

LETTER OF OFFER

(Private and Confidential)

(For Equity Shareholders of the Company only)



G.V. FILMS LIMITED

(Incorporated on March 7, 1989 under the Companies Act, 1956 as Public Limited Company and received Certificate of Commencement of Business on 5th April 1989)

Registered office: No.4, Seshadri Road, Alwarpet, Chennai-600 018, Tamil Nadu.

Tel No: (044) 24990840 Fax: (044) 52101785 Email : gvfilms@vsnl.com website: www.gvfilms.com

Compliance officer: Mr. P. Thirumalaikumar

LETTER OF OFFER

Issue of 40,42,50,000 Equity Shares of Re 1 each for cash at par on rights basis to the existing Equity Shareholders of the Company in the ratio of 7 (Seven) equity shares for every 10 (Ten) shares held on Record Date (i.e.July 13, 2005) aggregating to Rs 40,42,50,000.



The face value of the Equity Shares is Re 1 per share and the Issue Price is equal to the face value.

GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in the offer unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India ("SEBI") nor does SEBI guarantee the accuracy or adequacy of this document. Attention of investors is drawn to the statement of Risk factors appearing on page iii of the Letter of Offer.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this - Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in the context of this Issue, that the information contained in this Letter of Offer is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE
 <p>VIVRO FINANCIAL SERVICES PRIVATE LIMITED SEBI Regn. No.: INM000010122 Manu Mansion 16/18, Shahid Bhagatsingh Road, Opp. Old Custom House, Fort, Mumbai - 400 023 Tel.: (022) 22657364, 22658397 Fax: (022) 22658406 Email: mumbai@vivro.net Website: www.vivro.net</p>	 <p>CAMEO CORPORATE SERVICES LIMITED "Subramaniam" Building, No -1 Club House Road, Chennai- 600 002 Tel.:(044)28460390, 28460391, Fax: (044) 28460129 Email: cameo@cameoindia.com Website: www.cameoindia.com</p>

ISSUE SCHEDULE :

ISSUE OPENS ON	LAST DATE FOR RECEIVING REQUESTS FOR SPLIT APPLICATION FORMS	ISSUE CLOSES ON
Wednesday August 10, 2005	Wednesday August 24, 2005	Wednesday September 14, 2005

LISTING

The existing Equity Shares of the Company are listed on Madras Stock Exchange Ltd ("MSE")., The Stock Exchange, Mumbai ("BSE"),("Designated stock Exchange") Hyderabad Stock Exchange Ltd ("HSE"). The Company proposes to list the Equity Shares on MSE, BSE and HSE. The Company has received in-principle approvals from MSE, BSE and HSE vide letters dated 29th April, 2005, 16th May, 2005 and 4th May, 2005 respectively.

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A. DEFINITIONS AND ABBREVIATIONS

I. CONVENTIONAL / GENERAL TERMS/ DEFINITIONS

Act	The Companies Act, 1956 and amendments thereto
Articles	Articles of Association of the Company
BSE	The Stock Exchange, Mumbai
CDSL	Central Depository Services (India) Limited
Depositories	NSDL and CDSL
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations there under and amendments thereto
FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws
FIPB	Foreign Investment Promotion Board, Department of Economic Affairs, Ministry of Finance, Government of India
IT Act	The Income Tax Act, 1961 and amendments thereto
Memorandum (MOA) & Articles (AOA)	Memorandum & Articles of Association of GV Films Ltd
NSE	The National Stock Exchange of India Limited
NRI (s)	Non Resident Indians
NSDL	National Securities Depository Limited
RBI	The Reserve Bank of India
SEBI	Securities and Exchange Board of India
SEBI Guidelines	SEBI (Disclosure & Investor Protection) Guidelines, 2000 read with amendments thereto
"We", "us", "our"	Refers to GV Films Limited

II. OFFERING RELATED TERMS

CAF /CAFs	Composite Application Form(s)
Issue / Rights Issue	Present issue of 40,42,50,000 Equity Shares of Re.1 each for cash.
Issue Price	Re.1 per Equity Share
Lead Manager	Vivro Financial Services Private Limited
Letter of Offer/ LOF/Offer Document	This Letter of Offer circulated to the Equity Shareholders
Record Date	July 13, 2005
Registrar	Registrar to the Issue, Cameo Corporate Services Limited
Rights Entitlement	The number of Equity Shares that an Equity Shareholder is entitled to under this Letter of Offer in proportion to his/ her/ its existing shareholding in the Company as on the Record Date

III. COMPANY/ INDUSTRY- RELATED TERMS

Board	Board of Directors of GV Films Limited
Committee of Directors	Committee of the Board of Directors of GV Films Limited to take decisions on matters related to/incidental to this Issue.
Company/ GV Films / Issuer Company / GVFL	GV Films Ltd.
Directors	Directors on the Board of the Issuer Company
Equity Shareholders	Equity shareholders of the Company whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company in respect of the Equity Shares held in physical form
Equity Shares	The Equity Share of the Company of Re.1 each
Memorandum (MOA) & Articles (AOA)	Memorandum & Articles of Association of GV Films Ltd
NRI	Non Resident Indian
Promoter(s)	Promoters shall have the same meaning as ascribed to it under the SEBI Guidelines and which has been more particularly detailed in the disclosure in this Letter of Offer
Security Certificates	Equity Share certificates



IV. ABBREVIATIONS

AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BM	Meeting of Board of Directors
BSE	The Stock Exchange, Mumbai
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CY	Calendar Year ending on December 31
DRT	Debt Recovery Tribunal
Drushya / DEBSL	Drushya Entertainment Broadcast Streams Limited
DP	Depository Participant
EGM	Extra-ordinary General meeting
EOU	Export oriented Unit
EPS	Earning per share
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations there under and amendments thereto
FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws
FIPB	Foreign Investment Promotion Board, Department of Economic Affairs, Ministry of Finance, Government of India
FY	Financial Year ending on March 31
GDP	Gross Domestic Product
GIR Number	General Index Registry Number
GOI	Government of India
HUF	Hindu Undivided Family
IT Act	The Income Tax Act, 1961 and amendments thereto
MSE	Madras Stock Exchange Ltd.
NA	Not applicable
NAV	Net Asset Value
NSE	The National Stock Exchange of India Limited
NRI (s)	Non Resident Indians
NRE Account	Non Resident External account and amendments thereto
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
OMNI Ltd./OMNI	One World Media Network Infotainment Ltd
P/E Ratio	Price/Earnings Ratio
P.A.	Per Annum
PAN	Permanent Account Number
RBI	The Reserve Bank of India
RONW	Return on Net Worth
SEBI	Securities and Exchange Board of India
SEBI Guidelines	SEBI (Disclosure & Investor Protection) Guidelines, 2000 read with amendments thereto
Supreme Court	Hon'ble Supreme Court of India

B. RISK FACTORS

Investors should consider the following Risk Factors together with all other information included in this Letter of Offer carefully, in evaluating the Company and its business before making any investment decision. Any projections, forecasts and estimates contained herein are forward looking statements that involve risks and uncertainties. Such statements use forward looking terminology like "may", "believes", "will", "expect", "anticipate", "estimate", "plan" or other similar words. The Company's actual results could differ from those anticipated in these forward-looking statements as a result of certain factors including those, which are set forth in the Risk Factors below.

The Letter of Offer also includes statistical data regarding the entertainment industry. This data has been obtained from industry publications, reports and other sources that the Company and the Lead Manager believe to be reliable. Neither the Company nor the Lead Manager has independently verified such data.

MATERIALITY:

The Risk factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality.

- (a) Some events may not be material individually but may be found materially collectively.
- (b) Some events may have material impact qualitatively instead of quantitatively.
- (c) Some events may not be material at present but may be having material impacts in future.

The risk factors are as envisaged by the management along with the proposals to address the risks if any. Wherever possible, the financial impacts of the risk factors have been quantified.

INTERNAL RISK FACTORS AND MANAGEMENT PERCEPTION THEREOF:**1. Fluctuations in convertibility rates may adversely affect the cost of our projects.**

We intend to use the proceeds of the issue for the capital expenditure described in the section "Objects of the issue" beginning on Page 10. Some of the equipment we intend to deploy is expected to be imported and the payment for the same has to be made in foreign currency. Changes in foreign exchange rates affecting the value of the rupee adversely may affect the cost of the project. The management in order to overcome the risk, would hedge the risk by taking forward cover as far as practicable

2. Fluctuations in the foreign exchange rates will also affect our operating income derived from webcasting of our films.**3. The objects of the rights issue for which funds are being raised have not been appraised by any bank or financial institution.****4. We have not purchased land for the purpose of proposed multiplex in Chennai. No arrangement has so far been made for purchase of Plant and Equipment, construction, refurbishment, renovation etc. of the multiplex.**

The management is in the process of discussions with the various parties for the purchase of land. The estimate of the other costs are based on the budgetary estimates provided by the Architects M/s. Anameka Architects and Designers, Chennai.

5. The implementation of our proposed projects may be subject to certain delays.

In the event that there is delay in the schedule of implementation of the proposed projects for various reasons including but not limited to, construction delays, delay in receipt of government approvals, delay in delivery of equipment by suppliers etc our business may be adversely affected. Although we will make efforts to implement the projects on time, we cannot assure that the projects will be implemented on a timely basis. Every effort would be made to ensure timely implementation of the projects.

6. Delay in holding AGM and filing of unaudited results

The promoter of the Company, Mr. G Venkateshwaran died on 3rd May 2003, and the remaining directors of the Company Viz. Mr. P Gopalakrishnan, Mr. C L Narasa Reddy and Mr. D E Ramakrishnan resigned from the board on 2nd June 2003. The Company did not have a board during the period from 3rd June, 2003 to 26th February, 2004 and consequently no board meetings were held during the period. The unaudited results



of the Company for the quarter ended 30th June 2003, 30th September 2003 and 31st December 2003 were not adopted on the due dates and the same were taken on record only on 31st of March 2004 after the newly elected directors came on to the board of the Company on 27th February 2004. The Quarterly compliance reports on Corporate Governance for the quarter ended 30th June 2003, 30th September 2003 and 31st December 2003 have not been submitted to the stock exchanges. The 14th Annual General Meeting of the Company which should have been held on or before 30th September 2003 was held only on 27th February 2004, as per the directions of the Company Law Board, Southern Region Bench and the Honorable High Court of Madras. The company may be required to pay penalties for these delays.

However, the Company is seeking legal opinion to minimize the impact of violations due to unforeseen demise of the promoter of the company, G. Venkateswaran.

7. Possibility of old claims

In view of absence of Board of Directors for about 8 months from 3rd June, 2003 to 26th February, 2004 after the sudden demise of Mr. G. Venkateshwaran, there is a possibility of unknown and unrecorded old claims against the company.

The new management has initiated action for obtaining maximum possible information in respect of past transactions and necessary follow-up actions are also being taken.

8. New management team

Mr. Mahadevan Ganesh, Mr. A Venkataramani and Mr. P R. Ramanan were appointed as directors of the Company in the Fourteenth Annual General Meeting held on 27th February 2004 as per the directions of the Company Law Board, Southern Regional Bench at Chennai and the Honorable High court of Madras Judicature. Thus the Management may not be aware of certain business operations of the company as well as past conduct of the business of the Company by erstwhile management.

9. We are dependent on our management team for success.

The success of our business is dependent on our management team. Our ability to maintain a leading position in the film exhibition and distribution industry depends on our ability to attract, train, motivate and retain highly skilled personnel. Loss of our senior management and key managerial personnel could adversely affect our business. Further any increase in our attrition rates, would adversely affect our growth plans.

10. We may fail to realize the anticipated benefits of future acquisitions and we may incur costs that could adversely impact our profitability.

We may subsequently acquire other businesses, technologies, and products that we believe are a strategic fit with our business. In such an event, we may not be able to successfully integrate any businesses, products, technologies or personnel that we might acquire without a significant expenditure of operating, financial and management resources. Further, we may fail to realize the anticipated benefits of certain acquisitions. Future acquisitions could dilute our shareholders interest in us to incur substantial debt, expose us to contingent liabilities and negatively impact our profitability. The management would ensure to carry out such due diligence as may be necessary before embarking on such acquisitions.

11. Central Bank of India has so far not settled the loan account despite having recovered a substantial part of the dues.

The Central Bank of India (CBI) has sold all the properties belonging to late Mr. G Venkateshwaran and his other group companies offered by them to the bank as collateral/primary securities in their capacity as guarantors. The sale proceeds were adjusted against the dues of this company as well as its associate concerns. Considering various factors like, very high rate of interest charged by the bank for a number of years, reckoning the amounts advanced to the group companies as amounts lent to this company, non receipt of statements from bank for a long period of time, non availability of the books of account for certain relevant years etc., the sub committee of directors recommended the write back of Rs. 638.76 lakhs in 2003-04. The company had written to Central Bank of India to confirm its action and the bank had replied that this matter is pending before its Board.

The details of total amount of dues outstanding against the Company, adjustment by way of disposal of primary/ collateral security and the net out standing amount are given hereunder:

Compromise amount as per Joint Memo dated 30.12.2002	Rs,1000 lacs
Compromise amount outstanding as at 31.3.2003	Rs.638.76 lacs
Adjustment by way of sale of collateral / primary securities offered by the promoters / group companies as guarantor (In the opinion of the company)	Rs.638.76 lacs
Net amount of dues outstanding against the Company after Adjustment (In the opinion of the company)	Rs. Nil
<p>Note: The Bank has taken adjournment in DRT subsequent to the compromise settlement. As to the company's clarification whether it could file the joint memo (compromise) with DRT, the bank has replied that the matter is pending consideration by the Board and that it would revert on getting information from the Board in this regard.</p>	

12. As referred to in clause 17, we are defendants in certain legal proceedings, incidental to our business and operations, which if determined against us, could have a material adverse impact on our results of operations and financial condition. The Company has also filed some claims against third parties, which should offset more than the claims against the Company.

13. Our Company has incurred losses in FY2002-03 & FY 2003-04 amounting to Rs. 18,34,599 and Rs. 27,95,948 respectively.

14. Seizure and sale of Good luck Preview Theatre.

The Company has taken on lease from Sujata Films Pvt. Ltd. a Preview Theatre namely Goodluck Theatre in Chennai. The Income Tax Authorities have sold the same to recover outstanding tax liabilities of Sujatha Films Pvt. Ltd.. The Company has submitted its claim for subsistence of tenancy or for return of its lease deposit and its own DTS and other equipment installed in the theatre before the appropriate legal authority for which the order is awaited.

15. The ability of the management to effectively implement the business strategy.

With the sad demise of erstwhile promoter Mr. G Venkateswaran, in the year 2003 the entire business operations were disrupted. The new management has reworked the business strategy and devised a suitable business model. The efforts are on to implement the new business model with the help of the technical tie-ups. The ability of the new management to effectively implement the business plan is yet to be demonstrated.

16. We have not obtained various licenses, approvals for our proposed multiplex project at Chennai and proposed modification of the existing multiplex at Thanjavur which may delay implementation of the projects.

The Company is in the process of obtaining various approvals required for the purpose and they are hopeful of getting the requisite approvals in due course of time.



17. OUTSTANDING LITIGATIONS & DISPUTES

A. PENDING LITIGATION AGAINST THE COMPANY

1. CRIMINAL CASES

Sr. No	Case No./ Date	In the court of	Filed by	Particulars	Status
1.	CC No. 2983/1996	Metropolitan Magistrate	Mr. Narayanan and others	Ramakrishnan is a stock broker. A shareholder of our company had entrusted the share broker to sell 50,000 shares to the broker for raising funds along with blank transfer form. The broker reported that the original share certificates were lost. In collusion with the brother in law he has filed a case against the company for refusing the transfer	The suit and criminal case are pending
2.	CC No 7504 of 2003	Metropolitan Magistrate (Saidapet) Chennai	Filed by P Chengiah Prop. Of Ravi Prasad Unit against GV Films and others	A complaint under Section 138 of the Negotiable Instrument Act for dishonour of cheque of Rs. 24,47,500 towards supply of outdoor equipments for our film Chokkathangam	The case is pending
3.	App. No 1674/5/2003	Metropolitan Magistrate (Bandra)	Filed by Sushil Gupta Proprietor of M/s. FOTO Industries against GV Films Ltd and others	Case filed under section 138 of Negotiable Instrument Act for dishonour of cheque of Rs 8,05,200/-	The case is pending

2. CIVIL CASES

Sr. No	Case No./ Date	In the court of	Filed by	Particulars	Status
1.	CS No. 126 of 1997	Hon'ble Madras High Court	Filed by Raj TV against GVFL & Sun TV	Suit is regarding Telecasting rights of the films Thalpathi & Thirusoolam through satellite channel.	The suit is pending and our defense is that we have not assigned the said rights to Raj TV. We have filed an affidavit to that effect.
2.	CS No. 26 Of 2003	High Court Chennai	Filed by Vee Je Films for Rs 21,10,000/- with interest (Kutrapatrikkai)	The suit is for recovery of amount paid to release the film KUTRAPATHIRIKI	The suit is pending. We have filed OSA against the App. No 789 of 2003 to reject the plaint. OSA is not numbered. Our defense is that the suit is barred by limitation and that the suit is liable to be dismissed since the plaintiff is an unregistered firm.
3.	OSA NO 433 of 2002 in CS NO 823 of 1999	Hon'ble Madras High Court	Filed by Raj TV	The appeal is filed against Interim injunction granted in our favour in CS No 823 of 1999.	The OSA is pending.

Sr. No	Case No./ Date	In the court of	Filed by	Particulars	Status
4.	CS NO 612 of 1998	Hon'ble Madras High Court	Filed by Narayanan and others.	Plaintiff has claimed that it had made certain advances to the company. The amount claimed is Rs. 11 lakhs and 50,000 equity shares of the company	The company has denied the entire claim of the plaintiff. The matter is pending in the High court, Chennai
5	CP No. 388 of 2003	Hon'ble Madras High Court	Connected with CP 337/2003 already disposed of as compromised.		Yet to be disposed of.
6.	TA 1794 of 1997	DRT Chennai	Filed by Central Bank of India in DRT.	DRT has noted one time settlement under which the company paid an amount of Rs 10 crores to Central bank of India.	The matter is already settled and it is awaiting formal sanction of the Bank's Board
7.	OSA No 295 of 2001	High Court	Filed by Asian capital	Recovery of money (against rejection of plaint in CS 523/2001) The court dismissed the suit No 523 filed by Asian Capital against us. Hence this appeal is filed by Asian Capital aggrieved by the decision of the court in suit No 523	The order is pending in the court.
8	CS No 237 of 2005	High Court chennai	Filed by Prabhudas Gurmukh Singh & sons for a mortgage decree against property of another company	Plaintiff have wrongly and deliberately included our company as defendant	The company is strongly resisting the untenable claim of the plaintiffs. The matter is pending before the court in Chennai
9.	CS No 274 of 2005	High Court Chennai	Filed by Jaswant Chand against GV Films Ltd. and others	The matter is for recovery dues of Rs 26,92,329 with further interest @ 36% against the loan granted for production of film and for injunction against taking delivery of print from Prasad film laboratories.	The matter is pending before the Hon'ble Madras High Court

B. PENDING LITIGATION FILED BY THE ISSUER COMPANY

1. CIVIL CASES

Sl	Case No./ Date	In the court of	Filed against	Particulars	Status
1.	CS No. 218 of 2001	High Court Chennai	Filed by GVFL against Gemini and Asian Capital	Case is for seeking possession of custody of 35 film negatives from the defendant as we are the absolute owners	The suit is pending. We are the absolute owners of the negatives and we have asked for declaration to that effect.
2.	CS. No 823 of 1999	High Court Chennai	Filed against Raj TV	Case regarding assignment of right for 63 films. We have not assigned such rights to RAJ TV. We are seeking permanent injunction against Raj TV	The suit is pending. Interim Injunction has been granted by the High court in our favour.

SI	Case No./ Date	In the court of	Filed against	Particulars	Status
3.	CS No. 749 of 2004	High Court	Filed Prasad Lab and 17 others	Matter is for release of the Ullam Kekkume subject picture by appointing court receivers granted by the High court	Our prayer was allowed on 25/2/2005 and confirmed in OSA 37 of 2005. Kept for hearing on 14/6/05
4.	URA NO.62 of 2002	DRAT	Filed against UTI in DRAT.	UTI filed TA No 275 of 2001 for recovery of Rs 51,75,155 with interest on ground that the dividends were given to us inadvertently.	The suit is pending. Our defense is that we were the owners of the unit at the relevant period and dividends were given to us correctly.
5.	CS 916 of 2004	High Court	Filed against Susila Devi	For declaring an agreement dated 19/8/2001 between the company and one Ms. Susila Devi as void ab initio and not binding on us.	The suit is pending before the court in Chennai.

18. Equity offering by the Issuer Company.

The Equity shareholders may experience a dilution in their shareholdings in the Company in the event the Company makes future offerings of securities or issues of Equity shares or stock options under an Employee Stock Option Scheme.

19. Contingent Liability: The Company has the following statutory dues outstanding as on 31.3.2005

- a. Income Tax undisputed liability Rs.31.00 lacs
- b. Sales tax of Rs. 12.00 lakhs, matter is being contested in appeal

20. Cash Balance of Rs. 68.60 Lacs included in cash on hand on 31.3.2005, is not available to the company and not provided for.

The promoter of the Company, Mr. G Venkateshwaran died on 3rd May 2003, and the remaining directors of the Company Viz. Mr. P Gopalakrishnan, Mr. C L Narasa Reddy and Mr. D E Ramakrishnan resigned from the board on 2nd June 2003. The Company did not have a board during the period from 3rd June 2003 to 26th February 2004 and consequently no board meetings were held during the period.

Mr. Mahadevan Ganesh, Mr. A Venkataramani and Mr. P R. Ramanan were appointed as directors of the Company in the Fourteenth Annual General Meeting held on 27th February 2004 as per the directions of the Company Law Board, Southern Regional Bench at Chennai and the Honorable High court of Madras Judicature. After the death of Mr. G Venkateshwaran there was no one to look after the affairs of the company for certain period. When the new management took over they were not able to locate any cash. The New Management has initiated action for obtaining maximum possible information in respect of the above transaction and necessary follow-up actions are also being taken.

21. M/s Kaashyap Radiant Systems Limited, a group company of one of the promoters has not adopted the audited annual accounts in the Annual General Meeting for the financial year 2002-2003 and 2003-2004.

22. Mr. A Venkataramani was director from 3/12/93 to 7/2/2001 of Ramkashyap Investment Limited which appears in the list of defaulting companies' list of RBI. The default in payment of interest and principal amounts by Ram Kaashyap Investment Ltd. Chennai is amounting to Rs. 12.21 Crores.

23. Litigation involving the promoter group companies:

The details of the litigation etc against the promoter group companies are given in the chapter titled "Outstanding Litigation, Defaults and Material Developments". Kindly refer page no. 56.

24. OPERATIONAL RISKS:**a) Reduction in costs of CDs/VCDs.**

With fall in prices of CD/VCD players, consumers increasingly prefer to view new films on CD/VCDs. The illegal screening of new films by cable operators has worsened the matter. However, recent enactment of Anti-Piracy law by the Tamil Nadu Government, which can book an offender under Goondas Act, 1982 may provide some added protection against piracy and may bring higher numbers of viewers to the theatre.

b) Competition from other segments of entertainment sector.

In recent years, new types of entertainment like amusement parks, bowling alleys, go-karting, water sports, resorts etc. have emerged as alternative sources of entertainment and may threaten viewer ship of films.

c) Piracy

Pirated movies represents more than half of industry off-take since it is a cheaper alternative to the Company's original products. This phenomenon is hurting the industry not only in India but worldwide. Indian Industry is working closely with local law enforcement agencies and has been successful in organizing many raids and seizures. The Government Authorities are also increasingly becoming conscious about this menace. Recently, the State Government of Tamil Nadu has covered such piracy under the Goondas Act, 1982 acting as effective deterrent to the pirated products. Notwithstanding this, the consumers have become aware of the hazards using such pirated products.

d) Competition from developer of similar technology for webcasting

Company is dependent on the technology developed and owned by Drushya Entertainment Broadcast Streams Limited (Drushya) for webcasting of films. Any development adversely affecting its technology and its rights may also adversely affect future business of the Company.

Management would keep its options open for a tie up with a superior technology developer in such an eventuality

e) Registration of webcasting activity as 100% EOU is yet to be obtained.**EXTERNAL RISK FACTORS:****1. Political, economic and social developments, natural calamities like Tsunami, and acts of violence or war could adversely affect the business of the Company.**

Since 1991, the Government of India has pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. Any changes in the economic policies by the Government could change specific laws and policies affecting entertainment companies, foreign investment, currency exchange rates and other matters which could adversely affect the investment in the equity shares of the Company. Acts of violence, terrorist activity or war could affect the industrial and commercial operations in the country which could have an adverse effect on the entertainment industry. Recent natural disasters caused by Earthquakes and Tsunami in southern India are also a potential threat as Chennai is located on the potential earthquake risk zone.

2. Changes in Technology

The distribution of movies to consumers has changed over time due to rapid developments in technology. In the last few years, digital revolution has led the CDs / DVDs replacing the traditional manner of watching movies at theaters. Technological innovation in future can threaten the continuity / longevity of the existing distribution format. The Company's failure or inability to align itself to future changes in technology might place its competitors at an advantage in terms of cost, efficiency and timely delivery of the final products.

3. Risk of Volatility in Share Price.

The market price of the Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Shares or in response to various facts and events, including any regulatory changes affecting its operations, variations in the Company's operating results and business developments of its competitors. Stock markets have from time to time experienced significant price and volume



fluctuations that have affected the market prices for securities and which may be unrelated to the Company's operating performance or prospects. Furthermore, the Company's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Company's Shares.

4. Risk of Economic Slowdown.

Any downturn in the rate of economic growth in India, whether due to political instability or regional conflicts, economic slowdown elsewhere in the world, or otherwise, may have a material adverse effect on the entertainment industry.

5. The entertainment industry is subject to shifts in tastes and preferences of audiences.

The entertainment industry is prone to unforeseen shifts in tastes and preferences of audiences, which could have an impact on the operations of the company. Our success will depend on our ability to understand the business environment and change our business strategy accordingly.

