Office**

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

**Corporate office**

New No.4, Kasturirangan 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

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**NOTICE**

NOTICE is hereby given that the Eighteenth 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 **Monday, the 24<sup>th</sup> September 2007 at 11.00 a.m.** to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider, approve and adopt the Audited Balance Sheet as on 31<sup>st</sup> March 2007, the audited Profit and Loss Account for the year ended on that date, together with the reports of the Board of Directors and Auditors 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 a director in place of Mr. P.Raghuraman, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint auditors and fix their remuneration. (Mr.G.Parthasarathy, present auditor of the company being eligible offers himself for re-appointment.)

**SPECIAL BUSINESS**

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

**“RESOLVED THAT** pursuant to the applicable provisions of Companies Act,1956 read with Schedule XIII and the amendments made there in, the approval of the members of the Company be and is hereby accorded to the Board of Directors to revise the remuneration of Mr. P Raghuraman, Director -Admin from time to time 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.”

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

**MAHADEVAN GANESH**  
DIRECTOR

Place : Chennai

Date : 16<sup>th</sup> August 2007

**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 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 19<sup>th</sup> September 2007 to 24<sup>th</sup> September 2007 (Both days inclusive)** to ascertain the list of members for 18<sup>th</sup> 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 Directors 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. Venkatramani and Mr. P. Raghuraman (who are seeking re-appointment) are given below:-

<b>I.</b>	NAME	- <b>A.VENKATRAMANI</b>
	DATE OF BIRTH	- 7 <sup>th</sup> April 1958
	QUALIFICATION	- Graduate in commerce
	EXPERIENCE	- He is a promoter, Chairman & Managing Director of Kaashyap Technologies Ltd, Chennai. 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 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.
	OTHER DIRECTORSHIP	- M/s. Kaashyap Technologies Limited
	COMMITTEE MEMBERSHIP	- One
<b>II.</b>	NAME	- <b>P. RAGHURAMAN</b>
	DATE OF BIRTH	- 27 <sup>th</sup> November 1978
	QUALIFICATION	- Graduate in commerce
	EXPERIENCE	- Prior to joining he was the Director in Oneworld Media Network Infotainment Limited, Chennai. He has experience of over Eight years in handling administration, operation, HR and Finance.
	OTHER DIRECTORSHIP	- M/s. Digipolis (India) Limited M/s. GV Corporation Limited M/s. Honeybee Securities Limited M/s. GV Studio City Limited
	COMMITTEE MEMBERSHIP IN OTHER COMPANIES	- NIL

**EXPLANATORY STATEMENT****Under Section 173(2) of the Companies Act, 1956.****Item No. 2 & 3**

As per the provisions of Section 256 of the Companies Act, 1956, Mr.A.Venkatramani and Mr.P.Raghuraman are retiring by rotation and being eligible offer themselves 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.A.Venkatramani & Mr.P Raghuraman respectively.

**Item No.5**

Mr. P Raghuraman is the whole time director of the Company handling Administration and Human Resources. His remuneration was revised on 25<sup>th</sup> May 2006 by the Board (with effect from 1<sup>st</sup> April 2006) and approved by the members at the annual general meeting held on 11<sup>th</sup> July 2006. His remuneration is required to be revised and the Board is seeking approval of the Members to revise the same with in the provisions of Companies Act, 1956 subject to the report of Remuneration Committee. The necessary resolution mentioned in Item No.5 is required Member's consent.

Your directors recommend passing of this resolution.

None of the Directors are concerned or interested in the said resolution except Mr.P Raghuraman.

**DIRECTORS' REPORT**

To  
The Members,

Your Directors are pleased to present their 18<sup>th</sup> annual report on the business and operations of your Company for the year ended on 31<sup>st</sup> March 2007.

**Financial Results:**

(Rs. in Lakhs)

Particulars	Year ended 31.03.2007	Year ended 31.03.2006
Turnover	4411.68	1879.86
Profit Before Depreciation & Tax	2093.83	574.65
Less: Depreciation	48.94	9.01
Profit Before Tax	2044.88	565.63
Less: Provisions for tax	229.43	42.42
Less: Fringe Benefit Tax	18.88	7.26
Profit After Tax	1796.56	515.95
Add: Surplus b/f from previous year	842.88	326.93
Amount available for appropriation	2639.44	842.88

**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:**

Your directors are pleased to inform that the year under review was another eventful one and proved to be a real turn-around story. The company has produced during the year under review successful films like Kai Vantha Kalai, Preminichoodu (Telugu), Matichya Chooli (Marathi) and Thirudi. The company also produced 3D teleserial by name 'Mayavi', which was successfully aired in Jaya T.V and are on air in Kairali T.V. (Malayalam Channel). The company successfully distributed films like Vallavan, Vettaiyaduvilayadu, Thamiraparani, Mayakannadi etc in select parts of Tamilnadu. Also the company could during the current year exploit the residual rights of old film rights due to great demand.

The Tanjavur "Shanti-Kamla" theatres were closed during December 2006 for renovation into 5 screen multiplex. The renovated theatre complex is likely to reopen in middle of September 2007 for public viewing. During the year, the company purchased three theatres under one roof viz., "Ganga, Gowri, and Gayathri" at Gudiyatham and theatres were opened for public viewing from 9<sup>th</sup> February 2007. The theatres are running well and the public response is good.

**Recent initiatives which augurs well for future:**

The company has three major business segments viz Production including Tele-serials & Distribution of films, Web-casting business and GV Studio city projects consisting of Multiplexes, Themed hotels and Shopping malls.

**Production & Distribution of films:**

Recently the company has taken co-distribution of Superstar Rajinikant's film *SHIVAJI - The Boss* for Chennai city and the film is expected to do well at the box office. The in house production of the film "Urchagam" is completed and will be released shortly. The company has also signed up Mr. Madhavan a leading actor in Tamil for three films. A contract has been signed up with Aneez Basmi for a Hindi film. In the distribution front the Company is targeting big budget and successful movies like *SHIVAJI* in future to scale up its operations.

**Web-casting business:**

The Company has taken a lot of initiatives in the recent years to promote web-casting business in a big way. The Company has recently acquired 8000 film titles from Hollywood besides its existing library of over 5500 movies with exclusive internet rights. The Indian Diaspora of more than 20 millions is the target customers of the Company. The Company has started a portal [www.filmsntv.com](http://www.filmsntv.com) trying to promote as its own portal in a big way as it foresees huge potential in this trillion dollar business. Now we have great opportunity to exploit internet rights accumulated over the years.

**Tele-serials / Animation & Graphics:**

The company has successfully produced teleserial "Mayavi" by absorbing 3D technology. The company is now planning to dub it in other languages like Hindi and Telugu and telecast through various channels.

The tele serial MAYAVI has been nominated for entry in Special category in the Seoul Drama Award and is competing with four other nominations for the world over. The awards are expected to be announced during the end of August 2007 in Seoul

**GV Studio city projects:**

Apart from Gudiyattam and Thanjavur where the Company has its own multiplex theatres with state of art facilities like DTS digital etc. It is targeting places like Madurai, Coimbatore and Trichy as next destination for implementing its dream GV Studio City projects. The prime target of the Company is Tier II and Tier III cities in Tamilnadu & Andhra Pradesh and hope to implement in 23 cities within next 5 years.

**Future prospects & Outlook:**

The company has essentially three business divisions wherein risk and reward are all together different. Further their scale of investment, gestation period also varies. The company is keen to focus and promote each type of business as a stand alone project with commonality being growth potential. The company approached Deloitte Haskins and Sells to study our company's business activities and present report on restructuring plan.

The business structure of film production, distribution, exhibition and web-casting of your company will ensure that the company has assured revenue stream in the years to come. Recent reduction in the rate of entertainment tax by Tamil Nadu Government will also help the Industry for its robust growth.

**Utilisation of funds raised in GDR & FCCB issues:**

During the year, the company has raised USD 20.5 Millions by issue of Global Depository Receipts (GDR) and USD 8.36 Millions through issue of Foreign Currency Convertible Bonds(FCCB).The GDR and the FCCB of USD 4.50 millions are listed at the Luxembourg Stock Exchange. The funds raised through the issue are partly deployed for the purpose for which it was raised and the un-utilized funds are held as deposits with the bank as required under the Reserve Bank of India guidelines.

