

GV FILMS LIMITED

Where every dream, a dream come true

21st Annual Report
2009-2010



Tanjore Theatre Opening Ceremony

G.V.FILMS LIMITED

Twenty First Annual Report

Board of Directors

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

Registered Office

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

Corporate Office

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

Auditors

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

Registrars & Share Transfer Agents

M/s. Cameo Corporate Services Ltd,
"Subramanian Building"
No.1, Club House Road,
Chennai - 600 002

Bankers

State Bank of India
ICICI Bank
HDFC Bank

COMMITTEES

Share Transfer Committee

S.Ramanathan, Chairman
R. Gopalan, Member
A Venkatramani, Member

Shareholders' / Investors

Grievance Committee

Mahadevan Ganesh, Chairman
R. Gopalan, Member
S.Ramanathan, Member

Audit Committee

S.Ramanathan Chairman
A.Venkatramani, Member
R. Gopalan, Member

Equity Shares Listed At

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

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NOTICE

NOTICE is hereby given that the Twenty First Annual General Meeting of the members of the Company will be held at **New Woodlands Hotel (P) Ltd, 72-75, Dr. Radhakrishnan Salai, Mylapore, Chennai-600 004** on Friday, the 24th September 2010 at 12.15 P.M to transact the following business:

ORDINARY BUSINESS

1. To consider, approve and adopt the Audited Balance Sheet as on 31st March 2010, the Audited Profit and Loss Account for the year ended on that date, together with the Reports of the Board of Directors and Auditor thereon.
2. To appoint a director in place of Mr. A.Venkatramani, who retires by rotation and being eligible offers himself for re-appointment
3. To appoint Auditors to hold office from the conclusion of the this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration and to pass the following resolution thereof

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

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

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

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

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

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

5. APPOINTMENT OF A DIRECTOR

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

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

For and on behalf of THE BOARD OF THE DIRECTORS

M.V.BALAGIRI

Chairman & Managing Director

Place: - Chennai

Date: - 13th August 2010

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy and the proxy need not be a member of the Company. The proxy form to be valid must be deposited at the Company's Registered office not less than forty-eight hours before the time of the meeting.
2. Members desiring any information on the accounts are requested to write to the Company at least 7 days (on or before 17th September 2010) before the meeting so as to enable the Company to keep the information ready. The Members/Proxies are requested to bring the copies of the Annual Report to the Meeting and the same will not be distributed at the meeting.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from **21st September 2010 to 24th September 2010 (Both days inclusive)** to ascertain the list of members for 21st Annual General Meeting.
4. The Members are requested to notify immediately any change in their address to the Company's Registrar and Transfer Agents (M/s. Cameo Corporate Services Ltd)
5. **Details of Director seeking reappointment at the forthcoming Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement):**

As required under the Listing Agreement, the particulars of Directors, Mr. A.Venkatramnai, (seeking re-appointment) and Mr.A.Prakashchandra Hegde (seeking a fresh appointment under section 257) are detailed below:-

I. NAME-A.VENKATRAMANI

DATE OF BIRTH 07-04-1958

QUALIFICATION – Bachelor Degree in Commerce

EXPERIENCE-

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

OTHER DIRECTORSHIP :

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

COMMITTEE MEMBERSHIP - 1

II. NAME- M. V. BALAGIRI

DATE OF BIRTH - 01-08-1955

EXPERIENCE-

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

OTHER DIRECTORSHIP: - M/s Siddhesh Films Private Limited

COMMITTEE MEMBERSHIP- Nil

III. NAME-A.PRAKASHCHANDRA HEGDE

DATE OF BIRTH - 02-11-1949

QUALIFICATION – B.Com, LLB, CAIIB (I)

EXPERIENCE-

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

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

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

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

OTHER DIRECTORSHIP - Sidhesh Corporation Limited

COMMITTEE MEMBERSHIP - Nil

EXPLANATORY STATEMENT

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

Item No.2:-

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

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

Item No.4

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

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

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

Item No -5

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

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

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

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

Your Directors recommend his appointment.

DIRECTORS' REPORT

To

The Members,

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

Financial Results:

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

Dividend

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

Business Performance Review:

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

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

Recent initiatives and future prospects:-

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

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

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

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

Foreign Exchange Earnings and Outgoings:

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

Non- Payment of Interest due on FCCBs:

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

Particulars of Employee's Remuneration and Industrial Relations.

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

Public Deposits

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

Directors

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

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

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

AUDITORS

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

Corporate Governance.

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

We have complied with the recommendations of the Corporate Governance Committee constituted by the Securities and Exchange Board of India (SEBI). For fiscal 2010, the compliance report is provided in the Corporate Governance Report section of this Annual Report. The Auditors' certificate on compliance with the mandatory recommendations of the committee is annexed to this report.

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

Directors' Responsibility Statement.

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

- (1) That in the preparation of the accounts for the financial year ended 31st March, 2010 the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (2) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review.
- (3) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (4) That the Directors have prepared the accounts for the financial year ended 31st March, 2010 on a 'going concern' basis.

Acknowledgement :

Your Directors wish to place on record their deep sense of gratitude to the employees, our Bankers, Distributors, Exhibitors, Customers and Shareholders for their active co-operation during the year under review.

For and on behalf of THE BOARD OF DIRECTORS

M.V.BALAGIRI

Chairman & Managing Director

Place: - Chennai
Date: - 13.08.2010

MANAGEMENT DISCUSSION AND ANALYSIS

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

(i) Industrial Structure and development

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

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

Strengths

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

- ◆ GV Films Limited has built a strong brand over the years and one of the reputed production houses in Tamil Nadu, with strong industry standing and relationship with artistes.
- ◆ Internet film rights of about 5500 films of different Indian languages in addition to 8000 Hollywood films recently added to the library. The Content Creation is the company's forte.
- ◆ Apart from the experience in areas of exhibition, the Company has several years of experience in film production and distribution and further perfected the technology of Film Making by using 3D technology.
- ◆ The Promoters have fair knowledge and rich experience in the industry and the company is managed by hard core professionals having hands on experience.
- ◆ The company has its presence in all segments of the entertainment chain like production, distribution, tele-serials, animation and graphics, Web-casting and entertainment Portal and screening through multiplex theatres and owns 8 screens in Tamil Nadu and plans to open more in Tamil Nadu and Maharashtra.

Weaknesses

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

(ii) Opportunities and Threats**Opportunities**

- ◆ GV Studio City Projects consisting of Multiplex & cineplexes shopping malls and food courts have excellent demand and potential for growth and the focus being on Tier II and Tier III cities of India.
- ◆ 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 theatres offer more choice to the film viewers and is bringing back masses to the theatres.

Threats

- ◆ The conventional way of doing business by the un-organized sectors is a major issue to be addressed.

(iii) Segment-wise or product-wise performance

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

Sl no	Divisions	F.Y.2009-10 (Rs. Lacs)	Percentage	F.Y.2008-09 (Rs. Lacs)	Percentage
1	Turnover from Film Division	1136.28	88.64	806.14	85.73
2	Turnover from Theater Divison	145.72	11.36	134.16	14.27
3	Turnover from WebCasting	0.00	0.00	0.00	0.00
	Total Income	1282.00	100.00	940.30	100.00

(iv) Outlook, risks and concerns

As reported last year markets recovered very slowly in 2009-10 and consequently your company continues to incur losses due to lower volume of business even though performance during 2009-10 improved very much as compared to 2008-09. However outlook for 2010- 11 looks very positive and your board is very optimistic of achieving a big turn around during 2010-11 and looking for a highly successful years to come.

(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 have shown marked improvement compared to previous year though not on expected lines due to reasons already explained else where in the report. However considering the present economic environment the company can look forward for better performance in the years to come.

(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 production, distribution and exhibition team.

The Company 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 2009-2010, Composition and category of Directors were as follows:

Category	Name of the Director.
CHAIRMAN & MANAGING DIRECTOR (Executive Director)	Mr. M. V. BALAGIRI *
Whole Time Director (Executive Director)	Mr.P.RAGHURAMAN**
Non Executive Director	Mr. A.VENKATRAMANI Mr. MAHADEVAN GANESH
Non-Executive and Independent Director	Mr. S.RAMANATHAN Mr. R.GOPALAN Mr. A.PRAKASHCHANDRA HEGDE ***

*Appointed as Chairman & Managing Director by the board on 29.01.2010

**Resigned form the Board on 29.01.2010

***Appointed as an additional director by the board on 29.01.2010

Attendance of each Director at the 9 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
M.V.Balagiri	6	YES	1		
Mahadevan Ganesh	8	YES	5	-	-
A.Venkatramani	9	YES	2	1	-
P.Raghuraman	7	YES	6	-	-
R.Gopalan	9	YES	2	-	-
S.Ramanathan	9	YES	2	-	-
A.Prakashchandra Hegde	2	NO*			

◆ Was appointed as Director after the last year AGM

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

Nine Board Meetings were held during the year on the following dates: 29.06.2009, 31.07.2009, 31.08.2009, 24.10.2009, 30.10.2009, 23.11.2009, 29.01.2010, 16.02.2010, 30.03.2010

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

Mr. M.V. Balagiri a Director of Company was re-designated as Chairman and Managing Director during the year under review. At the ensuing Annual General Meeting Mr.A.Venkatramani retires by rotation and being eligible, offers himself for reappointment. Also Mr. A.Prakashchandra Hegde who was appointed as an additional Director on 29th January 2010 seeks re- appointment as they are vacating the office at the ensuing Annual General Meeting. Pursuant to Clause 49 (IV) (G) of the Listing Agreements relating to Code of Corporate Governance, particulars of the aforesaid directors are given below:-

I. NAME – M.V.BALAGIRI

DATE OF BIRTH 01-08-1955

EXPERIENCE

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

OTHER DIRECTORSHIP: - M/s Siddhesh Films Private Limited

COMMITTEE MEMBERSHIP - Nil

II. NAME-A.VENKATRAMANI

DATE OF BIRTH 07-04-1958

QUALIFICATION – Bachelor Degree in Commerce

EXPERIENCE-

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

OTHER DIRECTORSHIP :

1 Kaashyap Technologies Limited

2 M/s Eyclight Events & Promotions (India) Private Limited

COMMITTEE MEMBERSHIP - 1

III. NAME – A. PRAKASHCHANDRA HEGDE

DATE OF BIRTH 02-11-1949

QUALIFICATION - B.Com, LLB, CAIIB (I)

EXPERIENCE-

Mr. A.Prakashchandra Hegde, B.Com, LLB, CAIIB (I), retired General Manager of a public sector Bank, having experience of over 39 years in the Banking field. As General Manager of the Bank he was heading Mumbai Region one of the prestigious region of the Bank and was Heading Banks Retail Credit Dept. at Head office Bangalore as General Manager prior to his superannuation.