6. We may face competition from existing single cinema theaters and multiplexes and future entrants into the industry.

Competition from existing single cinema theaters and multiplexes and future entrants in the film exhibition multiplex business in which the company operates and proposes to operate. The concentration of multiplexes in a particular area will impact the footfalls and in turn adversely impact the profitability.

7. Changes in technology may render our current technologies obsolete or require to make substantial capital investments.

NOTES TO RISK FACTORS

1. Net worth of the Company as on March 31, 2005 is Rs. 14747.53 lacs.
2. Book value of Re. 1/- paid up equity share of the Company as on March 31, 2005 is Rs. 2.55 per equity shares.
3. Investors are advised to refer the paragraph on "Basis of issue price" of this Letter of offer before making an investment in the issue.
4. In the event of the issue being oversubscribed, the allocation shall be on a proportionate basis.
5. Investors are free to contact the Lead manager for any clarification or information pertaining to the issue.
6. All information shall be made available by the Lead Manager and the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.

7. RELATED PARTY TRANSACTION.

Transaction between the Issuer and Company /venture of the group in the last financial year is as under

Name of the Company	Transaction	Total Transaction Till 31st March, 2005	Outstanding On 31st March, 2005
Drushya Entertainment Broadcast Streams Limited	Charged access fees as per the MOU for accessing films for internet webcasting	Rs. 90 Lakhs	Rs. 90 Lakhs

8. "The profit for the year ended March 2005 is after considering the income of Rs.90 lacs from the related party transaction with Drushya Entertainment Broadcast Streams Limited.

C. INTRODUCTION

I. SUMMARY**THE INDUSTRY**

In India, movies have always been a very important source of entertainment. Movies directly contributed Rs. 4500 crores out of Entertainment Business of Rs. 19200 crores (Source: The Indian Entertainment Industry: Emerging Trends and Opportunities - FICCI - E&Y Report, 2004); besides being an important source of content for the television, cable and music business. Indian film industry is almost 100 years old and has prompted to set up large no. of cinema halls/theatres all over the country which have been owned largely by local businessmen.

On account of high entertainment tax rates, fragmented ownership, large cost of setting up of new theatres, government regulations and non availability of organized funding, cinema halls were not in position to upgrade or renovate their facilities resulting into decline in the quality of such cinema halls and as such viewers started staying away from the cinema halls and started using alternative viewing options including home video and cable TV. However, over last 5-6 years due to strong economic growth, increased consumption level, change in the pattern of consumer preference and over all improvement in the life-style of the consumer have witnessed a boom in the organized retail sector in India. Number of large organized retail outlets consisting of branded outlets, super bazaar/departmental store, F&B outlets along with facility of multiple cinema halls better known as Multiplex to provide the consumers all the facilities at one point, have come up in India initially in the metropolitan cities and now in other big cities/towns. In fact, cinema halls especially the multiplexes provides high quality viewing experience and fast emerging as one of the key drivers for attracting viewers back to the cinema halls have created renewed interest in investment and growth of the movie production and exhibition business in India.

Keeping in view the above developments, GVFL has structured this section to cover the movie production business, movie exhibition and movie distribution business.

BUSINESS

GVFL is an integrated film production; distribution and exhibition company. The company is engaged in following business activities:

- Film Production
- Film Distribution
- Film Exhibition through Theaters and Multiplex.
- Internet Film Rights.

II. OFFERING DETAILS:

Equity Shares Offered	Issue of 40,42,50,000 Equity Shares of Re 1 each for cash at par aggregating Rs. 40,42,50,000 on rights basis to the existing Equity Shareholders of the Company in the ratio of 7 (Seven) Equity Share for 10 (Ten) Equity Shares held on the Record Date i.e. [July 13, 2005].
Equity shares outstanding prior to the issue	57,75,00,000 Equity shares of Re.1 each
Equity shares outstanding after the issue	98,17,50,000 Equity shares of Re.1 each (Assuming Equity Shareholders Subscribe to all the Equity Shares Offered.)
Utilisation of Proceeds	<p>The Company intends to deploy the net proceeds from the issue of shares for the following:</p> <ol style="list-style-type: none"> 1) To meet the expenses for construction / renovation of multiplexes in Tamil Nadu. 2) To meet the cost of production of 3 feature films. 3) To meet the initial capital costs of www.gvtamilfilms.com, an Internet film portal. 4) To meet the cost of settling old outstanding liabilities. 5) To meet the working capital of operations including film distribution and purchase of film rights. 6) To meet the expenses of the rights issue of equity shares. <p>For Details see the section entitled "Object of this Issue" on Page 10 of this offer document.</p>



III. SUMMARY OF FINANCIAL INFORMATION

The following summary of financial data has been prepared in accordance with the provisions Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the "Guidelines") issued by the Securities and Exchange Board of India ("SEBI") in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992 except as indicated otherwise described in Auditors Report of G. Parthasarathy, Chartered Accountants in section entitled "Financial Information".

Statement of Restated Profit and Loss Accounts (As restated)

(Rs. In Lacs)

Financial Year	12 months ended 31.03.2005	12 months ended 31.03.2004	12 months ended 31.03.2003	12 months ended 31.03.2002	12 months ended 31.03.2001
INCOME					
Picture Realisation	–	0.01	131.39	47.62	1.35
Sale of Picture Rights	–	–	1 200.58	3.10	433.50
Sale of TV Rights	0.55	–	1.95	–	–
Income from Negatives	3.80	0.41	0.81	1.94	3.16
Theatre Division Income	194.14	255.53	246.04	247.66	248.22
Internet Rights - Access Fees	90.00	–	–	–	–
Sub-total (1)	288.49	255.95	1 580.78	300.31	686.22
Other income	0.02	–	–	–	–
Dividend received	–	–	–	–	0.07
Interest written back	–	–	401.23	–	–
Profit on sale of assets	–	2.08	–	–	–
Others	–	0.07	–	–	14.47
Sub-total (2)	0.02	2.14	401.23	–	14.54
Total income {(1) + (2)}	288.51	258.09	1 982.00	300.31	700.76
Increase/Decrease in Stock in trade)	–	–	–	–	–
INCOME	288.51	258.09	1 982.00	300.31	700.76

G.V. FILMS LIMITED

(Rs. in lacs)

Financial Year	12 months ended 31.03.2005	12 months ended 31.03.2004	12 months ended 31.03.2003	12 months ended 31.03.2002	12 months ended 31.03.2001
Total Income	288.51	258.09	1 982.00	300.31	700.76
Operating expenditure					
Opening stock - Pictures	10495.78	10495.78	10553.41	10495.78	1688.15
Cost of Picture Rights	–	–	–	107.80	8806.10
Sub-Total	10495.78	10495.78	10553.41	10603.58	10494.25
Less: Closing Stock	10495.78	10495.78	10495.78	10553.41	10495.78
Sub-Total (1)	–	–	57.63	50.17	(1.53)
Cost of Production	–	–	1613.58	1.84	3.88
Commission	0.27	0.00	0.12	0.09	0.11
Theatre Division Expenditure	142.49	202.45	190.48	183.16	172.97
Sub-Total (2)	142.76	202.45	1 804.18	185.09	176.96
Total {(1) + (2)}	142.76	202.45	1 861.81	235.25	175.43
Administrative & other exp.					
Staff Welfare	0.24	0.14	0.86	0.82	26.30
Staff Cost	30.62	23.43	43.46	41.01	0.56
Director Sitting Fees	–	0.05	–	–	–
Contribution to P.F	–	–	–	–	4.20
Rent, Rates & Taxes	3.70	0.23	10.61	6.18	0.60
Audit Fees	0.11	0.10	0.10	0.35	–
Business Promotion Expenses	–	0.20	2.29	3.50	2.20
Postage, Trunks & Telephones	3.66	0.52	2.06	2.78	3.51
Traveling & Conveyance	0.91	0.51	1.26	3.88	9.74
Printing & stationery	0.87	0.28	0.52	0.64	2.86
Finance charges	2.70	36.45	26.37	14.83	73.35
Advertisement	15.74	0.07	0.73	0.75	0.41
Insurance	–	–	0.14	0.14	0.21
Others	11.22	6.31	32.20	24.94	29.58
Gratuity	1.59	0.69	2.10	2.12	4.40
Professional charges	26.15	2.11	–	–	–
ESI contribution	–	–	–	–	0.90
Service charges	4.00	1.81	2.34	2.67	1.08
Total (3)	101.51	72.89	125.04	104.60	159.89
Depreciation	9.11	10.72	13.51	18.02	20.48
Total (4)	9.11	10.72	13.51	18.02	20.48
TOTAL EXPENDITURE (1+2+3+4)	253.38	286.06	2 000.35	357.88	355.79
Profit/(Loss)					
Before tax and non- Recurring items	–	(27.97)	(18.34)	(57.57)	344.96
Profit/(Loss) before tax	35.13	(27.97)	(18.34)	(57.57)	344.96
Current Taxation	0.20	–	–	–	–
Profit & Loss after tax	34.93	(27.97)	(18.34)	(57.57)	344.96



Statement of Assets and Liabilities (As restated)

(Rs. In Lacs)

Financial Year	12 months ended 31.03.2005	12 months ended 31.03.2004	12 months ended 31.03.2003	12 months ended 31.03.2002	12 months ended 31.03.2001
A) Fixed Assets					
Gross Block	3401.79	3403.87	366.24	365.80	358.13
Less : Depreciation	139.23	131.79	130.21	116.70	98.68
Net Block	3262.56	3272.08	236.04	249.10	259.45
Less : Revaluation Reserve	—	—	—	—	—
Net Block after adjustment from revaluation Reserve	3262.56	3272.08	236.04	249.10	259.45
B) Current Loans and Advances					
Inventories	11532.92	11504.49	10495.78	11115.65	10495.78
S. Debtors	464.78	373.76	377.09	550.43	911.51
Cash and Bank Balance	70.89	81.56	72.12	33.25	40.96
Loans and advances	270.16	189.94	148.14	365.81	328.65
Other Current Assets	—	—	—	—	—
Total	12338.75	12149.75	11093.13	12065.14	11776.90
C) Deferred Tax Liability (refer Para in Annexure 3)	5.06	5.06	5.06	5.06	—
Total	5.06	5.06	5.06	5.06	—
D) Investment	1.96	1.96	1.96	1.96	1.96
E) Liabilities and Provisions					
Secured and Unsecured Loans	120.79	120.79	827.34	1 021.42	940.43
Current Liabilities and Provisions	729.90	571.32	227.19	999.83	745.37
Total	850.69	692.11	1054.53	2021.25	1685.80
Net worth (A+B-C+D-E)	14747.52	14726.62	10271.54	10289.89	10352.51
Represented By:					
A. Shares Capital	5775.00	5775.00	1925.00	1925.00	1925.00
B. Reserves and Surplus	8992.27	8957.35	8346.54	8364.89	8427.51
C. Preliminary Expenditure	(19.75)	(5.73)	—	—	—
Net Worth	14747.52	14726.62	10271.54	10289.89	10352.51



G.V. FILMS LIMITED

Registered Office: No-4 Seshadri Road, Alwarpet, Chennai-600 018

Tel: +91 (044) 24990830/24990840, Fax: +91(044) 52101785

E-mail: gvfilms@vsnl.com, Website: www.gvfilms.com

Registered with Registrar of Companies, Tamil Nadu

Shashtri Bhavan, 26 Haddows Road, Chennai 600 034, **Company Registration No. : 18-16991**

IV. GENERAL INFORMATION

BOARD OF DIRECTORS:

The Company is currently managed by Board of Directors comprising 5 directors. Mr. Mahadevan Ganesh is the Non-Executive Chairman. The day to day affairs of the Company are being managed by Mr. P. Raghuraman, Whole Time Director of the Company. Our Board of Directors comprises of the following person:

Sr. No.	Name of the Director	Designation
1	Mr. Mahadevan Ganesh	Non Executive Chairman
2	Mr. A.Venkatramani	Director
3	Mr. P.R Ramanan	Independent Non Executive Director
4	Mr. V.P Mani	Director
5.	Mr. P. Raghuraman	Whole Time Director

Brief Details Of The Managing Director And Whole Time Directors:

- Mr. Mahadevan Ganesh** (43) hails from a family who have been in the film business for nearly forty years. After finishing his Bachelor Degree in Commerce, he joined the family business helping in production and distribution of films. After a couple of years, he joined MPC Holdings of Malaysia which was the largest commodities dealer specializing in palm oil. Within a year, he was posted as Head of Operations in Hong Kong.

He moved to London in 1982 and started Pelle Studios, a designing company, which he had sold and started dealing in properties. In the early Nineties, he went into production of films successfully completing more than 6 films, one of which won the National award for the best feature film for 1996. He is currently the Non-Executive Chairman of GV Films Ltd and does not hold directorship in any other company except Honey Bee Securities Limited. He was one of the promoters of M/s. Oneworld Media Network Infotainment Ltd, which was merged with the Company.
- Mr. A Venkataramani** (47) is a commerce graduate, promoter of Kaashyap Radiant Systems Ltd. Marketing and People Management is his fort. 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 Radiant Systems Ltd. Chennai.
- Mr. P. R. Ramanan** (47) is a Chartered Accountant. Currently, he is a Non Executive Director of the Company. He had worked with Ferguson & Co and M/s KPMG, Zambia and is presently the group financial controller of Southern Garden Private Limited.
- Mr. V. P. Mani** (48) is presently a Whole-time Director (Operation). He had started his career as a Public Relations officers in the film Industry and is well versed with all the nuances of the films production, distribution and exhibition.
- Mr. P. Raghuraman** (27) a commerce graduate, is a whole time Director of the Company. He was a Director in the erstwhile Oneworld Network Infotainment Ltd. which got merged with GV Films Limited .He heads the Admin & Corporate affairs of the Company.

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. P. Thirumalai Kumar
No-4 Seshadri Road, Alwarpet, Chennai-600 018
Tel: +91 (044) 24990830, Fax: +91(044) 52101785
E-mail: gvfilms@vsnl.com

Note: Investors are advised to contact the Registrar to the Issue or the Compliance Officer of the company in case of any pre-issue/ post-issue related problems such as non- receipt of LOF/ Letter of allotment/ share certificate/ refund orders / demat credit etc.



LEGAL ADVISOR

Rugan & Arya,
Advocates
24 Balaraman Street Adyar, Chennai-600020
Tel: +91 (044) 24426999, Fax: +91 (044)24425735
Email: rna@ruganandarya.com

BANKERS TO THE COMPANY

State Bank of India
241, TTK Road, Alwarpet Chennai,- 600 018
Tel: +91 (022) 24992397/24988145,

LEAD MANAGER TO THE OFFER

VIVRO FINANCIAL SERVICES PRIVATE LIMITED

Manu Mansion, 16/18, Shahid Bhagat Singh Road,
Opp. Old Custom House, Fort, Mumbai-400 023
Tel- +91 (022) 22657364, 22658397, Fax- +91 (022) 22658406
Contact Person: Mr. Keval Gandhi
Email- mumbai@vivro.net, Website: www.vivro.net

REGISTRAR TO THE ISSUE

CAMEO CORPORATE SERVICES LIMITED

"Subramaniam" Building,
No -1 Club House Road, Chennai 600 002
Tel: +91 (044) 28460390/91/92/93/94, Fax: +91 (044) 28460129
Contact Person: Mr. R. Ravi
Email: cameo@cameoindia.com, Website: www.cameoindia.com

BANKERS TO THE ISSUE

HDFC BANK LTD.

BTI Deptt.
26-A Narayan Properties,
Chandivali Farm Road,
Saki Naka, Andheri (East), Mumbai 400072
Tel.: (022) 28474900 Ext.1641, Fax: 022 28569273

AUDITORS OF THE COMPANY

Mr. G Parthasarathy
Chartered Accountant
No-8, Iswar Apartments, No-5 East Coast Road, Thiruvanmiyur, Chennai-600 041
Tel: +91(044) 24403588, Fax:+91 (044) 24403588
Email: sarathyfca123@rediffmail.com

STATEMENT OF INTERSE ALLOCATION OF RESPONSIBILITIES AMONGST LEAD MANAGERS.

Since the issue is managed by one Lead Manger, the entire responsibilities shall vest with the Lead Manager.

TRUSTEES

This being a Rights Issue of Equity Shares, appointment of Trustees is not required.

CREDIT RATING

This being a Rights Issue of Equity Shares, credit rating is not required.

MONITORING AGENCY.

No Agency has been appointed to monitor the utilization of funds.

UNDERWRITING

The present Rights Issue is not underwritten. However, the Promoters have confirmed vide their letter of intent dated 16th April, 2005 that they intend to subscribe to the full extent of their entitlement in the Issue. Promoters intend to apply for additional Equity Shares in the Issue such that at least 90% of the Issue size is subscribed. As a result of this subscription and consequent allotment, the Promoters may acquire Equity Shares over and above their entitlement in the Issue, which may result in their shareholding in the Company being above their current shareholding.

This subscription and acquisition of additional Equity Shares by the Promoters, if any, will not result in change of control of the management of the Company and shall be exempt in terms of provision to Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997. As such, other than meeting the requirements indicated in Objects of the Issue (refer "Particulars of the Present Issue"), there is no other intention/purpose for this Issue, including any intention to delist the Company, even if, as a result of allotments to the Promoters through this Issue, the Promoter shareholding in the Company exceeds their current shareholding.

However, the Promoters have confirmed that in case the Rights Issue of the Company is completed with their subscribing to Equity Shares over and above their entitlement and as a result, if the public shareholding in the Company after the Rights Issue falls below the "permissible minimum level" on the basis of which the securities of the Company continue to be listed they will either individually or jointly with other Promoters make an offer for sale of their holdings so that the public shareholding is raised to the "permissible minimum level" within a period of 3 months from the date of allotment in the proposed Issue, as per the requirements of sub-clause 17.1 and 17.2 of SEBI (Delisting of Securities) Guidelines, 2003 or as per any amendment thereto or any other period as may be directed by SEBI or any appropriate authority.

In this context, the promoters of GV Films Limited have provided following undertaking:

"We hereby undertake that, in case the Rights Issue of GV Films Limited is completed with the promoters subscribing to equity shares over and above their entitlement and as a result, if the public shareholding in the Company after the Rights Issue falls below the "permissible minimum level" as specified in the listing condition or listing agreement, we will either individually or jointly with other promoters make an offer for sale of our holdings so that the public shareholding is raised to the "permissible minimum level" within a period of 3 months from the date of allotment in the proposed Issue, as per the requirements of sub-clause 17.1 and 17.2 of SEBI (Delisting of Securities) Guidelines, 2003 or as per any amendment thereto or any other period as may be directed by SEBI or any appropriate authority."



V. CAPITAL STRUCTURE (AS ON 25TH APRIL, 2005)

SHARE CAPITAL		Nominal Amount (Rs.)
Authorised share capital		
100,00,00,000	Equity shares of Re. 1/- each	: 100,00,00,000
Issued Share Capital		
57,75,00,000	Equity shares of Re 1/- each	: 57,75,00,000
Subscribed and Paid up share capital		
57,75,00,000	Equity shares of Re. 1/- each Of this 38,50,00,000 Equity shares of Re. 1 each fully paid up pursuant to the Scheme of Amalgamation without payment being received in cash.	: 57,75,00,000
Present Issue being offered to the Equity Shareholders through this Letter of Offer		
40,42,50,000	Equity share of Re. 1 each at par	: 40,42,50,000
Paid up capital after the Issue (Assuming Equity shareholders subscribe to all the Equity shares offered)		
98,17,50,000	Equity shares of Re. 1 each.	: 98,17,50,000
Share premium Account		
Before the Rights Issue		: 79,50,00,000
After the Rights Issue		: 79,50,00,000

Details of Changes in Authorised Capital:

Date	Authorised capital (Rs.)	Face Value (Rs)	No of Shares	Particulars
07/03/1989	7,50,00,000	10	75,00,000	Incorporation
27/09/1991	20,00,00,000	10	2,00,00,000	Increase
30/08/2000	30,00,00,000	10	3,00,00,000	Increase
14/05/2004	57,75,00,000	10	5,77,50,000	Increase
09/06/2004	100,00,00,000	10	10,00,00,000	Increase
30/12/2004	100,00,00,000	1	100,00,00,000	Splitting of Rs. 10 into 10 Equity shares of Rupee 1 each

NOTES TO THE CAPITAL STRUCTURE

1) Build up of Equity Capital

Details of Capital structure of the Company since inception is as follows:

Date of allotment	No. of shares	Face Value Rs.	Issue Price (Rs.)	Amount (Rs.)	% of pre-issue capital	Consideration	Remarks
17/3/1989	700	10	10	7000	0.00	Cash	Subscribers to the Memorandum & Articles of Association
16/11/89	57,49,300	10	10	5,74,93,000	9.96	Cash	Allotted to public as the part of on Initial Public Offer
23/3/2000	10,00,000	10	55	1,00,00,000	1.73	Other than cash	Allotted to Mr. Mahadevan Ganesh against the Internet film rights & video rights of 400 feature films
20/9/2000	1,25,00,000	10	70	12,50,00,000	21.64	Other than cash	Allotted to the allottees (See Note 1) against Internet webcasting rights for 1000 feature films and Internet webcasting rights for 4000 Hindi films
14/5/2004 (Note 2)	3,85,00,000	10	10	38,50,00,000	66.67	Other than cash	Scheme of Amalgamation of M/s. One World Media Network Infotainment Ltd merged with the Company
Total	5,77,50,000			57,75,00,000	100.00		

Note 1: The shares allotted are as under

Sr. No.	Name of the Allottees	No. of shares allotted
1	Dr. J. Murali Manohar	10,00,000
2	Mahadevan Ganesh	7,50,000
3	R. V. Gurupadam	7,60,000
4	Laxmi G. Jhaveri	99,90,000
	Total	1,25,00,000

Note 2: The shares allotted are as under

Sr. No.	Name of the Allottees	No. of shares allotted
1	Usha Venkatramani	19249664
2	Mahadevan Ganesh	19250000
3	S Mahadevan	48
4	Jeevan	48
5	P Raghuraman	96
6	Yamini Manoharan	48
7	Saroja Annasamy	48
8	Majith	48
	Total	3,85,00,000

2) Build up of the Promoter & Promoter Group Shareholding.

Name of Promoter / PAC	No. of shares	Face Value (Rs.)	Date/Year of Allotment / Acquisition / Sale	Date of making fully paid.	Nature of Issue
Mr. Mahadevan Ganesh	1000000 750000 19250000	10 10 10	23.03.2000 20.09.2000 14.05.2004	23.03.2000 20.09.2000 14.05.2004	Preferential Allotment Preferential Allotment Allotted under the Scheme of Amalgamation
Total	21000000				
Less: Transfer	(16187500)	10	On varying period		
Balance Shares	4812500				
Mrs. Usha Venkatramani	19249664	10	14.05.2004	14.05.2004	Allotted under the Scheme of Amalgamation
Less: Transfer	(14437248)		On varying period		
Balance Shares	4812416	10			

3) The following shares are under Lock-in:

Sr. No.	Name of Shareholder	No. of shares	Date of allotment	Period of Lock in	
				From	To
1.	Mr. Mahadevan Ganesh	4,81,25,000	14th May 2004	1st October 2004	30th September 2007
2.	Mrs. Usha Venkataramani	4,81,24,160	14th May 2004	1st October 2004	30th September 2007
3.	S. Mahadevan	120	14th May 2004	1st October 2004	30th September 2007
4.	Jeevan	120	14th May 2004	1st October 2004	30th September 2007
5.	P. Raghuraman	240	14th May 2004	1st October 2004	30th September 2007
6.	Yamini Manoharan	120	14th May 2004	1st October 2004	30th September 2007
7.	Saroja Annasamy	120	14th May 2004	1st October 2004	30th September 2007
8.	Majith	120	14th May 2004	1st October 2004	30th September 2007
		9,62,50,000			



- 4) The Equity shareholders do not hold any warrant, option or convertible loan or any debenture, which would entitle them to acquire further Equity share.
- 5) One share of Face value of Rs. 10/- of the Company was split into 10 shares of Re.1/- each with effect from 15.02.2005.

6) PREFERENTIAL ALLOTMENT:

- a) On 23.03.2000, a Preferential allotment of 10,00,000 equity shares of the face value of Rs.10 each was made at a price of Rs.55/- per share (including a premium of Rs. 45/- per share) aggregating to Rs. 5,50,00,000/- to Mr. Mahadevan Ganesh against the Internet film rights & video rights of 400 feature films.
- b) On 20.09.2000, a Preferential allotment of 1,25,00,000 equity shares of the face value of Rs.10 each was made at a price of Rs.70/- per share (including a premium of Rs. 60/- per share) aggregating to Rs. 87,50,00,000/- (Allotted to the allottees see table given under) against Internet webcasting rights for 1000 feature films and Internet webcasting rights for 4000 Hindi films.

The shares allotted are as under

Sr. No.	Name of the Allottees	No. of shares allotted
1	Dr. J. Murali Manohar	10,00,000
2	Mahadevan Ganesh	7,50,000
3	R. V. Gurupadam	7,60,000
4	Laxmi G. Jhaveri	99,90,000
	Total	1,25,00,000

- c) On 14.05.2004, an allotment of 3,85,00,000 equity shares of the face value of Rs.10 each was made at a price of Rs.10/- per share aggregating to Rs. 38,50,00,000/- under the Scheme of Amalgamation of M/s. One World Media Network Infotainment Ltd merged with the Company.

The shares allotted are as under

Sr. No.	Name of the Allottees	No. of shares allotted
1	Usha Venkatramani	19249664
2	Mahadevan Ganesh	19250000
3	S Mahadevan	48
4	Jeevan	48
5	P Raghuraman	96
6	Yamini Manoharan	48
7	Saroja Annasamy	48
8	Majith	48
	Total	3,85,00,000

- 7) The total number of Equity Shareholders as on 31st March 2005 is 39917.
- 8) The terms of Issue to Non-Resident Equity Shareholders/ Applicants have been presented under the "Terms of the Issue" Section of this Letter of Offer.
- 9) At any given time, there shall be only one denomination of the Equity Shares. The Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
- 10) There have been following allotments in past which are for consideration other than cash.