**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 Theatres, production floor, offices etc.

**Foreign Exchange Earnings and Outgoings:**

During the year under review, the foreign exchange earnings amounted to Rs.85,15,049/-and the foreign exchange out go amounted to Rs. 6,81,16,304/- 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. A. Venkatramani & Mr.P.Raghuraman will retire by rotation and being eligible, offer themselves for re-appointment.

Their re-appointment requires the approval of the members at the ensuing AGM. Necessary resolutions in this regard have been proposed. Your directors feel their continuance will be beneficial to the Company and therefore recommend their re-appointments.

**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.

With reference to points c & d of accounting policy and points 3 & 12 of notes to accounts, as referred to in Auditors Report (i.e. para vi), your Directors wish to state that 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 provisions of clause 49 of the listing agreement regarding the corporate governance. For fiscal 2007, the compliance report is provided in the Corporate Governance Report section of this Annual Report. The auditors' certificate on compliance with the mandatory requirements of provision of the clause 49 is annexed to this report.

We have documented our internal policies on corporate governance. In line with the provisions of clause 49, 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 31<sup>st</sup> March, 2007, 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 31<sup>st</sup> March, 2007 on a 'going concern' basis.

**Acknowledgement:**

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

**MAHADEVAN GANESH**  
CHAIRMAN

Place : Chennai

Date : 11<sup>th</sup> July 2007

## 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 lead 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 and exhibition. The film exhibition is done through multiplexes which also helps the Company in generating more revenue. 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 Telugu to be aired in prominent channels. The Company is following the principle 'Content is the core strength' 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 entertainment industry is today a sunrise industry with technological growth. It has become easier for even a common man to enjoy leisure and aspire for entertainment at doorsteps. The evolution of internet, Dvds, vcds, etc., mean even aged people can sit along with their grand children and enjoy a good film or a song. With the corporate culture the entertainment business is being accorded the status of an Industry and the Banks are willing to consider lending for the right projects.*

### **Strengths**

**GV is one of the first to enter this business as a corporate house and first public limited company who offered its shares to public.**

- 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 most of the players in 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.

### *(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 for watching movies in mega screen which is becoming a pleasurable experience.
- Television serials is another big opportunity as the Company has proved its expertise in that field and have been nominated for international awards

#### Threats

- Entertainment business weakening due to piracy and parallel import resulting in loss of revenues
- Bigger corporate players are entering the field.
- The conventional way of doing business by the un-organized sectors and larger transactions taking place through non-banking channels is an issue to be resolved

#### (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	F.Y.2006-07 (Rs. Lacs)	Percentage	F.Y.2005-06 (Rs. Lacs)	Percentage
1	Turnover from Film Division	4134.81	96.93	1651.16	81.77
2	Turnover from Theater Divison	130.82	3.07	209.03	11.23
3	Turnover from WebCasting	0.00	0.00	0.00	0.00
	<b>Total Income</b>	<b>4265.63</b>	<b>100.00</b>	<b>1860.19</b>	<b>100.00</b>

#### (iv) Outlook, risks and concerns

Over the last year, the Company has shown a progressive trend in performance recording higher income, profits, and expects the same to continue.

The future of the Indian Entertainment Industry looks very positive and we expect good growth in the film industry. The success rate of films in the current year is relatively higher and factors like reduced Entertainment Tax in Tamil Nadu and stern and effective steps taken by the Government to tackle the problem of video piracy have also helped the Film Industry to a very great extent. 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 shown an absolute three digit growth in percentage wise and this attributes to the concurrent performances all division, viz., production, distribution, exhibition, etc.

#### (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.

## CORPORATE GOVERNANCE

The Company submits its report on the matters mentioned in Clause 49 of the Listing Agreement with the Stock Exchanges as follows

### Company's Philosophy on Code of Governance

G V Film's philosophy on corporate governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations, and in all its interactions with its shareholders, employees, the government and lenders, film artists and other members of the film producer team.

G V Films is committed to achieving the highest standards of corporate governance.

G V Films believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value, over a sustained period of time.

The Company upholds its relationship with society and hence its social responsibility of environmental safety and human welfare.

### BOARD OF DIRECTORS

During the year 2006-2007, Composition and category of Directors were as follows:

Category	Name of the Director
Whole-Time Director	Mr. P. RAGHURAMAN
Non Executive Director	Mr. A.VENKATRAMANI Mr. MAHADEVAN GANESH
Non-Executive and Independent Director	Mr. S. RAMANATHAN Mr. R. GOPALAN Ms. MANISHA KOIRALA

Attendance of each Director at the 19 Board Meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/Membership of Committee of each Director in various Companies :

Name of the Director	Attendance Particulars		Number of directorship and committee member/chairmanship of other company		
	Board Meeting	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Mahadevan Ganesh	12	YES	3	1	—
A.Venkatramani	15	YES	1	2	—
P.Raghuraman	18	YES	4	—	—
R.Gopalan	16	YES	0	—	—
S.Ramanathan	18	YES	1	—	—
Manisha Koirala	00	NO	1	—	—

### **Number of Board Meetings held and the dates on which held.**

19 Board Meetings were held during the year on the following dates:

20-04-2006, 28-04-2006, 25-05-2006, 08-06-2006, 17-06-2006, 26-06-2006, 19-07-2006, 31-07-2006, 30-08-2006, 04-09-2006, 22-09-2006, 06-10-2006, 23-10-2006, 31-10-2006, 23-12-2006, 26-12-2006, 30-01-2007, 12-02-2007 and 16.03.2007

### **Profiles of Directors retiring by rotation/reappointed/appointed at the Annual General meeting.**

At the ensuing Annual General Meeting Mr.A.Venkatramani and Mr.P.Raghuraman, retire by rotation and being eligible, offer themselves for reappointment. Pursuant to Clause 49(IV)(G)of the Listing Agreements relating to Code of Corporate Governance, particulars of the aforesaid directors are given below:-



1. NAME - **A. VENKATRAMANI**
- DATE OF BIRTH - 7<sup>th</sup> April 1958
- QUALIFICATION - Graduate in commerce
- EXPERIENCE - He is a promoter and Chairman and Managing Director of Kaashyap Technologies Ltd. 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 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.
- OTHER DIRECTORSHIP - M/s. Kaashyap Technologies Limited
- COMMITTEE MEMBERSHIP - NIL
2. NAME - **P. RAGHURAMAN**
- DATE OF BIRTH - 27<sup>th</sup> November 1978
- QUALIFICATION - Graduate in commerce
- EXPERIENCE - Prior to joining he was the Director in Oneworld Media Network Infotainment Limited, Chennai. He has experience over five years in handling administration, operation, HR and Finance.
- OTHER DIRECTORSHIP - M/s. Digi-Polis Limited  
M/s. GV Corporation Limited  
M/s. Honeybee Securities Limited  
M/s. GV Studio City Limited
- COMMITTEE MEMBERSHIP IN OTHER COMPANIES - NIL

#### AUDIT COMMITTEE

Pursuant to the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreements, the Company has an Audit Committee comprising of two independent Non-Executive Directors and one Non-executive Director Viz., Mr.S Ramanathan as Chairman, Mr. Gopalan and Mr.A.Venkatramani, as members. The Audit Committee has met four times on 28.04.2006, 31.07.2006, 31.10.2006 and 30.01.2007 during the financial year under review.

The Committee is vested with following powers as per the terms of reference as prescribed under relevant provisions Section 292A of the Companies Act, 1956 and Listing agreements of Stock Exchanges

Mr. P Thirumalai Kumar, Company Secretary acts as Secretary of the Audit Committee.

#### Powers:

The Audit Committee is empowered, pursuant to its terms of reference, to

- investigate any activity within its terms of reference.
- seek information from any employee.
- obtain outside legal and other professional information.
- secure attendance of outsiders with relevant expertise, if it consider necessary

#### Terms of Reference:

- a. Overview of the Company's financial reporting process and the disclosure of its financial information.
- b. Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- c. Reviewing with management the annual financial statements before submission to the board, focusing primarily on (i) any changes in accounting policies and practices, (ii) major accounting entries based on exercise of judgment by management, (iii) qualifications in draft audit report, (iv) significant adjustments arising out of audit, (v) the going concern assumption, (vi) compliance with accounting standards, (vii) compliance with Stock Exchange and legal

requirements concerning financial statements and (viii) any related party transactions i.e., transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of Company at large.