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

As an Independent Director (Additional Director) of the Company with effect from 29th Jan 2010, GV is enriched through his vast experience in Banking and Finance.

OTHER DIRECTORSHIP - Sidhesh Corporation Limited

COMMITTEE MEMBERSHIP - 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. R. Gopalan and Mr.A.Venkatramani, as members. The Audit Committee has met four times on 29.06.2009, 31.07.2009, 30.10.2009, 29.01.2010 and 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

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.

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.

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 7. Outstanding complaints as on 31st March, 2010 were NIL and NIL requests for dematerialization were pending for approval as on 31st March, 2010.

Remuneration of Directors

Details of Remuneration of the Directors for the financial year ended 31st March, 2010.

Director.	Consolidated Salary. (Rs.)	Perquisites and other Benefits.(Rs.)	Performance Bonus/Commission (Rs.)	Sitting Fees.(Rs.)	Total.(Rs.)
M.V.Balagiri*	NIL	NIL	NIL	15,000	15,000
Mahadevan Ganesh	NIL	NIL	NIL	20,000	20,000
P.Raghuraman**	4,50,000	4,10,500	NIL	N.A.	8,60,400
A.Venkatramani	NIL	NIL	NIL	22,500	22,500
S.Ramanathan	NIL	NIL	NIL	22,500	22,500
R.Gopalan	NIL	NIL	NIL	22,500	22,500
A.Prakashchandra Hegde***	NIL	NIL	NIL	5,000	5,000

*Appointed as Chairman and Managing Director w.e.f. 29.01.2010

**Resigned from the Board w.e.f. 29.01.2010

*** Appointed as Additional Director w.e.f. 29.01.2010

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

POSTAL BALLOT

At their meeting in 16th February 2010 the board of directors have directed a postal ballot to be undertaken for obtaining consent of the shareholders' on the followings:-

1. In terms of Section 293(1) (a) of the Companies Act, 1956 to transfer the Shanti Kamala theatres complex at Thanjavur, Tamil Nadu under the Studio City Division of the Company engaged in the business of exhibition of films, to M/s GV Studio City Limited (a wholly owned subsidiary company of the Company) by way of sale or lease or otherwise dispose of for a consideration and with effect from such date as the Board of Directors of the Company may deem fit."
2. In pursuant to Section 17, 146(2) of the Companies Act, to shift the Registered office of the Company from Chennai in the state of Tamilnadu to Mumbai, in the state of Maharashtra." And accordingly alter the Clause in the memorandum of association subject to the confirmation of Company Law Board / Central Government.

The postal ballot notice along with Notice and Explanatory statement was dispatched to all the members as of 20th February 2010 and last date of for submission of ballots duly filled in was 28th March 2010. The Postal Ballot result i.e. approval of all resolution by majority vote was announced by the chairman on 30.03.2010 based on the report of the Scrutinizer.

GENERAL BODY MEETINGS

Location and time for last Annual General Meetings.

Year	AGM	Location	Date	Time
2006-07	AGM	NewWoodlands Hotel (P) Ltd,72-75, Dr. Radhakrishnan Salai, Mylapore, Chennai-600 004	24.09.2007	11.00A.M.
2007-08	AGM	NewWoodlands Hotel (P) Ltd,72-75, Dr. Radhakrishnan Salai, Mylapore, Chennai-600 004	25.09.2008	11.00A.M.
2008-09	AGM	NewWoodlands Hotel (P) Ltd,72-75, Dr. Radhakrishnan Salai, Mylapore, Chennai-600 004	30.09.2009	11.00A.M.

GENERAL SHAREHOLDERS INFORMATION

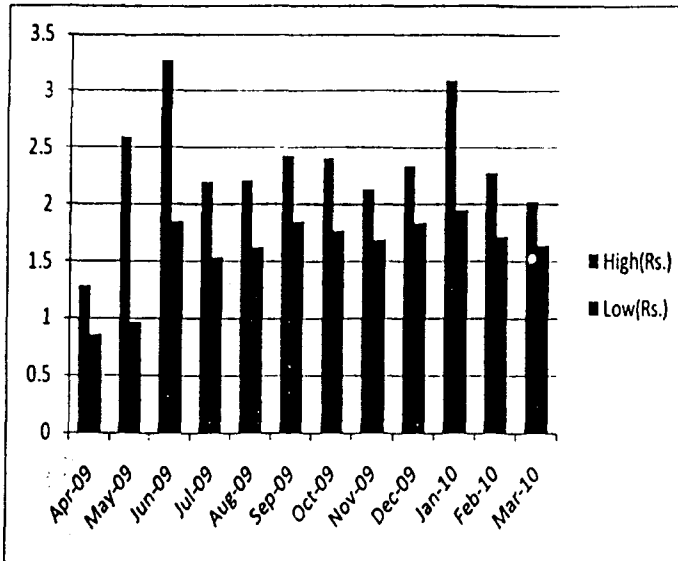
Sl. No.	Particulars	Description
1	Financial Calendar	Year Ended March 31, 2010
2	Book Closure Date	21 st September 2010 to 24 th September 2010 (Both days inclusive)
3	Listed Stock Exchange	The Madras Stock Exchange Ltd, Chennai The Bombay Stock Exchange Ltd, Mumbai. The Hyderabad Stock Exchange, Hyderabad(De- Recognized)
4	Registrar & Transfer Agents (share transfer and communication regarding share certificates and change of address)	M/s. Cameo Corporate Services Ltd Unit: GV Films Ltd. V Floor, Subramanian Building. No.1, Club House Road. Chennai-600002. Tel : (044) 28460390/391 Fax No. (044) 28460129 Email : cameo@cameoindia.com Website : www.cameoindia.com
5	Share Transfer System	Presently, the share transfers which are received in physical form are processed and the share certificates returned within a period of 21 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	Dividend Payment Date	No dividend is declared
7	Stock Code	Scrip Name : GVFL Scrip Code : 523277
8	Market Price data	Annexed
9	Address for Correspondence	F-0, 132, St. Mary's Road, Alwarpet, Chennai-600018, Tamil Nadu. Phone No.(044) 43099962/63. Fax No. (044) 42101785. Email : gvfilms@vsnl.com
10.	ISIN	INE395B01030
11.	AGM	21 st Annual General Meeting-
12.	Quarterly Results (Tentative) For the Quarter ending 30 th June 2010 For the Quarter ending 30 th September 2010 For the Quarter ending 31 st December 2010 For the Quarter ending 31 st March 2011	Second week of August 2010 Second Week of November 2010 Second Week of February 2011 Second Week of May 2011.
13.	Dematerialization of Shares	About 95.02% (i.e.350288213 shares) of the outstanding shares have been dematerialised as on 31 st March 2010. Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f 25 th September 2000 as per notification issued by the Securities and Exchange Board Of India.(SEBI).
14.	Any query on Annual Report	M/s G V Films Limited, Secretarial Department F-0, "Whispering Height", 132, St. Mary's Road, Alwarpet, Chennai-600018, Tamil Nadu. Phone No.(044) 43099962/63.

V. CEO/CFO CERTIFICATION

A certificate from the Chairman and Managing Director / Chief Executive Officer on the financial statements of the Company was placed before the board and annexed here with.

Stock Market Data:

High & Low price in Bombay Stock Exchange from April 2009 to March 2010(FV RS.10/-)



Months	Mumbai Stock Exchange	
	High(Rs.)	Low(Rs.)
April 2009	1.29	0.86
May 2009	2.60	0.97
June 2009	3.27	1.85
July 2009	2.20	1.54
August 2009	2.21	1.62
September 2009	2.43	1.85
October 2009	2.41	1.78
November 2009	2.14	1.69
December 2009	2.35	1.84
January 2010	3.10	1.95
February 2010	2.28	1.72
March 2010	2.03	1.65

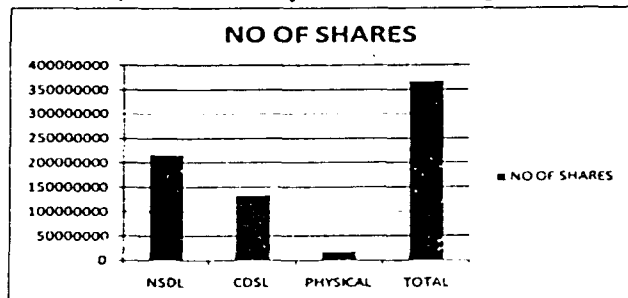
Distribution of Shareholding as on 31st March 2010

Shareholding Rs.	Shareholders		Share Amount	
	Nos.	% of Total	Amounts in Rs.	% of Total
10-5000	75587	53.7301	183957910	4.9903
5001-10000	27016	19.2040	247809520	6.7224
10001-20000	15747	11.1935	266162360	7.2203
20001-30000	6326	4.4967	168987700	4.5842
30001-40000	2928	2.0813	108608380	2.9462
40001-50000	3968	2.8206	193446450	5.2477
50001-100000	4929	3.5037	386402790	10.4821
100001- And Above	4178	2.9698	2130903220	57.8063
Total	140679	100.00	368627833	100.00

Dematerialization of shares and liquidity:-

350288213 Equity shares of Rs.10 each are under demat form constituting 95.02% of the paid up equity as on 31st March 2010. The shares are actively traded and liquid at Bombay Stock Exchange Limited.

	NO OF SHARES
NSDL	217309549
CDSL	132978664
PHYSICAL	18339620
TOTAL	368627833



SHAREHOLDING PATTERN OF THE COMPANY AS ON 31.03.2010

S.NO	CATAGORY	NO OF SHAREHOLDERS	TOTAL SHARES	% TO EQUITY
1	PROMOTERS AND PROMOTERS GROUP	0	0	0
2	RESIDENT INDIVIDUALS	136784	273061093	74.0753
3	TRUSTS	2	2	0.00
4	FOREIGN INSTITUTIONAL INVESTORS	1	16492833	4.4741
5	MUTUAL FUNDS	0	0	0
6	BODY CORPORATES	1176	63269143	17.1634
7	NON RESIDENT INDIANS	341	3304074	0.8963
8	HUF	2289	11157463	3.0267
9	CLEARING MEMBERS	78	637814	0.1730
10	BANKS/FINANCIAL INSTITUTIONS	6	704400	0.1910
11	OCB	2	1011	0.0002
12	SHARES HELD BY CUTODIANS AND AGAINST DEPOSITORY RECEIPTS HAVE BEEN ISSUED	0	0	0
	TOTAL	140679	368627833	100.00

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

I, M.V. Balagiri, Chairman & Managing Director of M/s G.V. FILMS LIMITED (the Company), to the best of our 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 the 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 have evaluated the effectiveness of these procedures in M/s G.V. Films Ltd. I have 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 i have taken or propose to take to rectify these deficiencies.
4. I have disclosed, based on my 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 i 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 i 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.