Serial No.	Date of allotment	No. of shares	Face Value Rs.	Issue Price (Rs.)	Consideration
1	23/3/2000	10,00,000	10	55	Allotted to Mr. Mahadevan Ganesh against the Internet film rights & video rights of 400 feature films
2	20/9/2000 (Note 1)	1,25,00,000	10	70	Allotted against Internet webcasting rights for 1000 feature films and Internet webcasting rights for 4000 Hindi films
3	14/5/2004 (Note 2)	3,85,00,000	10	10	Scheme of Amalgamation of M/s. One World Media Network Infotainment Ltd merged with the Company

Note 1: The shares allotted are as under

Sr. No.	Name of the Allottees	No. of shares allotted
1	Dr. J. Murali Manohar	10,00,000
2	Mahadevan Ganesh	7,50,000
3	R. V. Gurupadam	7,60,000
4	Laxmi G. Jhaveri	99,90,000
	Total	1,25,00,000

Note 2: The shares allotted are as under

Sr. No.	Name of the Allottees	No. of shares allotted
1	Usha Venkatramani	19249664
2	Mahadevan Ganesh	19250000
3	S Mahadevan	48
4	Jeevan	48
5	P Raghuraman	96
6	Yamini Manoharan	48
7	Saroja Annasamy	48
8	Majith	48
	Total	3,85,00,000

- 11) No further issue of capital by way of issue of bonus Equity Shares, preferential allotment, rights issue or public issue or in any other manner which will affect the capital of the Company, shall be made during the period commencing from the filing of the Letter of Offer with the SEBI till the Equity Shares issued under this Letter of Offer have been listed or application moneys are refunded on account of the failure of the Issue.
- 12) Further, presently the Company does not have any proposal, intention, negotiation or consideration to alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public Issue of Equity Shares or any other securities within a period of six months from the date of opening of the present Issue. However, if business needs of the Company so require, the Company may alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public issue of shares or any other securities during the period of six months from the date of listing of the Equity Shares issued under this LOF or from the date the application moneys are refunded on account of failure of the Issue, after seeking and obtaining all the approvals which may be required for such alteration. The Promoters have vide their Letter dated 16th April, 2005 confirmed that they intend to subscribe to the full extent of their entitlement in the Issue. The Promoters intend to apply for additional Equity Shares in the Issue such that at least 90% of the Issue Size is subscribed. As a result of this subscription and consequent allotment, the Promoters may acquire Equity Shares over and above their entitlement in the Issue, which may result in their shareholding in the Company being above their current shareholding.
- 13) Securities offered through this right issue shall be made fully paid up or may be forfeited within 12 months from the date of allotment of securities in the manner specified in clause 8.6 2 of SEBI Guidelines.
- 14) The company does not have any partly paid Equity Shares.
- 15) The Company has yet to file necessary Returns for increasing the Authorised Capital from Rs. 57,75,00,000/- to Rs.100,00,00.000/- with The Registrar of Companies, Chennai.
- 16) As per Clause 3.7.1 of the Guidelines, an eligible company shall be free to make public or rights issue of equity shares in any denomination determined by it in accordance with sub-section (4) of section 13 of the Companies Act, 1956 and in compliance with the norms as specified by SEBI in circular no.SMDRP/POLICY/CIR-16/99 dated June 14, 1999 and other norms as may be specified by SEBI from time to time. At any given time, there shall be only one denomination of the equity shares of the Company.
- 17) The promoters, directors and Lead Managers to the Issue have not paid any amount, whether direct or indirect and in cash or kind, in the nature of discount, commission, allowance or otherwise to any person.
- 18) All information shall be made available by the Lead Managers and the Issuer to the public and investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever including at road shows, presentations, research or sales reports etc.

- 19) The Promoters have confirmed vide their letter of intent dated 16th April, 2005 that they intend to subscribe to the full extent of their entitlement in the Issue. Promoters intend to apply for additional Equity Shares in the Issue such that at least 90% of the Issue Size is subscribed. As a result of this subscription and consequent allotment, the Promoters may acquire Equity Shares over and above their entitlement in the Issue, which may result in their shareholding in the Company being above their current shareholding.
- 20) This subscription and acquisition of additional Equity Shares by the Promoters, if any, will not result in change of control of the management of the Company and shall be exempt in terms of proviso to Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997. As such, other than meeting the requirements indicated in Objects of the Issue (refer "Particulars of the Issue"), there is no other intention / purpose for this Issue, including any intention to delist the Company, even if, as a result of allotments to the Promoters through this Issue, the Promoter shareholding in the Company exceeds their current shareholding.
- The Promoters have given an undertaking that in case the Rights Issue of the Company is completed with their subscribing to Equity Shares over and above their entitlement and as a result, if the public shareholding in the Company after the Rights Issue falls below the "permissible minimum level" on the basis of which the securities of the Company continue to be listed they will either individually or jointly with other Promoters make an offer for sale of their holdings so that the public shareholding is raised to the "permissible minimum level" within a period of 3 months from the date of allotment in the proposed Issue, as per the requirements of sub-clause 17.1 and 17.2 of SEBI (Delisting of Securities) Guidelines, 2003 or as per any amendment thereto or any other period as may be directed by SEBI or any appropriate authority.
- 21) The Company has not availed of any Bridge Loans to be repaid from the proceeds of the Issue.
- 22) The present Issue being a Rights Issue, as per clause 4.10.1(c) of extant SEBI guidelines, the requirement of promoters' contribution is not applicable. As a consequence none of the equity shares are locked in.
- 23) The Company, Promoters, Directors and Lead Manager to the Issue have not entered into any buy-back, standby or similar arrangements for any of the securities being issued through this Letter of Offer.
- 24) An over subscription to the extent of 10% of the net offer to public can be retained for the purpose of rounding off to the nearer multiple of 10 while finalizing the allotment.
- 25) The Equity shares offered through this Rights issue shall be made fully paid up or may be forfeited within 12 months from the date of allotment of securities .
- 26) Details of Top Ten Shareholders

a) Top Ten shareholders as on 27th April 2005

Sr. No	Name	No. of shares	% of share capital
1.	Mahadevan Ganesh	4,81,25,000	8.34
2.	Usha Venkataramani	4,81,24,160	8.33
3.	Rupi V Chinoy	66,05,000	1.14
4.	Sujatha Productions Private Limited	53,28,000	0.92
5.	Fortis Securities Limited	35,65,290	0.61
6.	Sailakshmi S	35,00,000	0.61
7.	Gumti securities Private Limited	26,84,129	0.49
8.	IndiaBulls Securities Ltd	25,97,899	0.45
9.	Laxmi Shivanand Mankekar & shivanand Kekar Mankekar	25,00,000	0.43
10.	Shivalik securities Limited	24,41,328	0.42

b) Top Ten shareholders as on 27th April 2003

Sr. No	Name	No. of shares	% of share capital
1.	Amritraj Solomon Communications P Ltd	7,50,000	3.89
2.	Sujatha Productions P Ltd	5,32,800	2.76
3.	Gomti Securities P Ltd	3,00,000	1.55
4.	Deccan Financial Services P Ltd	1,67,219	0.87
5.	Sujatha Estates P Ltd	1,65,300	0.86
6.	S Suresh Kumar	1,59,000	0.83
7.	Aruna International P Ltd	1,00,000	0.52
8.	Narendar Marlecha	95,000	0.49
9.	Prakash Devjani	90,100	0.47
10.	IndBank Mer Bkg Ser Ltd	90,000	0.47

c) Top Ten shareholders as on 10 days prior to the date of filing of Letter of Offer at the stock exchanges (as on 17th April 2005)

Sr. No	Name	No. of shares	% of share capital
1.	Mahadevan Ganesh	4,81,25,000	8.34
2.	Usha Venkataramani	4,81,24,160	8.33
3.	Rupi V Chinoy	66,05,000	1.14
4.	Sujatha Productions Private Limited	53,28,000	0.92
5.	Fortis Securities Limited	35,65,290	0.61
6.	Sailakshmi S	35,00,000	0.61
7.	Gumti securities Private Limited	26,84,129	0.49
8.	IndiaBulls Securities Ltd	25,97,899	0.45
9.	Laxmi Shivanand Mankekar & shivanand Kekar Mankekar	25,00,000	0.43
10	Shivalik securities Limited	24,41,328	0.42

27) The details of the promoter and promoter group shareholding as on 27th April 2005 are as follows:

Promoter of promoter group	No. of shares	Percentage shareholding
Mr. Mahadevan Ganesh	4,81,25,000	8.34%
Mrs. Usha Venkataramani	4,81,24,160	8.33%
Total	9,62,49,160	16.67%

28) During the last six months, 1,12,49,738 Equity Shares of Re.10/- each have been sold on the stock exchanges by the promoters group namely Mrs. Usha Venkataramani & Mr. Mahadevan Ganesh. The highs and the lows as on that date were Rs. 6.10 and Rs. 2.01 per share.

29) The Company has applied for the listing of its existing securities with the National Stock Exchange of India Limited. The listing of the said shares are yet to be received.

30) CURRENT SHAREHOLDING PATTERN OF THE COMPANY

Shareholding pattern of the Company including details of holdings of Promoter Group and the subscription by the Promoters is as follows:

Shareholding Pattern as on 31st March 2005 (Pre and Post Issue)

Sr. No	Category	Pre issue shareholding		Post issue shareholding	
		No. of shares	%	No. of shares	%
A	Promoter's Holding				
1.	Promoters				
	Indian Promoters	9,62,49,160	16.67	16,36,23,572	16.67
	Foreign promoters	–	–	–	–
2.	Persons acting in concert	1,920	0.00	3,264	0.00
	SUB TOTAL	9,62,51,080	16.67	16,36,26,836	16.67
B.	Non promoters holding				
3.	Institutional investors	–	–	–	–
a.	Mutual funds and UTI	–	–	–	–
b.	Banks, financial Institutions, Insurance Companies (central/state Govt. Institutions/ Non Government Institutions)	3,000	–	5,100	–
c.	Foreign Institutional investors	–	–	–	–
	SUB TOTAL	3,000	–	5,100	–
	Others				
	Private Corporate Bodies	8,08,08,295	13.99	13,73,74,102	13.99
	Indian Public	39,49,06,434	68.38	67,13,40,938	68.38
	NRIs/ OCBs	28,74,595	0.50	48,86,812	0.50
	Clearing member	26,31,596	0.48	44,73,714	0.48
	Trust	25,000	–	42,500	–
	SUB TOTAL	48,12,45,920	83.33	81,81,18,066	83.33
	Total	57,75,00,000	100.00	98,17,50,000	100.00

Note: Post issue shareholding is based on the assumption that all shareholders will subscribe to their entire rights entitlement.



VI. OBJECTS OF THE ISSUE

GVFL is an integrated film production, exhibition and distribution company.

It operates cinema theatres in Tamil Nadu and owns about 6000 Internet film rights in various Indian Languages including Hindi, Tamil, Telugu, Kannada and Malayalam.

It has also planned to purchase a number of new movies as well as old movies to strengthen its rich library. It has entered into a Memorandum of Understanding (MoU) with Drushya Entertainment & Broadcast Streams Ltd (DEBSL or Drushya) for webcasting of its films on a revenue sharing basis. The same would be done through www.gvfilms.com, www.gvtamilfilms.com etc, the portals of GVFL.

As the main target customers are the India Diaspora spread all over the world and charges are to be collected in foreign exchange, GVFL has planned to start a new division as an Export Oriented Unit and an application is filed with the Madras Export Processing Zone for obtaining registration as 100% EOU for this division.

The company has drawn up plans to convert its existing two screen Cineplex in Thanjavur into a four screen multiplex with shopping malls, food courts etc. Realizing the potential for multiplexes in general and in Chennai in particular, the company has also planned to launch a Multiplex in Chennai. The Company has identified a location in the periphery of Chennai to build a 7 screen multiplex.

OBJECTS OF THE ISSUE:

- To meet the expenses for construction / renovation of multiplexes in Tamil Nadu.
- To meet the cost of production of 3 feature films.
- To meet the initial capital costs of www.gvtamilfilms.com, an Internet film portal.
- To meet the cost of settling old outstanding liabilities.
- To meet the working capital of operations including film distribution and purchase of film rights.
- To meet the expenses of the rights issue of equity shares.

FUNDS REQUIREMENT TO MEET THE OBJECTS OF THE ISSUE AND SOURCES THEREOF:

In order to meet the objects of the issue as mentioned above, the fund requirements are as under:

FUNDS REQUIREMENTS:

Particulars	Amount (in Lakhs)
To meet the expenses for construction / renovation of multiplexes	2425
To meet the cost of production of feature films	1000
To meet the initial capital costs of portal - gvtamilfilms.com	200
To settle old outstanding liabilities	200
To meet the additional working capital for distribution and purchase of film rights	300
To meet the rights issue expenses	40
Total	4165

MEANS OF FINANCE

Particulars	Amount (in Lakhs)
Proceeds of Rights Issue	4042.50
From Internal Source	122.50
Total	4165.00

DETAILED BREAK UP OF COST:

(I) TO MEET THE EXPENSES FOR CONSTRUCTION / RENOVATION OF MULTIPLEX:

GV Films Ltd. Operates twin theatres at Thanjavur in Tamil Nadu. The theatres are located in a prime location at Thanjavur. GVFL plans to modernize / upgrade them into a 4 screen multiplex & shopping mall. Further it has planned to set up a multiplex in the periphery of Chennai to build a 7 screen multiplex.

(II) COST OF RENOVATION OF THE MULTIPLEX IN THANJAVUR

The twin theatres are equipped with DTS (Digital Sound with six tracks) facilities. Big and successful Producers/Distributors prefer to release their movies in these Theatres. In view of the changed preference of cinema goers from ordinary theatres

to Multiplexes and also to improve the financial viability of the exhibition business, GVFL proposes to convert the Shanti - Kamala Theaters Complex at Thanjavur into a Multiplex by adding two more screens together with shopping mall to attract more visitors and thereby increase in no. of viewers. The Multiplex will have 4 screens with total sitting capacity of 2000 persons and shopping mall of 69,000 sq.ft. area.

The theatres will be fitted with the latest DTS Dolby Sound System, Digital Projectors etc. It would also have cafeteria, food courts, and entertainment area. It would have adequate car parking and air conditioned modern shopping mall. The Company has appointed M/s Anameka Architect and Designs to undertake the renovation work on a turnkey basis vide Letter of Engagement dated 16th April, 2005.

The cost of project at Thanjavur is as under:

Sr. No	Particulars	Requirement
1.	Functional Requirements	1. Movie Halls (4 Screens) 2. Entertainment Zone 3. Shopping Area 4. Food Court 5. Parking and other service areas
2.	Land Use Zone	Commercial Zone
3.	Total Land Area	1.5 Acres
4.	Total Area	65,340 Sq. Ft
5.	Floor Space Index	2
6.	Total Floor Space Area	1,30,680 sq. ft
7.	Total Plot Coverage	32,340 sq. ft
8.	Basement Parking	15,000 Sq. Ft
9.	Shopping Space	Includes entertainment zone, shopping area, food court, lobby Area = 69,000 sq.ft (Approx)
10.	Movie Halls	Total number of seats = 1850 Area = 65,500 sq. ft. (approx)
11.	Service Area	20% (within movie and mall space)
A	Renovation Cost	
(i)	Interior renovation	Rs. 350/- per sq. ft
(ii)	Area of renovation	35,000 Sq. Ft.
(iii)	Total	Rs.1,22,50,000/- (A)
B	Audio Visual Equipments	Rs.1,10,00,000/- (B)
C	Construction cost of New Area	
(i)	New area	25,000 sq. ft.
(ii)	Cost	Rs. 450 /- per sq. ft.
(iii)	Total	Rs. 1,12,50,000/- (C)
12.	Total Cost (A+B+C)	Rs.345 Lakhs (approx) Includes renovation cost and all electronic equipments and acoustical furnishes.



DETAILS OF THE PROJECTION EQUIPMENTS:

Name of Equipment	Quantity	Name and Address of Supplier	Date of Quotation
CHRISTIE PROJECTOR MODEL P-35 GPDR-AT WITH BUILT IN ANA DIGIREADER	01	MRH Digital systems private limited	5th April 2005
CHRISTIE XENON CONSOLE MODEL SLC-40	01	MRH Digital systems private limited	5th April 2005
CHRISTIE ELECTRONIC PLATTER MODEL AW3M-52 H	01	MRH Digital systems private limited	5th April 2005
CHRISTIE MAKE UP TABLE MODEL MK 35	01	MRH Digital systems private limited	5th April 2005
AUTO BULB FOCUS	01	MRH Digital systems private limited	5th April 2005
REEL ARMS (UPPER & LOWER)	01 set	MRH Digital systems private limited	5th April 2005
XENON BULB 3000 WATTS	01 number	MRH Digital systems private limited	5th April 2005
ISCO OPTIC ULTRA STAR HD PLUS	01	MRH Digital systems private limited	5th April 2005
INTEGRATED ANAMORPHIC LENS (49.5 MM -95 MM)	01	MRH Digital systems private limited	5th April 2005
ISCO OPTIC ULTRA MC PROJECTION LENS (50 MM-95 MM)	01	MRH Digital systems private limited	5th April 2005
Total cost per Screen	14,50,000.00		
No. of Screens	2		
TOTAL COST	29,00,000		

Details of the Audio Equipment:

Name of Equipment	Quantity	Name and Address of Supplier	Date of Quotation
QSC ISA 750 Power Amplifiers	09	MRH Digital Systems Pvt. Ltd.	5-04-2005
Audio Rack	01	MRH Digital Systems Pvt. Ltd.	5-04-2005
3 Channel, 3-Way Speaker Management System	02	MRH Digital Systems Pvt. Ltd.	5-04-2005
Dolby Digital CP-650D Processor	01	MRH Digital Systems Pvt. Ltd.	5-04-2005
CAT 702 Digital Reader	01	MRH Digital Systems Pvt. Ltd.	5-04-2005
DTS-6D With One Time Code Reader	01	MRH Digital Systems Pvt. Ltd.	5-04-2005
Kelmar Reverse Scan	01	MRH Digital Systems Pvt. Ltd.	5-04-2005
JBL 4632- 3 Way Stage Speaker System	03	MRH Digital Systems Pvt. Ltd.	5-04-2005
JBL 4642A Dual Sub Woofer System	02	MRH Digital Systems Pvt. Ltd.	5-04-2005
JBL 8330A Surround Speaker	16	MRH Digital Systems Pvt. Ltd.	5-04-2005
Total Cost per Screen	Rs. 19,50,000.00		
Total Screens	4		
Total Cost	78,00,000		
Miscellaneous Equipments	3,00,000		
TOTAL COST	81,00,000		

(III) COST OF NEW MULTIPLEX AT CHENNAI

Chennai, the capital of Tamil Nadu is famous for having large number of cinema theatres. GVFL has planned out to set up a multiplex & shopping mall with an area of about 90000 sq.ft at Chennai. It proposes to build a modern 7 screen multiplex with entertainment zone, shopping mall, etc. GVFL has also appointed M/s Anameka Architects and Designs, Chennai to undertake the construction work on a turn key basis vide Letter of Engagement dated 16th April, 2005.

The cost of project at Chennai is as under:

Sr. No	Particulars	Requirement
1.	Functional Requirements	1. Movie Halls (7 Screens) 2. Entertainment Zone 3. Shopping Area 4. Food Court 5. Parking and other service areas
2.	Land Use Zone	Commercial Zone
3.	Total Land Area	2 Acres
4.	Total Area	87,120 Sq. Ft
5.	Floor Space Index	2.5
6.	Total Floor Space Area	2,17,800 sq. ft
7.	Plot Coverage (CMDA)	50% (considered)
8.	Total Plot Coverage	43,560 sq. ft
9.	Basement Parking	90,000 Sq. Ft
10.	Mall Space	Includes entertainment zone, shopping area, food court, lobby Area = 1,23,300 sq ft
11.	Movie Halls	Total Number of seats = 3150 Area = 94,500 sq.ft (approx)
12.	Service Area	20% (within movie and mall space)
A	Cost of Land	Rs. 3,00,00,000/- (A)
B	Construction Cost	
(i)	Cost	Rs. 550/- per sq. ft
(ii)	Area of Construction	2,17,800 Sq. Ft.
(iii)	Total	Rs.11,97,90,000/- (B)
C	HVAC/Electrical /Plumbing/safety and security	
(i)	Cost	Rs. 110/- per sq.ft
(ii)	Area considered	2,17,800 sq. ft.
(iii)	Total	2,39,58,000/- (C)
D	Audio Visual Equipments	Rs.2,38,00,000/- (D)
E	Miscellaneous	Rs. 1,04,50,000/- (E)
13.	Total Cost (A+B+C+D+E)	Rs.2080 Lakhs (approx) Includes renovation cost and all electronic equipment and acoustical furnishes.



DETAILS OF THE PROJECTIONS EQUIPMENT:

Name of Equipment	Quantity	Name and Address of Supplier	Date of Quotation
CHRISTIE PROJECTOR MODEL P-35 GPDR-AT WITH BUILT IN ANA DIGIREADER	01	MRH Digital systems private limited	5th April 2005
CHRISTIE XENON CONSOLE MODEL SLC-40	01	MRH Digital systems private limited	5th April 2005
CHRISTIE ELECTRONIC PLATTER MODEL AW3M-52 H	01	MRH Digital systems private limited	5th April 2005
CHRISTIE MAKE UP TABLE MODEL MK 35	01	MRH Digital systems private limited	5th April 2005
AUTO BULB FOCUS	01	MRH Digital systems private limited	5th April 2005
REEL ARMS (UPPER & LOWER)	01 set	MRH Digital systems private limited	5th April 2005
XENON BULB 3000 WATTS	01 number	MRH Digital systems private limited	5th April 2005
ISCO OPTIC ULTRA STAR HD PLUS	01	MRH Digital systems private limited	5th April 2005
INTEGRATED ANAMORPHIC LENS (49.5 MM -95 MM)	01	MRH Digital systems private limited	5th April 2005
ISCO OPTIC ULTRA MC PROJECTION LENS (50 MM-95 MM)	01	MRH Digital systems private limited	5th April 2005
Total cost per Screen	14,50,000.00		
No. of Screens	7		
TOTAL COST	1,01,50,000		

Details of the Audio Equipment:

Name of Equipment	Quantity	Name and Address of Supplier	Date of Quotation
QSC ISA 750 Power Amplifiers	09	MRH Digital Systems Pvt. Ltd.	5-04-2005
Audio Rack	01	MRH Digital Systems Pvt. Ltd.	5-04-2005
3 Channel, 3-Way Speaker Management System	02	MRH Digital Systems Pvt. Ltd.	5-04-2005
Dolby Digital CP-650D Processor	01	MRH Digital Systems Pvt. Ltd.	5-04-2005
CAT 702 Digital Reader	01	MRH Digital Systems Pvt. Ltd.	5-04-2005
DTS-6D With One Time Code Reader	01	MRH Digital Systems Pvt. Ltd.	5-04-2005
Kelmar Reverse Scan	01	MRH Digital Systems Pvt. Ltd.	5-04-2005
JBL 4632- 3 Way Stage Speaker System	03	MRH Digital Systems Pvt. Ltd.	5-04-2005
JBL 4642A Dual Sub Woofer System	02	MRH Digital Systems Pvt. Ltd.	5-04-2005
JBL 8330A Surround Speaker	16	MRH Digital Systems Pvt. Ltd.	5-04-2005
Total Cost per Screen	Rs. 19,50,000.00		
Total Screen	7		
TOTAL COST	1,36,50,000		

(IV) TO MEET THE EXPENSES OF FILM PRODUCTION:

GVFL is engaged in the film production of movies largely in Tamil language. GVFL has been successful in film production in the past and has many good films to its credit.

Two films were likely to be released by the company during the current year and out of these 1 Tamil film named "ULLAM KEKUMMEY" was recently released.

It has planned to produce 3 more films for which the Company has budgeted a cost of Rs.10 crores. This cost of production shall be net of advances to be received from the distributors, advance sales of music / video rights which is generally received during production in the normal course of business.

(V) TO MEET THE COST OF WWW.GVTAMILFILMS.COM PORTAL:

GVFL has launched a portal viz. www.gvtamilfilms.com wherein encryption technology platform of DEBSL will be used to webcast the films. The films on this portal can be downloaded and viewed anywhere in the world. The cost of 40 servers to be located across the globe, costing Rs. 5 Lacs each is estimated to cost Rs. 200 lakhs. There will be mirror servers for easy and fast access of the films anywhere in the world.

(VI) TO MEET THE SETTLEMENT OF OLD LIABILITIES:

GVFL had suffered a set back 2 years ago when the founder Chairman Mr. G. Venkateshwaran died. The company might have contracted several debts for which full details were not available with the new management. There are several disputed claims and counter claims which need to be resolved and settled. The process of negotiating the dues is ongoing and the sum of Rs.200 lakhs is estimated to meet the settlement of old dues.

(VII) TO MEET THE COST OF ADDITIONAL WORKING CAPITAL:

GVFL proposes to re-enter in film distribution with a better business model. It proposes to raise resources to fund payment of purchase of film distribution rights, incur expenses for promoting the films in the library and the films under the production. The estimated capital outlay for the same is about Rs. 150 lakhs.

GVFL also proposes to purchase film rights for Internet webcasting to add to the existing 6000 strong film library. It proposes to purchase more than 50 films rights at an estimated cost of Rs.150 lakhs.

Hence the aggregating additional working capital for film inventory and film distribution is budgeted at Rs.300 lakhs.

(VIII) TO MEET THE COST OF RIGHTS ISSUE EXPENSES:

The expenses for the issue include among others, issue lead management fees, advertising costs, printing and distribution expenses, legal, statutory fees payable to the stock exchange. The estimate of the issue expense is as follows:

Activity	Rs. (in Lakhs)
Lead Management	5.00
Registrar Fees	1.00
Advertising Expenses	20.00
Printing and Stationery	10.00
Others (Legal fees, Auditors, Bankers to the Issue, etc.)	4.00
Total	40.00

The Company confirms that firm arrangement of finance through verifiable means towards 100 % of the stated means of the finance excluding the amount to be raised through the proposed right issue have been made.