- d. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- e. Reviewing the adequacy of internal audit functions.
- f. Discussion with internal auditors any significant findings and follow up there on.
- g. Reviewing the findings of any internal investigations by the internal auditors into 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.
- h. Discussion with external auditors before the audit commences nature and scope of audit as well as to have post-audit discussion to ascertain any area of concern.
- i. Reviewing the company's financial and risk management policies.
- j. To look into the reasons for substantial defaults in the payment to the shareholders (in case of non-payment of declared dividends) and creditors.

### **SUBSIDIARY COMPANY**

The company does not have any subsidiary company.

### **Shareholders'/Investors' Grievance Committee**

The Committee consists of Mr. Mahadevan Ganesh, Mr. R. Gopalan and Mr. S. Ramanathan and Committee oversees and reviews all matters connected with the securities transfers.

Mr. P. Thirumalai Kumar, Company Secretary acts as Secretary of the Committee.

The committee also looks into redressing of shareholders' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc. The Committee oversees the performance of the Registrar and Transfer Agents and recommends measures for overall improvement in the quality of investor services. The Board of Directors has delegated the power of approving transfer of securities to the Share Transfer Committee.

The total number of complaints which were received and replied to the satisfaction of shareholders during the year under review was -79. Outstanding complaints as on 31<sup>st</sup> March, 2007 were NIL and NIL requests for dematerialization were pending for approval as on 31<sup>st</sup> March, 2007.

### **Remuneration of Directors**

#### **Details of Remuneration of the Directors for the financial year ended 31<sup>st</sup> March, 2007.**

Director	Consolidated Salary (Rs.)	Perquisites and other Benefits (Rs.)	Performance Bonus/Commission (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
Mahadevan Ganesh	Nil	Nil	Nil	30,000	30,000
P. Raghuraman	2,40,000	2,41,000	Nil	N.A.	4,81,000
A. Venkatramani	Nil	Nil	Nil	37,500	37,500
S. Ramanathan	Nil	Nil	Nil	45,000	45,000
R. Gopalan	Nil	Nil	Nil	40,000	40,000
Manisha Koirala	Nil	Nil	Nil	Nil	Nil

Details of remuneration paid to the executive director during the year:

#### **Mr.P.Raghuraman**

##### **Salary**

Basic Pay Rs. 20000 p.m.

House Rent Allowance Rs.6000 p.m

Other Allowances Rs.9500 p.m

**Perquisites**

Medical Reimbursement for self and family for a sum not exceeding Rs 15,000 per year.

**Retirement Benefits**

Provident fund and Gratuity as per the rules of the Company from time to time.

**Leave Travel Allowance**

For self and family A sum not exceeding Rs 40,000.

The Company has not provided for any performance linked incentive or Stock Option or Convertible Instruments to the Directors of the Company.

**DISCLOSURES****CODE OF CONDUCT**

The Board of Directors has laid down code of conduct for Directors and Senior Management personnel. A copy of the Code of Conduct is available on the web site of the company [www.gvfilms.com](http://www.gvfilms.com). All the Board of Directors and Senior Management personnel have affirmed the compliance with the Code of Conduct

- The necessary disclosures regarding the transactions with Related Parties are given in the notes to the Accounts. None of these transactions have potential conflict with the interest of the Company in large.
- The company has followed the guidelines of Accounting standards laid down by the Institute of Chartered Accountant of India (ICAI) in preparations of its financial statements.
- The company has complied with the requirement of regulatory authorities on capital markets and no penalties/ strictures have been imposed against it in the last three years on any related to Capital Markets.
- The company does not have Whistle Blower policy. However no personnel has been denied access to the Audit Committee of the Company.
- The Company has adopted procedures for Risk Assessment & Minimization.
- The company has complied with all mandatory requirements of the Clause -49 of the Listing Agreement and the Non – Mandatory requirements.

**MEANS OF COMMUNICATION**

The Half-Yearly and Quarterly results are published in the Trinity Mirror and Makkal Kural.

The above results are also hosted on the company website [www.gvfilms.com](http://www.gvfilms.com).

Management discussion and analysis has been made a part of the annual report.

**GENERAL BODY MEETINGS**

Location and time for last Annual General Meetings.

Year	AGM	Location	Date	Time
2001-02	AGM	Kumararaja M.A.M. Muthaiah Hall, Thandavarayan Street, R.A. Puram, Chennai-28.	27.09.2002	10.15 A.M.
2002-03	AGM	Vidyodaya Schools Auditorium 1, Thirumalai Pillai Road T. Nagar, Chennai - 17.	27-02-2004	2.00 P.M.
2002-03	Adjourned 14 <sup>th</sup> AGM	Same as above	09.06.2004	10.30 A.M.
2003-04	AGM	Same as above	09.06.2004	11.30 A.M.
2003-04	Adjourned 14 <sup>th</sup> AGM	Same as above	30.12.2004	11.00 A.M.
2004-05	AGM	Same as above	23.11.2005	11.30 A.M.
2005-06	AGM	New Woodlands Hotel (P) Ltd, 72-75, Dr. Radhakrishnan Salai, Mylapore, Chennai - 600 004.	11.07.2006	11.00 A.M.

A Special Resolution under section 16 & 17 for alteration of Object clause of the Memorandum requiring a postal ballot under Section 192-A of the Companies Act, 1956, was passed through postal ballot

Total Postal ballot forms Received : 22  
 Total Invalid Postal ballot forms : Nil  
 Total Postal ballot forms with assent for the resolution : 22

Out of total valid 22 forms consisting of 14,14,73,560 equity votes, 22 forms consisting of 14,14,73,560 equity votes representing 100% of the valid votes in favor of the resolution. Accordingly, based on the report of the scrutinizer, the resolution was declared passed on 11<sup>th</sup> July, 2006.

**GENERAL SHAREHOLDERS INFORMATION**

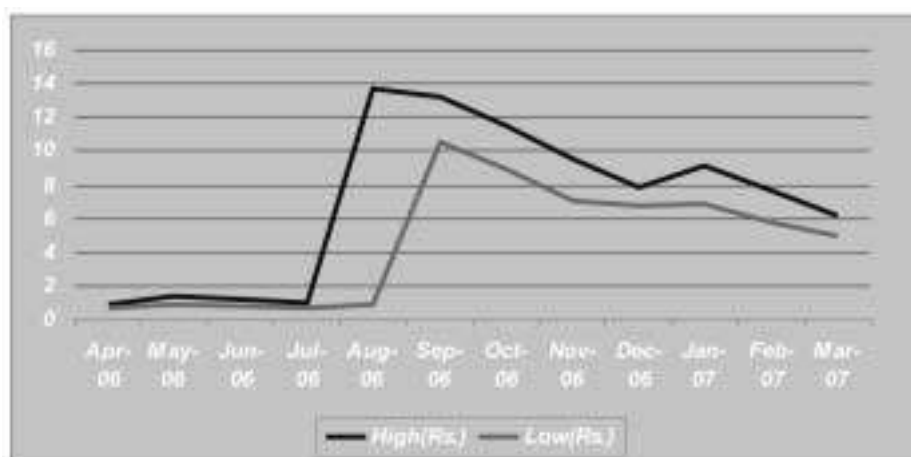
Sl. No.	Particulars	Description
1	<b>Financial Calendar</b>	Year Ended March 31, 2007
2	<b>Book Closure Date</b>	19 <sup>th</sup> September 2007 to 24 <sup>th</sup> September 2007 (Both days inclusive)
3	<b>Listed Stock Exchange</b>	The Madras Stock Exchange Ltd, Chennai The Bombay Stock Exchange Ltd, Mumbai The Hyderabad Stock Exchange, Hyderabad
4	<b>Registrar &amp; Transfer Agents</b> (share transfer and communication regarding share certificates and change of address)	<b>M/s. Cameo Corporate Services Ltd</b> Unit: <i>GV Films Ltd.</i> V Floor, Subramanian Building. No.1, Club House Road.Chennai-600 002. Tel : (044) 28460390/391 Fax No. (044) 28460129 E-mail : cameo@cameoindia.com Website : www.cameoindia.com
5	<b>Share Transfer System</b>	Presently, the share transfers which are received in physical form are processed and the share certificates returned within a period of 15 to 20 days from the date of receipt, subject to the documents being valid and complete in all respects. In case the transferee does not wish to dematerialize the shares, the Company will dispatch the share Certificates.
6	<b>Dividend Payment Date</b>	No dividend is declared
7	<b>Stock Code</b>	Scrip Name : GVFL Scrip Code : 523277
8	<b>Market Price data</b>	Annexed
9	<b>Address for Correspondence</b>	No. 4, Seshadri Road, Alwarpet, Chennai – 600 018, Tamil Nadu. Phone No. : (044) 24990830/40. Fax No. : (044) 42101785 E-mail : gvfilms@vsnl.com
10.	<b>ISIN</b>	INE395B01030
11.	<b>Theatres Located at</b>	Shanti & Kamala Theaters, Tanjavur. Ganga, Gouri, Gayathri Theaters, Gudiatham
12.	<b>AGM</b>	18 <sup>th</sup> Annual General Meeting-
13.	<b>Quarterly Results (Tentative)</b> For the Quarter ending 30 <sup>th</sup> June 2007 For the Quarter ending 30 <sup>th</sup> September 2007 For the Quarter ending 31 <sup>st</sup> December 2007 For the Quarter ending 31 <sup>st</sup> March 2008	11th July 2007 Last Week of October 2007 Last Week of January 2008 Last Week of April 2008.