M.V. BALAGIRI

Chairman & Managing Director

Place: - Chennai

Date: - 13.08.2010

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 31st March 2010, as envisaged in clause 49 of the Listing Agreement with Stock Exchange.

M.V.Balagiri

Chairman & Managing Director

Place: - Chennai

Date: - 13.08.2010

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 31st March 2010 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 responsible 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, we 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.

For R.Ravindran & Associates

Chartered Accountants

sd/-

R.Ravindran

Proprietor

Place : Chennai

Date : 13.08.2010

AUDITOR'S REPORT

To

The Members of GV FILMS LIMITED

Chennai

1. We have audited the attached Balance Sheet of M/s. GV FILMS LIMITED as at 31st March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on 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. We believe that our audit provides a reasonable basis for our opinion.
3. 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, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent applicable.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we state that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c. The Balance Sheet and Profit & Loss Account and cash flow statement dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the balance sheet, profit and loss account and the cash flow statement comply with the Accounting Standards referred to in Subsection (3C) of section 211 of the Companies Act, 1956
 - e. On the basis of written representations received from the Directors, as on March 31, 2010 and taken on record by the Board of Directors, we report that none of the director of the company is disqualified from being appointed as a director under clause (g) of sub-Section (1) of Section 274 of the Companies Act, 1956.
 - f. In our opinion and according to the best of our information, the said accounts 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 principle generally accepted in India ;
 1. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010
 2. In the case of the Profit and Loss Account of the Loss of the Company for the year ended on that date and
 3. In the case of the Cash Flow Statement, of the Cash Flows of the Company for the year ended on that date.

For R. Ravindran & Associates
Chartered Accountants
Firm Registration No. 003222S

sd/-

R. Ravindran
Proprietor
M. No. 023829

Chennai

13th August 2010

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 2010.**1) Fixed Assets:**

- a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b. According to the information and explanations given to us, the fixed assets were physically verified by the management in accordance with the programme of verification, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancy was noticed on such verification.
- c. No impairment loss has arisen on fixed assets.
- d. The company did not dispose-off any fixed asset during the year.

2) Inventory:

The Company is principally engaged in the production, distribution and exhibition of motion pictures. As such, the Company does not carry any stock of 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) Loan to/from directors and interested parties

- a. In our opinion and according to the information and explanations given to us, the Company has not granted any secured or unsecured loans during the year to Companies listed in the Register maintained under Section 301 of the Companies Act, 1956.
- b. In our opinion and according to the information and explanations given to us, the Company has taken interest free unsecured loan from a director of the company to the extent of Rs. 3,65,25,395/-. Apart from this loan, the company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.

4) Internal Control

In our opinion and according to the information and explanations given to us, 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 our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

5) Transaction covered by section 301

- a. In our opinion and according to the information and explanations given to us the transactions that need to be entered into register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b. In our opinion and according to the information and explanations given to us, Transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

6) Deposit from Public

The Company has not accepted any deposit from the public and the provisions of 58A and 58AA of the Companies Act, 1956 are not applicable.

7) Internal Audit

In our opinion and according to the information and explanations given to us, the Company has an internal audit system commensurate with the size and nature of its business.

8) Cost Accounting 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) Statutory Dues

According to the information and explanations given to me, there is no undisputed amounts payable in respect of sales tax or income-tax nor they were in arrears as at 31st March, 2010 for a period of more than six months from the date they became payable.

The Company has been regular in depositing with the appropriate authorities dues on account of Provident Fund and Employees State Insurance Corporation.

10) Cash Loss

As per Clause (x) of Paragraph 4 of CARO 2003, the Company has incurred a cash loss during the financial year and the cash losses as at the end of the financial year is less than Fifty per cent of the Net worth.

11) Repayment of dues

The company has a dispute with its FCCB holders and the same is pending before Courts. Under these circumstances, the Company has not paid interest to the extent of Rs. 18,55,126/- which is overdue as at the year end.

12) Loans and Advances on the basis of securities

In our opinion and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13) Applicability of provisions to Chit fund, Nidhi/mutual benefit fund/societies

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

14) Trading in shares, securities debentures and other investments

In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4 (xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.

15) Guarantee given for others

In our opinion and according to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from bank or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company.

16) End use of term loans

During the year the company has taken a new term loan. In our opinion and according to the information and explanations given to us, the term loan was used for the purpose for which it was raised.

17) Short term Funds

In our opinion and according to the information and explanations given to us, and on an overall examination of the balance sheet of the company, we report that funds raised on short term basis were not used for long term investment. Accordingly clause (xvii) of the CARO 2003 is not applicable.

18) Preferential allotment of shares

According to the information and explanations given to us, during the period covered by our audit report, the Company has not made any preferential allotment of equity shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.

19) Debentures

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

20) End use of public issue proceeds

During the year covered by our audit report, the Company has not raised any money by way of public issue.

21) Reporting of Frauds

To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

For R. Ravindran & Associates
Chartered Accountants
Firm Registration No. 003222S
sd/-

R. Ravindran
Proprietor
M. No. 023829

Chennai
13th August 2010

GV FILMS LIMITED

Regd. Office: F-0, Whispering Heights, 132, St. Mary's Road, Alwarpet, Chennai - 600 018

BALANCE SHEET AS AT 31st MARCH, 2010

		31st March 2010	31st March 2009
		Rs.	Rs.
<u>SOURCES OF FUNDS</u>			
SHAREHOLDERS' FUNDS:			
Share Capital	1	3 68 62 78 330	3 52 13 50 000
Reserves & Surplus	2	93 29 22 166	91 97 27 900
		4 61 92 00 496	4 44 10 77 900
LOAN FUNDS:			
Secured Loans	3	2 99 54 051	2 72 65 829
Unsecured Loans	4	21 00 10 899	35 16 08 100
		4 85 91 65 446	4 81 99 51 829
<u>APPLICATIONS OF FUNDS</u>			
FIXED ASSETS			
Gross Block		1 90 50 12 277	1 89 06 11 141
Less: Depreciation		4 98 00 802	4 05 91 235
Net Block	5	1 85 52 11 474	1 85 00 19 906
INVESTMENTS	6	21 73 460	16 73 460
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	7	2 09 38 79 116	1 76 75 82 544
Sundry Debtors	8	7 75 81 331	20 50 22 591
Cash & Bank balances	9	47 61 657	47 66 196
Loans & Advances	10	5 63 31 216	15 61 86 312
		2 23 25 53 320	2 13 35 57 643
Less: Current Liabilities & Provisions	11	20 07 47 595	9 89 79 557
Net Current Assets		2 03 18 05 725	2 03 45 78 086
Deferred Tax Assets		11 64 657	13 34 942
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)			
Capital Issue and preliminary expenditure	12	1 43 35 772	1 43 35 772
Profit and loss account		95 44 74 359	91 80 09 663
		4 85 91 65 446	4 81 99 51 829

Notes to accounts

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For and on behalf of the Board

 As per our report of even date
 For R. Ravindran & Associates
 Chartered Accountants
 Firm Registration No. 003222S

 Sd/-
 M. V. Balagiri
 Managing Director

 Sd/-
 R. Gopalan
 Director

 Sd/-
 S. Ramanathan
 Director

 Sd/-
 R. Ravindran
 Proprietor
 M. No.023829

Chennai, August 13, 2010

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GV FILMS LIMITED

Regd. Office: F-0, Whispering Heights, 132, St. Mary's Road, Alwarpet, Chennai - 600 018

PROFIT & LOSS ACCOUNT FOR PERIOD ENDED 31.03.2010

	Sch.	31st March 2010	31st March 2009
		Rs.	Rs.
INCOME			
Operating Income	13	12 81 99 630	9 40 30 132
Other Income	14	28 79 778	35 44 613
		13 10 79 408	9 75 74 745
EXPENDITURE			
Operating Expenses	15	8 99 65 634	26 08 25 328
Administrative & Other Expenses	16	6 04 53 226	4 27 61 492
Finance Charges	17	77 45 392	87 57 792
Depreciation	5	92 09 567	93 48 888
		16 73 73 819	32 16 93 500
Operating Loss		(3 62 94 411)	(22 41 18 755)
Impairment loss			97 12 60 858
Profit/(Loss) before Taxation		(3 62 94 411)	(1 19 53 79 613)
Current tax			
Fringe Benefit Tax			6 07 701
Deffered tax Liability		1 70 285	
Profit/(Loss) after Taxation		(3 64 64 696)	(1 19 59 87 314)
Loss b/fd from Previous Year		(91 80 09 663)	27 79 77 651
Amount available for appropriation		(95 44 74 359)	(91 80 09 663)
Surplus/(Deficit) carried to Balance Sheet		(95 44 74 359)	(91 80 09 663)

Notes to accounts

18

For and on behalf of the Board

As per our report of even date
For R. Ravindran & Associates
Chartered Accountants
Firm Registration No. 003222S

Sd/-
M. V. Balagiri
Managing Director

Sd/-
R. Gopalan
Director

Sd/-
S.Ramanathan
Director

Sd/-
R. Ravindran
Proprietor
M. No.023829

Chennai, August 13, 2010

GV FILMS LIMITED

Regd. Office: F-0, Whispering Heights, 132, St. Mary's Road, Alwarpet, Chennai - 600 018

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	31st March 2010	31st March 2009
	Rs.	Rs.
SCHEDULE 1: SHARE CAPITAL		
<u>Authorised Share Capital:</u>		
2,00,00,00,000 Equity Shares of Rs.10/- each	20 00 00 00 000	20 00 00 00 000
<u>Issued, Subscribed and Paid up Share Capital :</u>		
35,21,35,000 equity shares @ Rs. 10/- each	3 52 13 50 000	3 52 13 50 000
1,64,92,833 equity shares @ Rs. 10/- each by conversion of 9 Million FCCB (34% paid)	16 49 28 330	
	3 68 62 78 330	3 52 13 50 000
SCHEDULE 2: RESERVES & SURPLUS		
General Reserves	7 15 33 466	7 15 33 466
Share Premium	86 13 88 700	84 81 94 434
	93 29 22 166	91 97 27 900
SCHEDULE 3: SECURED LOANS		
Term Loan from Bank (Secured on Company's Gudiatham Theatre)	2 99 54 051	2 46 61 961
Loans Secured on Automobiles		26 03 868
	2 99 54 051	2 72 65 829
SCHEDULE 4: UNSECURED LOANS		
Foreign currency Convertible Bonds	15 23 15 504	33 04 38 100
Other Loans	5 76 95 395	2 11 70 000
	21 00 10 899	35 16 08 100
SCHEDULE 6: INVESTMENTS (AT COST)		
<u>Investments in Quoted Securities</u>		
9,400 Equity Shares of Rs 10/- each in GSFC	1 88 000	1 88 000
792 Units -(US 64) of Rs 10/- each in UTI	8 496	8 496
<u>Investment in Subsidiary</u>		
50,000 Shares of Rs. 10/- each in GV Studio City Limited	5 00 000	
<u>Investment in un-quoted equity shares</u>		
4,81,000 shares of Pixel Box office Pte. Ltd , Singapore in Sing \$ of 1 each	14 76 964	14 76 964
	21 73 460	16 73 460