APPRAISAL

The Object of the Rights issue for which the funds are being raised have not been appraised by any bank or financial institutions.

SCHEDULE OF IMPLEMENTATION / DEPLOYMENT OF ISSUE PROCEEDS

The issue proceeds would be deployed over the next 2 years as given below:-

Rs in lacs

Particulars	Up to March 2006	April 2006 to March 2007	Total
Costs to be incurred			
Renovation of Theatres	225	120	345
Construction of multiplex	1000	1080	2080
Cost of production of feature films	500	500	1000
Settle outstanding liabilities	200	–	200
To meet initial capital cost of portal	200	–	200
Working capital	300	–	300
Rights issue expenses	40	–	40
Total	2465	1700	4165

INTERIM USE OF FUNDS

Pending utilization of funds as stated above, we intended to invest the proceeds of this issue in high quality, interest/dividend bearing short term/long term liquid instruments including deposits with banks for the necessary duration. These investments would be Authorised by our Board or a duly Authorised committee thereof.



BASIC TERMS OF THE PRESENT ISSUE

The Equity Shares, now being issued, are subject to the terms and conditions of this Letter of Offer, the enclosed Composite Application Form ("CAF"), the Memorandum & Articles of Association of the Company, the approvals from the GoI, FIPB and RBI, if applicable, the provisions of the Companies Act, 1956, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/ or other statutory authorities and bodies from time to time, terms and conditions as stipulated in the allotment advice or letter of allotment or Security Certificate and rules as may be applicable and introduced from time to time.

BASIS OF ISSUE PRICE

1. Adjusted Earnings Per share

Particulars	EPS	Weight
2002-2003*	(0.032)	1
2003-2004*	(0.048)	2
2004-2005**	0.006	3
Weighted Average EPS	(0.018)	

* For Equity Share of Rs.10/- each

** For Equity Share of Re.1/- each

2. Price Earning Ratio in relation to issue price of Re. 1/-

(a) Based on 2003-2004 EPS	N.A.
(b) Based on 2004-2005 EPS (Non diluted)	166.67

The Price Earning Ratio based on weighted EPS cannot be computed since the weighted earnings are negative.

Industry P/E ratio:

(i) Highest	59.80
(ii) Lowest	0.70
(iii) Industry Composite	30.50

(Source : Capital Market Vol. XX/03, April 11-24, 2005 - Entertainment /Electronic Media Software)

Comparison of key ratios with the company of comparable size in the same Industry Group

The comparable ratios of the Companies which are to some extent similar in business are as given below:

Particulars	EPS (Rs.)	P/E	RONW(%)	Book value (Rs.)
Adlabs Ltd.	7.9	16.6	17.8	48.8
Balaji Telefilms Ltd.	7.8	16.0	44.2	22.6
Padmalaya Telefilms Ltd.	—	—	(19.8)	81.7
Radaan Mediawork Ltd.	0.30	—	10.1	3.9
Mukta Arts Ltd.	1.40	—	2.6	58.1

(Source : Capital Market Vol. XX/03, April 11-24, 2005 - Entertainment /Electronic Media Software)

The above figures are based on the financial results as on 31st March, 2005 of all the companies.

3. Return on Net Worth

Year	Return on Net worth (%)	Weight
2002-2003	(0.18)%	1
2003-2004	(0.19)%	2
2004-2005	0.24%	3

The Weighted average return on net worth cannot be calculated since the return on net worth consists of negative returns for the two years.

4. Minimum Return on Total Net worth needed after the issue to maintain EPS:

NA

5. Net asset Value

A	As at 31st March 2005	2.55
B	After Issue	1.91
C	Issue Price	1.00

QUALITATIVE FACTORS

- ❖ Long standing goodwill of the company in the field of production, exhibition and distribution.
- ❖ Large catalogue of Movies comprising of all generations.
- ❖ One of the oldest Cinematographic company in Tamil Film Industry with strong industry standing and relationship with artists.
- ❖ Member of Tamil producer Association.(one of the largest Indian Producer association)
- ❖ Legally enforceable Internet Film rights of about 6000 films having economic value of more than Rs. 148 Crores (As per the expert valuer Mr. R. Ravindran, Chartered Accountant vide his certificate dated 17th April, 2005)
- ❖ Strong distribution network.
- ❖ Technological tie up with Drushya for webcasting of films

In view of the reasons mentioned above, the company and the lead managers to the issue are of the opinion that the issue price are reasonable and justified.

TAX BENEFITS

The Company has been advised by M/ G Parthasarathy, Chartered Accountant, Chennai, Tax Consultants of the Company, vide their letter dated 16th April 2005, that under the current direct tax laws, the following tax benefits inter-alia will be available to the Company and the shareholders of the Company. Every shareholder is advised to consider in his own case the tax implications of an investment in the shares.

The tax benefits vested below are the possible benefits available under the current tax laws in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to drive of the tax benefits is dependant upon fulfilling such conditions which based on business imperatives it faces in the future, it may not choose to fulfill.

The following tax benefits shall be available to the Company and the prospective shareholders under Direct Taxes.

1 BENEFITS AVAILABLE TO THE COMPANY**1.1 Direct Tax - The Income-tax Act 1961 ('the Act')****a) Income of Webcasting Division:**

The Company has applied for obtaining registration as a 100% EOU for its webcasting division. Under section 10A of the Income Tax Act, 1961, the profits of this division are fully exempt from tax till the year ending 31st March 2009 subject to the company complying with all the conditions of the relevant provisions/rules of the Act.

- b) **Set-off of losses and its carry forward:** The Company is entitled to carry forward and set-off business losses and unabsorbed depreciation pertaining previous assessment years amounting to Rs.92.20 crores.
- c) **Dividend income:** Dividend income, if any, received by the Company from its investment in shares of another Domestic Company will be tax-exempt under Section 10(34) read with Section 115O of the Act. Income received on units of a Mutual Funds specified under Section 10(23D) of the Act will be tax-exempt under Section 10(35) of the Act.
- d) **Capital gains:** Capital assets are to be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of UTI or Mutual Fund units) are considered to be long-term capital assets if they are held for a period in excess of 36 months.

Shares held in a Company or any other listed securities or units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months. Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains.

However, in respect of long term capital gains, for resident shareholders it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed from time to time.

Under the provisions of Section 112 of the Act, long-term gains are subject to tax at a rate of 22.44 percent (basic rate of 20% to be increased by a surcharge of 10 per cent and the total to be increased by an additional surcharge by way of education cess at the rate of 2 per cent). Under the proviso to Section 112(1), the long term capital gains arising on transfer of listed securities or units is restricted to 11.22 per cent (basic rate of 10% to be increased by a surcharge of 10 per cent and the total to be increased by an additional surcharge by way of education cess at the rate of 2 per cent) of gains without indexation benefit.

From 1 October 2004, long-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under Section 10(23D) on a recognized stock exchange are exempt from tax under Section 10(38) of the Act on being subject to Securities Transaction Tax levied under Chapter VII of the Finance (No. 2) Act of 2004. From 1 October 2004, under the provisions of section 111A of the Act, short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under Section 10(23D) on recognized stock exchange are subject to tax at the rate of 11.22 per cent (basic rate of 10% to be increased by a surcharge of 10per cent and the total to be increased by an additional surcharge by way of education cess at the rate of 2 per cent), provided the transfer is chargeable to Securities Transaction Tax being levied under Chapter VII of the Finance (No. 2) Act of 2004.

- (a) Exemption of capital gains from income tax: As per Section 54EC of the Act and subject to conditions specified therein, taxable long-term capital gains are not chargeable to tax to the extent they are invested in certain notified bonds within six months from the date of transfer. If the Company transfers or converts the notified bonds into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of gain exempted earlier would become chargeable in such year. The bonds specified for this Section are bonds issued by National Bank for Agriculture and Rural Development (NABARD), the National Highway Authority of India (NHAI), the National Housing bank (NHB), the Rural Electrification Corporation Ltd. (REC) and Small Industrial Development Bank of India (SIDBI).

As per Section 54ED of the Act and conditions specified therein, long term capital gains arising on listed securities or units are not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital". The investment needs to be within six months from the relevant date of transfer. 'Eligible issue of capital' means an issue of equity shares that satisfied the following conditions:

- The issue is made by a public company formed and registered in India; and
- The shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders. At this stage, it may be relevant to note that under Section 10(36) of the Act, the Central Board of Direct Taxes ('CBDT') has clarified vide Circular no.7/2003 dated 5 September 2003, that 'public issue' shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS

- a) **Dividend income:** As outlined in item b) of paragraph 1.1 above.
- b) **Capital gains:** As outlined in item c) of paragraph 1.1 above.
- c) **Exemption of capital gains from income tax:** As outlined in item d) of paragraph 1.1 above.

Further, as per the provisions of Section 54F of the Act and subject to conditions specified therein, any taxable long term capital gains (other than on residential house but including those on shares) arising to an individual or Hindu Undivided Family are exempt from capital gains tax if the net sales consideration is utilized, within a period of one year before, or two years after the date of transfer, in purchase of a new residential house, or for construction of residential house within three year from the date of transfer, provided that the individual should not own more than one residential house. If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house, then the original exemption will be taxed as capital gains in the year in which the additional residential house is required.

BENEFITS AVAILABLE TO NON-RESIDENT SHAREHOLDERS

- a) **Dividend income:** As outlined in item (b) of paragraph 1.1 above.
- b) **Capital gains:** As outlined in item l of paragraph 1.1 above except that under first proviso to Section 48 of the Act, the taxable capital gains arising on transfer of capital assets being shares or debentures of an Indian Company need to be computed by converting the cost of acquisition, expenditure on connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency.

The conversion needs to be at the prescribed rates prevailing on dates stipulated. In view of this mechanism, in computing such gains, the benefit of indexation is not available to non-resident shareholders. In case of a non-resident individual, the applicable surcharge is 10 per cent if the total income exceeds Rs.1000000 and needs to be factored in before levy of additional surcharge by way of education cess of 2 per cent. In other cases the applicable surcharge is nil and additional surcharge by way of education cess of 2 per cent.

- c) **Exemption of capital gains from income tax:** Benefits outlined in item d) of paragraph 1.1 and benefits available to resident shareholders in item c) of paragraph 2 above are also available to non-resident shareholders.
- d) **Tax Treaty Benefits:** As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident.

Thus, a non-resident can opt to be governed by the beneficial provisions of an applicable tax treaty.

BENEFITS AVAILABLE TO NON-RESIDENT INDIAN SHAREHOLDERS

- a) **Dividends:** As outlined in item (b) of paragraph 1.1 above.
- b) **Capital gains:** As outlined in item (d) of paragraph 1.1 above. Under Section 115I of the Act, a Non-resident Indian (NRI) as defined therein has the option to be governed by the normal provisions of the Act as outlined in provisions of Chapter XII-A of the Act through appropriate declaration in the return of income. The said Chapter inter alia entitles NRI to the benefits stated hereunder in respect of income from shares of an Indian company acquired, purchased or subscribed in convertible foreign exchange.

As per the provisions of Section 115D read with Section 115E of the Act and subject to the conditions specified therein, taxable long term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the of 10.20 percent (basic rate of 10 per cent to be increased by additional surcharge by way of education cess of 2 per cent) (if the total income exceeds Rs. 10,00,000 then a surcharge of 10% needs to be factored before levy of additional surcharge).

As per the provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long-term capital asset being shares in an Indian Company would not be chargeable to tax. To avail this benefit the entire net consideration received on such transfer needs to be invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act.

If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

The specified asset or savings certificates in which the investment has been made are restricted from being transferred within a period of three years from the date of investment. In the event of such a transfer the amount of capital gains tax exempted earlier would become chargeable to tax as long-term capital gains in the year in which such specified asset or savings certificates are transferred.

As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if: Their only source of income is income from investments or long term capital gains earned on transfer of such investments or both; and

- The tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

As per Section 115H of the Act, when a NRI becomes a resident in India, the provisions of the Chapter XII-A can continue to apply in relation to investment made when he was a NRI. Towards this, the NRI needs to furnish a declaration in writing to the Assessing Officer along with his return of income.

- c) **Tax Treaty Benefits:** As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident. Thus, a non-resident (including NRIs) can opt to be governed by the beneficial provisions of an applicable tax treaty.

SPECIAL BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS ('FIIS')

- a) **Dividend income:** As outlined in item (b) of paragraph 1.1 above.
- b) **Capital gains:** As per the provisions of Section 115AD of the Act, FIIs are taxed on the capital gains income at the following rates:

Nature of income	Rate of tax (%)
Long term capital gains	10%
Short term capital gains	30%
Short term capital gains referred to in Sec.111A	10%

The above tax rates would need to be increased by the applicable surcharge of 2.5 per cent and the total to be increased by an additional surcharge of 2 per cent towards education cess. In case of Non-corporate FIIs (e.g. trusts) the surcharge is 10% if their total income exceeds Rs. 10,00,000, otherwise it is Nil. This has to be increased by additional surcharge of 2%. The benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to a FII. From 1 October 2004, long-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under Section 10(23D) on the recognized stock exchange are exempt from tax under Section 10(38) of the Act on being subject to Securities Transaction Tax as levied under Chapter VII of the Finance (No. 2) Act of 2004.

From 1 October 2004, Short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under Section 10(23D) on the recognized stock exchange to Corporate FIIs are subject to tax at the rate of 10.45 per cent (basic rate of 10% to be increased by a surcharge of 2.50 per cent and the total to be increased by an additional surcharge of 2 per cent by way of education cess) on being subject to Securities Transaction Tax levied under Chapter VII of the Finance (No. 2) Act of 2004. In case of Non-corporate FIIs (e.g. FII), the applicable surcharge is 10% if their total income exceeds Rs. 10,00,000.



- c) **Tax Treaty Benefits:** As outlined above.

BENEFITS AVAILABLE TO MUTUAL FUNDS

Dividend income: As outlined in item (b) of paragraph 1.1 above.

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India, would be exempt from income tax, subject to the prescribed conditions.

BENEFITS AVAILABLE TO VENTURE CAPITAL COMPANIES / FUNDS

Dividend income: As outlined in item (b) of paragraph 1.1 above.

As per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Companies/Funds registered with the Securities and Exchange Board of India, would be exempt from income tax, subject to the conditions specified.

BENEFITS AVAILABLE UNDER THE WEALTH-TAX ACT, 1957

Asset as defined under Section 2(ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

BENEFITS AVAILABLE UNDER THE GIFT-TAX ACT

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax.

D. ABOUT THE ISSUER COMPANY

GVFL is an integrated film production; distribution and exhibition company. The company is engaged in following business activities:

- Film Production
- Film Distribution
- Film Exhibition through Theaters and Multiplex.
- Internet Film Rights.

I. OVERVIEW OF THE INDIAN ENTERTAINMENT INDUSTRY:

In India, movies have always been a very important source of entertainment. Movies directly contributed Rs. 4500 crores out of Entertainment Business of Rs. 19200 crores (Source: The Indian Entertainment Industry: Emerging Trends and Opportunities - FICCI - E&Y Report, 2004); besides being an important source of content for the television, cable and music business. Indian film industry is almost 100 years old has prompted to set up large no. of cinema halls/theatres all over the country which have been owned largely by local businessmen.

On account of high entertainment tax rates, fragmented ownership, large cost of setting up of new theatres, government regulations and non availability of organized funding, cinema halls were not in position to upgrade or renovate their facilities resulting into decline in the quality of such cinema halls and as such viewers started staying away from the cinema halls and started using alternative viewing options including home video and cable TV.

However, over last 5-6 years due to strong economic growth, increased consumption level, change in the pattern of consumer preference and over all improvement in the life-style of the consumer have witnessed a boom in the organized retail sector in India. Number of large organized retail outlets consisting of branded outlets, super bazaar/departmental store, F&B outlets along with facility of multiple cinema halls better known as Multiplex to provide the consumers all the facilities at one point, have come up in India initially in the metropolitan cities and now in other big cities/towns. In fact, cinema halls especially the multiplexes provides high quality viewing experience and fast emerging as one of the key drivers for attracting viewers back to the cinema halls have created renewed interest in investment and growth of the movie production and exhibition business in India.

Keeping in view the above developments, GVFL has structured this section to cover the movie production business, movie exhibition and movie distribution business.

FILM PRODUCTION

Feature films/ are one of the important sources of entertainment for the people in India. The various input factors of film such as story, screenplay, direction, artists, music, etc. determines the success of a good feature film.

The year 2002 was a landmark year in the history of Indian Films with the industry moving towards corporatisation. Corporatisation is not only limited to the structural changes involving emergence of corporate and studios to replace individuals for movie production but it also implies a fundamental shift in the way different element of the film industry value chain including pre-production, financing, production, post-production and distributions are managed. This will lead to a scenario where movie making is governed by transparent and enforceable contract and is carried out in accordance with the global best practices. In addition, the overseas market (theatrical, video & TV) is becoming increasingly lucrative Indian film production because of large and fast growing Indian Diaspora, which is estimated at 20 million.

FILM DISTRIBUTION

Film distributors are an important link in the film value chain. Film distributors buy theatrical distribution rights from film producers for exhibiting the film in a defined territory. Film distributors play various roles viz:

- Part financing of films (in case of minimum guarantee/advance based purchase of movie rights)
- Localized marketing of the film
- Selection of exhibition halls
- Managing the logistics of physical prints distribution
- The key skills of the Film distributor include
- Understanding of audience tastes
- Understanding revenue potential for various films
- Relationships with producers & exhibitors
- Extensive knowledge of past performance of theatres for various genres of films
- Logistics & supply chain management

Typically, the distributors' business models include two parts viz. (i) the Revenue Sharing model where the distributors give theatrical rights of the films to exhibitors on the basis of sharing of box office collection, net of entertainment tax, on pre-agreed terms and (ii) the Cost model in which distributors' procures distribution, film print rights from a producers for distributing in specified territory on various revenue sharing models.

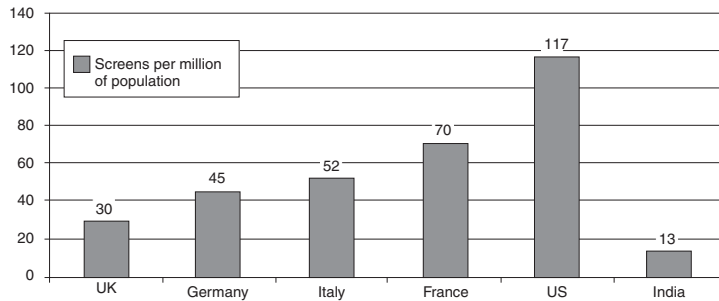
FILM EXHIBITION

Film exhibition is a key interface between the film audience and the movie content. It is a common practice all over the world that the box office collections (i.e. ticket sale by movie exhibitors) are the prime consideration for understanding the commercial success or failure of a movie.

Exhibition centers in India range from the open air to air conditioned cinema halls and multiplexes. In India about 2870 million movie viewers visit cinema halls every year (roughly a weekly entry of about 55 million) in around 12900 cinema halls in the country. (Source: CII-DSK legal media and entertainment industry legal report, 2003)

a) OVERVIEW OF EXHIBITION INDUSTRY IN INDIA

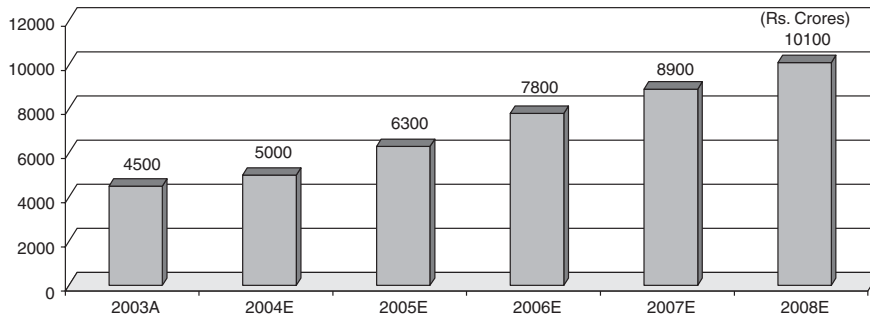
In India an average of only 12.9 theatres per million population indicates extreme shortage of exhibition outlets as compared to US which has 116.6 theatres per million. A UNESCO study reveals that India requires about 20000 additional cinema halls to meet the increasing demand for film entertainment. (Source: CII-DSK legal media and entertainment industry legal report, 2003)



Source: The Indian Entertainment industry -FICCI - 2001

b) BOX OFFICE REVENUE

The total revenue of the Indian film Industry in 2004 was about Rs. 5000 crores and likely to grow at a CAGR of 18% to gross Rs. 10,100 crores by 2008.



(Source: The Indian Entertainment Industry: Emerging Trends and Opportunities - FICCI -E&Y Report, 2004)

c) SINGLE SCREEN THEATRES

Most of the movie theatres in India have been set up in conventional single-screen theatres with large sitting capacities of 800-1200 seats. This kind of theatres were successful when television media was not present in the market. With the introduction of television media, cable TV and home video facilities, the occupancy level in single screen theatres started reducing. This led to loss to the theatre owners and maintenance of the theatre got affected and movie viewers started shying away from the theatres. Eventually single screen theatre is losing its viability.

d) EVOLUTION OF MULTIPLEXES

A multiplex is a theatre complex with multiple screens. One of the advantages of multiplex to a viewer is an option to select the movie of his choice as compared to single screen theatre. Further, multiplexes generally have sitting capacity of 300-450 with wide push back chairs and also offers better ambience, superior quality of audio and video and other value added facilities to the movie viewer encouraging viewer to pay more. Besides the multiplexes are normally part of the shopping mall or vice-versa with facilities of shopping arcades, restaurants, fast food joints, indoor games like bowling alley, pool table, video games, etc. and offers a complete entertaining cum shopping experience to a movie viewer. Further, various State Government policies of extending concessions/benefits to the multiplexes in respect of entertainment tax and income tax incentive for limited period has given boost to the setting up of the multiplexes, which in turn created additional seats available to viewer with improved facility.

e) ECONOMIC LOGIC OF MULTIPLEXES

Multiplexes offer significant economic advantages over similar size single screen theatres such as i) better occupancy, ii) greater no. of shows, iii) better exploitation of a film and iv) better cost management.

f) OPERATING MODELS FOR MULTIPLEXES

Several forms of business arrangements are available for setting up and operating of multiplex. The choice of one form of business arrangement over another would largely be based on the business, legal aspects, tax and other regulatory considerations. The main operating models for setting up an operating a multiplex are a) Ownership model, b) Lease model and c) Theatre management model.

g) INCOME & OPERATING COST OF A MULTIPLEXES**i) Revenue streams**

Ticket Income, F&B income and advertising income are the three main streams of revenues for multiplex. While ticket income is the largest contributor to the multiplex income, the F&B income is also significant depending upon the type of F&B outlets as the margins in F&B business generally higher. Advertising revenue is also one of the major sources of income to the multiplex owner.

ii) Operating Cost

The main cost components are:

- Entertainment tax,
- Share of distributor,
- F&B cost,
- Personnel cost,
- Property rentals,
- Consumption of utilities such as electricity, water, security charges,
- Marketing cost such as newspaper advertising, hoardings, posters and other creative cost,
- Maintenance cost of the premises of multiplex.

WEB CASTING

Indian cinema is considered as the backbone of entertainment industry providing entertainment to almost 1000 million people in India and 20 million strong Diaspora spread across 110 countries. The conventional way to watch the movie is to visit nearby theatre for Indian movie viewer. However, with the advent of TV, Internet, cable TV, home video facility, number of options are available. But many viewers may prefer to see a new movie immediately on its release without going to theatre in their TV or computer. Many NRIs and PIOs residing outside the country always want to see the movie on its release and therefore, for such viewers 'web casting' of new movie would be a boon.

With this it is expected that there will be a huge potential for screening the movies to large population of NRIs and PIOs initially and later on to Indian public.

India holds the number one position in terms of admissions and no. of films produced. More than 1000 films are produced in as many as 30 languages in India (1200 films were released in the year 2002). (Source: "Indian Entertainment Industry - Focus 2010: Dreams to Reality", CII - KPMG Report)

The Indian entertainment industry, which is currently estimated at Rs.222 billion is expected to grow at 18 percent per annum to reach a huge figure of Rs.588 billion by 2010. (Source: Indian Entertainment Industry - Focus 2010: Dreams to Reality", CII - KPMG Report)

The Indian film industry is projected to grow to Rs.143 billion by 2010 from Rs.59 billion powered by increasing discipline and rising efficiency levels and penetration into hitherto uncharted overseas markets. (Source: Indian Entertainment Industry - Focus 2010: Dreams to Reality", CII - KPMG Report)

India can tap into outsourcing of postproduction works of Hollywood movies by taking advantage of its low cost pool of 2.5 million experienced workforce.

Michael Douglas and Pierce Brosnan have finalized plans for shooting some portions of their films in India to take advantage of the quality technical expertise available here at very low costs.

The overseas market of Indian films especially Hindi and Tamil films have gone up tremendously in the last few years. The success of a film is not only dependent on theatrical, video, audio collections in the home segment but also collection from overseas market is as big as the home market. Karan Johar's "Kal Ho Naa Ho" was the top grosser overseas in 2003 and had grossed Rs. 25 crores, while "Veer-Zaara" (2004) has collected over Rs.35 crores.

Tamil Films also enjoy reasonable overseas market (Singapore, Malaysia, USA and UK) and a hit film collects about Rs.4 crores. (Source: thehindu.com)

According to the 2004 edition of 'Indian Entertainment Industry - An Unfolding Opportunity,' by FICCI and Price Waterhouse Coopers (PwC),

"India and China continue to be the primary drivers in the Asia Pacific region. The Indian entertainment scene looks extremely buoyant as it is set to grow at 18 per cent compound rate (CAGR) to reach Rs.45, 000 crores in 2009. The industry's positive momentum will ride on the economic growth and rising income levels that India has been experiencing in the past few years. The industry is expected to outperform the growth of the economy by a significant margin in the coming years."