Sl. No.	Particulars	Description
14.	<b>Dematerialization of Shares</b>	About 98.43% of the outstanding shares have been dematerialised as on 31 <sup>st</sup> March 2007. Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f 25 <sup>th</sup> September 2000 as per notification issued by the Securities and Exchange Board Of India.(SEBI).
15.	<b>Any query on Annual Report</b>	M/s. G.V. Films Limited Secretarial Department "LVR Centre" No. 4, Seshadri Road, Alwarpet, Chennai – 600 018. Phone No. : (044) 24990830, 24990840 Fax No. : (044) 42101785 Email : gvfilms@vsnl.com
16.	<b>For Investor Correspondence</b>	<b>M/s. Cameo Corporate Services Ltd</b> Unit: <i>GV Films Ltd.</i> V Floor, Subramanian Building No.1, Club House Road, Chennai - 600 002. Tel : (044) 28460390/391

#### V. CEO/CFO CERTIFICATION

A certificate from the Chief Executive Officer on the financial statements of the Company was placed before the board.

#### Stock Market Data:



#### High & Low price in Bombay Stock Exchange from April 2006 to March 2007

Months	Mumbai Stock Exchange High(Rs.)	Low(Rs.)
April 2006	0.90	0.68
May 2006	1.43	0.90
June 2006	1.18	0.81
July 2006	1.04	0.72
August 2006	13.74	0.88
September 2006 **	13.25	10.52
October 2006	11.49	8.93
November 2006	9.50	7.10
December 2006	7.82	6.80
January 2007	9.15	6.85
February 2007	7.62	5.81
March 2007	6.20	4.97

\*\* The face value of the Equity Shares of the Company was changed into Rs.10/- each by consolidating 10 equity shares of Re.1/- each on 23<sup>rd</sup> August 2006 (the Record date).

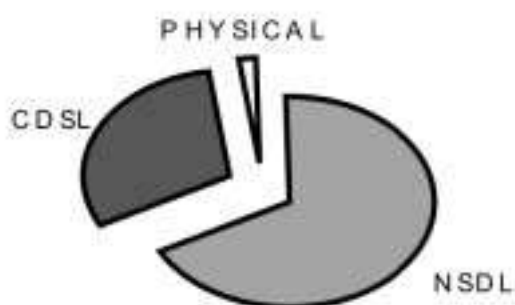
There was no trading at MSE & HSE during the Year 2005-06.

**Distribution of Shareholding as on 31<sup>st</sup> March 2007**

Shareholding Rs.	Shareholders		Share Amount	
	Nos.	% of Total	Amounts in Rs.	% of Total
Upto - 5000	56997	67.8358	117828610	6.2601
5001 – 10,000	11961	14.2355	104181520	5.5351
10,001 – 20,000	6804	8.0978	108914980	5.7866
20,001 – 30,000	2652	3.1563	68941190	3.6628
30,001 – 40,000	1222	1.4543	44624310	2.3709
40,001 – 50,000	1190	1.4162	57279410	3.0432
50,001 – 1,00,000	1765	2.1006	134755960	7.1595
1,00,001 and above	1431	1.7031	1245674020	66.1818
<b>Total</b>	<b>84022</b>	<b>100.00</b>	<b>1882200000</b>	<b>100.00</b>

**Dematerialization of shares and liquidity :**

185269246 Equity shares of Rs.10 each are under demat form constituting 98.57% of the paid up equity as on 31<sup>st</sup> March 2007 the shares are actively traded and liquid at Bombay Stock Exchange Limited.



	No. of Shares
NSDL	126149030
CDSL	59120216
PHYSICAL	2950754
<b>TOTAL</b>	<b>188220000</b>

## STATEMENT SHOWING SHAREHOLDING PATTERN

Name of the Company : G. V. FILMS LIMITED

Scrip Code : 523277

As on 31st March 2007

Category Code	Category of Shareholders	Number of Shareholders	Total Number of Shares	Number of Shares in dematerialised form	Total Shareholding as a percentage of total number of shares	
					As a percentage of (A+B)	As a percentage of (A+B+C)
<b>(A)</b>	<b>SHAREHOLDING OF PROMOTER AND PROMOTER GROUP</b>					
<b>(1)</b>	<b>Indian</b>					
(a)	Individuals / Hindu undivided family	2*	13577098	12577098	8.54	7.21
(b)	Central government / State government(s)	0	0	0	0.00	0.00
(c)	Bodies Corporate	0	0	0	0.00	0.00
(d)	Financial Institutions / Banks	0	0	0	0.00	0.00
(e)	Any Other (Specify)	0	0	0	0.00	0.00
	<b>Sub - Total (A)(1)</b>	<b>2*</b>	<b>13577098</b>	<b>12577098</b>	<b>8.54</b>	<b>7.21</b>
<b>(2)</b>	<b>Foreign</b>					
(a)	Individual (Non Resident Individuals / Foreign Individuals)	0	0	0	0.00	0.00
(b)	Bodies Corporate	0	0	0	0.00	0.00
(c)	Institutions	0	0	0	0.00	0.00
(d)	Any Other (Specify)	0	0	0	0.00	0.00
	<b>Sub - Total (A)(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
	<b>Total shareholding of promoter and promoter group (A)=(A)(1)+(A)(2)</b>	<b>2*</b>	<b>13577098</b>	<b>12577098</b>	<b>8.54</b>	<b>7.21</b>
<b>(B)</b>	<b>Public Shareholdings</b>					
<b>(1)</b>	<b>Institutions</b>					
(a)	Mutual Funds / UTI	0	0	0	0.00	0.00
(b)	Financial Institutions	4	697400	697300	0.44	0.37
(c)	Central government / State government(s)	0	0	0	0.00	0.00

Category Code	Category of Shareholders	Number of Shareholders	Total Number of Shares	Number of Shares in dematerialised form	Total Shareholding as a percentage of total number of shares	
					As a percentage of (A+B)	As a percentage of (A+B+C)
(d)	Venture Capital Funds	0	0	0	0.00	0.00
(e)	Insurance Companies	0	0	0	0.00	0.00
(f)	Foreign Institutional Investors	7	22943346	22943346	14.43	12.19
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0.00
	<b>Sub - Total (B)(1)</b>	<b>11</b>	<b>23640746</b>	<b>23640646</b>	<b>14.87</b>	<b>12.56</b>
<b>(2)</b>	<b>Non - Institutions</b>					
(a)	Bodies Corporate	1084	19299238	19299238	12.14	10.25
(b)	Individuals - i. Individual shareholders holding Nominal Share Capital up to Rs. 1 lakh	81615	61689219	60031826	38.79	32.78
	ii. Individual share holders holding Nominal Share Capital in excess of Rs. 1 lakh	1224	39017417	38985417	24.53	20.73
(c)	Any Other Clearing Members	81	1807382	1807382	1.13	0.96
	<b>Sub - Total (B)(2)</b>	<b>84004</b>	<b>121813256</b>	<b>120123863</b>	<b>76.59</b>	<b>64.72</b>
	<b>Total Public Shareholding (B) = (B)(1)+(B)(2)</b>	<b>84015</b>	<b>145454002</b>	<b>143764509</b>	<b>91.46</b>	<b>77.28</b>
	<b>Total (A)+(B)</b>	<b>84017</b>	<b>159031100</b>	<b>156341607</b>	<b>100</b>	<b>84.49</b>
<b>(C)</b>	<b>Shares held by custodians and against which Depository Receipts have been issued</b>	1	29188900	29188900	0.00	15.51
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>84018</b>	<b>188220000</b>	<b>185530507</b>	<b>100</b>	<b>100</b>