GV FILMS LIMITED

Regd. Office: F-0, Whispering Heights, 132, St. Mary's Road, Alwarpet, Chennai - 600 018

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	31st March 2010	31st March 2009
	Rs.	Rs.
SCHEDULE 7: INVENTORIES		
Closing Stock of pictures & films	2 09 38 79 116	1 76 75 82 544
	2 09 38 79 116	1 76 75 82 544
SCHEDULE 8: SUNDRY DEBTORS		
(Unsecured, Considered Good)		
(a) Debts outstanding for a period exceeding 6 months	7 35 16 072	20 48 22 591
(b) Other Debts	40 65 259	2 00 000
	7 75 81 331	20 50 22 591
SCHEDULE 9: CASH & BANK BALANCES		
Cash in hand	5 18 725	2 78 474
Balance with Banks		
- On Current Accounts	42 05 932	44 50 722
- On Deposit Accounts	37 000	37 000
	47 61 657	47 66 196
SCHEDULE 10: LOANS & ADVANCES		
(Advances - Receivable in cash or in kind or for value to be received (considered good)		
Deposits	35 32 698	40 44 762
Loans & Advances	5 27 98 518	15 21 41 550
	5 63 31 216	15 61 86 312
SCHEDULE 11: CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Sundry Creditors	13 25 38 181	6 34 72 800
Other Liabilities & Advances	6 66 74 150	3 34 92 580
	19 92 12 331	9 69 65 380
Provisions		
Provision for FBT payable	6 07 701	6 07 701
Provision for Interest on FCCB Bonds	9 27 563	11 20 210
Provision for Interest on SBI		2 86 266
	15 35 264	20 14 177
	20 07 47 595	9 89 79 557

GV FILMS LIMITED

Regd. Office: F-0, Whispering Heights, 132, St. Mary's Road, Alwarpet, Chennai - 600 018

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	31st March 2010	31st March 2009
	Rs.	Rs.
SCHEDULE 12: MISCELLANEOUS EXPENDITURE		
Rights Issue Expenditure	68 78 392	68 78 392
Other Preliminary Expenses	74 57 380	74 57 380
	1 43 35 772	1 43 35 772
SCHEDULE 13: OPERATING INCOME		
Realisation from Film Production & Distribution	11 36 27 500	8 06 13 821
GV Studio City (Theatre) Division	1 45 72 130	1 34 16 311
	12 81 99 630	9 40 30 132
SCHEDULE 14: OTHER INCOME		
Interest earned	2 76 877	1 14 341
Exchange Fluctuation (Loss)/ Gain	(82 374)	17 09 110
Film subsidy		14 00 000
Miscellaneous Income	26 85 275	3 21 162
	28 79 778	35 44 613
SCHEDULE 15: OPERATING EXPENSES		
Opening Stock - Films	1 76 75 82 544	1 90 86 35 205
Cost of Films Produced / Distributed	41 00 11 134	11 43 96 220
Less: Closing Stock	2 09 38 79 116	1 76 75 82 544
Cost of Sales	8 37 14 562	25 54 48 881
Theatre division Expenses	62 51 072	53 76 447
	8 99 65 634	26 08 25 328

GV FILMS LIMITED

Regd. Office: F-0, Whispering Heights, 132, St. Mary's Road, Alwarpet, Chennai - 600 018

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	31st March 2010	31st March 2009
	Rs.	Rs.
SCHEDULE 16: ADMINISTRATIVE EXPENSES		
Advertisement & Publicity	2 04 239	8 54 530
Shareholders Meeting Expenses	6 83 645	8 75 542
Audit Fees	3 58 017	45 000
Bank Charges	1 00 185	1 51 253
Business Development Expenses	54 37 850	15 928
Electricity Charges	15 95 180	13 70 941
Legal & Professional Charges	2 46 37 523	1 11 06 506
Other Service Charges	5 42 972	4 21 944
Listing, Depository and ROC Fees	20 53 616	14 31 210
Other Expenses	17 10 718	38 04 530
Postage, Trunks & Telephones	9 82 980	11 68 707
Printing & Stationery	1 92 444	1 85 412
Rent, Rates & Taxes	31 35 489	29 10 808
Repairs & Maintenance	34 73 302	20 89 118
Staff Costs	1 12 03 406	1 04 11 728
Travelling & Conveyance	41 41 660	59 18 337
	6 04 53 226	4 27 61 492
SCHEDULE 17: FINANCE CHARGES		
Interest on loans	77 30 392	87 57 792
Processing Charges	15 000	
	77 45 392	87 57 792

GV FILMS LIMITED

SCHEDULE 5 : Fixed Assets and Depreciation Schedule for the year ended 31.03.2010

Asset	Cost	Additions	Deletions	Total Cost	Dep upto	Current	Accumulated Depn	WDV 31.03.2009	WDV 31.03.2010
Land	3 89 47 274			3 89 47 274				3 89 47 274	3 89 47 274
Building	2 72 73 541	3 70 81 264		6 43 54 805	99 82 750	10 94 777	1 10 77 527	1 72 90 791	5 32 77 278
Plant & Machinery	88 79 725	1 80 49 758		2 69 29 483	82 87 000	5 19 797	88 06 797	5 92 725	1 81 22 686
Furniture & Fixtures	1 25 57 800	34 03 436		1 59 61 236	47 97 635	15 16 437	63 14 072	77 60 165	96 47 164
Office equipment	4 13 15 557	17 76 131		4 30 91 688	1 21 40 179	41 31 449	1 62 71 628	2 91 75 378	2 68 20 060
Vehicles	1 09 77 861			1 09 77 861	53 83 671	19 47 108	73 30 779	55 94 190	36 47 082
Webcasting portal (Under construction)	143 24 79 586			143 24 79 586				143 24 79 586	143 24 79 586
Capital work in progress	31 81 79 797	(4 59 09 453)		27 22 70 344				31 81 79 797	27 22 70 344
TOTAL	189 06 11 141	1 44 01 136		190 50 12 277	4 05 91 235	92 09 567	4 98 00 802	185 00 19 906	185 52 11 474
Previous Year	233 44 02 674	63 42 753	45 01 34 286	189 06 11 141	3 12 77 425	93 48 889	4 05 91 235	230 31 25 249	185 00 19 906

Schedule 18**NOTES ON ACCOUNTS FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010****A. SIGNIFICANT ACCOUNTING POLICIES****a) Basis of Accounting:**

- ◆ The Financial Statements are prepared under the historical cost convention, on accrual basis of accounting and in accordance with Generally Accepted Accounting Principles (GAAP) in India and in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006 prescribed by the Central Government.
- ◆ The preparation of Financial Statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of income and expenses for the period, balance of Assets and Liabilities and disclosures relating contingent liabilities as of the date of the financial statements. *Examples of such estimates include useful life of tangible fixed assets, income taxes and future obligations under the employee retirement benefit plans etc.* Actual results could differ from those estimates and differences, if any, are recognized in the period in which results are known.

b) Income recognition:

- ◆ Revenues from film sale and distribution are recognized in the year of execution of agreements for sale.
- ◆ Revenues from exhibition of films are recognized upon realization.

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.
- ◆ Web casting portal represents the cost of expenses incurred by the company in acquiring and developing web casting technology, web NTV launch expenses, acquired value of internet rights of Hollywood films / regional films and related overheads.
- ◆ Depreciation has been provided on the assets which are put to use on written down value Method at the rates specified in Schedule XIV of the Companies Act, 1956.

d) Employee Benefits:

- ◆ Liability for employee benefits, both short and long term, for present and past services which are due as per the terms of employment and as required by law are recorded in accordance with Accounting Standard (AS) 15 "Employee Benefits" issued by the Institute of Chartered Accountants of India.

Gratuity

- ◆ Gratuity is a defined benefit plan, provided in respect of past services based on independent actuarial valuation and corresponding contribution to the fund is expensed in the year of such contribution.

Provident Fund

- ◆ Provident fund is a contribution to a Recognised Provident Fund with the Provident Fund Commissioner and the contribution made during the year as per the plan is expensed.

Leave Encashment

- ◆ Liability for leave is treated as a short-term liability and is accounted for as and when earned by the employee.

e) Inventory valuation:

- ◆ Inventories represent films under production and other film rights.
- ◆ Films under production are valued at cost.
- ◆ The film rights are valued, as at the year end, as per the current market potential of the pictures.

f) Foreign Currency transactions:

- ◆ Transactions denominated In Foreign Currency are recorded at exchange rates prevailing at the time of such transactions.

- ◆ Exchange differences arising upon Exchange Realization is taken to the Exchange realization account and the overall profit made or loss sustained at the year end is taken to the debit or credit of Profit and Loss account as the case may be.
- g) **Lease:**
 - ◆ Operating lease payments are recognized as expenses in the profit and loss account as per the terms of the agreements which are representative of the time pattern of the users' benefit.
- h) **Consolidated Financial Statements:**
 - ◆ The company has acquired 100% shares in GV Studio City Ltd as on January 10, 2010. The financial statements of the holding and subsidiary company as well as the consolidated financial statements are presented.
- i) **Deferred tax:**
 - ◆ Deferred tax represents the effect of timing difference between taxable income and accounting income for the reporting period that originate in one period and are capable of reversal in one or more subsequent periods.
 - ◆ Deferred tax assets is recognized and carried forward only to the extent that there is a reasonable certainty that the assets will be realized in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of assets.
- j) **Valuation of Investments:**
 - ◆ Quoted shares are, as a prudent measure are valued, at the lower of the cost or Market value.
 - ◆ Un-quoted equity shares, held as short term investments, are valued at cost.
- k) **Taxes on Income:**
 - ◆ Current tax is the amount of tax payable on the taxable income for the year and determined in accordance with provisions of the Income Tax Act, 1961. For the year 2009-10 income tax not been provision has not arisen due to losses.
- l) **Provisions, Contingent Liabilities and Contingent Assets**
 - ◆ Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

B. NOTES ON ACCOUNTS**1. Accounting Period**

- ◆ The period of accounts under review is from April 1, 2009 to March 31, 2010 for GV Films Limited.

2. Acquisition of Subsidiary

- ◆ The company has acquired 100% shares in GV Studio City Ltd for a consideration of Rs. 5,00,000/- by purchase of 50,000 equity shares of the company at Rs. 10/- each.