II. BUSINESS OVERVIEW:

1. DETAILS OF THE BUSINESS OF THE COMPANY:

a. LOCATION OF THE PROJECTS:

The Company's registered office is situated at No.-4 Seshadri Road, Alwarpet, Chennai, 600 018. The Company owns twin theatres namely Shanthi-Kamala at Thanjavur, Tamil Nadu. The Company proposes to convert the said existing Shanthi- Kamala Theaters Complex situated at Thanjavur into a Multiplex, which will have four (4) screens with total sitting capacity of 2000 persons and Shopping Mall of 69,000 sq. ft. area.

The Company has planned out to set up a new Multiplex & Shopping Mall, which will have a modern seven (7) Screens Multiplex with Entertainment Zone, Shopping Mall etc. with an area of about of 90,000 sq. ft. at Chennai.

b. PLANT MACHINERY, TECHNOLOGY AND PROCESS:

The list of plant and machinery and other equipments required for the project and the related details are given above in the section entitled 'Objects of the Issue'

c. COLLABORATIONS, ANY PERFORMANCE GUARANTEES OR ASSISTANCE IN MARKETING BY THE COLLABORATORS:

The Company does not have any collaboration for the existing business except the following agreement.

The company has entered in an agreement with Drushya Entertainment and Broadcast Streams Ltd. (Drushya) on 29th March, 2005 to web cast GVFL's films on Drushya's encryption coded platform on a revenue sharing basis i.e. 60: 40 bases. (GV: Drushya).

Brief Details of about Drushya Entertainment and Broadcast Streams Ltd.

Sr. No.	Particulars	
1	Place of Registration	Andhra Pradesh
2	Year of Incorporation	26th April, 2004
3	Paid Up Capital	Rs. 30,00,000/-
4	Turnover for the last Financial Year	No audited figures are available
5	General Information	Drushya has developed encryption coded technology to web cast the films and also having other features.

d. INFRASTRUCTURE FACILITIES

The Company owns the SHANTHI/KAMALA THEATRES COMPLEX at Thanjavur since 1995. This complex has got the distinction of being the only theatres with DTS (Digital Sound with six tracts) facilities in that part of Tamil Nadu at the time of installation. The Trichy City Cultural Association has also adjudged this theatres' Complex as the "Best Maintained Theatres" in one of the earlier years. The Theater currently has sitting capacity of 1618 persons. After the proposed renovation, the said Theater will have total sitting capacity of 2000 persons as well as have the features of the Multiplex and Shopping Mall etc.

UTILITIES

I. POWER

Existing Theater at Thanjavur

The Company has necessary arrangement for the purpose of power supply with 36000 KVA per month. The additional electricity requirement after the renovation shall be 68000 KVA per month and same can be availed from the Electricity Department

New Multiplex at Chennai

The Company shall make the necessary arrangement for the purpose of power supply at Chennai. The same can be availed from the Electricity Department.

II. WATER

Existing Theater at Thanjavur

The requirement of water is restricted to human consumption and as such adequate arrangement is in place for this purpose.

New Multiplex at Chennai

The requirement of water is restricted to human consumption and the adequate arrangement can be made easily for this purpose.

III. MANPOWER

The present and proposed manpower strength of the company is as under:

Existing Theater at Thanjavur

Category	Present	Proposed	Total
Permanent	20	10	30
Casual	–	–	–
Contract Employees	2	20	22

New Multiplex at Chennai

Category	Proposed
Permanent	50
Casual	15
Contract Employees	50
Total	115

2. THE COMPANY'S PRODUCTS/SERVICES & BUSINESS STRATEGY

GVFL is an integrated film production; distribution and exhibition company. The main objects of GVFL is to distribute feature films in various languages, to produce feature films, documentaries in various languages, to act as agents in cinematographic films, internet film rights and to acquire, own, trade in studios, laboratories, cinema halls, and to act as film publicity agents, designers and engravers.

A. FILM PRODUCTION BUSINESS

The process of film making:

There is no set pattern or generally accepted chronological order in the making of a film, essentially because the process depends significantly on the style of working of the director and the availability of finance for the film. The whole process is so fluid that it cannot be bound to a set structure.

The film generally starts on an idea, or a story. Any one person takes the initiative and a team- which may consist of the director, the producer, the music director and the writer - is put in place. The next step is the finalisation of the star cast and the team of artistes, singers, cameramen, etc.

Film Production Process:

Once the producer has made the necessary arrangements for the finance of the movie, the production can start. Some of the artistes who work on the sets are paid on a daily basis, some at an hourly rate, and some on a schedule basis. The extras and the dance troupes are generally paid on a daily basis. The cameramen, technicians and other members of the film crew operate on contractual basis. The star cast of the movie generally accepts a staggered payment schedule spread over the course of the completion of the movie.

The producer/director of a movie has to be very careful about the schedule of shooting. Timely completion of a movie can result into substantial savings. GV films Ltd. by virtue of its professional and corporatised operational set up has been in a position to adhere to predetermined time tables despite busy schedules of film stars/technicians involved in the production of a film.

After the production is complete, which might also include outstation shooting, the film is edited and dubbed. Editing and dubbing require specialized skills and equipment which are available on a restricted scale in India. After the film is edited and dubbed, it is submitted to the Central Board of Film Certifications (CBFC) for certification. The members of the CBFC, after a series of private screenings, may suggest alterations in the film. Upon such alterations being carried out, the film is ready for release.

Promotion of the film:

Promotion of the film is an integral part of the process of film making. The marketing process of the film starts approximately a month before the release of the music of the film. At this stage, promotion is basically done through print ads, posters, billboards and signboards. Since the music has not been released as yet, no trailers of the movie can be shown and hence the television and satellite media cannot be used. But the latest concept catching on in the India film industry is that of showing snippets on television regarding the making of the movie.

Once the music gets released, trailers of the film start appearing on the various television channels,. The basis of the promotion at this stage is to create awareness about the movie in the public, so as to stimulate curiosity to watch it. An effort is also made to popularize the music of the film mainly through radio and TV publicity. It is generally accepted that there should be a time gap of approximately 2-3 months between the release of the music of the film and that of the movie. Even after the movie is released, promotion is carried on for three to four weeks to stimulate demand.

Timing of a Release:

The timing of the release of a film is normally determined after considering factors such as festivals, examinations, cricket matches, etc. The release of a film is also generally timed to avoid confrontation with any other film from a rival banner.



The list of major movies produced by GVFL is given below:

1. VEDIKKAI EN VADIKAI
2. THALAPATHY
3. MAY MADAM
4. INDIRA
5. NENGA NALLA IRUKKANUM
6. TAMIZHAN
7. YAI NEE ROMBA AZHAGA IRUKEY
8. CHOKKATHANGAM
9. ULLAMKETHKUME

B. FILM DISTRIBUTION BUSINESS

GVFL has also ventured in distribution business and successfully distributed various Tamil films over the years as under:

1.	ANJALI	41.	NENJIL ORU RAGAM
2.	KALIYUGAM	42.	KADAL MENGAL
3.	PONGI VARUM KAVERI	43.	RAM LAKSHMAN
4.	RAJA KAIYA VECHA	44.	ANJATHA NENGANGAL
5.	VEDIKKAI EN VADIKKAI	45.	ADHISAYA PIRAVIGAL
6.	SAKALA KALA VALLAVAN	46.	THAI VEEDU
7.	ENGIRANTHO VANTHAL	47.	SASTHI VIRADHAM
8.	NEETHI	48.	ABOORVA SAGOODHARIGAL
9.	EN MAGAN	49.	NANDRI
10.	DEEPAM	50.	KAI KUDUKKUM KAI
11.	THIGAM	51.	VIDUTHALAI
12.	NLLRHOE KUDUMBAM	52.	AMMAN KOIL KIZHAKKALE
13.	SUJATHA	53.	DARLING DARLING DARLING
14.	SAVAAL	54.	ILAMAI OONJALADUGIRATHU
15.	THEERPU	55.	TIK TIK TIK
16.	SATTAM	56.	PAGADAI PANNIRENDU
17.	VIDHI	57.	NAYAGAN
18.	BANDHAM	58.	KUDUMBAM ORU KOVIL
19.	MARUMAGAL	59.	RANGA
20.	BILLA	60.	MAKKAL EN PAKKAM
21.	THEE	61.	VAIRAGYAM
22.	VAZHUVE MAAYAM	62.	UTHAMA PURUSAN
23.	NEETHI PATHI	63.	PADIKKATHAVAN
24.	NIRAPARATHI	64.	AGNI NATCHATRAM
25.	MANGAMMA SABADHAM	65.	THALAPATHI
26.	ANANDHA KANEER	66.	CHINNA GOWNDER
27.	SANTHIPPU	67.	MOUNA RAGAM
28.	NEETHIYIN NIZHAL	68.	NINAIVEE ORU SANGEETHAM
29.	RAKTHA PASAM	69.	PANGALI
30.	VAA KANNA VAA	70.	DHARMA SEELAN
31.	SATHYA SUNDARAM	71.	MAHANADHI
32.	THIRUSULAM	72.	INDIRA
33.	SIGAPPU ROJAKKAL	73.	MAY MAATHAM
34.	ALAYA DEEPAM	74.	WID AT HEART
35.	THUDIKUM KARANGAL	75.	RAJAPANDI
36.	THIRUPAM	76.	SUPER BOY
37.	NERMAL	77.	SANKARI
38.	UNNAI THEDI VARUVEN	78.	THAMBATHYAM
39.	JAANI	79.	LADIES TAILOR
40.	ANDHA RATHIRKU SATCHI ILLAI	80.	SIRAI

TITLES IN LIBRARY OF GVFL

In addition of movies distributed by GVFL, it also has internet film rights of about 6000 movies in Indian languages. The list of such movies is given below:

Languages	No. of Titles
Tamil	776
Hindi	4000
Kannada	553
Malayalam	307
Telugu	358
Total	5994

DISTRIBUTION STRATEGY

Distribution has evolved from mass movies of the past to more segmented products targeted for the specific markets such as urban, overseas, youth, etc. Further, consolidation of the film value chain to include two or more elements of the chain i.e. production, distribution and exhibition into one entity is very much in vogue these days.

Therefore, GVFL proposes to strengthen its position in distribution business by continuing acquisition of quality film products rights at reasonable prices and follow the portfolio approach to mitigate the risk of possible product failure at the box office.

MARKETING STRATEGY

Movie marketing needs a good understanding of audience profiles and tastes and accordingly marketing strategies needs to be tailored made.

There are 3 broad categories of movies depending on the targeted distribution space:

One size fits all

These movies have mass appeal and aimed at all kind of audience.

Metros

These movies have an up market appeal with small or medium budget aimed at metropolitan audience.

Interiors

These movies have rural or non-metro audience with medium budget of the movie.

In view of these, the marketing strategy involves following key steps:

- 1) Identify the target audience for the film
- 2) Position the film
- 3) Build marketing/media mix
- 4) Prepare marketing budget
- 5) Innovate and differentiate

GVFL's marketing strategy varies from film to film and center to center and GVFL uses mix of advertising campaigns to achieve the success.

C) FILM EXHIBITION BUSINESS:

Since 1995, GVFL has ventured into film exhibition business by acquiring Shanti- Kamala Theatres Complex at Thanjavur. These theatres are equipped with DTS (Digital Sound with six tracks) facilities and many big and successful Producers/ Distributors release their movies in these theatres. GVFL plans to renovate the Shanti/Kamala Theaters Complex as a multiplex with 4 screens and a shopping mall to attract more crowds and thereby increase footfalls into the theatres. Further, GVFL also plan to expand its exhibition business by setting up new multiplexes initially at Chennai and gradually in major cities of Tamilnadu.

D) INTERNET FILM RIGHTS:

GV Films owns Internet film rights of about 6000 films. The availability of bandwidth at affordable rates is essential for webcasting of films. The company waited for this situation for several years. The agonizing wait of more than 5 years is now getting over and exciting times are ahead for the company in the internet films segment.

On closely monitoring the connectivity rates in US, UK and rest of the Europe, Singapore, Australia, Canada where most of the Indian Diaspora live and after collecting sufficient marketing information on internet film viewing, the company has decided that the time is most appropriate to unleash its enormous content of internet film rights.



The company has entered in an agreement with Drushya Entertainment and Broadcasting Streams Ltd. (Drushya) to web cast GVFL's films on Drushya's encryption coded platform on a revenue sharing basis i.e. 60: 40 (GV: Drushya).

Drushya's web casting of Films will greatly check the video piracy in the industry. Films web cast though downloaded cannot be copied and the number of times a person could see the downloaded movie is determined by the web casting company itself through its software. At the time of encoding the film for internet film viewing, the film is elaborately encrypted that it will take months even for the most competent hackers to decrypt the film. The films being kept in digital form, any number of web casting will not affect the quality of the film.

Drushya is a cutting edge technology company and has successfully web cast a number of Telugu films and had created a niche market for itself in Telugu films segment. The experience of Drushya in marketing of internet film viewing in US and UK markets and its core strength of software will be very much beneficial to the company for web casting its films on the internet.

Apart from web casting its existing library of films under different packages - annual subscription, monthly subscription, pay per view of old films, new films, comedy bits, fight sequences, song sequences etc. - the company also intends to purchase internet film rights of new films. About 80 Tamil Films and 125 Telugu Films are released in a year and the company plans to purchase the Internet film rights of some of these new films.

The company's own proposed production of about 5 movies in a year will also perk up its library of internet films. The company is also contemplating web casting its films (excluding India) on the very first day of the theatrical release in India.

The company is spearheading the movement of registration of Internet film rights with the respective production councils to check the multiple sale of one film right by some unscrupulous producers to many customers.

The company is also requesting the Producers Council to consider its idea of not releasing its DVD/VCD rights to overseas (and also in India) for a period of 3 months in order to thoroughly destroy piracy. It is common knowledge that DVD rights sold overseas lead to replication of many CDs and these CDs enter the market on the same day of theatrical release of a film or even before that.

3. SWOT ANALYSIS OF GVFL

STRENGTHS

1. GV Films Limited has built a strong brand over the years.
2. Internet film rights of about 6000 films of different languages
3. Apart from the experience in areas of exhibition, promoters and the Company have several years of experience in film production and distribution.
4. The Company has rich experience in content selection and deep understanding of different film genres, therefore it is well placed to exploit each film available in the market.
5. Relationship with producers/distributors in getting access to content.
6. One of the reputed production houses in Tamil Nadu, with strong industry standing and relationship with artistes.
7. Member of Tamil Film Producer's Council.

WEAKNESSES

1. Video and Audio Piracy, which has become high.
2. High level of expenditure involved in creation/acquisition of content and development of artistes, astronomical remuneration coupled with the high rate of interest for financing the project.

OPPORTUNITIES

1. Home Video segment becoming more profitable with increasing shift from VCDs to DVDs.
2. Partnership with Drushya for web casting Internet Rights of 6000 films titles in various Indian Languages.
3. Reduction in domestic bandwidth rate by 70% may increase the download of films through Internet.

THREATS

1. Further drop in sales volume due to spread of radio, cheap VCDs and MP3 pirated discs.
2. Only promoted products will attract consumers share of wallet, which could be a threat for traded catalogue.
3. International business weakening further due to piracy and parallel import

4 PROPERTY

As per the audited balance sheet dated 31st March, 2005, the Company has the following immovable properties:

Sr. No.	Description	Net Block (In Rs.)
1	Land at Thanjavur	1,47,01,115
2	Building at Thanjavur	37,00,852

5 PURCHASE OF PROPERTY

Except as stated in "Object Clause" in this Letter of Offer and save in respect of the property purchased or acquired or to be purchased or acquired in connection with the business or activities envisaged by the object of the issue, there is no property which the company has purchased or acquired or proposes to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present issue or the purchase or acquisition of the which has not been contemplated on the date of this Letter of Offer

III Key Industry Regulations:

The Company is in the Business of Film Production, Film Distribution, Film Exhibition and Webcasting of films for which the possesses the rights. The following are the key regulations which affect the operation of the Company.

1. COPY RIGHTS ACT, 1957

Copyright is the right of literary property as recognized and sanctioned by positive law. It is an intangible, incorporeal right granted by statute to author or originator of certain literary or artistic productions, whereby he is invested for a specified period, with the sole and exclusive privilege or multiplying copies of the same and publishing and selling them. Copyright is an exclusive right to reproduce or authorize another to reproduce artistic, dramatic, literary or musical works by Copyright Act. It also extends to sound broadcasting. Cinematograph films and television broadcasts including cable television.

2. THE CINEMATOGRAPH ACT, 1952

The Cinematograph Act 1952 (the "Act") has been enacted to make provisions for the certification of cinematograph films for exhibition and for regulating exhibition of films by means of Cinematographs. The Act has authorized the Central Government to constitute a Board of Film Certification (the "Board") in accordance with the Cinematograph (Certification) Rules, 1983 for the purpose of sanctioning films for public exhibition in India. The Board may certify films for either restricted or unrestricted exhibition, or in the alternative, may prohibit the exhibition of the film. This certificate is valid for a period of 10 (ten) years. In terms of the Act, an establishment that exhibits films would have to obtain a license for such exhibition to confirm that the establishment has complied with the provisions of the Act and that the safety standards of the establishment are adequate. Non-compliance with the provisions of the Act would attract penalties in the form of imprisonment and/or monetary fines.

3. THE CINEMATOGRAPH FILM RULES, 1948

In terms of the Cinematograph Film Rules 1948 ("Rules") a license must be obtained prior to storing of any film unless specifically exempted. Any person transporting, storing or handling films would have to ensure compliance with the provisions of the Rules pertaining to precautions against fire, restriction of access to films by unauthorized personnel, supervision of operations, minimum space between workers, storage of any loose films, minimum specifications for aisle space and exits in storage rooms, electrical installations in the storage rooms etc. The rules also specify the form and the procedure for applying for licenses, renewal of licenses, transfer of licenses, procedure for transport of film, refusal of licenses and cancellation of licenses.

4. APPROVAL FROM CENTRAL BOARD OF FILM CERTIFICATION

After the production is complete, which might also include outstation shooting, the film is edited and dubbed. Editing and dubbing require specialized skills and equipment which are available on a restricted scale in India. After the film is edited and dubbed, it is submitted to the Central Board of Film Censors (CBFC) for certification. The members of the CBFC, after a series of private screenings, may suggest alterations in the film. Upon such alterations being carried out, the film is ready for release.

5. TAMIL NADU ENTERTAINMENT TAX

For exhibition of the film in Tamil Nadu, an entertainment tax is levied @ 15%.



IV. History and Corporate Structure of the Company

1 HISTORY & BACKGROUND OF THE COMPANY:

The Company was incorporated on 7th March 1989 and received Certificate of Commencement of business on 5th April 1989. The Company was promoted by Late Mr. G Venkateshwaran, who was a Chartered Accountant by profession. He had rich experience of solving intricate problems in film production and distribution. The erstwhile promoters had adequate knowledge in film distribution as well as selection of films for distribution. The Company had on its board eminent personalities, selected from various walks of life who are well versed with the Film Industry.

Mr. G. Venkateshwaran was elected as President of South Indian Film Chamber of Commerce for the year 1997-98. He was also a member of special committee constituted by Govt. of Tamil Nadu for studying various problems faced by film industry in Tamil Nadu.

In September 1989, the Company came out with its first public issue, wherein it issued 30,00,000 Equity shares of Rs10/- each to the Indian public. GVFL was the first Indian Film Company to come out with a public issue.

The Company has to its credit distribution of Box office hits like NAYAGAN, PULANVISARANAI, AGNI NAKSHATRAM, MICHAEL MADHANA KAMARAJAN, KSHATRIYAN, CAPTAIN PRABHAKARAN, CHINNA GOWNDER, ROJA, AASAI, etc. Amongst all films, ROJA was widely acclaimed as it has national integration as its theme. Due to the very patriotic nature of the film, it was dubbed in Hindi and was widely accepted all over the country. The film received award for best direction.

Amongst the notable productions made by the company were DALAPATHI directed by Maniratnam with 'Superstar' Rajinikanth playing the lead role. The film was a monster hit. The film INDIRA directed by Mrs. Sushasini Maniratnam received wide acclamation. It also bagged the distinction of being the first Tamil movie to be exported commercially to Japan.

The Company has also embarked upon export of Indian films to JAPAN and KOREA, as Japanese and Korean distributors have decided to source films from India because they anticipate a shift in taste from Hongkong films to more populist Chinese films. The company has already exported Tamil films "ANJALI", "DALAPATHI", "YAJAMAAN", "BAASHA", "MOUNA RAGAM", "ARUNACHALAM" and "PADAYAPPA" to Japan and they have been very well received and acclaimed by the cinema going public.

The Company owns the SHANTI/KAMALA THEATRES COMPLEX at Thanjavur since 1995. This complex has got the distinction of being the only theatres with DTS (Digital Sound with six tracts) facilities in that part of Tamil Nadu at the time of installation. Producers/Distributors of Box office hit movies prefer to release their pictures first in these Theatres. This theatres' Complex has also been adjudged as the "Best Maintained Theatres" by the Trichy City Cultural Association in one of the earlier years.

ACQUISITION OF WEBCASTING RIGHTS OF FILMS:

Mr. G. Venkateshwaran had foreseen the potential of webcasting of films on the internet in the future. The company had purchased in the years 1999-2000 and 2000-2001 about 6000 internet film rights of various languages in the Company. These rights constitute considerable value in terms of intellectual property rights.

DEMISE OF MR. G. VENKATESHWARAN:

The erstwhile promoter of the Company, Mr. G Venkateshwaran died on 3rd May 2003, and the remaining directors of the company Viz. Mr. P Gopalakrishnan, Mr. C L Narasa Reddy and Mr. D E Ramakrishnan resigned from the board on 2nd June 2003. The Company did not have a board during the period from 3rd June, 2003 to 26th February 2004 and consequently no board meetings were held during the period.

MERGER OF OMNI LIMITED AND GV FILMS LTD.:

Mr. Mahadevan Ganesh has domain knowledge in the areas of feature films and television programme for more than 10 years. He has been actively engaged in promoting Indian cinema in international market and he also has passion for the concept of Internet film viewing. He is conversant with global trends in film industry. As a part of the revival of GV Films Ltd, Mr. Mahadevan Ganesh had decided to merge his Company Oneworld Media Network Infotainment Ltd. (OMNI) jointly promoted with Mrs. Usha Venkatramani, which was in the process of producing two Tamil Films at that time, into GV Films Ltd.

Both the companies considered the merger and the amalgamation process was completed in May 2004. OMNI Shareholders were allotted 5 shares of GV Films for every one share held by them in OMNI.

Consequent to amalgamation, new team consisting of Mr. Mahadevan Ganesh, Mr. A. Venkatramani and Mr. P.R. Ramanan have come in the Board of Directors of the Company.

POST MERGER SCENARIO:

Post Merger, the new management had started the enormous task of setting things in order. Outstanding loans were negotiated and significant waivers were obtained. Unsustainable claims were rejected and there is an over all drive to improve the efficiencies of the theatre division. One Tamil Film "Ullam Ketkume" is released recently.

2 MAJOR EVENTS IN THE HISTORY OF THE COMPANY IS GIVEN BELOW:

Year	Events
1989	<ul style="list-style-type: none"> ● Incorporated on 7th March, 1989 ● First Indian Film Company to come out with the Public Issue
1991	Produced "Dalapathi" featured by Rajnikanth and Mamoty
1995	Company has acquired twin Theatre namely Shanthy - Kamala at Thanjavur, Tamil Nadu
1996	<ul style="list-style-type: none"> ● Company has distributed Tamil Film "Delhi Diary "and "IRUVAR" ● Shanthy and Kamala Theatre were adjudged as the "Best Maintained Theatre" by Trichy Cultural Association.
1997	Mr. G. Venkateshwaran was elected as President of South Indian Film Chamber of Commerce.
1998	Company had exported Tamil Film "DALAPATHI" and "ANJALI" to Japan
1999	Company had exported "YAJAMAAN, BAASHA, MOUN RAGAM, ARUNACHALAM" to Japan.
2002	Purchased 6000 Internet Film Rights
2003	Mr. G. Venkateshwaran died on 3rd May, 2003
2004	<ul style="list-style-type: none"> ● One World Media Network Infotainment Ltd. was merged with the Company ● Mr. Mahadevan Ganesh, Mr. A. Venkatramani and Mr. P. R. Ramanan were appointed as directors of the Company in view of amalgamation order.
2005	MOU with Drushya for webcasting of films on a revenue sharing basis

3 MAIN OBJECTS OF THE COMPANY:

The Object Clause of the Memorandum of Association (MOA) of the Company enables it to undertake the activities for which the funds are being raised in the present Issue. Furthermore, the activities of the Company has been carrying out until now is in accordance with the objects of the MOA. The main objects of the Company inter-alia are:

1. To carry on the businesses as film Producers, (sound and/or silent) hippodrome & circus Proprietors, Proprietors, proprietors of cinema houses, theaters, concert halls, and picture places and studios, and to provide for musical, dramatic, and athletic performances for amusements and/or entertainment for both public and private.
2. To carry on business as producers of feature films and/or documentary films (Indian & English) in all its branches and through all its processes that may be discovered or offered from time to time, and as distributors, hirers, exhibitors and negative holders of documentary and feature films of all languages.
3. To Make, trade in, act as agents for (wholesale and/or retail) and produce cinematographic films, (silent and Talkie) and deal in sound producing, synchronized, stereophonic 3-D, colored, baroscopic, cinemascope, and Cinema pictures and to deal in and/ or act as agents for blank and/ or prerecorded videos and/or audio cassette.
4. To carry on business as proprietors and/ or lessees of film studios, erecting and running studios, films laboratories, cinema halls, theaters, television studios for exhibiting films and for musical performances and to carry on business as owners of touring cinemas and theaters and give such Touring cinemas, studios or theaters either on lease or on rent.
5. To carry on the business as film publicity agents, designers, engravers for film publicity materials and as printers for film publicity and photography , either alone or in partnership with individuals and / or bodies.
6. To lend and/or supply artists, artistic talents, and technicians to producers, of cinematographic films and for that purpose to employ artists as paid servants of the company to be readily available for such business.