\* 2 Shareholders having Three Folio Numbers each



**CERTIFICATION BY CHIEF EXECUTIVE OFFICER OF M/s G.V. FILMS LIMITED**

I, Mr. P. Raghuraman, Chief Executive Officer of **M/s G.V. FILMS LIMITED** (the Company), to the best of my knowledge and belief certify that:-

1. I have reviewed the Balance Sheet and Profit and Loss Account and all its Schedules and Notes on Accounts, as well as the Cash Flow Statement and Director's Report.
  - a. Based on my knowledge and information, these statements do not contain any untrue statement of a material fact or omit any material fact or contain statements that might be misleading.
  - b. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. I also certify, that based on my knowledge and the information provided to me, there are no transactions entered into by M/s G.V. Films Ltd., which are fraudulent, illegal or in violation of the Company's Code of Conduct.
3. I am responsible for establishing and maintaining internal controls and procedures for the Company pertaining to financial reporting and I have evaluated the effectiveness of these procedures in M/s G.V. Films Ltd. I disclosed to the auditors and the Audit Committee, deficiencies, if any, in the design or operation of such internal controls, of which I am aware and the steps that we have taken or propose to take to rectify these deficiencies.
4. I have disclosed, based on our most recent evaluation, wherever applicable, to the Company's auditors and the Audit Committee of the Company's Board of Directors:-
  - a. Significant changes in internal controls during the year;
  - b. Significant changes in accounting policies during the year and that the same have been disclosed in the Notes to the financial statements; and
  - c. Instances, if any, of significant fraud of which we have become aware and the Involvement therein, if any, of the Management or an employee having a significant role in the Company's internal control system.
5. I affirm that we have not denied any personnel, access to the Audit Committee of the Company (in respect of matters involving misconduct, if any).
6. I further declare that all the Board members and Senior Management have affirmed compliance with the Code of Conduct for the current year.

**P. RAGHURAMAN**

Chief Executive Officer / Director - Admin.

Chennai

11<sup>th</sup> July 2007

**DECLARATION OF CODE OF CONDUCT**

To  
The members of M/s GV Films Limited

This is to confirm that the board has laid down a code of conduct for all Board members and senior management of the Company. The code of conduct has also been posted on the web site of the Company.

It is further confirmed that all the directors and senior management personnel of the Company have affirmed compliance with the code of conduct of the company for the year ended 31<sup>st</sup> March 2007, as envisaged in clause 49 of the Listing Agreement with Stock Exchange.

**P. RAGHURAMAN**  
Director - Admin.

Chennai  
11<sup>th</sup> July 2007

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**COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE**

To  
The Members of *M/s. GV Films Ltd,*  
Chennai

I have examined the compliance of the conditions of Corporate Governance by M/s. GV Films Ltd for the year ended 31<sup>st</sup> March 2007 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the Company.

In my opinion and to the best of my information and explanations given to us, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

I state that generally no investor grievances are pending for a period of exceeding one month against the Company as per the records maintained by the Company.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company

**G. Parthasarathy**  
**Chartered Accountant**

Place : Chennai  
Date : 11<sup>th</sup> July 2007

**AUDITOR'S REPORT**

To  
The Shareholders

I have audited the attached Balance Sheet of **G V FILMS LIMITED** as at 31st March 2007 and Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I have conducted my audit in accordance with auditing standards generally accepted in India. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

- I. As required by the Companies (Auditor's Report) Order, 2003 (CARO, 2003) issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, I enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- II. Further to my comments in the Annexure referred to in paragraph I above, I report that:
- (i) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of my audit;
  - (ii) In my opinion, proper books of accounts as required by law have been kept by the company so far as appears from my examination of those books;
  - (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - (iv) In my opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the directors, as on 31st March 2007, and taken on record by the Board of Directors, I report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - (vi) In my opinion and to the best of my information and according to the explanations given to me and **subject to points c & d of accounting policy and points 3 & 12 of notes to accounts** the said Balance Sheet and Profit and Loss account read together with the schedules and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India .
    - a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2007;
    - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - c) in the case of the Cash Flow Statement, of the Cash Flows of the Company for the year ended on that date.

Chennai  
11<sup>th</sup> July 2007

**G. PARTHASARATHY**  
Chartered Accountant  
Membership No. 20106

**ANNEXURE REFERRED TO IN PARAGRAPH I OF THE REPORT OF EVEN DATE OF THE AUDITORS TO THE MEMBERS OF GV FILMS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2007.**

1. Fixed Assets accounting and verification

- a) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
- b) All the fixed assets have been physically verified by the management once during the year, which in my opinion is reasonable having regard to the size of the company and nature of its business. No material discrepancy was noticed on such verification.
- c) The Company has not disposed off any part of its fixed assets during the year.

2. Inventory verification

The Company is principally engaged in the production, distribution and exhibition 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. Inventories in the books represent picture rights and Internet film rights.

3. Loans to and from Companies etc with interested Directors

- a) The Company has not granted any loans, secured or unsecured during the year to Companies listed in the Register maintained under Section 301 of the Companies Act, 1956.
- b) The Company has not taken any loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.

4. Internal Control Procedures

In my opinion and according to the information and explanations given to me, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of fixed assets and purchase and sale of goods. During the course of audit, I have not observed any continuing failure to correct major weaknesses in internal controls.

5. Transactions under section 301

- a) According to the information and explanations given to me, I am of the opinion that the transactions that need to be entered into the Register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In my opinion and according to the information and explanations given to me in respect of services and sales made in pursuance of contracts or agreements entered in the registers maintained under section 301 of the Companies Act 1956 and aggregating during the period to Rs. 5,00,000/- or more made in respect of each party, the prices for such services and sales are reasonable having regard to the nature of services rendered.

6. Deposits from Public

The Company has not accepted any deposits from the public under section 58A of the Companies Act.

7. Internal audit System

The Company has adequate internal audit system commensurate with its size.

8. Cost Records

The Provision of Section 209(1)(d) of the companies Act, 1956 regarding maintenance of Cost Records is not applicable to the company.

9. Remittance of undisputed taxes

- a) According to the information and explanations given to me, no undisputed amounts payable in respect of sales tax or income-tax, were in arrears as at 31st March, 2007 for a period of more than six months from the date they became payable
- b) The Company has been generally regular in depositing with the appropriate authorities dues on account of Provident Fund and Employees State Insurance. Amount involved in appeal in respect of Sales Tax is Rs.11.86 lakhs, the appeal is pending before the Appellate Assistant Commissioner.

10. Accumulated Losses

The Company has no accumulated losses. Hence clause (x) of paragraph 4 of the CARO (2003) is not applicable.

11. Loans from Institutions

The Company has not borrowed from bank or financial institutions during the year. Hence clause (xi) of paragraph 4 of CARO (2003) is not applicable.

12. Granting Loans on the pledge of Securities

The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly clause (xii) of CARO (2003) is not applicable.

13. Chit, Nidhi or Mutual Fund

The Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore the provisions of clause (xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the company.

14. Trading in Shares / Investments

The Company has not dealt in trading in shares and other investments during the year under review. Accordingly Clause (xiv) of the CARO 2003 is not applicable to the company.

15. Guarantees to Institutions on behalf of others

According to the information and explanations given to me, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly clause (xv) of the Order is not applicable.

16. Utilisation of Funds raised

The company had raised funds through Global Depository Receipts and by issue of Foreign Currency Convertible Bonds in Foreign Currency. The funds were partly applied for the purpose for which it was raised and the un-utilized funds are kept in the account as per RBI regulations. The company has ear marked the residual funds for the project in progress.

The management has disclosed the end use of money so raised and the same has been verified.

17. Short term Funds

According to the information and explanations given to me and on an overall examination of the balance sheet of the company, the company has not raised any funds on short-term basis. Accordingly clause (xvii) of the order is not applicable.

18. Allotment of shares on preferential basis to parties / companies covered by section 301

The Company has not made any preferential allotment of shares to any parties or companies. Accordingly clause 4(xviii) of the order is not applicable.

19. Issue of debentures

The company has not issued any debenture during the period covered by my audit. Accordingly clause 4(xix) of the order is not applicable.

20. Public issue

The company has raised USD 20.5 million by issue of Global Depository Receipts to the Investors and a further USD 4.50 million by issue of Foreign Currency Convertible Bonds. Further the Company issued Convertible Bonds of Euro 9 million on which Euro 3.06 million is paid up.