3. Increase in Paid up Capital

- ◆ During the year 9 Million Zero Coupon Unsecured Convertible Foreign Currency Bonds, 34% paid up, were converted, under the terms of the issue, into 1,64,92,833 shares of Rs. 10/- each at a premium of Re. 0.80 per share.

4. Additions to Fixed Assets

- ◆ A sum of Rs. 6,03,10,589/- was spent on the renovation and modification of the Tanjore theatre into a Multiplex. This includes a sum of Rs. 4,59,09,453/- transferred from Capital Work-in Progress.

5. Receivables & Payables

- ◆ Balance confirmation letters have been dispatched to various Sundry Debtors, Sundry Creditors and such others. Confirmations have been received from some parties and reconciliation work is in progress in respect of those confirmations.

6. Taxation

In view of losses sustained during the year, tax provision is not required to be made.

7. Contingent Liability

Liability	31-03-2010 Rs	31-03-2009 Rs
Capital Commitments	NIL	7,75,00,000
Claims against the company not acknowledged as debts	5,00,00,000	5,00,00,000
Corporate Guarantee	83,50,000	NIL

8. Provision for Taxation

Tax under MAT	NIL	NIL
Tax under FBT	NIL	6,07,701

9. Remuneration to Auditors

Fee	2009-10 Rs	2008-09 Rs
Statutory audit	2,40,000	30,000
Tax audit	50,000	15,000
Certification	10,000	12,475
	3,00,000	57,475

10. Foreign Exchange earnings and outflow

Earnings / Outflow	2009-10 Rs	2008-09 Rs
Foreign Exchange earnings	NIL	NIL
Foreign Currency outflow		
Hollywood Films Purchases	NIL	51,84,000
Interest on FCC Bonds	18,49,873	33,04,800

11. Business Segments

The company has three business segments as under

Segment	Capital Employed Rs	Sales / service / Other Income Rs	Profit / (Loss) Rs
Film Distribution	168,69,05,000	11,36,27,500	(3,72,70,378)
Film Exhibition	17,96,84,000	1,45,72,130	8,05,683
Web Casting	132,59,20,000	NIL	NIL
Total	319,25,09,000	12,81,99,630	(3,64,64,695)

12. Share Premium Account

Balance as on 01.04.2009	Rs. 84,81,94,434
Premium on conversion of FCCB Bonds	Rs. 1,31,94,266
Balance as at 31.03.2010	Rs. 86,13,88,700

13. Managerial Remuneration

In the absence of profits, Managerial remuneration is computed with reference to schedule XIII of the Companies Act.

Effective Capital

Paid up share capital (excluding share application money)	368 62 78 330
Share Premium	86 13 88 700
Reserves & Surplus	7 15 33 466
Long term loan	21 00 10 899
	482 9211395
<u>Less:</u>	
Accumulated Loss not written off	95 44 74 359
Preliminary expenses not written off	1 43 35 772
	96,88,10,131
Effective Capital	386,04,01,264

The effective capital of the company is above Rs 100 Crores. The permissible Managerial remuneration is Rs. 24,00,000/- or Rs. 2,00,000/- per month.

Managerial Remuneration charged is Rs. 8,75,400/-

Details of Remuneration of the Directors for the financial year ended 31-03-2010.

Director	Salary Rs	Perquisites and other Benefits Rs	Sitting fees	Total Rs
M.V.Balagiri	NIL	NIL	15,000	15,000
P Raghuraman	4,50,000	4,10,500	NIL	8,60,400

14. Related Party Transactions

As per the Accounting standards (AS 18) "Related Party Disclosure" as referred to in Accounting standard rules, the disclosure of transactions with the related parties as defined therein are given below:

Related Party	Director	Relationship with reporting enterprises	Nature of Transaction	Value
Sidhesh Films	M. V. Balagiri	Proprietor	Borrowed	3,65,25,395

15. Rounding off

Figures have been rounded off to the nearest rupee.

16. Regrouping

Previous year's figures have been re-grouped wherever necessary.

For and on behalf of the Board

As per our report of even date
For R. Ravindran & Associates
Chartered Accountants
Firm Registration No. 003222S
sd/-
R. Ravindran
Proprietor
Membership No: 023829

sd/-
M. V. Balagiri
Managing Director
Chennai
13th August 2010

sd/-
R. Gopalan
Director

sd/-
S.Ramanathan
Director

GV FILMS LIMITED

Regd. Office: F-0, Whispering Heights, 132, St. Mary's Road, Alwarpet, Chennai - 600 018

CASH FLOW STATEMENT

	31st March 2010	31st March 2009
	Rs.	Rs.
A. Cash Flow From Operating Activities:		
Net Profit before tax and extraordinary items	(3 62 94 411)	(22 47 26 456)
Adjustment for:		
Depreciation	92 09 567	93 48 889
Interest Paid (Net)	49 62 703	87 57 792
Other write backs	1 54 14 152	(53 285)
Operating Profit before Working Capital Changes	(67 07 989)	(20 66 73 061)
Adjustment for:		
Decrease/(Increase) in Inventories	(32 62 96 572)	14 18 62 541
Decrease/(Increase) in Sundry Debtors	12 74 41 260	14 23 31 153
Decrease/(Increase) in Loans & Advances	8 18 50 965	9 20 66 509
Decrease/(Increase) in Cash Impairment		(68 92 618)
Decrease/(Increase) in Current Liabilities	10 43 64 017	(13 81 35 603)
Net Cash From Operating Activities	(1 93 48 319)	2 45 58 921
B. Cash Flow From Investing Activities:		
(Acquisition)/Disposal of Assets - Net	(1 44 07 136)	(41 16 741)
Investments in securities	(5 00 000)	
Net Cash From Investing Activities	(1 49 07 136)	(41 16 741)
C. Cash Flow From Financing Activities:		
Proceeds from Borrowings	3 92 13 617	(3 76 97 019)
Interest Paid (Net)	(49 62 703)	(87 57 792)
Net Cash From Financing Activities	3 42 50 914	(4 64 54 810)
Net Increase/(Decrease) In Cash And Cash Equivalents During The Year	(4 540)	(2 60 12 630)
Cash And Cash Equivalents As At The Beginning Of The Year	47 66 196	3 07 78 826
Cash And Cash Equivalents As At The End Of The Year	47 61 657	47 66 196

For and on behalf of the Board

As per our report of even date
For R. Ravindran & Associates
Chartered Accountants
Firm Registration No. 003222S

Sd/-
M. V. Balagiri
Managing Director

Sd/-
R. Gopalan
Director

Sd/-
S.Ramanathan
Director

Sd/-
R. Ravindran
Proprietor
M. No.023829

Chennai, August 13, 2010

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
AS PER PART IV TO SCHEDULE VI TO THE COMPANIES ACT 1956
G.V. FILMS LIMITED**

1 REGISTRATION DETAILS

Registration No

STATE CODE

Balance Sheet date - -

2 Capital raised during the year (Amount in Rs thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

Conversion of 9 million Euro
FCCB into 164,92,833 equity shares
of Rs.10/- each

3 Position on Mobilisation and Deployment of Funds (Amount Rs in thousands)

Total Liabilities

Total Assets

Source of Funds

Paid up capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Application of Funds

Net Fixed Assets

Investments

Net Current Assets

Miscellaneous expenditure

Profit and Loss account

4 Performance of the company (Amount Rs in thousands)

Turnover

Total Expenditure

Profit (Loss) before Tax

Profit (Loss) after Tax

Earning Per Share

Dividend rate

5 GENERIC Names of three principal products / services of the company (as per monetary terms)

Item Code No (IFC Code)

Product Description

For and on behalf of the Board

Sd/-
M.V.Balagir
Managing Director

Sd/-
R.Gopalan
Director

Sd/-
A.Verikatrmani
Director

As per our report of even date
For R. Ravindran & Associates
Chartered Accountants
Firm Registration No. 0032225
sd/-
R Ravindran
Proprietor
M.No. 023829

DIRECTORS' REPORT

The Board of Directors are pleased to present the Third Annual Report of the Company and audited financial statements for the year ended 31st March, 2010.

1. Review of Operations:

Your directors are pleased to report that your Company has become a 100% Wholly Owned Subsidiary of M/s. G.V.Films Limited during the year under review.

During the year there is no significant activities to report except that your Management has identified a theatre for purchase in Mumbai and an advance of Rs.40 Lakhs has been made.

During the year your Company has incurred only administrative overheads to the extent of Rs.27,210/- and the same being booked as loss in Profit & Loss Account.

Your Company is planning to expand its theatre division in a big way by investing in cineplexes which require lower investment. A chain of cineplexes is planned throughout the country especially in Maharashtra and Tamil Nadu to start with.

2. Directors :

At the ensuing Annual General Meeting Mr. K.C.Suresh retires by rotation and being eligible offers himself for re-appointment.

Mr. Mohit Jain was appointed as an additional director on 30.06.2010 and he retires at the ensuing Annual General Meeting. A notice u/s 257 of the Companies Act, 1956 from a member of the Company recommending his name as director has been received by the Company.

During the year Mr. V.Subramonian has resigned as a director.

Mr. M.V.Balagiri was appointed as additional director on 16.06.2010 and he retires at the ensuing Annual General Meeting. A notice u/s 257 of the Companies Act, 1956 from a member of the Company recommending his name as director has been received by the Company.

3. Directors Responsibility Statement:

Pursuant to Section 217(2AA) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000 the Directors state that:

- i. In the preparation of Profit & Loss Account for the period ended 31st March 2010 and the Balance Sheet as on that date all the applicable Accounting Standards have been followed.
- ii. Accounting Policies, that are reasonable and prudent, have been selected and applied consistently 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 or Loss of the Company for the period ended 31st March 2010.
- iii. The accounting records have been properly maintained; and in accordance with the provisions of the Companies Act, 1956 and for safeguarding the assets of the Company as also for preventing and detecting fraud and other irregularities.
- iv. The Profit and Loss Account and Balance Sheet have been prepared on a going concern basis.

4. Auditors:

Mr. R. Ravindran, Auditor of your Company who retire at the conclusion of this Annual General Meeting being eligible for re-appointment and has indicated his willingness to act as Auditor, if reappointed.

5. Deposits

Since Incorporation the Company has not accepted any Deposit from public within the meaning of Section 58A and 58AA of the Companies Act, 1956.

6. Disclosure under Section 217(2A) of the Companies Act, 1956

The company does not have any employee drawing Remuneration in excess of the limits prescribed under the provisions of Section 217 (2A) of the Companies Act, 1956.

7. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings / outgo.

The company does not have any activity relating to Conservation of energy and technology absorption. However company has taken necessary steps for Conservation of energy in its day to day energy consumption.

The company does not have any foreign exchange earning or outgo during the year.