4 CHANGES IN THE MEMORANDUM OF ASSOCIATION:**CHANGE IN SHARE CAPITAL**

- i. At the time of Incorporation i.e. on 7th March 1989, the authorized share capital was Rs 7,50,00,000/- consisting of 75 lakhs equity shares of Rs 10/- each.
- ii. By an ordinary resolution passed at the General meeting of the company held on 27th September 1991, the authorized share capital was increased with effect from the same date to Rs 20,00,00,000/- consisting of 200 lakhs equity shares of Rs 10/- each.
- iii. By an ordinary resolution passed at the General meeting of the company held on 30th August 2000, the authorized share capital was increased with effect from the same date to Rs 30,00,00,000/- consisting of 300 lakhs equity shares of Rs 10/- each.



- iv. Pursuant to the order of the Hon'ble High Court of Madras, with reference to the scheme of amalgamation of M/s. One World Media Network Infotainment Ltd with the Company on 14th May 2004, the authorized share capital was increased with effect from the same date to Rs 57,75,00,000/- consisting of 5,77,50,000 equity shares of Rs 10/- each.
- v. By a special resolution passed at the General meeting of the company held on 9th June 2004, the authorized share capital was increased with effect from the same date to Rs 100,00,00,000/- consisting 10,00,00,000 equity shares of Rs 10/- each.
- vi. By an ordinary resolution passed at the General meeting of the company held on 30th December 2004, each Equity share of Rs. 10/- was split in to 10 Equity shares of Re. 1/- each.

CHANGE IN OBJECT CLAUSE OF MEMORANDUM OF ASSOCIATION

- i. By a special resolution passed at 2nd Annual General Meeting of the Company held on 27th September 1991 the following clause was added.

"Manufacture, produce, import, export, trade, & deal in compact discs in the name and style of "GV-CD" Digital Audio"

5 SUBSIDIARY OF THE COMPANY, IF ANY AND THEIR BUSINESS:

The Company does not have any subsidiary as on the date of the filing this letter of Offer documents.

6 SHAREHOLDERS AGREEMENTS:

The Company does not have any Shareholders Agreement as on the date of this filing of this Letter of Offer document.

7 OTHER AGREEMENTS:

The company does not have any technical assistance agreement / other agreement except the following:

- i. Agreement with M/s Ravikumar Chitra & Associates dated 02.09.2000 for exclusive Internet film webcasting rights for 4000 feature films.
- ii. Agreement with M/s Kavitha Films International & Associates dated 02.09.2000 for exclusive internet film webcasting rights for 1000 feature films.
- iii. Agreement with Mr. V. P. Mani dated 04.09.2000 for exclusive internet film webcasting rights of 68 feature films.
- iv. Agreement with Mr. Y. Ravibabu dated 04.09.2000 for exclusive internet film webcasting rights of 183 feature films.
- v. Agreement with Mr. Mahadevan Ganesh dated 23.03.2000 for exclusive internet film webcasting rights of 400 feature films.
- vi. Memorandum of Understanding with Drushya Entertainment & Broadcast Streams Ltd dated 29th March 2005 for webcasting of films on a revenue sharing basis.

8 STRATEGIC PARTNER & FINANCIAL PARTNER:

The Company does not have any strategic or financial partners as on the date of filing of this Letter of Offer Document.

V. MANAGEMENT OF THE COMPANY

1 BOARD OF DIRECTORS

The details of the directors of the company are given below:

Name and Address	Date of Birth and age	Designation	Qualification	Experience	Directorship in other companies
Mr. Mahadevan Ganesh The Manor No.1 Cenotaph Road, Chennai-18	21/8/1957 48 years	Non Executive Chairman	B.Com	20 years	CMD of M/s. Honey bee Securities Ltd
Mr. A. Venkataramani 9/1 Thiruvengadam ST Mandaveli Chennai- 600 028	7/4/1958 47 years	Director	B.Com	25 years	CMD of M/s. Kaashyap Radiant Systems Ltd, Chennai
Mr. P.R. Ramanan Flot No. 22 Majestic Park No 49/2 Arcot Road Saliramam Chennai-600 033	28/6/1958 47 Years	Non executive and Independent Director	Chartered Accountant	10 years	Nil
Mr. V P Mani A1 No-36 Anand Square Govindan Road, west Mambalam Chennai-600 033	13/9/1955 48 years	Director (Operations)	SSLC	20 years	Nil
P. Raghuraman. A2 Phase III Parkavi Apartments 22/9 Mari Amman Koil Street K.K Nagar West Chennai-600 078	27/11/1978 27 years	Whole Time Director	B. Com.	5 years	Director of M/s. Honey bee Securities Ltd, Chennai

DETAILS OF THE BORROWING POWERS:

The Board of Directors of the company has power to borrow up to Rs. 25 Crores as per the Resolution passed u/s 293(1)(d) in the Annual General Meeting of the Company held on 27th September, 2002

2 COMPENSATION TO MANAGING DIRECTOR & OTHER WHOLE TIME DIRECTORS

REMUNERATION OF THE DIRECTORS:

Compensation and benefits in kind granted to the Directors:

The terms and conditions governing the appointment of Mr. Mr. V P Mani are contained in an Agreement entered into by the Company with Mr. V P Mani. The principal terms and conditions set out in the drafts of the aforesaid Agreement are as follows:

Mr. V.P. Mani, Director (Operations)

- 1. Period of Appointment:** 2 years
- 2. Salary:** Mr.V P Mani shall be entitled to a salary as Basic Pay Rs. 15,000/- and House Rent Allowance Rs. 5000/- Per month, initially for a period not exceeding 2 years i.e. from 1st March 2004, to 28th February 2006 in accordance with the Agreement executed by the Company with Mr. VP Mani on 27.02.2004 and approved by the members at the 15th Annual General Meeting held on 9th June , 2004.
- 3. Perquisites:** The perquisites of Mr VP Mani shall be restricted to an amount equal to his annual salary to be reckoned on the basis of actual expenditure or liability incurred by the Company.

The perquisites / benefits referred to above are residential accommodation or house rent allowance in lieu thereof, gas, electricity, water and furnishings; medical expenses reimbursement; leave travel concession for self and family; club fees; personal accident insurance and provision of furniture and equipment at the residence in accordance with the rules of the Company.

For the purpose of computation of the aforesaid ceiling (a) the above perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in the absence of any such Rule, the perquisites shall be evaluated at actual costs, (b) the following perquisites / benefits will not be included - (i) the provision of car for use on the Company's business and telephone at residence, (ii) the Company's contribution to Provident Fund and Superannuation Fund and (iii) encashment of leave at the end of the tenure and payment of gratuity at a rate not exceeding half a month's salary for each completed year of service. In case of absence or inadequacy of profits, Mr. V. P. Mani shall be entitled to receive minimum remuneration as per the provisions of Part II Section II (B) of Schedule XIII of the Companies Act, 1956.



4. **Leave :** Mr. V P Mani shall be entitled to leave on full pay and allowances as per Rules of the Company, but not exceeding one month's leave for every eleven months of service.

Mr. P. Raghuraman, Director (Administration)

The terms and conditions governing the appointment of Mr. P Raghuraman are contained in an Agreement entered into by the Company with Mr. P Raghuraman. The principal terms and conditions set out in the drafts of the aforesaid Agreement are as follows:

- 1. Period of appointment :** 2 years
- 2. Salary :** Mr. P Raghuraman shall be entitled to a salary as Basic Pay Rs. 7,500/- and House Rent Allowance Rs.2,500/- Per month, initially for a period not exceeding 2 years i.e. from 10th June 2004 to 9th June 2006, in accordance with the Agreement executed by the Company with Mr. P Raghuraman on 10th June 2004 and approved by the members at the Extra Ordinary General Meeting held on 30th December 2004.
- 3. Perquisites :** The perquisites of Mr P Raghuraman shall be restricted to an amount equal to his annual salary to be reckoned on the basis of actual expenditure or liability incurred by the Company.

The perquisites / benefits referred to above are residential accommodation or house rent allowance in lieu thereof, gas, electricity, water and furnishings; medical expenses reimbursement; leave travel concession for self and family; club fees; personal accident insurance and provision of furniture and equipment at the residence in accordance with the rules of the Company.

For the purpose of computation of the aforesaid ceiling (a) the above perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in the absence of any such Rule, the perquisites shall be evaluated at actual costs, (b) the following perquisites / benefits will not be included - (i) the provision of car for use on the Company's business and telephone at residence, (ii) the Company's contribution to Provident Fund and Superannuation Fund and (iii) encashment of leave at the end of the tenure and payment of gratuity at a rate not exceeding half a month's salary for each completed year of service. In case of absence or inadequacy of profits, Mr. P. Raghuraman shall be entitled to receive minimum remuneration as per the provisions of Part II Section II (B) of Schedule XIII of the Companies Act, 1956.

4. **Leave :** Mr. P Raghuraman shall be entitled to leave on full pay and allowances as per Rules of the Company, but not exceeding one month's leave for every eleven months of service.

The breakup of remuneration (Rs lakhs) paid to Whole time Directors during the financial year 2004-2005 is as follows:

Name of Directors	Designation	Salary	Contribution to pension, Provident fund and Gratuity	Other Benefits
Mr. VP Mani	Director, Operation	Rs. 240000	21600	-
Mr. P Raghuraman	Director, Admin	Rs. 120000	10800	Rs.7500/-

NON-WHOLE TIME DIRECTORS:

Non-executive Directors are not being paid any sitting fees for attending the meeting of the Board or Committee thereof.

3 CORPORATE GOVERNANCE

GV Films Limited considers that Corporate Governance is an integral part of the management system. Such a system has been in operation in the Company and is constantly being strengthened to bring it in tune with the corporate objectives.

The erstwhile promoter of the Company, Mr. G Venkateshwaran died on 3rd May 2003, and the remaining directors of the company viz. Mr. P Gopalakrishnan, Mr. C L Narasa Reddy and Mr. D E Ramakrishnan resigned from the board on 2nd June 2003. The Company did not have a board during the period from 3rd June to 26th February 2004 and consequently no board meetings were held during the period. The un audited results of the Company for the quarter ended 30th June 2003, 30th September 2003 and 31st December 2003 were not adopted on the due dates and the same were taken on record only on 31st of March 2004 after the newly elected directors came on the board of the Company on 27th February 2004. The Quarterly compliance report on Corporate Governance for the quarter ended 30th June 2003, 30th September 2003 and 31st December 2003 have not been submitted in the stock exchanges. The 14th Annual General Meeting of the Company which should have been held on or before 30th September 2003 was held only on 27th February 2004, as per the directions of the Company Law Board Bench Southern Region Bench and the Honorable High Court of Madras.

Your Company, but for the above, has complied with the requirements regarding Corporate Governance as required under Clause 49 of the Listing Agreement of the stock exchanges where its shares are listed.

Accordingly, the Company takes initiatives on an ongoing basis for constant up gradation of its corporate goal and introduction of measures to ensure transparency in its operations. At the same time, the Company's endeavor to be a profitable consumer-friendly entertainment company continues.

The Company has three Non-Executive directors viz. Mr. Mahadevan Ganesh, Mr. A Venkatramani and Mr. P. R. Ramanan.

COMPOSITION OF THE BOARD OF DIRECTORS OF THE COMPANY:

The board of Directors of the Company has an optimum combination of executive and non-executive Directors as envisaged in clause 49 of the Listing Agreement. Accordingly not less than 50% of the Board of Directors comprises of non-executive directors as well as independent Directors.

BOARD STRUCTURE

Sr. No.	Name of the Director	Designation	Nature of Directorship	Date of Expiry of Terms
1	Mr. Mahadevan Ganesh	Chairman	Non Executive	–
2	Mr. A. Venkatramani	Director	Non Executive	–
3	Mr. V. P. Mani	Whole Time Director	Executive	28th February, 2006
4	Mr. P. Raghuraman	Whole Time Director	Executive	9th June, 2006
5	Mr. P. R. Ramanan	Independent Director	Non Executive	–

BOARD COMMITTEES**i. AUDIT COMMITTEE**

The Audit committee consisted of three Non-Executive Directors viz. Mr. Mahadevan Ganesh, Mr A Venkataramani, and Mr. P.R. Ramanan. The broad terms of reference are:

The terms of reference stipulated by the Board to the Audit Committee are, as contained under Clause 49 of the Listing Agreement:

- a. Oversight 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.

ii. INVESTORS' GRIEVANCE COMMITTEE

The shareholders grievance committee consists of the following three directors. Mr. A Venkataramani, Mr. P Raghuraman and Mr. VP Mani.

The Committee oversees redressal of complaints of shareholders / investors and other important investor related matters.

iii. REMUNERATION COMMITTEE

The Remuneration Committee consists of Mr. Mahadevan Ganesh, Mr. A Venkatramani and Mr. P.R. Ramanan.

The Company has complied with SEBI guidelines in respect of corporate governance with respect to the broad-basing of the Board and constituting the committees on the Board viz. Audit Committee, Remuneration Committee and Shareholders/ Investors Grievances Committee



4 SHAREHOLDING OF DIRECTORS

The details of shareholding of directors of the Company are as under:

Sr. No.	Name of the Director	No. of shares held	% of total holding
1	Mr. Mahadevan Ganesh	4,81,50,000	8.33
2	Mr. A. Venkatramani	Nil	Nil
3	Mr. V. P. Mani	Nil	Nil
4	Mr. P. R. Ramanan	Nil	Nil
5	Mr. P. Raghuraman	960	Insignificant

Qualification shares required to be held by the directors

As per the Clause 59 of the Articles of the Company Regulation 66 of Table A does not apply to the company and a director need not to hold any shares to qualify himself to be a director of this Company.

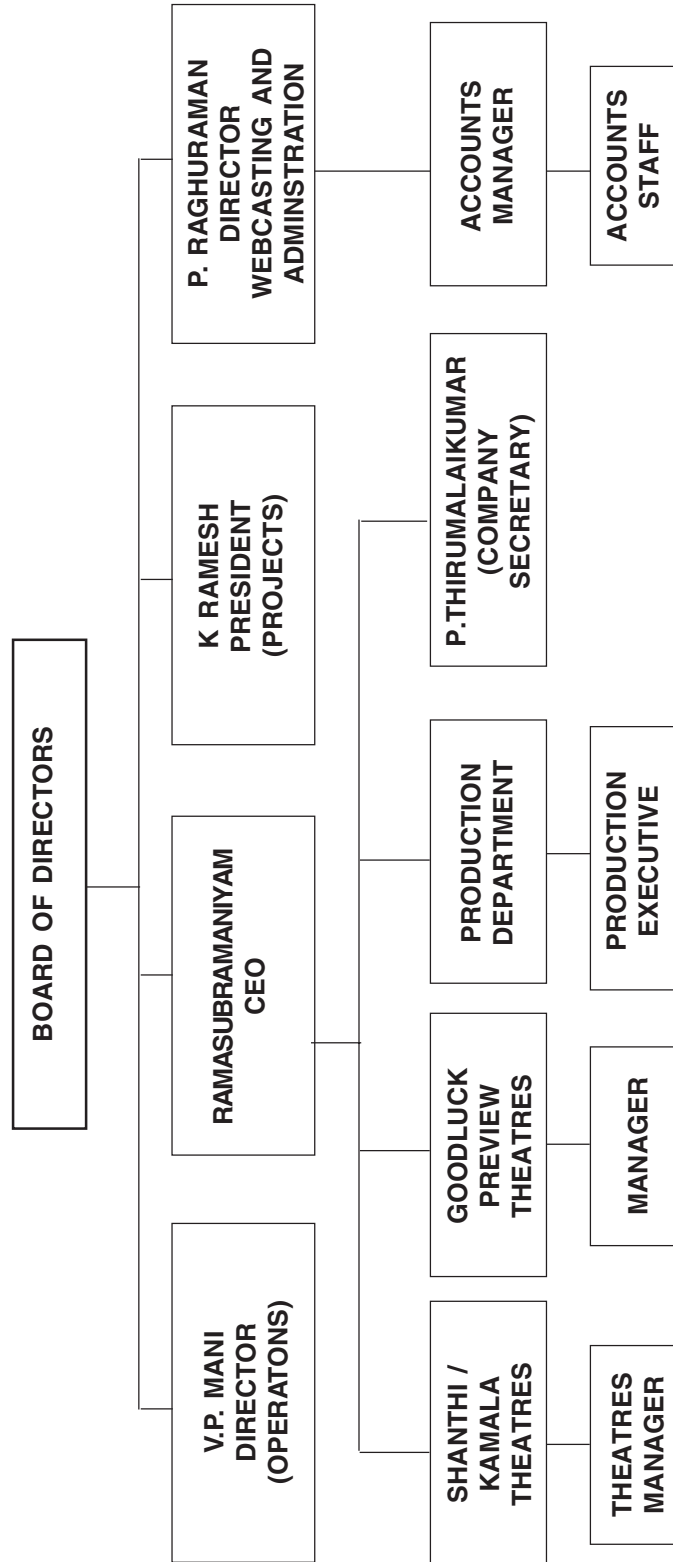
5 INTEREST OF PROMOTERS / DIRECTORS:

The promoters and directors of the Company have no interest in the Company except to the extent of remuneration (received by them in their respective capacities) and reimbursement of expenses and to the extent any equity shares of the Company held by them. There are no interests of Promoters or payment or benefit to Promoters/ Directors except as mentioned elsewhere in the document.

6 CHANGES IN THE DIRECTORS IN LAST THREE YEARS:

Name of Director	Date of appointment	Date of Ceasing	Reason
Mr. Mahadevan Ganesh	27/2/04	–	Appointed
Mr. A. Venkatramani	27/2/04	–	Appointed
Mr. V. P. Mani	27/2/04	–	Appointed
Mr. P. R. Ramanan	27/2/04	–	Appointed
Mr. P. Raghuraman	6/5/04	–	Appointed
Mr. R Palani swami	27/2/04	29/4/04	Resigned from the Board
Mr. C L Narasa Reddy	1/8/89	2/6/03	Resigned from the Board
Mr. P M Gopalakrishnan	3/10/90	2/06/03	Resigned from the Board
Mr. D E Ramakrishnan	5/8/91	2/6/03	Resigned from the Board
Mr. G Venkateshwaran	Date of Incorporation	03/05/03	Death

7 MANAGEMENT ORGANIZATION CHART





8 KEY MANAGERIAL PERSONNEL:

The day-to-day management of the Company is looked after by a group of senior executives who report to the Chairman. Profile of the key managerial personnel is given below:

The persons whose names appear as key management personnel are on the rolls of the Company as permanent employees and employees of group companies/subsidiaries/ holding companies are not included in key managerial personnel. The number of permanent employees currently on the payroll of the Company is 32.

Name & Qualification	Age years	Name of Duties /Designation	Previous Experience	No of years in the present Employment (years)	Date of Commencement of employment	Last Employment held/organization
Mr. V P Mani SSLC	50	Director, Operation Dealing theatre management and production of movie	25 years	10 years	15/09/1993	Self Employment had worked as PRO with film Directors
Mr. P. Raghuraman B. Com.	26	Director, admin Handling admin, operation,HR and Finance	5 years	1 year	10/06/2004	Director, M/s. Oneworld Media Network Infotainment Ltd, Chennai
Mr. DR Dhanabalan SSLC	55	Theatre Manager, Managing Shanthi & Kanala Theatre operations	25 years	5 years	01/04/1997	Worked with TNEB, Tamil Nadu
Mr. AH Abdul Hameed M.A.	50	Field Manager, Managing Theater operation	25 years	11 years	01/05/1994	Self Employment
Mr. P. Thirumalai Kumar B. Com., B.L, ACS, AICWA	32	Compliance & Secretarial, Company Secretary	8 years	Recently appointed	19/04/2005	Self employed
Mr. V . Ramasubramanian alias V. Ravee M.A.	50	Chief Executive Officer	25 years	Recently Appointed	20/04/2005	Own Media Business
Mr. K Ramesh	39	President (Projects)	20 years	Recently Appointed	22/04/2005	Own Media Business

BRIEF PROFILE OF KEY MANAGERIAL PERSONNEL:

Mr. V P Mani (50) prior to joining us upto September 1993 he was self employed and worked as PRO with Film Directors. he has an experience of 25 years in dealing with Theaters Management and Production of Movies.

Mr. P. Raghuraman (26) is a graduate in commerce. Prior to joining us he was the director in M/s One World Media Network Info media Limited, Chennai upto June 2004. he has an experience of five years in handling administration, operation, HR and Finance.

Mr. DR Dhanabalan (55) prior to joining us he worked with TNEB, upto April 1997. he has an experience of twenty five years as Theater Manger and he is currently managing Shanthi & Kamala Theater operations.

Mr. AH Abdul Hameed (50) is master in Arts. Prior to joining us he was self employed upto May 1994. He has an experience of Twenty five years as Field Manger and he is currently managing Theater Operations .

Mr. P. Thirumalaikumar (32) is a graduate in commerce, Bachelor of Law. He is also the member of the Institute of Company Secretaries of India and Institute of Cost and Works Accountants of India. He has an experience of eight years in handling compliance of various secretarial matters

Mr. V. Ramasubramanian alias V. Ravee (50) is a master of arts. He has an experience of twenty five years in the media business.

Mr. K Ramesh (39) prior to joining us was the owner of the Media Business. He has an experience of twenty years in the media business.

SHAREHOLDING OF KEY MANAGERIAL PERSONNEL AS ON 31/03/2005

Name of the Key managerial person	No. of Shares held
Mr. P. Raghuraman	960

BONUS OR PROFIT SHARING PLANS FOR THE KEY MANAGERIAL PERSONNELS

NIL

LOANS TO KEY MANAGERIAL PERSONNEL

There are no loans outstanding against key managerial person as on 31st March 2005.

CHANGES IN THE KEY MANAGERIAL PERSONNEL IN THE LAST THREE YEARS

Name	Appointed/Resigned	Date of Change	Reason
Mr. P. Raghuraman	Appointed	10/6/2004	Appointed as Director Admin., HRA
Mr. P. Thirumalai Kumar	Appointed	19/4/2005	Appointed as Compliance Officer and Company Secretary
Mr. V . Ramasubramanian alias V. Ravee	Appointed	20/4/2005	Appointed as CEO
Mr. K Ramesh	Appointed	22/4/2005	Appointed as President (Projects)
K Ramarathnam	Resigned	02.06.2003	Demise of then CMD Mr. G Venkateshwaran
G Sankara Narayanan	Resigned	02.06.2003	Demise of then CMD Mr. G Venkateshwaran
RS Chandra Sekar	Resigned	02.06.2003	Demise of then CMD Mr. G Venkateshwaran
Ramana Rao PV	Resigned	02.06.2003	Demise of then CMD Mr. G Venkateshwaran
Kalyana Sundaram	Resigned	02.06.2003	Demise of then CMD Mr. G Venkateshwaran

Notes:

- All the Key managerial personnel are permanent employees of the Company.
- There is no understanding with major shareholders, customers, suppliers or any other pursuant to which any of the above mentioned personnel have been recruited.

10 ESOS / ESPS Scheme to Employees of the Company

The Company has so far not allotted any shares to any of its employees under ESOS / ESPS scheme. The company does not intend to allot any shares to its employees under ESOS / ESPS scheme for the proposed issues

VI. PROMOTER AND PROMOTER GROUP:

BACKGROUND OF PROMOTERS:

Late Mr. G Venkateshwaran who was a Chartered Accountant, originally promoted the Company. He had rich experience in solving intricate problems in film production and distribution. However, G Venkateshwaran died on 3rd May 2003 and the remaining directors of the Company viz. Mr. P M Gopalakrishna, Mr. C L Narasa Reddy and Mr. D E Ramakrishnan resigned from the board on 2nd June 2003.

On account of merger of OMNI Ltd. With the Company, new promoters Mr. Mahadevan Ganesh and Mrs. Usha Venkatramani, being the promoters of amalgamating company OMNI Ltd. have taken over the responsibility of the management of the Company.

In view of the same, at the 14th Annual General Meeting of the Company held on 27th February 2004 three new directors were appointed on the board of the Company viz. Mr. Mahadevan Ganesh, Mr. A Venkataramani and Mr. PR Ramanan pursuant to the orders issued by the High Court.

- 1. Mr. Mahadevan Ganesh** (43) hails from a family who have been in the film business for nearly forty years. After finishing his Bachelor Degree in Commerce, he joined the family business helping in production and distribution of films. After a couple of years, he joined MPC Holdings of Malaysia which was the largest commodities dealer specializing in palm oil. Within a year, he was posted as Head of Operations in Hong Kong.

He moved to London in 1982 and started Pelle Studios, a designing company, which he had sold and started dealing in properties. In the early Nineties, he went into production of films successfully completing more than 6 films, one of which won the National award for the best feature film for 1996. He is currently the Non-Executive Chairman of GV Films Ltd and does not hold directorship in any other company except Honey Bee Securities Limited. He was one of the promoters of M/s. Oneworld Media Network Infotainment Ltd, which was merged with the Company.

Educational Qualification : B com
 Driving License No. : GANES 508217M99GP
 Voter ID No. : N A
 Passport No. : 301676973
 PAN No. : AEAPG4537Q



- 2. Mrs. Usha Venkataramani**, aged 42 years, is a graduate in Corporate Secretaryship from the University of Madras. She is a producer of short television serials in Tamil, which are telecast by the Television networks in Tamil Nadu. She is also a distributor of musical and religious audio cassettes. She is also a promoter of M/s. Kaashyap Radiant Systems Ltd. She was one of the promoters of M/s. Oneworld Media Network Infotainment Ltd, which was merged with the Company.

Educational Qualification : B. A
 Driving License No. : F/TN/07X009231/2003
 Voter ID No. : TN/03/013/0252091
 Passport No. : U210761
 PAN : AADPV8995J



- 3. Mr. A Venkataramani** (47) is a commerce graduate, promoter of Kaashyap Radiant Systems Ltd. Marketing and People Management is his fort. 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 Radiant Systems Ltd. Chennai.

Educational Qualification : B.com
 Driving License No : F/TN/07X/004640/2001
 Voter ID No. : N A
 Passport No. : Z076306
 PAN : AABPV39060F



The Permanent Account Number, Bank Account Number and Passport Number of the Promoters have been submitted to the stock exchanges on which securities are proposed to be listed at the time of filing the draft Letter of Offer with them. The details of the litigation, disputes towards tax liabilities or criminal/civil prosecution/complaint against the above-mentioned promoters have been disclosed in the chapter "Outstanding Litigation, Defaults and Material Developments".