21. Frauds

According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

Chennai  
11<sup>th</sup> July 2007

**G. PARTHASARATHY**  
Chartered Accountant  
Membership No. 20106

## GV FILMS LIMITED

Regd. Office : LVR Centre, III Floor, No.7, Seshadri Road, Alwarpet, Chennai-600 018.

## BALANCE SHEET AS AT 31ST MARCH 2007

PARTICULARS	Sch.	As at 31-03-2007		As at 31-03-2006	
		Rs.	Rs.	Rs.	Rs.
<b>SOURCES OF FUNDS</b>					
<i>SHAREHOLDERS' FUNDS</i>					
Share Capital	1	1,88,22,00,000		98,17,50,000	
Reserves & Surplus	2	1,15,74,90,571	3,03,96,90,571	95,08,21,808	1,93,25,71,808
Deferred Tax			5,05,814		5,05,814
<i>LOAN FUNDS</i>					
Secured Loans	3		1,47,74,376		67,23,186
Unsecured Loans	4		37,65,02,100		57,39,500
Total			<b>3,43,14,72,861</b>		<b>1,94,55,40,308</b>
<b>APPLICATIONS OF FUNDS</b>					
<i>FIXED ASSETS</i>					
Gross Block	5	1,64,70,74,035		1,41,97,20,977	
Less: Depreciation		1,97,19,481		1,48,24,787	
Net Block			1,62,73,54,554		1,40,48,96,190
<i>INVESTMENTS</i>					
	6		1,96,496		1,96,496
<i>CURRENT ASSETS, LOANS &amp; ADVANCES</i>					
Current Assets					
(a) Inventories	7	31,01,69,940		30,98,60,757	
(b) Sundry Debtors	8	22,35,44,213		13,16,77,934	
(c) Cash & Bank balances	9	68,01,69,326		4,21,21,418	
(d) Loans & Advances	10	56,74,51,340		6,06,00,377	
			1,78,13,34,819		54,42,60,486
<i>Less: CURRENT LIABILITIES &amp; PROVISIONS</i>	11	8,04,05,572		7,18,73,088	
Net Current Assets			1,70,09,29,247		47,23,87,398
<b>MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF / ADJUSTED</b>					
Capital Issue Expenditure	12		10,29,92,566		6,80,60,223
Total			<b>3,43,14,72,861</b>		<b>1,94,55,40,308</b>

As per our report of even date

Sd/-  
**MAHADEVAN GANESH**  
DIRECTORSd/-  
**A. VENKATRAMANI**  
DIRECTORSd/-  
**P. RAGHURAMAN**  
DIRECTOR - ADMIN.Sd/-  
**P. THIRUMALAI KUMAR**  
COMPANY SECRETARYSd/-  
**G. PARTHASARATHY**  
CHARTERED ACCOUNTANTChennai  
11-07-2007

## GV FILMS LIMITED

Regd. Office : LVR Centre, III Floor, No.7, Seshadri Road, Alwarpet, Chennai-600 018.

## PROFIT &amp; LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

PARTICULARS	Sch.	As at 31-03-2007		Year Ended 31-03-2006	
		Rs.	Rs.	Rs.	Rs.
<b>INCOME</b>					
Operating Income	13	42,65,63,766		18,60,19,342	
Other Income	14	1,46,04,628		19,67,032	
			<b>44,11,68,394</b>		<b>18,79,86,374</b>
<b>EXPENDITURE</b>					
Operating Expenses	15	16,03,09,801		11,71,25,712	
Administrative & Other Expenses	16	6,66,04,402		1,33,00,089	
Finance Charges		48,71,134		95,000	
Depreciation	5	48,94,694		9,01,839	
			<b>23,66,80,030</b>		<b>13,14,22,640</b>
<b>Profit before Tax</b>			<b>20,44,88,363</b>		<b>5,65,63,734</b>
Less: Provision for MAT			2,29,43,594		42,42,280
Less: Fringe Benefit Tax			18,88,505		7,26,872
<b>Profit after Tax</b>			<b>17,96,56,264</b>		<b>5,15,94,582</b>
Add: Profit b/fd from Previous Year			8,42,88,341		3,26,93,759
Amount available for appropriation			26,39,44,605		8,42,88,341
Surplus/(Deficit) carried to Balance Sheet			26,39,44,605		8,42,88,341

As per our report of even date

Sd/-  
MAHADEVAN GANESH  
DIRECTORSd/-  
A. VENKATRAMANI  
DIRECTORSd/-  
P. RAGHURAMAN  
DIRECTOR - ADMIN.Sd/-  
P. THIRUMALAI KUMAR  
COMPANY SECRETARYSd/-  
G. PARTHASARATHY  
CHARTERED ACCOUNTANTChennai  
11-07-2007

## GV FILMS LIMITED

## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	As at 31st March 2007		As at 31st March 2006	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 1: SHARE CAPITAL</b>				
<b>Authorised Share Capital</b>				
200,00,00,000 Equity Shares of Rs.10/- each (Previous year 100,00,00,000 Equity Shares of Re.1/- each)		20,00,00,00,000		1,00,00,00,000
<b>Issued, Subscribed and Paid up Share Capital</b>				
18,82,20,000 Equity Shares of Rs.10/- each [ refer Schedule 17 (B)(2) ]		<b>1,88,22,00,000</b>		<b>98,17,50,000</b>
<b>SCHEDULE 2: RESERVES &amp; SURPLUS</b>				
<b>General Reserves</b>				
Profit & Loss Account	7,15,33,466		7,15,33,466	
	26,39,44,605		8,42,88,342	
	33,54,78,071		15,58,21,808	
<b>Share Premium</b>	82,20,12,500	<b>1,15,74,90,571</b>	79,50,00,000	<b>95,08,21,808</b>
<b>SCHEDULE 3: SECURED LOANS</b>				
Vehicle Loans	84,34,376		3,83,186	
Others	63,40,000		63,40,000	
		<b>1,47,74,376</b>		<b>67,23,186</b>
<b>SCHEDULE 4: UNSECURED LOANS</b>				
- From Individuals	57,39,500		57,39,500	
- FCCB Issue	37,07,62,600			
		<b>37,65,02,100</b>		<b>57,39,500</b>



## GV FILMS LIMITED

## SCHEDULE 5: FIXED ASSETS (for the year ended 31.03.2007)

ASSET	COST				DEPRECIATION				NET BLOCK	
	As on 01.04.2006 Rs.	Additions during the year Rs.	Deletions Rs.	As on 31.03.2007 Rs.	As on 01.04.2006 Rs.	For the year Rs.	on Deletions Rs.	As on 31.03.2007 Rs.	As on 31st March 2007 Rs.	As on 31st March 2006 Rs.
Goodwill	30,50,00,000			30,50,00,000					30,50,00,000	30,50,00,000
Land	1,47,01,115	2,42,46,159		3,89,47,274					3,89,47,274	1,47,01,115
Buildings	1,03,02,156	1,17,23,428		2,20,25,584	69,71,389	7,15,970		76,87,359	1,43,38,225	33,30,767
Plant & Machinery	82,04,764			82,04,764	60,18,701	21,24,213		81,42,914	61,850	21,86,063
Furniture & Fixtures	13,37,926	56,02,430		69,40,356	6,93,864	5,48,703		12,42,567	56,97,789	6,44,062
Office Equipment	16,72,593	3,94,20,226		4,10,92,819	8,22,555	10,22,041		18,44,596	3,92,48,222	8,50,038
Vehicles	8,10,246	1,01,67,615		1,09,77,861	3,18,278	4,83,766		8,02,044	1,01,75,817	4,91,968
Webcasting Portal (under construction)	90,07,31,457	95,79,032		91,03,10,489					91,03,10,489	90,07,31,457
Capital Work in Progress	17,69,60,720	12,66,14,169		30,35,74,889					30,35,74,889	17,69,60,720
<b>Total</b>	<b>1,41,97,20,977</b>	<b>22,73,53,058</b>		<b>1,64,70,74,035</b>	<b>1,48,24,787</b>	<b>48,94,694</b>		<b>1,97,19,481</b>	<b>1,62,73,54,554</b>	<b>1,40,48,96,190</b>