On behalf of the Board
sd/-
P.Raghuraman
Director

Chennai
August 13, 2010

AUDITOR'S REPORT

To

The Shareholders of GV STUDIO CITY LIMITED

We have audited the attached Balance Sheet of GV STUDIO CITY LIMITED as at 31st March 2010 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. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we 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. We believe that our audit provides a reasonable basis for our opinion.

- I. As required by the Companies (Auditor's Report) Order, 2003 (CARO, 2003) issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- II. Further to our comments in the Annexure referred to in paragraph I above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our 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 our 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 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 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 our opinion and to the best of my information and according to the explanations given to us, the said accounts 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 subject to:
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
 - b) In the case of the Profit and Loss Account, of the Loss for the year ended on that date;

For R Ravindran & Associates
Chartered Accountants
Firm Registration No. 003222S
sd/-

R. Ravindran
Proprietor
Membership No 23829

Chennai

August 13, 2010

THE ANNEXURE REFERRED TO IN PARA 3 OF THE AUDITORS' REPORT TO THE MEMBERS OF GV STUDIO CITY LIMITED FOR THE YEAR ENDED 31ST MARCH 2010.

1. Maintenance of Fixed Assets Register
The Company did not carry fixed Assets during the year; hence the question of Maintenance of Fixed Assets Register does not arise.
2. Verification & Valuation of Inventory
The Company does not carry inventory, hence verification and valuation of inventory does not arise.
3. Giving /Accepting Loan to / from Companies u/s. 301
 - a. The Company has not granted any secured or unsecured loans 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 Adequacy
In our opinion and according to the information and explanations given to us, 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, we found that, the company did not carry any business operations.
5. Entry in the Register u/s. 301
 - a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the Register maintained under section 301 of the Companies Act, 1956 have not been so entered because there were no contract or transactions entered by the company during the year.
 - b) In our opinion, clause 5(a) of CARO 2003 does not apply, hence 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. 50000/- 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 does not arise.
6. Deposits from Public
The Company has not accepted any deposits from the public under section 58A of the Companies Act.
7. Internal Audit
In our opinion, the paid up capital and reserves of the company does not exceed Rs. 50,00,000 or the turnover for the three years immediately preceding the previous year does not exceed Rs. 5 crores; hence the system of internal audit does not arise.
8. Maintenance of 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. Undisputed tax dues
There are no undisputed amounts payable in respect of Wealth Tax, Sales Tax, Customs Duty and Excise duty as on 31st March 2010 outstanding for a period of more than six months from the date on which they became payable.
10. Net worth
The company has not commenced business operations and the losses have not eroded the net worth of the company

11. Loans from Financial Institutions

The company has not borrowed funds from Banks or Financial institutions hence the question of repayment does not arise.

12. Advancing loans or 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) is not applicable.

13. Chit or Nidhi Company

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 are not applicable to the company.

14. Trading in Shares

The Company has not dealt in trading in shares and other investments during the year under review.

15. Corporate Guarantees

According to the information and explanations given to us, 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. Defaulting on Borrowals

The Company has not taken term loan during the year hence clause (Xvi) of the Order is not applicable.

17. Application of Short-term funds

According to the information and explanations given to us and on an overall examination of the balance sheet of the company, the company has not raised funds on short-term basis and applied for long term uses.

18. Preferential Allotment

The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.

19. Issue of Debenture

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

20. 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.

For R Ravindran & Associates

Chartered Accountants

Firm Registration No. 003222S

sd/-

R. Ravindran

Proprietor

Membership No 23829

Chennai

August 13, 2010

GV STUDIO CITY LIMITED

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

BALANCE SHEET AS AT 31ST MARCH 2010

<u>SOURCE OF FUNDS</u>	Schedule	Mar 31, 2010	Mar 31, 2009
		Rs.	Rs.
Shareholders' Funds			
Capital	1	5 00 000	5 00 000
		5 00 000	5 00 000
<u>APPLICATION OF FUNDS</u>			
Current Assets, Loans and Advances			
Loans & Advances	2	40 00 000	
Cash & Bank Balances	3	4 47 433	4 41 050
		44 47 433	4 41 050
Less: Current Liabilities & Provisions	4	40 39 973	16 700
Net Current Assets		4 07 460	4 24 350
Miscellaneous Expenditure (to the extent not written off or adjusted)	5	20 640	30 960
Profit and Loss a/c	6	71 900	44 690
		5 00 000	5 00 000
Notes to accounts	9		

The schedules referred to above and the notes form an integral part of the balance sheet

For and on behalf of the Board

As Per Our Report Of Even
Date Attached
For R.Ravindran & Associates
Chartered Accountants
Firm Registration No. 003222S

Chennai
13th August 2010**P. Raghuraman**
Director**K.C.Suresh**
Director**R.Ravindran**
Proprietor
M.No.023829

GV STUDIO CITY LIMITED

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

PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH 2010

	Schedule	Mar 31, 2010	Mar 31, 2009
		Rs.	Rs.
INCOME			
Income from Operations	7	NIL	NIL
		NIL	NIL
EXPENDITURE			
Administrative Expenses	8	27 210	22 343
		27 210	22 343
PROFIT BEFORE TAX			
Provision for taxation		(27 210)	(22 343)
Current Tax			
Deferred Tax			
Fringe benefit tax			
PROFIT AFTER TAX			
Profit Available for appropriation		(27 210)	(22 343)
B/f from previous year		(44 690)	(22 347)
		(71 900)	(44 690)

Notes to accounts

9

The schedules referred to above and the notes form an integral part of the balance sheet

For and on behalf of the Board

As Per Our Report Of Even
Date Attached
For R.Ravindran & Associates
Chartered Accountants
Firm Registration No. 003222S

Chennai **P. Raghuraman**
13th August 2010 Director

K.C.Suresh
Director

R.Ravindran
Proprietor
M.No.023829

GV STUDIO CITY LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS

		Mar 31, 2010	Mar 31, 2009
		Rs.	Rs.
Schedule 1	Share Capital		
	Authorised Share Capital 1000000 Equity Shares of Rs. 1/- each	10 00 000	10 00 000
	Issued and Subscribed and paid up Capital 500000 Equity Shares of Rs. 1/- each	5 00 000	5 00 000
		5 00 000	5 00 000
Schedule 2	Loans & Advances		
	Kumar Perfumes Pvt Ltd	40 00 000	
		40 00 000	
Schedule 3	Cash and Bank Balances		
	Cash in Hand	4 35 988	4 41 050
	Cash at Bank	11 445	
		4 47 433	4 41 050
Schedule 4	Current Liabilities		
	Sundry Creditors for Advances	40 15 000	
	Provisions		
	Audit Fee Payable	24 973	16 700
		40 39 973	16 700
Schedule 5	Preliminary expenses		
	(to the extent not written off or adjusted)		
	Preliminary expenses	30 960	41 280
	Less : written off	10 320	10 320
		20 640	30 960

GV STUDIO CITY LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS

		Mar 31, 2010	Mar 31, 2009
		Rs.	Rs.
Schedule 6	Profit and loss a/c		
	Reserves and surplus	(71 900)	(44 690)
		(71 900)	(44 690)
Schedule 7	Income		
	Income from Operations	NII	NII
		NII	NII
Schedule 8	Administrative Expenses		
	Rates & Taxes	5 062	3 750
	Audit Fee	8 273	8 273
	Preliminary Expenses w/o	10 320	10 320
	Bank Charges	3 555	
		27 210	22 343

Schedule 9

NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31.03.2010

Significant Accounting Policies

- ◆ The Financial statements have been prepared under the historical cost convention method and comply with all material aspects of accounting standards of ICAI and the Provisions of the companies Act, 1956 to the extent they applicable
- ◆ The company recognizes expenditure on accrual basis.
- ◆ The company has written off preliminary expenses over a period of five years

Notes to Accounts

- ◆ During the year, the Company has become 100% Subsidiary of M/s. G V Films Limited
- ◆ The accounting period under preview is of 12 months. Since inception, the company did not carry any transactions or business operations.
- ◆ Remuneration to Auditor

Auditor's Remuneration	2009-10	2008-09
Statutory Audit Fees	7500	7500
Service Tax	773	773
Total	8273	8273

- ◆ Schedules referred therein form an integral part of the Balance sheet.
- ◆ Contingent Liability is NIL

For and on behalf of the Board

sd/-
P. Raghuraman
Director

sd/-
K C Suresh
Director

For R.Ravindran & associates
Chartered Accountants
Firm Registration No. 003222S

sd/
R. Ravindran
Proprietor
M. No 23829

Chennai
August 13, 2010

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF GV FILMS LIMITED AND GV STUDIO CITY LIMITED, ITS SUBSIDIARY

1. We have audited the attached Consolidated Balance Sheet of M/s. GV FILMS LIMITED as at March 31, 2010 and also the Consolidated Profit and Loss Account for the whole year and its subsidiary for the period January 10, 2010 to March 31, 2010 ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on 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. We believe that our audit provides a reasonable basis for our opinion.
3. The Consolidated Financial Statements have been prepared by the management of the company in accordance with the requirements of Accounting Standard (AS) 21 "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India
4. Further to our comments in the Annexure referred to in paragraph 3 above, we state that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c. The Balance Sheet and Profit & Loss Account and cash flow statement dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the balance sheet, profit and loss account and the cash flow statement comply with the Accounting Standards referred to in Subsection (3C) of section 211 of the Companies Act, 1956
 - e. On the basis of written representations received from the Directors, as on March 31, 2010 and taken on record by the Board of Directors, we report that none of the director of the company is disqualified from being appointed as a director under clause (g) of sub-Section (1) of Section 274 of the Companies Act, 1956.
 - f. In our opinion and according to the best of our information, the said accounts 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 principle generally accepted in India ;
 1. in the case of the Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiary as at March 31, 2010
 2. in the case of the Consolidated Profit and Loss Account of the Loss of the Company for the whole ended and its subsidiary for the period January 10, 2010 to March 31, 2010.
 3. in the case of the Consolidated Cash Flow Statement, of the Cash Flows of the Company for the whole ended and its subsidiary for the period January 10, 2010 to March 31, 2010.