Relationship between the Promoters, Directors and Key Managerial Personnel

Mrs. Usha Venkatramani and Mr. A. Venkatramani are wife and husband and related to each other. Except as stated otherwise, there is no relation between any promoter, director and key managerial personnel of the Company.

Common Pursuit

There is no Common Pursuit in the business of the Company and other Companies promoted by the promoters.

Related party transactions:

The details of related party transactions are mentioned in Annexure 9 to the Auditor's Report of this Letter of Offer.

VII. CURRENCY OF PRESENTATION:

All references to "Rupees" and "Rs." in this Offer document are to the Legal currency of India.

VIII. DIVIDEND POLICY:

The company has paid dividends for the financial years 1989-90, 1990-91, 1991-92 and 1994-95. Dividend, if any, will be declared at the Annual General meeting of the Shareholders of the company based on a recommendation by the Board of Directors. The Board of Directors may recommend dividend, at its discretion, to be paid to our members. Generally, the factors that may be considered by the Board of Directors, but not limited to, before making any recommendation for the dividend include future expansion plans and capital requirement, profits earned during the financial year, cost of raising funds from alternate sources, liquidity, applicable taxes including tax on dividend, as well as exemption under tax laws available to various categories of investors from time to time and money market conditions.



E. FINANCIAL STATEMENT

I. REPORT OF THE AUDITORS ON FINANCIAL INFORMATION

The Board of Directors
G. V. Films Limited
No. 4, Sheshadri Road,
Alwerpet,
Chennai - 600 018

Dear Sirs,

Re: Proposed Rights issue of 40,42,50,000 Equity Shares of Re.1/- each for cash at par in the ratio of 7 equity shares for every 10 equity shares held

We have examined the financial information of G. V. Films Limited, (the Company/ GVFL), as attached to this report, i.e. Annexure 1 to 11 stamped and initialed by us for identification which are proposed to be included in the Letter of Offer of the Company and have been prepared in accordance with the provisions Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the "Guidelines") issued by the Securities and Exchange Board of India ("SEBI") in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992 except as indicated otherwise in our report.

A. FINANCIAL INFORMATION AS PER AUDITED FINANCIAL STATEMENTS.

We have examined the accompanying Statement of Restated Profits and Losses of GVFL for each of the financial years ended on 31st March 2001, 31st March 2002, 31st March 2003, 31st March 2004 and 31st March, 2005 and the accompanying Statement of Restated Assets and Liabilities of the Company as at those dates together with the Significant Accounting Policies and Notes on Accounts (Summary Statement) enclosed as Annexure 1, Annexure 2 and Annexure 3 respectively to this report.

B. OTHER FINANCIAL INFORMATION

We have also examined the following information proposed to be included in the Letter of Offer, and annexed to this report:

- I. Capitalization Statement enclosed as Annexure 4
- II. Statement of Taxation enclosed as (for last five years) as Annexure 5
- III. Accounting Ratios enclosed as Annexure 6
- IV. Details of Secured Loans enclosed as Annexure 7
- V. Details of Unsecured loans enclosed as Annexure 8
- VI. Related party transaction enclosed as Annexure 9
- VII. Cash Flow Statement enclosed as Annexure 10
- VIII. Ageing of Debtors and Details of Loans and Advances as Annexure 11

In our opinion, the financial information of the Company, as attached to this report as mentioned in A. and B. above after making groupings and adjustments, have been prepared in accordance with the provisions of the Guidelines issued by SEBI, as we considered appropriate, in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

C. WE FURTHER STATE THAT

- I. the Company has no subsidiary; and
- II. there has been no change in the Accounting policies during the period covered by this report.

This report is intended solely for your information and for inclusion in the Letter of Offer in connection with the aforementioned proposed Rights Issue of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

G. Parthasarathy
Chartered Accountant
Membership No. 20106

ANNEXURE 1 : STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNTS

(Rs. In Lakhs)

Financial Year	12 months ended 31.03.2005	12 months ended 31.03.2004	12 months ended 31.03.2003	12 months ended 31.03.2002	12 months ended 31.03.2001
Income					
Picture Realisation	–	0.01	131.39	47.62	1.35
Sale of Picture Rights	–	–	1 200.58	3.10	433.50
Sale of TV Rights	0.55	–	1.95	–	–
Income from Negatives	3.80	0.41	0.81	1.94	3.16
Theatre Divn. Income	194.14	255.53	246.04	247.66	248.22
Internet Rights - Access Fees	90.00	–	–	–	–
Sub-total (1)	288.49	255.95	1 580.78	300.31	686.22
Other income	0.02	–	–	–	–
Dividend received	–	–	–	–	0.07
Interest written back	–	–	401.23	–	–
Profit on sale of assets	–	2.08	–	–	–
Others	–	0.07	–	–	14.47
Sub-total (2)	0.02	2.14	401.23	–	14.54
Total income {(1) + (2)}	288.51	258.09	1 982.00	300.31	700.76
Increase/Decrease in) stock in trade)	–	–	–	–	–
Total Income	288.51	258.09	1 982.00	300.31	700.76
Operating expenditure	–	–	–	–	–
Opening stock - Pictures	10495.78	10495.78	10553.41	10495.78	1688.15
Cost of Picture Rights	–	–	–	107.80	8806.10
Sub-Total	10497.78	10495.78	10553.41	10603.58	10494.25
Less: Closing Stock	10495.78	10495.78	10495.78	10553.41	10495.78
Sub-Total (1)	–	–	57.63	50.17	(1.53)
Cost of Production	–	–	1613.58	1.84	3.88
Commission	0.27	0.00	0.12	0.09	0.11
Theatre Divn. Expenditure	142.49	202.45	190.48	183.16	172.97
Sub-Total (2)	142.76	202.45	1804.18	185.09	176.96
Total {(1) + (2)}	142.76	202.45	1861.81	235.25	175.43

Financial Year	12 months ended 31.03.2005	12 months ended 31.03.2004	12 months ended 31.03.2003	12 months ended 31.03.2002	12 months ended 31.03.2001
Administrative & other exp.					
Staff Welfare	0.24	0.14	0.86	0.82	26.30
Staff Cost	30.62	23.43	43.46	41.01	0.56
Director Sitting Fees	–	0.05	–	–	–
Contribution to P.F	–	–	–	–	4.20
Rent, Rates & Taxes	3.70	0.23	10.61	6.18	0.60
Audit Fees	0.11	0.10	0.10	0.35	–
Business Promotion Exps.	–	0.20	2.29	3.50	2.20
Postage, Trunks & Telephones	3.66	0.52	2.06	2.78	3.51
Travelling & Conveyance	0.91	0.51	1.26	3.88	9.74
Printing & stationery	0.87	0.28	0.52	0.64	2.86
Finance charges	2.70	36.45	26.37	14.83	73.35
Advertisement	15.74	0.07	0.73	0.75	0.41
Insurance	–	–	0.14	0.14	0.21
Others	11.22	6.31	32.20	24.94	29.58
Gratuity	1.59	0.69	2.10	2.12	4.40
Professional charges	26.15	2.11	–	–	–
ESI contribution	–	–	–	–	0.90
Service charges	4.00	1.81	2.34	2.67	1.08
Total (3)	101.51	72.89	125.04	104.60	159.89
Depreciation	9.11	10.72	13.51	18.02	20.48
Total (4)	9.11	10.72	13.51	18.02	20.48
TOTAL EXPENDITURE (1+2+3+4)	253.38	286.06	2 000.35	357.88	355.79
Profit/(Loss)Before tax and non-recurring items	–	(27.97)	(18.34)	(57.57)	344.96
Non recurring item (refer para in Annexure 3)	–	–	–	–	–
Profit/(Loss) before tax	35.13	(27.97)	(18.34)	(57.57)	344.96
Current Taxation (please refer note in Annexure 3)	0.20	–	–	–	–
Profit & Loss after tax	34.93	(27.97)	(18.34)	(57.57)	344.96

ANNEXURE 2 : STATEMENT OF ASSETS AND LIABILITIES (AS RESTATED)

(Rs. In Lakhs)

Financial Year	12 months ended 31.03.2005	12 months ended 31.03.2004	12 months ended 31.03.2003	12 months ended 31.03.2002	12 months ended 31.03.2001
A) Fixed Assets					
Gross Blocks	3401.79	3403.87	366.24	365.80	358.13
Less : Depreciation	139.23	131.79	130.21	116.70	98.68
Net Block	3262.56	3272.08	236.04	249.10	259.45
Les: Revaluation Reserve	—	—	—	—	—
Net Block after adjustment from revaluation reserve	3262.56	3272.08	236.04	249.10	259.45
B) Current Loans and Advances					
Inventories	11532.92	11504.49	10495.78	11115.65	10495.78
S. Debtors	464.78	373.76	377.09	550.43	911.51
Cash and Bank Balance	70.89	81.56	72.12	33.25	40.96
Loans and advances	270.16	189.94	148.14	365.81	328.65
Other Current Assets	—	—	—	—	—
Total	12338.75	12149.75	11093.13	12065.14	11776.90
C) Deferred Tax Liability (refer para in Annexure 3)	5.06	5.06	5.06	5.06	—
Total	5.06	5.06	5.06	5.06	—
D) Investment	1.96	1.96	1.96	1.96	1.96
E) Liabilities and Provisions					
Secured and Unsec. Loans	120.79	120.79	827.34	1 021.42	940.43
Current Liabilities and Provisions	729.90	571.32	227.19	999.83	745.37
Total	850.69	692.11	1054.53	2021.25	1685.80
Net worth (A+B-C+D-E)	14747.52	14726.62	10271.54	10289.89	10352.51
Represented By:					
A. Shares Capital	5775.00	5775.00	1925.00	1925.00	1925.00
B. Reserves and Surplus	8992.27	8957.35	8346.54	8364.89	8427.51
C. Preliminary Expenditure	(19.75)	(5.73)	—	—	—
Net Worth	14747.52	14726.62	10271.54	10289.89	10352.51



ANNEXURE 3:

I ACCOUNTING POLICIES FOR THE YEARS/ PERIOD COVERED BY OUR REPORT

(A) FIXED ASSETS

Fixed assets are stated at cost of acquisition less accumulated depreciation.

(B) DEPRECIATION

Depreciation has been provided on the assets on Written Down Value Method at the applicable rates and in the manner prescribed in the Schedule XIV of the Companies Act, 1956.

(C) INVESTMENTS

Investments in shares and securities are stated at cost.

(D) INVENTORIES

Inventories represent films under production, Internet film rights and other film rights. Films under production and internet film rights are valued at cost. The negative film rights for distribution/exhibition are valued as per the current market potential of the pictures as at the year-end.

(E) RETIREMENT BENEFITS

Retirement benefit in respect of Gratuity is provided as per the provisions of Gratuity Act, 1972.

(F) RECOGNITION OF INCOME AND EXPENDITURE

Sale of lease rights of pictures is accounted in the year of release of the pictures. Other items of income and expenditure are recognised on accrual (except where there are significant uncertainties) and on prudent basis.

(G) TAXES ON INCOME

Current tax is determined as the amount of tax payable in respect of taxable income for the period based on applicable tax rate and laws.

Effective from financial year ended 31.03.2002 related Accounting Standard (AS 22) issued by the Institute of Chartered Accountants of India being applicable is adopted by the Company. Accordingly, deferred tax is recognized, subject to consideration of prudence in respect of deferred tax asset, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods and is measured using tax rate and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are not considered in the accounts due to lack of virtual certainty for sufficient future taxable income.

II NOTES FORMING PART OF ACCOUNTS AND SUMMARY STATEMENT

1. Details of change of name, if any

There has been no change in the name of the company since inception

2. Period of financial year

The Financial year is adopted as the accounting year of the company.

3. Details of amalgamation, name of transferor company, year of amalgamation

SCHEME OF AMALGAMATION (of Oneworld Media Network Infotainment Limited (Omni Ltd.) with the Company [Scheme])

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

a period of 5 years from the year of release of the films which had come into the company on amalgamation of OMNI with the company.

5. Effect on share capital due to the amalgamation
The share capital had increased by Rs.38.50 crores i.e from Rs.19.25 crores to Rs.57.75 crores.
6. Increase/ Decrease in general reserve
There is no increase in general reserve due to amalgamation.
7. Details of Investment
792 Units of Rs.10/- each in Unit Trust of India and 9400 equity shares of Rs.10/- each in Gujarat State Finance Corporation
8. Details of Other Income
Sale of TV Rights of films are shown under other income in the financial year 2004-05.
9. Estimated amount of capital commitment (net of advances)
NIL
10. Details of contingent Liabilities as at 31.03.2005
Income Tax - Rs.31 lacs and Sales Tax - Rs.12 lacs

ANNEXURE 4 : CAPITALIZATION STATEMENT

Table showing debt equity ratio: Pre Issue and Post Issue

(Rs. In Lakhs)

Details	Pre Issue	Post Issue
Debt		
Short Term Debt	–	–
Long Term Debt	120.79	–
Total Debt	120.79	–
Shareholders' Fund		
Share Capital	5775.00	9818.00
Reserves	8992.27	8992.27
Less: Revaluation Reserve	–	–
Less: Profit and Loss Debit Balance	–	–
Total Shareholders' Fund	14767.27	18810.27
Long Term Debt/Equity ratio	0.01	–

ANNEXURE 5: STATEMENT OF TAXATION (FOR THE LAST FIVE YEARS)

(Rs. in Lacs)

Particulars	FY 2004-05 AY-2005-06	FY 2003-04 AY-2004-05	FY 2002-03 AY-2003-04	FY 2001-02 AY-2002-03	FY 2000-01 AY-2001-02
Net profit/ (loss) before tax	35.12	(27.95)	(18.34)	(57.57)	344.96
Add: opening stock as per books	10495.77	10495.77	10548.58	10456.23	2053.58
Add: Depreciation as per books	9.11	10.71	13.51	18.02	20.48
Sub Total	10540.00	10478.53	10548.58	10456.23	2053.58
Less: Depreciation as per IT Rules	7.82	9.41	12.73	17.08	18.96
Less: Closing stock as per books	10495.77	10495.77	10495.77	10553.41	10495.78
Sub Total	10503.59	10505.18	10508.50	10570.49	10514.74
Total	36.41	(26.65)	40.08	(114.26)	(8461.16)
Brought forward losses set off	36.41	–	40.08	–	–
Taxable income	–	–	–	–	–
Current tax	–	–	–	–	–
Deferred tax	–	–	–	–	–
MAT tax	0.20	–	–	–	29.24



ANNEXURE 6 : KEY ACCOUNTING RATIOS

Particulars	Year ended 31.03.2005	Year ended 31.03.2004	Year ended 31.03.2003	Year ended 31.03.2002	Year ended 31.03.2001
Earning Per Share (EPS) - Rs.	0.01	(0.05)	(0.10)	(0.30)	1.79
Net Assets Value per share (NAV)	2.55	2.55	5.34	5.35	5.38
Return on Net Worth (RoNW) (%)	0.24	-0.19	-0.18	-0.56	3.33
Profit after tax	3493000	-2796500	-1834500	-5756700	34496400
No. of Shares	577500000	577500000	192500000	192500000	192500000

ANNEXURE 7

DETAILS OF SECURED LOANS AS AT 31ST MARCH 2005

Source	Amount Rs.	Interest Rate Repayment Terms
1 Sushila Devi Secured by theatre property located at RS No.685 at D.No.78/3, 2 Abraham Pandithar Road, Thanjavur 613 001	6,340,000	*

* Interest not provided for in the current year. Company is in the process of securing a negotiated one time settlement with the party.

ANNEXURE 8

DETAILS OF UNSECURED LOANS AS AT 31ST MARCH 2005

Source	Amount Rs.	Interest Rate Repayment Terms
1) Deccan Musicals P Ltd.	4,200,000	*
2) Lalchand Galada	50,000	*
3) Vijay Bajaj	1,120,000	*
4) Others	369,500	*
Total	5,739,500	

*"The company is negotiating a one time settlement with its unsecured creditors and hence no interest provided for. As the settlement amount is negotiated upon, recall by the lenders does not arise."

ANNEXURE 9

RELATED PARTY TRANSACTION

Name of the Company : Drushya Entertainment & Broadcast Streams Ltd. (Druhsya)
 Nature of Transaction : Access Fee of Rs.90 lacs for making available films Internet films for webcasting
 Remarks : Mr. Mahadevan Ganesh, director of the Company is a shareholder in Drushya holding more than 20% shares

ANNEXURE 10

GV FILMS LIMITED

CASH FLOW STATEMENTS

Cash Flow Statement for the year ended	For the year ending 31.03.2005 Rs.	For the year ending 31.03.2004 Rs.	For the year ending 31.03.2003 Rs.	For the year ending 31.03.2002 Rs.	For the year ending 31.03.2001 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES:					
Net Profit before tax and extraordinary items	3,512,056	(2,795,948)	(1,834,599)	(5,756,715)	34,496,487
Adjustment for:					
Other Income	–	–	(40,122,601)	–	(1,436,042)
Depreciation	911,187	1,071,605	1,350,524	1,802,205	2,048,205
Interest Paid (Net)	270,000	3,644,711	2,637,182	1,482,836	7,317,274
(Profit)/Loss on Sale of Assets	20,018	(207,597)	–	–	–
Provisions	–	–	–	–	(3,291,069)
Operating Profit before Working Capital Changes	4,713,261	1,712,771	(37,969,494)	(2,471,674)	39,134,855
Adjustment for:					
Decrease/(Increase) in Inventories	(2,843,475)	(4,804,555)	61,987,615	(61,987,815)	(880,763,000)
Decrease/(Increase) in Sundry Debtors	(9,102,395)	333,032	17,334,302	36,108,071	(24,960,571)
Decrease/(Increase) in Loans & Advances	(8,021,788)	(6,382,269)	21,766,793	(3,715,950)	976,374
Increase/(Decrease) in Current Liabilities	15,837,447	11,767,649	(60,974,305)	25,446,363	649,420
Cash Generated from Operations	583,050	2,626,628	2,144,911	(6,621,005)	(864,962,922)
Extraordinary items	–	–	–	–	–
NET CASH FROM OPERATING ACTIVITIES	583,050	2,626,628	2,144,911	(6,621,005)	(864,962,922)
B. CASH FLOW FROM INVESTING ACTIVITIES:					
Acquisition/(Disposal) of Assets - Net	20,000	1,958,038	(44,485)	(766,875)	–
Preliminary and Preoperative Expenditure	(1,400,000)	(558,880)	–	–	–
Cash and Bank Balances of amalgamated company at the appointed date	–	275,012	–	–	–
NET CASH FROM INVESTING ACTIVITIES	(1,380,000)	1,674,170	(44,485)	(766,875)	–
C. CASH FLOW FROM FINANCING ACTIVITIES:					
Proceed from Issue of Shares	–	–	–	–	875,000,000
Proceeds from Borrowings	–	–	7,447,867	8,100,017	(776,229)
Other Income	–	–	–	–	1,436,042
Repayment of Borrowings	–	(3,125,573)	(3,024,159)	–	(618,794)
Interest Paid (Net)	(270,000)	(230,711)	(2,637,182)	(1,482,836)	(7,317,274)
NET CASH FROM FINANCING ACTIVITIES	(270,000)	(3,356,284)	1,786,526	6,617,181	867,723,745
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(1,066,950)	944,514	3,886,952	(770,699)	2,760,823
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR	8,156,347	7,211,833	3,324,881	4,095,580	1,334,757
CASH AND CASH EQUIVALENTS AS AT END OF YEAR	7,089,397	8,156,347	7,211,833	3,324,881	4,095,580


ANNEXURE 11

Age wise Analysis of Debtors and Loans and Advances:

(Rs. In lacs)

Category	As at 31.03.2005	
	Sundry Debtors	Loans and Advances
Less than 6 months	90.09	–
6 months - 1 year	–	–
1 year - 2 year	–	–
2 year - 3 year	–	–
More than 3 years	373.83	753.52

II. DETAILS OF THE LISTED COMPANIES WITHIN THE PROMOTER GROUP COMPANIES
Kaashyap Radiant Systems Limited (KRSL)

Kaashyap Radiant Systems limited was incorporated in Chennai on 21st May, 1997. The company is engaged in the business of Computer Education & Training, Projects and Consultancy activities.

The Registered office of the company is situated at B.R. Complex, II Floor, No.33/8, C.P. Ramasamy Road, Alwarpet, Chennai-600 018.

The Shareholding Pattern of the company as on 31st March 2005 is as follows:

Category	No. of Shares Held	Percentage of Shareholding
A PROMOTER'S HOLDING		
1 Promoters		
- Indian Promoters		
A Venkatramani	23,36,600	4.15
Usha Venkatramani	6,72,000	1.19
	30,08,600	5.34
- Foreign Promoters		
Raghuram Tandra (NRI)	6,94,663	1.23
Others	7,82,542	1.39
	14,77,205	2.62
2 Persons acting in concert	Nil	Nil
Sub- Total	44,85,805	7.96
B NON-PROMOTERS HOLDING		
3 Institutional Investors		
a. Mutual Funds and UTI		
UTI	Nil	Nil
Mutual Funds	7,700	0.01
Sub-Total	7,700	0.01
b. Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions Non-Government Institutions)	Nil	Nil
c. Foreign Institutional Investors	Nil	Nil
Sub- Total	7,700	0.01
4 Others		
a. <u>Private Corporate Bodies</u>		
Excell Multitech Ltd	101,3,000	1.80
Galaxy Broking Ltd	8,45,292	1.50
Other Private Corporate Bodies	50,93,945	9.04
	69,52,237	12.34
b. <u>Indian Public</u>	4,33,34,168	76.94
c. <u>NRIs/OCBs</u>		
Shailesh Gokal	5,74,664	1.02
Other NRIs/OCBs	9,66,061	1.72
	15,40,725	2.74
d. <u>Any Other</u>	Nil	Nil
Sub- Total	5,18,27,130	92.03
GRAND TOTAL	5,63,20,635	100.00

The Financial Performance of the Kaashyap Radiant Systems Ltd. For the last 3 years is as follows: (Rs. In lacs)

Particulars	12 months ended 30.09.1999	12 months ended 30.09.2000	18 months ended 31.03.2002
Sales	1062.46	2800.33	5482.99
Other Income	10.32	28.78	33.74
PAT /(Loss)	152.95	727.48	(619.03)
Share Capital	715.58	1194.67	2628.47
Reserves	198.79	3233.10	7621.10
Book Value (Rs.)	37.81	34.80	30.38
EPS (Rs.)	1.29	6.08	(1.92)

(Source: Audited Annual Accounts)

QUOTES FOR THE LAST SIX MONTHS AT THE STOCK EXCHANGE, MUMBAI:

Month	High (Rs.)	Low (Rs.)
March, 2005	4.15	2.85
February, 2005	4.34	2.68
January, 2005	4.10	2.16
December, 2004	3.30	1.01
November, 2004	2.79	1.30
October, 2004	1.85	1.30
Stock Market Data		
High /Low price in the last 6 months (Rs.)	4.34	
Market price on date of filing with stock exchange (Rs.)	4.12	
Market capitalization on date of filing (Rs. In lakhs)	2320.41	

Board of Directors

A. Venkatramani, A. Ganesan, Raghuram Tandra

Details of the unlisted Companies within the Promoter Group Companies

a. Honey Bee Securities Ltd.

Honey Bee. Securities Ltd. was incorporated in Chennai on 8th December, 2004 and obtained the Certificate of Commencement of Business on 27th December, 2004. The company is engaged in the business of investment, dealing with stock, debenture and lending and advancing.

The Registered office of the company is situated at G3, Taaz Mahal, No.10, Montieth Road, Egmore, Chennai- 600 008

The Company has started its business operation on 8th December, 2004, no audited financial result has so far been prepared.



III. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION AS REFLECTED IN FINANCIAL STATEMENTS.

1. OVERVIEW OF BUSINESS OF THE COMPANY

We are a company engaged in production, distribution and exhibition of films. Apart from producing a number of successful Tamil Films in the past, the Company has purchased Internet Rights of over 6000 films for exhibition through the Internet. Internet film viewing had not become popular in the past years due to lack of bandwidth and higher connectivity costs. Now that connectivity costs have come down very steeply and huge bandwidth is also available, more people are seeing movies on internet, especially the Indian Diaspora. Technology tie up with Drushya Entertainment Broadcast Streams Limited (Drushya) - a leading webcasting company of films and already established a niche market for webcasting of Telugu Films - will enable the company to exhibit these films on Internet under various revenue models like pay per view, monthly subscription, annual subscription etc. There will be no concerns over copying because of the secure platform being provided by Dhruvaya. In exhibition segment, company owns twin theatres viz. Shanthi and Kamala theatres in Thanjavur, Tamilnadu. Both the theatres are equipped with DTS facilities.

Financial year of the company has ended on 31.3.2005 and there is no other significant development since then.

2. ANALYSIS OF FINANCIAL PERFORMANCE OF THE COMPANY.

Financial Year	12 months ended 31.03.2005	12 months ended 31.03.2004	12 months ended 31.03.2003
Income			
Picture Realisation	–	0.01	131.39
Sale of Picture Rights	–	–	1,200.58
Sale of TV Rights	0.55	–	1.95
Income from Negatives	3.80	0.41	0.81
Theatre Divn. Income	194.14	255.53	246.04
Internet Rights - Access Fees	90.00	–	–
Sub-total (1)	288.49	255.95	1,580.78
Other income	0.02	–	–
Interest written back	–	–	401.23
Profit on sale of assets	–	2.08	–
Others	–	0.07	–
INCOME	288.51	258.09	1,982.00
Operating expenditure			
Opening stock - Pictures	10,495.78	10,495.78	10,553.41
Sub-Total	10,495.78	10,495.78	10,553.41
Less: Closing Stock	10,495.78	10,495.78	10,495.78
Sub-Total (1)	–	–	57.63
Cost of Production	–	–	1,613.58
Commission	0.27	0.00	0.12
Theatre Divn. Expenditure	142.49	202.45	190.48
Administrative & other exp.	101.51	72.89	125.04
Depreciation	9.11	10.72	13.51
TOTAL EXPENDITURE	253.38	286.06	2,000.35
Profit/(Loss) before tax	35.13	(27.97)	(18.34)
Current Taxation	0.20	–	–
Profit & Loss after tax	34.93	(27.97)	(18.34)

A. SIGNIFICANT FACTORS, WHICH AFFECTED THE BUSINESS OF THE COMPANY IN LAST THREE FINANCIAL YEARS.**For the period 2004-05 :**

During the year 2004-05, company had billed Drushya an amount of Rs.90 lacs as `access fees' for making available about 6000 films for webcasting on a revenue sharing basis.. This helped the company to make profit before taxes after successive years of losses.