## GV FILMS LIMITED

## SCHEDULES ANNEXED Contd.

	As at 31st March 2007		As at 31st March 2006	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 6: INVESTMENTS</b>				
Shares in GSFC	1,88,000		1,88,000	
Units - US 64	8,496		8,496	
		<b>1,96,496</b>		<b>1,96,496</b>
<b>SCHEDULE 7: INVENTORIES</b>				
Closing Stock	20,26,72,775		13,89,77,725	
Pictures & Serials under Production	10,74,97,165		17,08,83,032	
		<b>31,01,69,940</b>		<b>30,98,60,757</b>
<b>SCHEDULE 8: SUNDRY DEBTORS</b>				
(Unsecured, Considered Good)				
(a) Debts outstanding for a period exceeding 6 months	16,65,94,675		4,63,21,345	
(b) Other Debts	5,69,49,538		8,53,56,589	
		<b>22,35,44,213</b>		<b>13,16,77,934</b>
<b>SCHEDULE 9: CASH &amp; BANK BALANCES</b>				
Cash in hand	75,89,906		73,26,327	
Balance with Banks				
- On Current Accounts	62,80,48,249		3,75,809	
- On Deposit Accounts	4,44,27,062		3,10,37,000	
- Others	1,04,108			
		<b>68,01,69,326</b>		<b>4,21,21,417</b>
<b>SCHEDULE 10: LOANS &amp; ADVANCES</b>				
Advances - Receivable in cash or in kind or for value to be received (considered good)				
Deposits	51,06,354		77,47,869	
Loans & Advances	28,27,76,105		5,08,27,508	
Advance for Film Production	27,95,68,881		20,25,000	
		<b>56,74,51,340</b>		<b>6,06,00,377</b>

## GV FILMS LIMITED

## SCHEDULES ANNEXED Contd.

	As at 31st March 2007		As at 31st March 2006	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 11: CURRENT LIABILITIES &amp; PROVISIONS</b>				
<b>Current Liabilities</b>				
Sundry Creditors	1,00,30,008		2,88,26,350	
Other Liabilities & Advances	3,90,94,883		3,40,61,252	
Dues to Directors	34,58,660		47,23,206	
		<b>5,25,83,550</b>		<b>6,76,10,808</b>
<b>Provisions</b>				
FBT	6,03,287			
Provision for Taxation	2,30,47,271		42,62,280	
FCCB Interest Provision	41,71,464	<b>2,78,22,022</b>		<b>42,62,280</b>
		<b>8,04,05,572</b>		<b>7,18,73,088</b>
<b>SCHEDULE 12: MISCELLANEOUS EXPENDITURE</b>				
GDR Issue Expenditure	3,69,06,652			
Rights Issue Expenditure	5,85,78,534			
Sanra Issue Expenses	50,000			
Other Preliminary Expenses	74,57,380			
		<b>10,29,92,566</b>		
<b>SCHEDULE 13: OPERATING INCOME</b>				
Picture Realisation/Sale of Rights	41,34,81,171		16,51,15,904	
Theatre Income	1,30,82,595		2,09,03,438	
		<b>42,65,63,766</b>		<b>18,60,19,342</b>
<b>SCHEDULE 14: OTHER INCOME</b>				
Interest on Deposits	1,08,42,883			
Dividend received	79,126			
Rental Income from Theatres	24,90,896			
Others	11,91,723		19,67,032	
		<b>1,46,04,628</b>		<b>19,67,032</b>

## GV FILMS LIMITED

## SCHEDULES ANNEXED Contd.

	As at 31st March 2007		As at 31st March 2006	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 15: OPERATING EXPENSES</b>				
Opening Stock - Films	13,89,77,726		1,04,95,77,726	
Cost of Films Produced	20,79,74,580		7,94,49,723	
	34,69,52,306		1,12,90,27,449	
Less: Trf. to Webcasting Portal under Construction			89,00,00,000	
	34,69,52,306		23,90,27,449	
Less: Closing Stock	20,26,72,775		13,89,77,725	
Cost of Sales		<b>14,42,79,531</b>		<b>10,00,49,724</b>
Theatre division Expenses		<b>1,60,30,269</b>		<b>1,70,75,988</b>
		<b>16,03,09,801</b>		<b>11,71,25,712</b>
<b>SCHEDULE 16: ADMINISTRATIVE &amp; OTHER EXPENSES</b>				
Advertisement & Publicity	30,16,192		2,10,219	
AGM/EGM Expenses	8,73,808		1,66,017	
Audit Fees	1,15,000		64,500	
Bank Charges	2,03,803		39,386	
Business Development Expenses	17,04,412		6,32,432	
Electricity Charges	19,64,190		2,51,699	
Legal & Professional Charges	1,68,76,470		3,56,153	
Other Fees & Registration Charges	14,02,191		63,329	
Listing & Depository Fees	15,46,536		5,92,604	
Other Expenses	8,48,075		2,60,433	
Postage, Trunks & Telephones	37,15,790		8,24,234	
Printing & Stationery	11,79,934		3,63,288	
Rent, Rates & Taxes	14,81,449		4,20,000	
Repairs & Maintenance	15,88,864		5,36,592	
Service Charges	24,91,199		5,16,107	
Staff Costs	86,51,471		53,38,087	
Travelling & Conveyance	1,89,45,018		26,65,012	
		<b>6,66,04,402</b>		<b>1,33,00,089</b>

## GV FILMS LIMITED

## CASH FLOW STATEMENT

Cash Flow Statement for the year ended	31st March 2007 Rs.	31st March 2006 Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit before tax and extraordinary items	20,44,88,363	5,65,63,734
Adjustment for:		
Other Income		
Depreciation	48,94,694	9,01,839
Interest Paid (Net)	48,71,134	95,000
(Profit)/Loss on Sale of Assets		
<b>Operating Profit before Working Capital Changes</b>	21,42,54,191	5,75,60,573
Adjustment for:		
Decrease/(Increase) in Inventories	- 3,09,183	84,34,31,664
Decrease/(Increase) in Sundry Debtors	- 9,18,66,279	- 8,51,99,615
Decrease/(Increase) in Loans & Advances	- 50,68,50,963	- 3,35,84,826
Decrease/(Increase) in Current Liabilities	- 1,45,14,787	- 53,59,259
<b>Cash generated from Operations</b>	- 39,92,87,022	77,68,48,537
Extraordinary Items		
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>- 39,92,87,022</b>	<b>77,68,48,537</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
(Acquisition)/Disposal of Assets - Net	- 22,73,53,058	-1,07,95,41,486
Preliminary and Preoperative Expenditure	- 3,49,32,343	- 6,60,86,343
Cash and Bank Balances of amalgamated company at the appointed date		
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>- 26,22,85,401</b>	<b>-1,14,56,27,829</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from Issue of Shares	92,74,62,500	40,42,50,000
Proceeds from Borrowings (includes FCCB borrowings)	37,88,13,790	3,83,186
Other Income		
Tax paid	- 17,84,826	- 7,26,872
Repayment of Borrowings		
Interest Paid (Net)	- 48,71,134	- 95,000
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>1,29,96,20,330</b>	<b>40,38,11,314</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>63,80,47,907</b>	<b>3,50,32,022</b>
<b>CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR</b>	4,21,21,418	70,89,397
<b>CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR</b>	<b>68,01,69,326</b>	<b>4,21,21,418</b>

Sd/-  
**MAHADEVAN GANESH**  
DIRECTOR  
Chennai  
11-07-2007

Sd/-  
**A. VENKATRAMANI**  
DIRECTOR

Sd/-  
**P. RAGHURAMAN**  
DIRECTOR - ADMIN.

Sd/-  
**P. THIRUMALAI KUMAR**  
COMPANY SECRETARY

I have examined the above Cash Flow Statement for the year ended 31st March 2007. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the Listing Agreement with the Stock Exchange and is based on and in agreement with the corresponding Profit & Loss Account and the Balance Sheet of the Company covered by my report of 11th July 2007 to the members of the Company.

Chennai  
11-07-2007

Sd/-  
**G. PARTHASARATHY**  
Chartered Accountant

## Schedule 17

NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007

## A. Significant Accounting Policies

a) Basis of Accounting:

The Financial Statements are prepared under the historical cost convention on a going concern basis and in accordance with the requirements of the Companies Act, 1956.

b) Income recognition

- Revenue from sale of rights of films and television serials are recognized in the year of concluding sale agreements.

c) Fixed assets accounting:

- Fixed Assets are stated at cost of acquisition less accumulated depreciation.
- Cost includes all expenses incurred to bring the Asset to its present location and condition.
- Theatre renovation expenses are grouped under Capital Work in Progress till completion of renovation.
- Depreciation has been provided on the assets which are put to use on written down value Method at the applicable rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.
- **The Goodwill of Rs.30.50 crores arising out of the amalgamation of Omni Ltd. with the Company (refer note below) was to be written off over a period of 5 years from the year in which the films that were acquired from Omni Ltd. through amalgamation are released. However, considering the share premium of Rs.79.50 crores available with the company and also as a conservative measure, the management has decided to adjust the goodwill of Rs.30.50 crores against the share premium after obtaining necessary approvals from the shareholders, Hon'ble High Court of Madras and all other relevant regulatory agencies.**

d) Deferred revenue Expenditure

**The rights issue expenditure and the GDR/FCCB issue expenditure will be adjusted against share premium along with the adjustment of Goodwill as mentioned above.**

e) Inventory valuation:

Inventories represent films under production and other film rights.