For R. Ravindran & Associates
Chartered Accountants
Firm Registration No. 003222S
sd/-

R. Ravindran
Proprietor
M. No. 023829

Chennai
13th August 2010

CONSOLIDATED BALANCE SHEET OF GV FILMS LIMITED AND ITS SUBSIDIARY GV STUDIO CITY LIMITED AS AT 31ST MARCH 2010

	Sch	AS AT MARCH 31, 2010 (Rs.)
<u>SOURCES OF FUNDS</u>		
SHAREHOLDERS' FUNDS:		
Share Capital	1	3 68 62 78 330
Reserves & Surplus	2	93 29 22 166
		4 61 92 00 496
LOAN FUNDS:		
Secured Loans	3	2 99 54 051
Unsecured Loans	4	21 00 10 899
		4 85 91 65 446
<u>APPLICATIONS OF FUNDS</u>		
FIXED ASSETS		
Gross Block		1 90 50 12 277
Less: Depreciation		4 98 00 802
Net Block	5	1 85 52 11 474
INVESTMENTS	6	16 73 460
CURRENT ASSETS, LOANS & ADVANCES		
Inventories	7	2 09 38 79 116
Sundry Debtors	8	7 75 81 331
Cash & Bank balances	9	52 09 090
Loans & Advances	10	6 03 31 216
		2 23 70 00 753
Less: Current Liabilities & Provisions	11	20 47 87 568
Net Current Assets		2 03 22 13 185
Deferred Tax Assets		11 64 657
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Capital Issue and preliminary expenditure	12	1 43 56 412
Profit and loss account		95 45 46 259
		4 85 91 65 446

Notes to accounts

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For and on behalf of the Board

As per our report of even date
For R. Ravindran & Associates
 Chartered Accountants
 Firm Registration No. 003222S

Sd/-
M. V. Balagiri
 Managing Director

Sd/-
R. Gopalan
 Director

Sd/-
S. Ramanathan
 Director

Sd/
R. Ravindran
 Proprietor
 M. No.023829

Chennai, August 13, 2010

**CONSOLIDATED PROFIT AND LOSS ACCOUNT OF GV FILMS LIMITED AND ITS SUBSIDIARY
GV STUDIO CITY LIMITED FOR THE PERIOD FROM JANUARY 10, 2010 TO 31ST MARCH 2010**

	Sch.	AS AT MARCH 31, 2010 (Rs.)
INCOME		
Operating Income	13	12 81 99 630
Other Income	14	28 79 778
		13 10 79 408
EXPENDITURE		
Operating Expenses	15	8 99 65 634
Administrative & Other Expenses	16	6 04 76 574
Finance Charges	17	77 45 392
Depreciation	5	92 09 567
		16 73 97 167
		(3 63 17 759)
Impairment loss		
Profit/(Loss) before Taxation		(3 63 17 759)
Current tax		
Fringe Benefit Tax		
Deffered tax Liability		1 70 285
Profit/(Loss) after Taxation		(3 64 88 044)
Loss b/fd from Previous Year		(91 80 58 215)
Amount available for appropriation		(95 45 46 259)
Surplus/(Deficit) carried to Balance Sheet		(95 45 46 259)

Notes to accounts

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For and on behalf of the Board

As per our report of even date
For R. Ravindran & Associates
Chartered Accountants
Firm Registration No. 003222S

Sd/-
M. V. Balagiri
Managing Director

Sd/-
R. Gopalan
Director

Sd/-
S.Ramanathan
Director

R. Ravindran
Proprietor
M. No.023829

Chennai, August 13, 2010

**SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS OF GV FILMS LIMITED AND
ITS SUBSIDIARY GV STUDIOCITY LIMITED**

	as at 31, 2010
	Rs.
SCHEDULE 1: SHARE CAPITAL	
<u>Authorised Share Capital:</u> 2,00,00,00,000 Equity Shares of Rs.10/- each	20 00 00 00 000
<u>Issued, Subscribed and Paid up Share Capital :</u> 35,21,35,000 equity shares @ Rs. 10/- each 1,64,92,833 equity shares @ Rs. 10/- each by conversion of 9 Million FCCB (34% paid)	3 52 13 50 000 16 49 28 330 3 68 62 78 330
SCHEDULE 2: RESERVES & SURPLUS	
General Reserves	7 15 33 466
Share Premium	86 13 88 700
	93 29 22 166
SCHEDULE 3: SECURED LOANS	
Term Loan from Bank (Secured on Company's Gudiatham Theatre)	2 99 54 051 2 99 54 051
SCHEDULE 4: UNSECURED LOANS	
Foreign currency Convertible Bonds	15 23 15 504
Other Loans	5 76 95 395
	21 00 10 899
SCHEDULE 6: INVESTMENTS (AT COST)	
<u>Investments in Quoted Securities</u> 9400 Equity Shares of Rs 10/- each in GSFC 792 Units -(US 64) of Rs 10/- each in UTI	1 88 000 8 496
<u>Investment in un-quoted equity shares</u> 4,81,000 shares of Pixel Box office Pte. Ltd , Singapore in Sing \$ of 1 each	 14 76 964
	16 73 460

**SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS OF GV FILMS LIMITED AND
ITS SUBSIDIARY GV STUDIOCITY LIMITED**

	as at	March
	31, 2010	
	Rs.	Rs.
SCHEDULE 7: INVENTORIES		
Closing Stock of pictures & films		2 09 38 79 116
		2 09 38 79 116
SCHEDULE 8: SUNDRY DEBTORS		
(Unsecured, Considered Good)		
(a) Debts outstanding for a period exceeding 6 months		7 35 16 072
(b) Other Debts		40 65 259
		7 75 81 331
SCHEDULE 9: CASH & BANK BALANCES		
Cash in hand		9 54 713
Balance with Banks		
- On Current Accounts		42 17 377
- On Deposit Accounts		37 000
		52 09 090
SCHEDULE 10: LOANS & ADVANCES		
(Advances - Receivable in cash or in kind or for value to be received (considered good)		
Deposits		35 32 698
Loans & Advances		5 67 98 518
		6 03 31 216
SCHEDULE 11: CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Sundry Creditors		13 65 53 181
Other Liabilities & Advances		6 66 99 123
		20 32 52 304
Provisions		
Provision for FBT payable		6 07 701
Provision for Interest on FCCB Bonds		9 27 563
		15 35 264
		20 47 87 568

**SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS OF GV FILMS LIMITED AND
ITS SUBSIDIARY GV STUDIOCITY LIMITED**

	as at 31, 2010
	Rs.
SCHEDULE 12: MISCELLANEOUS EXPENDITURE	
Rights Issue Expenditure	68 78 392
Other Preliminary Expenses	74 78 020
	1 43 56 412
SCHEDULE 13: OPERATING INCOME	
Realisation from Film Production & Distribution	11 36 27 500
GV Studio City (Theatre) Division	1 45 72 130
	12 81 99 630
SCHEDULE 14: OTHER INCOME	
Interest earned	2 76 877
Miscellaneous Income	26 02 901
	28 79 778
SCHEDULE 15: OPERATING EXPENSES	
Opening Stock - Films	1 76 75 82 544
Cost of Films Produced / Distributed	41 00 11 134
Less: Closing Stock	2 09 38 79 116
Cost of Sales	8 37 14 562
Theatre division Expenses	62 51 072
	8 99 65 634
SCHEDULE 16: ADMINISTRATIVE EXPENSES	
Advertisement & Publicity	2 04 239
Shareholders Meeting Expenses	6 83 645
Audit Fees	3 66 290
Bank Charges	1 03 740
Business Development Expenses	54 37 850
Electricity Charges	15 95 180
Legal & Professional Charges	2 46 37 523
Other Service Charges	5 42 972
Listing, Depository and ROC Fees	20 53 616
Other Expenses	17 10 718
Postage, Trunks & Telephones	9 82 980
Printing & Stationery	1 92 444
Rent, Rates & Taxes	31 36 689
Repairs & Maintenance	34 73 302
Staff Costs	1 12 03 406
Preliminary Expenses Written off	10 320
Travelling & Conveyance	41 41 660
	6 04 76 574
SCHEDULE 17: FINANCE CHARGES	
Interest on loans	77 30 392
Processing Charges	15 000
	77 45 392

Sch 5 : Consolidated Fixed Assets and Depreciation Schedule of GV Films Limited and its subsidiary GV studio City limited for the year ended 31.03.2010

Asset	Cost 31.03.2009	Additions	Deletions	Total Cost 31.03.2010	Dep upto 31.03.2009	Current Depn	Accumulated upto 31.03.2010	WDV 31.03.2009	WDV 31.03.2010
Land	3 89 47 274			3 89 47 274				3 89 47 274	3 89 47 274
Building	2 72 73 541	3 70 81 264		6 43 54 805	99 82 750	10 94 777	1 10 77 527	1 72 90 791	5 32 77 278
Plant & Machinery	88 79 725	1 80 49 758		2 69 29 483	82 87 000	5 19 797	88 06 797	5 92 725	1 81 22 686
Furniture & Fixtures	1 25 57 800	34 03 436		1 59 61 236	47 97 635	15 16 437	63 14 072	77 60 165	96 47 164
Office equipment	4 13 15 557	17 76 131		4 30 91 688	1 21 40 179	41 31 449	1 62 71 628	2 91 75 378	2 68 20 060
Vehicles	1 09 77 861			1 09 77 861	53 83 671	19 47 108	73 30 779	55 94 190	36 47 082
Webcasting portal (Under construction)	143 24 79 586			143 24 79 586				143 24 79 586	143 24 79 586
Capital work in progress	31 81 79 797	(4 59 09 453)		27 22 70 344				31 81 79 797	27 22 70 344
	189 06 11 141	1 44 01 136		190 50 12 277	4 05 91 235	92 09 567	4 98 00 802	185 00 19 906	185 52 11 474

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**CONSOLIDATED CASH FLOW STATEMENT OF GV FILMS LIMITED FOR THE YEAR ENDED
MARCH 31, 2010 AND ITS SUBSIDIARY FROM JANUARY 10, 2010 TO MARCH 31, 2010**

	31st March 2010
	(Rs.)
A. Cash Flow From Operating Activities:	
Net Profit before tax and extraordinary items	(3 63 17 759)
Adjustment for:	
Depreciation	92 09 567
Interest Paid (Net)	49 62 703
Preliminary Expenses Written Off	10 320
other write backs	1 54 14 152
Operating Profit before Working Capital Changes	(67 21 017)
Adjustment for:	
Decrease/(Increase) in Inventories	(32 62 96 572)
Decrease/(Increase) in Sundry Debtors	12 74 41 260
Decrease/(Increase) in Loans & Advances	7 78 50 965
Decrease/(Increase) in Current Liabilities	10 78 87 290
Net Cash From Operating Activities	(1 98 38 074)
B. Cash Flow From Investing Activities:	
(Acquisition)/Disposal of Assets - Net	(144 07 136)
Net Cash From Investing Activities	(1 44 07 136)
C. Cash Flow From Financing Activities:	
Proceeds from Borrowings	3 92 13 617
Interest Paid (Net)	(49 62 703)
Net Cash From Financing Activities	3 42 50 914
Net Increase/(Decrease) In Cash And Cash Equivalents During The Year	5 707
Cash And Cash Equivalents As At The Beginning Of The Year	52 03 384
Cash And Cash Equivalents As At The End Of The Year	52 09 090

For and on behalf of the Board

Sd/-
M. V. Balagiri
Managing Director

Sd/-
R. Gopalan
Director

Sd/-
S.Ramanathan
Director

Sd/
R.Ravindran
Proprietor
M. No.023829

Chennai, August 13, 2010

As per our report of even date
For R. Ravindran & Associates
Chartered Accountants
Firm Registration No. 003222S

Schedule 18

NOTES ON ACCOUNTS FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS OF GV FILMS LIMITED AND ITS SUBSIDIARY GV STUDIO CITY LIMITED FOR THE YEAR ENDED 31ST MARCH 2010**A. SIGNIFICANT ACCOUNTING POLICIES****a. Basis of Accounting:**

- ◆ The Financial Statements are prepared under the historical cost convention, on accrual basis of accounting and in accordance with Generally Accepted Accounting Principles (GAAP) in India and in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006 prescribed by the Central Government.
- ◆ The preparation of Financial Statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of income and expenses for the period, balance of Assets and Liabilities and disclosures relating contingent liabilities as of the date of the financial statements. Examples of such estimates include useful life of tangible fixed assets, income taxes and future obligations under the employee retirement benefit plans etc. Actual results could differ from those estimates and differences, if any, are recognized in the period in which results are known.

b. Income recognition:

- ◆ Revenues from film sale and distribution are recognized in the year of execution of agreements for sale.
- ◆ Revenues from exhibition of films are recognized upon realization.

c. Principles of Consolidation:

- ◆ The consolidated financial statements relate the company (GV Films Limited) and its Subsidiary (GV Studio City Limited). The consolidated financial statements have been prepared on the following basis:
- ◆ The Financial statements of the Company and its subsidiary is combined on a line by line basis, by adding the like items of assets, liabilities, income and expenses after fully eliminating intra group balances and intra group transactions resulting in unrealized profit or losses in accordance with the Accounting standard (AS – 21) "Consolidated Financial Statements"
- ◆ The Company does not have minority shareholders therefore there is no need to disclose the adjustment of minority interest share of net profit or loss against income of the company and also the share of net assets as a separate item from liabilities in the consolidated Balance Sheet.
- ◆ The Consolidated Financials statements are prepared using uniform Accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the stand alone financial statement of the Company
- ◆ Investments other than in subsidiary are accounted as per AS 13 "Accounting for Investments"
- ◆ Previous year figures have not been indicated in the absence of Holding-subsidiary relationship.

d. 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.
- ◆ Web casting portal represents the cost of expenses incurred by the company in acquiring and developing web casting technology, web NTV launch expenses, acquired value of internet rights of Hollywood films/ regional films and related overheads.
- ◆ Depreciation has been provided on the assets which are put to use on written down value Method at the rates specified in Schedule XIV of the Companies Act, 1956.

e. Employee Benefits:

- ◆ Liability for employee benefits, both short and long term, for present and past services which are due as per the terms of employment and as required by law are recorded in accordance with Accounting Standard (AS) 15 "Employee Benefits" issued by the Institute of Chartered Accountants of India.

Gratuity

- ◆ Gratuity is a defined benefit plan, provided in respect of past services based on independent actuarial valuation and corresponding contribution to the fund is expensed in the year of such contribution.

Provident Fund

- ◆ Provident fund is a contribution to a Recognised Provident Fund with the Provident Fund Commissioner and the contribution made during the year as per the plan is expensed.

Leave Encashment

- ◆ Liability for leave is treated as a short-term liability and is accounted for as and when earned by the employee.

f. Inventory valuation:

- ◆ Inventories represent films under production and other film rights.
- ◆ Films under production are valued at cost. In the opinion of the management the films under production
- ◆ The film rights are valued, as at the year end, as per the current market potential of the pictures.

g. Foreign Currency transactions

- ◆ Transactions denominated In Foreign Currency are recorded at exchange rates prevailing at the time of such transactions.
- ◆ Exchange differences arising upon Exchange Realization is taken to the Exchange realization account and the overall profit made or loss sustained at the year end is taken to the debit or credit of Profit and Loss account as the case may be.

h) Lease:

- ◆ Operating lease payments are recognized as expenses in the profit and loss account as per the terms of the agreements which are representative of the time pattern of the users' benefit.

i) Deferred tax

- ◆ Deferred tax represents the effect of timing difference between taxable income and accounting income for the reporting period that originate in one period and are capable of reversal in one or more subsequent periods.
- ◆ Deferred tax assets is recognized and carried forward only to the extent that there is a reasonable certainty that the assets will be realized in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of assets.

j) Valuation of Investments:

- ◆ Quoted shares are valued as a prudent measure is valued, at the lower of the cost or Market value.
- ◆ Un-quoted equity shares, held as short term investments, are valued at cost.

k) Taxes on Income:

- ◆ Current tax is the amount of tax payable on the taxable income for the year and determined in accordance with provisions of the Income Tax Act, 1961. However, for the year no income tax has been provided in the Accounts, as the Company has incurred Loss for the current year.

l) Provisions, Contingent Liabilities and Contingent Assets

- ◆ Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

B. NOTES ON ACCOUNTS**1. Accounting Period**

- ◆ The period of accounts under review is from April 1, 2009 to March 31, 2010 for GV Films Limited and its subsidiary from January 10, 2010 to March 31, 2010.

2. Increase in Paid up Capital

- ◆ During the year 9 Million Zero Coupon Unsecured Convertible Foreign Currency Bonds, 34% paid up, were converted, under the terms of the issue, into 1,64,92,833 shares of Rs. 10/- each at a premium of Re. 0.80 per share.

3. Additions to Fixed Assets

- ◆ A sum of Rs. 6,03,10,589/- was spent on the renovation and modification of the Tanjore theatre into a Multiplex. This includes a sum of Rs. 4,59,09,453/- transferred from Capital Work-in Progress.

4. Receivables & Payables

- ◆ Balance confirmation letters have been dispatched to various Sundry Debtors, Sundry Creditors and such others. Confirmations have been received from some parties and reconciliation work is in progress in respect of those confirmations.

5. Taxation

- ◆ In view of losses sustained during the year, tax provision is not required to be made.

6. Contingent Liability

Liability	31-03-2010 Rs	31-03-2009 Rs
Capital Commitments	NIL	7,75,00,000
Claims against the company not acknowledged as debts	5,00,00,000	5,00,00,000

7. Provision for Taxation

Tax under MAT	NIL	NIL
Tax under FBT	NIL	6,07,701

8. Remuneration to Auditors

Fee	Service	2009-10 Rs	2008-09 Rs
GV Films Limited	Statutory Audit, Tax Audit & Certification	3,00,000	57,475
GV Studio City Limited	Statutory Audit & Service tax	8,273	8,273

9. Foreign Exchange earnings and outflow

Earnings / Outflow	2009-10 Rs	2008-09 Rs
Foreign Exchange earnings	NIL	NIL
Foreign Currency outflow		
Hollywood Films Purchases	NIL	51,84,000
Interest on FCC Bonds	18,49,873	33,04,800

10. Business Segments

The company has three business segments as under

Segment	Capital Employed Rs	Sales / service / Other Income Rs	Profit / (Loss) Rs
Film Distribution	168,69,05,000	11,36,27,500	(3,72,70,378)
Film Exhibition	17,96,84,000	1,45,72,130	8,05,683
Web Casting	132,59,20,000	NIL	NIL
Total	319,25,09,000	12,81,99,630	(3,64,64,695)

11. Share Premium Account

Balance as on 01.04.2009	Rs. 84,81,94,434
Premium on conversion of FCCB Bonds	Rs. 1,31,94,266
Balance as at 31.03.2010	Rs. 86,13,88,700

12. Managerial Remuneration

In the absence of profits, Managerial remuneration is computed with reference to schedule XIII of the Companies Act.

Effective Capital

Paid up share capital (excluding share application money)	368 62 78 330
Share Premium	86 13 88 700
Reserves & Surplus	7 15 33 466
Long term loan	21 00 10 899
	482 92 11 395
Less:	
Accumulated Loss not written off	95 44 74 359
Preliminary expenses not written off	1 43 35 772
	96 88 10 131
Effective Capital	386 04 01 264

The effective capital of the company is above Rs 100 Crores. The permissible Managerial remuneration is Rs. 24,00,000/- or Rs. 2,00,000/- per month.

Managerial Remuneration charged is Rs. 8,75,400/-

Details of Remuneration of the Directors for the financial year ended 31-03-2010.

Director	Salary Rs	Perquisites and other Benefits Rs	Sitting fees	Total Rs
M.V.Balagiri	NIL	NIL	15,000	15,000
P Raghuram	4,50,000	4,10,500	NIL	8,60,400

13. Related Party Transactions

As per the Accounting standards (AS 18) "Related Party Disclosure" as referred to in Accounting standard rules, the disclosure of transactions with the related parties as defined therein are given below:

Related Party	Director	Relationship with reporting enterprises	Nature of Transaction	Value
Sidhesh Films	M. V. Balagiri	Proprietor	Borrowed	3,65,25,395

14. Rounding off

Figures have been rounded off to the nearest rupee.

For and on behalf of the Board

As per our report of even date
For R. Ravindran & Associates
Chartered Accountants
Firm Registration No. 003222S

sd/-
M. V. Balagiri
Managing Director
Membership No: 023829
Chennai
13th August 2010

sd/-
R. Gopalan
Director

sd/-
S.Ramanathan
Director

sd/
R. Ravindran
Proprietor

GV Films Limited

Regd. Office : F-0, 132, St. Mary's Road,
Alwarpet, Chennai - 600018

ATTENDANCE SLIP

NAME AND ADDRESS OF THE MEMBER

ANNUAL GENERAL MEETING

FOLIO NUMBER :

NO. OF SHARES :

DP ID. NO./Client ID. No. :

NAME OF PROXY (if applicable)

TIME

Friday, 24th September 2010
At 12.15 P.M

VENUE

New Woodlands Hotel (P) Ltd,
No. 72-75, Dr. Radhakrishnan Salai,
Mylapore, Chennai-600 004

I hereby record my presence at the Annual General Meeting of the Company

Notes :

1. This slip may please be handed over at the entrance of the meeting hall.
2. Only Shareholders / Proxies will be allowed to attend the meeting.

Signature of Member/Proxy

GV Films Limited

Regd. Office : F-0, 132, St. Mary's Road,
Alwarpet, Chennai - 600018

PROXY FORM

I / We _____ of

_____ being the Member(s) of G.V. Films Limited hereby appoint

_____ of _____

failing him _____ of _____

as my/our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 24th September 2010 at 12.15 P.M. and at any adjournment thereof.

Signed this _____ day of _____ 2010.

Folio No.
No. of Shares Held
DP ID No./Client ID No.

Signature of Member

Signature of Member

Note : Form of proxy duly completed should be deposited at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.

BOOK-POST

If undelivered, please return to:

GV Films Limited

F-0, 132, St. Mary's Road,
Alwarpet, Chennai - 600018