Films under production are valued at cost.

The other film rights are valued as per the current market potential of the pictures as at the year-end.

## B. Notes

1. Scheme Of Amalgamation (of One world Media Network Infotainment Limited (Omni Ltd.) with the Company [Scheme])

- Pursuant to the Shareholders approval at the meeting held on 27<sup>th</sup> February 2004 which was convened as per the Orders of the Hon'ble High Court of Judicature at Madras (Court) and its Order in Company Petition Nos.89 & 90 of 2004 on 29<sup>th</sup> April 2004 sanctioning the Scheme, the assets and liabilities of Omni Ltd. whose principal business was also production and distribution of feature films were transferred to and vested in the Company with effect from the appointed date viz. 30<sup>th</sup> September 2003 in accordance with the Scheme so sanctioned. The Scheme has, accordingly, been given effect to in the Accounts for the year ended 31<sup>st</sup> March 2004 itself.
- The amalgamation has been accounted for under the Purchase Method of Accounting as prescribed by Accounting Standard 14 (AS-14) issued by the Institute of Chartered Accountants of India. The assets and liabilities of the erstwhile Omni Limited as at 30<sup>th</sup> September 2003 have been taken over at their book values.
- Pursuant to the Scheme as approved by the Hon'ble High Court of Judicature at Madras, referred to in (a) above, the company has allotted 3,85,00,000 Equity shares of Rs. 10/- each fully paid to the shareholders of the erstwhile Omni Ltd on 14<sup>th</sup> May 2004 . Accordingly, the company had also paid the necessary fees for increasing the authorized capital of the company to the Registrar of companies on 14<sup>th</sup> May 2004, after the receipt of sanction order from the Court.
- The difference between the value of the net assets acquired on amalgamation and the amount of shares issued to the shareholders of the amalgamating company (Omni Ltd.) has resulted in a Goodwill of Rs. 30.50 crores.

2. Consolidation & Break up of Paid up Capital

During the year, the shares of the Company of the face value of Re.1/- were consolidated into shares of Rs.10/- each with due approval of the shareholders in the Annual General Meeting. During the year, the company has issued GDRs equivalent to 89,17,50,000 shares of Re.1/- each and issued 8,70,000 shares of Rs. 10/- each on conversion of 20 FCCB.

3. Receivables & Payables

**Balance confirmation letters have been dispatched to various Sundry Debtors and Sundry Creditors. Confirmations have been received from some parties and reconciliation work is taken up for cases where balances are not confirmed.**

4. Funds Raised through Foreign Currency Convertible Bonds (FCCBs) and Global depository Receipts (GDRs).
- During the year, the Company raised funds through two FCCB Issues and one GDR Issue.
  - The first FCCB issue of USD 4.5 million ( equivalent INR 20,16,00,000) is convertible after 5 years and serviceable at 2.25%
  - The second issue of convertible FCCBs of 9 million Euro was partly drawn at 3.06 million Euro. ( equivalent INR 17,81,22,600)
  - FCCBs amounting to Rs 87,00,000/- were partly converted with a premium of Rs 2,60,000/-
  - The company raised 10,25,000 GDRs of USD 20 each convertible into 870 equity shares each aggregating to USD 20.5 million ( equivalent to 89,17,50,000 shares @ Rs 1/- per share ). Share premium realized on this issue is Rs.2,67,52,500/-
5. Deferred Taxation  
Deferred tax assets have not been recognized and carried forward due to lack of virtual certainty for sufficient future taxable income.
6. Contingent Liability
- |                     |                    |
|---------------------|--------------------|
| Capital commitments | Rs. 13,21,00,000/- |
| Disputed Sales Tax  | Rs. 11,86,000/-    |
7. Provision for Taxation
- Income tax provision for the year
- Tax under MAT Rs.2,29,43,594 (P.Y. Rs.42,42,280/-)
  - Tax under FBT Rs.18,88,505/- (P.Y. Rs. 7,26,872/-)
8. Audit Fee
- |                     |                               |
|---------------------|-------------------------------|
| Statutory Audit fee | Rs. 30,000/- ( P.Y. Rs 30000) |
| Tax Audit fee       | Rs. 15,000/- ( P.Y. Rs15000)  |
| Certification       | Rs. 70,000/- (P.Y. Rs 19500)  |
9. Rounding off  
Figures have been rounded off to the nearest Rupee. Previous year figures have been regrouped / reclassified wherever necessary.
10. Foreign Currency earnings and outflow
- Earnings in Foreign Exchange is Rs. 85,15,049/-
  - GDR Issue professional fee Rs. 2,77,95,634/- ( USD 588910)
  - Advance for Capital Expenditure Rs. 4,03,20,750/- (USD 916823)
11. Employment of person drawing salary above Rs 24,00,000/- p.a.  
Expenditure incurred on employees in receipt of remuneration of not less than Rs. 24 lakhs per annum, where employed throughout the period or not less than Rs.2 lakhs per month, where employed for a part of the period is NIL.
12. **The Audit Sub-Committee in their Meeting held on 28.04.2003 had noted a shortfall in physical cash balance of Rs.68.60 lakhs. The Board also discussed this issue in their meeting held on 09.05.2003 and had decided to transfer the balance to the account of Late Mr. G. Venkateswaran. The new Management has now initiated an enquiry into this shortfall. Pending completion of enquiry, the amount of shortfall is still included in the cash balances as at 31.03.2004, 31.03.2005, 31.3.2006 and 31.3.2007.**
13. Managerial Remuneration  
Salary includes Rs.4,81,000/- paid to Mr. P. Raghuraman, whole time director of the company.
14. Retirement benefits  
Retirement benefit in respect of Gratuity is provided as per the provisions of Gratuity Act, 1972.
15. Figures in brackets represent previous year figures.

As per our report of even date

Sd/- <b>MAHADEVAN GANESH</b> DIRECTOR Chennai 11-07-2007	Sd/- <b>A. VENKATRAMANI</b> DIRECTOR	Sd/- <b>P. RAGHURAMAN</b> DIRECTOR - ADMIN.	Sd/- <b>P. THIRUMALAI KUMAR</b> COMPANY SECRETARY	Sd/- <b>G. PARTHASARATHY</b> CHARTERED ACCOUNTANT
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(Information pursuant to Part IV, schedule VI of the Companies Act, 1956) Balance Sheet Abstract and Company's General Business Profile.

**I. Registration Details**

Registration Number  State code  Balance Sheet Date

**II. Capital raised during the year(Amount in Rs.Thousand)**

Public Issue  Right Issue  Bonus Issue  Private Placement   
(GDRs & FCCBs)

**III. Position of Mobilisation and Deployment of funds (Amount in Rs. Thousand)**

Total Liabilities  Total Assets

**Source of Funds**

Paid-up Capital  Reserve & Surplus

**Application of Funds**

Net Fixed Assests  Investment

Net Current Assets  Misc. Expenditure

Accumulated Losses

**IV. Performance of the Company (Amount in Rs. Thousands)**

Turnover  Total Expenditure

Profit/(Loss) Before Tax  Profit/(Loss) After Tax

Earnings Per Share (Annualized Basis)  Dividend Rate

**V. Generic Name of Three Principal products/Services of the Company:**

Item Code No. (ITC Code)  Product Description

As per our report of even date

Sd/-  
**MAHADEVAN GANESH**  
DIRECTOR

Sd/-  
**A. VENKATRAMANI**  
DIRECTOR

Sd/-  
**P. RAGHURAMAN**  
DIRECTOR - ADMIN.

Sd/-  
**P. THIRUMALAI KUMAR**  
COMPANY SECRETARY

Sd/-  
**G. PARTHASARATHY**  
CHARTERED ACCOUNTANT

Chennai  
11-07-2007