For the period 2003-04 :

Oneworld Media Network Infotainment Limited - Omni Limited, was amalgamated with the company with effect from 30th September 2003 and net assets of the company were acquired and consideration was discharged by of issue of equity shares of the company. The amalgamation also lead to a formation of a new Board of Directors. Amalgamation had resulted into goodwill of Rs. 30.50 crores.

For the period 2002-03 :

During the Year 2002-03 company released three films produced by it. Even though one of the films did a reasonable business, huge losses were incurred in the other two films and the company had ended the year with a loss of Rs. 18,34,599. Income from release of the films has been irregular.

During last three financial years, company has regular revenue from its Exhibition business at Thanjavur, Tamil Nadu and summarized details of Gross Revenue is as under:

Financial year	Gross revenue Rs. In lakhs
2002-03	246.04
2003-04	255.53
2004-05	194.13

3. SIGNIFICANT ACCOUNTING POLICIES FOLLOWED BY THE COMPANY ARE AS FOLLOWS.**(a) Fixed Assets**

Fixed assets are stated at cost of acquisition less accumulated depreciation.

(b) Depreciation

Depreciation has been provided on the assets on Written Down Value Method at the applicable rates and in the manner prescribed in the Schedule XIV of the Companies Act, 1956.

(c) Investments

Investments in shares and securities are stated at cost.

(d) Inventories

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

(e) Retirement Benefits**Gratuity:**

Retirement benefit in respect of Gratuity is provided as per the provisions of Gratuity Act, 1972.

(f) Recognition of Income and Expenditure

Sale of lease rights of pictures is accounted in the year of release of the pictures. Other items of income and expenditure are recognized on accrual (except where there are significant uncertainties) and prudent basis.

(g) Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period based on applicable tax rate and laws.

Effective financial year ending 31.03.2003 related Accounting Standard 22 issued by the Institute of Chartered Accountants of India being applicable and adopted by the Company. Deferred tax is recognized, subject to consideration of prudence in respect of deferred tax asset, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods and is measured using tax rate and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are not considered in the accounts due to lack of virtual certainty for sufficient future taxable income.

(h) SCHEME OF AMALGAMATION of Oneworld Media Network Infotainment Limited -Omni Ltd. with the Company

- 1) Pursuant to the Shareholders approval at the meeting held on 27th February 2004 which was convened as per the Orders of the Hon'ble High Court of Judicature at Madras (Court) and its Order in Company Petition Nos.89 & 90 of 2004 on 29th April 2004 sanctioning the Scheme, the assets and liabilities of Omni Ltd. whose principal business was also



production and distribution of feature films were transferred to and vested in the Company with effect from the appointed date viz. 30th September 2003 in accordance with the Scheme so sanctioned. The Scheme has, accordingly, been given effect to in the Accounts for the year ended 31st March 2004 itself.

- 2) The amalgamation has been accounted for under the Purchase Method of Accounting as prescribed by Accounting Standard 14 (AS-14) issued by the Institute of Chartered Accountants of India. The assets and liabilities of the erstwhile Omni Limited as at 30th September 2003 have been taken over at their book values.
- 3) Pursuant to the Scheme as approved by the Hon'ble High Court of Judicature at Madras, referred to in (a) above, the company has allotted 3,85,00,000 Equity shares of Rs. 10/- each fully paid to the shareholders of the erstwhile Omni Ltd on 14th May 2004. Accordingly, the company had also paid the necessary fees for increasing the authorized capital of the company to the Registrar of companies on 14th May 2004, after the receipt of sanction order from the Court.
- 4) The difference between the value of the net assets acquired on amalgamation and the amount of shares issued to the shareholders of the amalgamating company (Omni Ltd.) resulting in goodwill of Rs. 30.50 crores, which will be amortised over a period of 5 years from the year of release of the films which had come into the company on amalgamation of OMNI with the company.

4. FUTURE OUTLOOK

A. Production

Due to disruption in the management of the company on account of untimely death of main promoter and Chairman Mr. G. Vankateshwaran on 3rd May 2003, feature film production business was not actually pursued for some time. However, after the new management under the leadership of Mr. Mahadevan Ganesh took over the controlling interest of the company, company restarted film production business and has completed 2 feature films, which are almost ready for release and one Tamil film named "ULLAM KEKUMEY" is released recently. Once the films presently under production are released, company would endeavor to undertake production of new feature films.

B. Distribution

Distribution business has synergy to the production of feature film business and the present trend in the film industry in this regard is normally to produce and distribute the feature film by the same production house. The company in the past have successfully distributed various feature films not only the films produced under its own banner but also of other production houses and proposes to continue the same strategy to augment its profits.

C. Exhibition

Company is already in the business of film exhibition and has two theaters at Thanjaur. Since the present and future trend in the feature film viewing is towards big screen facilities (70 mm/ Cinemascope), Sound arrangement (DTS/ Dolby), Sitting arrangement and other environment, the company has proposed to renovate its existing 2 theatres at Thanjaur into 4 screen Multiplex and also to set up new Multiplex with 7 screens at Chennai, both equipped with entertainment zone, shopping area, food-court, etc. which would enable company to increase its revenue and consequently profits, not only from film exhibition but also from other facilities such as business in the areas of entertainment, shopping, food-court, etc. Therefore, the future potential for exhibition business is quite bright.

D. Web Casting

Indian cinema is considered as the backbone of entertainment industry providing entertainment to almost 1000 million people in India and 20 million strong Diaspora spread across 110 countries. With the advent of TV, Internet, cable TV, home video facility, no. of options are available to the viewers. Web casting of a feature film is a new medium, which enabled viewer to watch the feature film in an authorized manner by paying requisite subscription charges through Internet. Many NRIs and PIOs residing outside the country always want to see the movie on its release and therefore, for such viewers 'web casting' of new movie would prove to be the most beneficial. Since, NRIs and PIOs normally have computer facility with broadband Internet facility at very meager cost at their end, the payment of charges for viewing the particular movie through Internet is an easier way to watch movies at home. Further, in India also the charges of bandwidth are being reduced consistently and a time will come when bandwidth charges would be at par with that of bandwidth charges in other countries. As such the future potential for Web casting business is quite bright and company expects to earn substantial profits from this business.

5. OUTLOOK OF THE INDUSTRY

The entertainment industry is primarily based on creativity however, when it is combined with a mixture of professional management and entrepreneurial skills, the creativity can be successfully transformed into a commercial venture. The entertainment industry mainly consist of sections such as films, television, music, radio and live events. The industry is expected to grow at compound annual growth rate (CAGR) of 20% to Rs. 419 billion by 2007 and that of film industry is expected to grow at a CAGR of 19% to Rs. 93 billion by 2007. (Source: KPMG-FICCI Report on Entertainment Industry, 2002)

With the opening of the economy and advent of various other mediums for entertainment, the film industry ahs now realize the need for change in order to unlock the significant growth potential ahead of the Indian Film Industry. Accordingly, it is observed that a proper structure of a film production company, proper cost management practices, ultimate audience optimization and change in distribution & exhibition systems are some of the key elements which are required to propel the growth of Indian Film Industry.

Corporatisation of Film Producing Company

With the encouragement from the Government of India through Industrial Development Bank of India Ltd. (IDBI) and other commercial banks for financing the projects in respect of feature films of Indian Film Industry, the proper structure of a film production company has become necessary to reflect higher transparency, better accounting policies, risk mitigation factors such as insurance and guarantees, effective planning and better corporate governance. Therefore, many feature films are produced in the country under the banner of a corporate entity.

Cost Management

With the advent of corporatisation and consequently professionalism in all major players of the film industry, the greater emphasis on planning, budgeting and time management has been given prime importance. The feature films which in past used to be completed in 2-4 years are now completed in the span of just 6 months with proper planning, homework and time management. This enables substantial reduction in the cost of production, which in turn would result in higher profits to the film production company and thereby to repay its debt and commence production of new feature films.

Audience Optimization

The Indian film market was hitherto limited only to Indians and Non-Resident Indians but with the passage of time and the generations of the NRI's staying outside India started increasing, there has been, change in the preferences of film viewing of NRIs and many feature films based on cross culture of audience with mix of 2 languages have been successful not only among NRIs but also among the non-Indian viewers. It is expected such successful ventures would eventually open new opportunities for Indian film production companies to tie up Joint Venture with foreign film production companies.

Distribution & Exhibition System

The traditional exhibition model for film has witnessed radical change in the recent past with the emergence of the large players that control and manage domestic theatres. In line with the emerging trend in the film viewing comparable with International standards, the conventional theatres are being replaced by right size of multiplexes with multiple screens and other facilities such as entertainment, shopping, food-courts, etc. so as to enhance capacity utilisation of the multiplex and cash flows from both ticket and non-ticket sales. The film viewing is no longer the only objective of a viewers but also covers an outing with family/friends for other entertainment, shopping, food, etc. and therefore presence of viewers in any of the aforesaid activities lead to increase in revenue to exhibitors. Further, various State Governments have introduced rebate in entertainment tax which has lead to adding up of approximately 200 screens in multiplexes in the country.

F. LEGAL AND OTHER INFORMATION

Outstanding Litigation and Material Developments.

I. OUTSTANDING LITIGATIONS & DISPUTES

A. PENDING LITIGATION AGAINST THE COMPANY

2. CRIMINAL CASES

Sr. No.	Case No./ Date	In the court of	Filed by	Particulars	Status
1.	CC No. 2983/1996	Metropolitan Magistrate	Mr. Narayanan and others	Ramakrishnan is a stock broker. A shareholder of our company had entrusted the share broker to sell 50,000 shares to the broker for raising funds along with blank transfer form. The broker reported that the original share certificates were lost. In collusion with the brother in law he has filed a case against the company for refusing the transfer	The suit and criminal case are pending
2.	CC No 7504 of 2003	Metropolitan Magistrate (Saidapet) Chennai	Filed by P Chengiah Prop. Of Ravi Prasad Unit against GV Films and others	A complaint under Section 138 of the Negotiable Instrument Act for dishonour of cheque of Rs. 24,47,500 towards supply of outdoor equipments for our film Chokkathangam	The case is pending
3.	CC No.7588 of 2000	Metropolitan Magistrate (Saidapet) Chennai	Filed by Asian Capital Conslidated Fund against G.V.Films	A complaint under Section 138 of the Negotiable Instrument Act for dishonour of cheque.	The complainant used a old cheque issued by G.V.F.L. This is also related subject matter of O.S.A.No.295 of 2001, High Court, Madras
4.	CC.No 1674/S/2003	Metropolitan Magistrate (Bandra)	Filed by Sushil Gupta Proprietor of M/s. FOTO Industries against GV Films ltd and others	Case filed under Section 138 of Negotiable Instrument Act for dishonour of cheque of Rs 8,05,200/-	

3. Civil Cases

Sr. No.	Case No./ Date	In the court of	Filed by	Particulars	Status
1.	CS No. 126 of 1997	Hon'ble Madras High Court	Filed by Raj TV against GVFL & Sun TV	Suit is regarding Telecasting rights of the films Thalpathi & Thirusoolam through satellite channel.	The suit is pending and our defense is that we have not assigned the said rights to Raj TV. We have filed an affidavit to that effect.
2.	CS No. 26 Of 2003	High Court Chennai	Filed by Vee Je Films for Rs 21,10,000/- with interest (Kutrapatrikkai)	The suit is for recovery of amount paid to release the film KUTRAPATHIRIKI	The suit is pending. We have filed OSA against the App. No 789 of 2003 to reject the plaint. OSA is not numbered. Our defense is that the suit is barred by limitation and that the suit is liable to be dismissed since the plaintiff is an unregistered firm.

Sr. No.	Case No./ Date	In the court of	Filed by	Particulars	Status
3.	OSA NO 433 of 2002 in CS NO 823 of 1999	Hon'ble Madras High Court	Filed by Raj TV	The appeal is filed against Interim injunction granted in our favour in CS No 823 of 1999.	The OSA is pending.
4.	CS NO 612 of 1998	Hon'ble Madras High Court	Filed by Narayanan and others.	Plaintiff has claimed that it had made certain advances to the company. The amount claimed is Rs. 11 lakhs and 50,000 equity shares of the company	The company has denied the entire claim of the plaintiff. The matter is pending in the High court, Chennai
5	CP No. 388 of 2003	Hon'ble Madras High Court	Connected with CP 337/2003 already disposed of as compromised.		Yet to be disposed of. Matter fully compromised
6.	TA 1794 of 1997	DRT Chennai	Filed by Central Bank of India in DRT.	DRT has noted one time settlement under which the company paid an amount of Rs 10 crores to Central bank of India.	The matter is already settled and it is awaiting formal sanction of the Bank's Board
7.	OSA No 295 of 2001	High Court	Filed by Asian capital	Recovery of money (against rejection of plaint in CS 523/2001) The court dismissed the suit No 523 filed by Asian Capital against us. Hence this appeal is filed by Asian Capital aggrieved by the decision of the court in suit No 523	The order is pending in the court.
8	CS No 237 of 2005	High Court chennai	Filed by Prabhudas Gurmukh Singh & sons for a mortgage decree against property of another company	Plaintiff have wrongly and deliberately included our company as defendant	The company is strongly resisting the untenable claim of the plaintiffs. The matter is pending before the court in Chennai
9.	CS No. 410 and 411 of 2005	High Court, Chennai	Filed by West top Investements Ltd. against G.V.Films & others	We have assigned certain internet rights to some third parties. Dispute between among them. G.V.F.L. is a formal party.	The suits are pending
10.	CS No 274 of 2005	High Court Chennai	Filed by Jaswant Chand against GV Films Ltd. and others	The matter is for recovery dues of Rs 26,92,329 with further interest @ 36% against the loan granted for production of film and for injunction against taking delivery of print from Prasad film laboratories.	The matter is pending before the Hon'ble Madras High Court



B. Pending Litigation filed by the Company

2. Civil Cases

Sr. No.	Case No./ Date	In the court of	Filed against	Particulars	Status
1.	CS No. 218 of 2001	High Court Chennai	Filed by GVFL against Gemini and Asian Capital	Case is for seeking possession of custody of 35 film negatives from the defendant as we are the absolute owners	The suit is pending. We are the absolute owners of the negatives and we have asked for declaration to that effect.
2.	CS. No 823 of 1999	High Court Chennai	Filed against Raj TV	Case regarding assignment of right for 63 films. We have not assigned such rights to RAJ TV. We are seeking permanent injunction against Raj TV	The suit is pending. Interim Injunction has been granted by the High court in our favour.
3.	CS No. 749 of 2004	High Court	Filed Prasad Lab and 17 others	Matter is for release of the Ullam Kekkume subject picture by appointing court receivers granted by the High court	Our prayer was allowed on 25/2/2005 and confirmed in OSA 37 of 2005. Kept for hearing on 14/6/05
4.	URA NO.62 of 2002	DRAT	Filed against UTI in DRAT.	UTI filed TA No 275 of 2001 for recovery of Rs 51,75,155 with interest on ground that the dividends were given to us inadvertently.	The suit is pending. Our defense is that we were the owners of the unit at the relevant period and dividends were given to us correctly.
5.	CS.No.454 of 2005	High Court	Filed against Priyadarshan & another	GVFL filed the above suit for permanent injunction restraining the defednants from interfering with its possession of Goodluck theatres.	The suit is pending. Interim injunction granted in the O.A.
6	WP 17576 of 2005	High Court Madras	Filed against Income Tax dept.	GVFL filed the WP restraining IT dept from interfering with its possession of GOODLUCK theatres.	The case is pending
7.	CS 916 of 2004	High Court	Filed against Susila Devi	For declaring an agreement dated 19/8/2001 between the company and one Ms. Susila Devi as void ab initio and not binding on us.	The suit is pending before the court in Chennai.

LITIGATION AGAINST GROUP COMPANIES

Pending Litigation against the Promoter Group Company

There are no outstanding litigation, dispute, non-payment of statutory dues, overdue to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the Promoter Group Company, except the following:

KASHYAP RADIANT SYSTEMS LIMITED (KRSL)

. Filed against KRSL

1. Criminal Cases

Sr. No.	Case No./ Date	In the court of	Filed by	Particulars	Status
1	CC.No.1724/ 2005	XVIII Metropolitan Magistrate, Chennai	UTI Bank Ltd	Under Section 138 of Negotiable Instruments Act for dishonour of the Cheque	Pending for hearing

2. Civil Cases

Sr. No.	Case No./ Date	In the court of	Filed by	Particulars	Status
1.	O.S.No.398/2005	XVI Assistant Judge City Civil Court, Chennai	Hemavathi	Repayment of Deposit	Pending for hearing
2.	O.S.No.399/2005	XVII Assistant Judge City Civil Court, Chennai	B Aruna	Repayment of Deposit	Pending for hearing
3.	C P No. 178/2002, 191 & 206/2003	The Hon'ble High Court of Madras Judicature	Shailesh & Nitin Gokul	Winding Up of the Company	Pending for hearing
4.	CP No. 165/2004	The Hon'ble High Court of Madras Judicature	Nagaraj & co	Winding Up of the Company	Pending for hearing
5.	O A 69/2004	Debt Recovery Tribunal	UTI Bank	Recovery of Long term loan	Pending for hearing
6.	O A 94/2004	The Hon'ble High Court of Madras Judicature	LIC Housing Corporation Ltd	Recovery of the Loan	Pending for hearing
7.	88/2004	Consumer forum Chittoor Andra Pradesh	Srinivasulu Chetty P	Deposit repayment	Petition pending before the court for hearing
8.	172/2003	Consumer forum Eluru Andra Pradesh	Subba Rao VV	Deposit Repayment	Petition Pending before the Court for Hearing
9.	173/2003	Consumer forum Eluru Andra Pradesh	Koteshwara Rao M	Deposit Repayment	Petition Pending before the Court for Hearing
10.	175/2003	Consumer forum Eluru Andra Pradesh	Ravi Shankar V	Deposit Repayment	Petition Pending before the Court for Hearing
11.	182/2004	Consumer forum Eluru Andra Pradesh	Darasari Lakshmi	Deposit Repayment	Petition Pending before the Court for Hearing
12.	104/2004	Consumer forum Guntur Andra Pradesh	Govinda Rao A	Deposit Repayment	Petition Pending before the Court for Hearing
13.	531/2003	Consumer forum Guntur Andra Pradesh	Venkateshwarlu P	Deposit Repayment	Petition Pending before the Court for Hearing
14.	09/05	Consumer forum Kakinada Andra Pradesh	N Venkata Apparao	Deposit Repayment	Petition Pending before the Court for Hearing
15.	122/2003	Consumer forum Kakinada Andra Pradesh	Pabbiseti pankaj Srikanth	Deposit Repayment	Petition Pending before the Court for Hearing
16.	127/2004	Consumer forum Kakinada Andra Pradesh	Nagaratnam P	Deposit Repayment	Petition Pending before the Court for Hearing
17.	18/05	Consumer forum Kakinada Andra Pradesh	M Srinivasa Naga Gouri	Deposit Repayment	Petition Pending before the Court for Hearing
18.	19/05	Consumer forum Kakinada Andra Pradesh	K Sai Sessa Ratnam	Deposit Repayment	Petition Pending before the Court for Hearing
19.	202/2003	Consumer forum Kakinada Andra Pradesh	Y V V Satyanarayan	Deposit Repayment	Petition Pending before the Court for Hearing
20.	324/04	Consumer forum Kakinada Andra Pradesh	Sistla Narasai	Deposit Repayment	Petition Pending before the Court for Hearing
21.	329/2004	Consumer forum Kakinada Andra Pradesh	Bhaskara Rao K	Deposit Repayment	Petition Pending before the Court for Hearing
22.	33/04	Consumer forum Kakinada Andra Pradesh	Tadi Nageswari	Deposit Repayment	Petition Pending before the Court for Hearing
23.	350/.2004	Consumer forum Kakinada Andra Pradesh	Narasimha Prasad S V	Deposit Repayment	Petition Pending before the Court for Hearing
24.	351/2004	Consumer forum Kakinada Andra Pradesh	Ramesh Kumar K	Deposit Repayment	Petition Pending before the Court for Hearing

Sr. No.	Case No./ Date	In the court of	Filed by	Particulars	Status
25.	375/2004	Consumer forum Kakinada Andra Pradesh	Venkata Seethapathi Rao	Deposit Repayment	Petition Pending before the Court for Hearing
26.	401/04	Consumer forum Kakinada Andra Pradesh	N. Suryanarayana	Deposit Repayment	Petition Pending before the Court for Hearing
27.	716/04	Consumer forum Kakinada Andra Pradesh	V Sarada	Deposit Repayment	Petition Pending before the Court for Hearing
28.	112/2004	Consumer forum Karim Nagar Andra Pradesh	Ponnam Pochetty	Deposit Repayment	Petition Pending before the Court for Hearing
29.	113/2004	Consumer forum Karim Nagar Andra Pradesh	Athena Rajamma	Deposit Repayment	Petition Pending before the Court for Hearing
30.	114/2004	Consumer forum Karim Nagar Andra Pradesh	Nandi Rajaiah	Deposit Repayment	Petition Pending before the Court for Hearing
31.	115/2004	Consumer forum Karim Nagar Andra Pradesh	Sunkapaka vijaya	Deposit Repayment	Petition Pending before the Court for Hearing
32.	116/2004	Consumer forum Karim Nagar Andra Pradesh	Ponnam Shanthamma	Deposit Repayment	Petition Pending before the Court for Hearing
33.	130/2003	Consumer forum M'patnam Andra Pradesh	Sathyanarayana M	Deposit Repayment	Petition Pending before the Court for Hearing
34.	157/03	Consumer forum Nellore Andra Pradesh	E Swamy Ranga Reddy	Deposit Repayment	Petition Pending before the Court for Hearing
35.	198/03	Consumer forum Nellore Andra Pradesh	P Ramesh	Deposit Repayment	Petition Pending before the Court for Hearing
36.	199/03	Consumer forum Nellore Andra Pradesh	M Ravi Babu	Deposit Repayment	Petition Pending before the Court for Hearing
37.	191/03	Consumer forum Ongole Andra Pradesh	E Chinakoteswara rao	Deposit Repayment	Petition Pending before the Court for Hearing
38.	263/04	Consumer forum Ongole Andra Pradesh	G Venkata Subba Rao	Deposit Repayment	Petition Pending before the Court for Hearing
39.	264/04	Consumer forum Ongole Andra Pradesh	U V Subba Rao	Deposit Repayment	Petition Pending before the Court for Hearing
40.	265/04	Consumer forum Ongole Andra Pradesh	Aluxi Narasimha Rao	Deposit Repayment	Petition Pending before the Court for Hearing
41.	266/04	Consumer forum Ongole Andra Pradesh	T Prakasa Rao	Deposit Repayment	Petition Pending before the Court for Hearing
42.	31/05	Consumer forum Ongole Andra Pradesh	K V Muralikrishna	Deposit Repayment	Petition Pending before the Court for Hearing
43.	34/05	Consumer forum Ongole Andra Pradesh	P Girijadevi	Deposit Repayment	Petition Pending before the Court for Hearing
44.	193/2004	Consumer forum Vijaywada Andra Pradesh	Janakiram D.	Deposit Repayment	Petition Pending before the Court for Hearing
45.	341/2003	Consumer forum Vijaywada Andra Pradesh	Rani s	Deposit Repayment	Petition Pending before the Court for Hearing
46.	1205/2003	Consumer forum Vizag Andra Pradesh	Mary Jones K	Deposit Repayment	Petition Pending before the Court for Hearing
47.	483/2004	Consumer forum Vizag Andra Pradesh	Satya Lakshmi P	Deposit Repayment	Petition Pending before the Court for Hearing

STATUTORY DUES

The Company has the following statutory dues outstanding as on 31.3.2005:

- (a) Income-tax undisputed liability : Rs.31.00 lakhs
- (b) Sales-tax : Rs.12.00 lakhs (matter contested in appeal)

MATERIAL DEVELOPMENT SINCE THE LAST BALANCE SHEET DATE

The Company has adopted the latest Annual Account for the year ended 31st March, 2004 in the Annual General Meeting of the Company held on 9th June 2004. Thereafter the Company has entered in to Memorandum of Understanding with Drushya Entertainment & Broadcast Streams Limited for webcasting of films on a revenue sharing basis on 29th March 2005.

However, the Board of Directors of the Company has approved the Audited Accounts for the year ended 31st March, 2005 on 16th April, 2005. Subsequent to that date, there is no material development has taken place in the company.

II. GOVERNMENT AND OTHER STATUTORY APPROVALS**GOVERNMENT APPROVALS/CONSENTS**

No consent of the Government of India is required by the Company for this Issue.

The Company has all the necessary approvals from the Government authorities as required to carry on the present business. The Company has complied with all the applicable guidelines / directions issued by RBI from time to time. The Company does not propose to enter new activities through this Rights Issue of Equity Shares for which any further approvals are required to be obtained.

The major Government and other approvals pertaining to the Company's business and major agreements entered into by the Company are given below.

Approvals, Registration and Agreements**Tamil Nadu Societies Registration Act of 1975**

The Company is registered with Tamil Film Producers Council under Tamil Nadu Societies Registration Act of 1975 and the Registration Number assigned to them is TFPC 356.

License for exhibition under the Tamil Nadu Cinemas (Regulation) Act 1955.

The Company is in the possession of the required license for exhibition under the Tamil Nadu Cinemas Exhibition Act 1955.

Major Agreements entered in to by the Company

- 1) Agreement with M/s Ravikumar Chitra & Associates dated 02.09.2000 for exclusive internet film webcasting rights for 4000 feature films.
- 2) Agreement with M/s Kavitha Films International & Associates dated 02.09.2000 for exclusive internet film webcasting rights for 1000 feature films.
- 3) Agreement with Mr. V. P. Mani dated 04.09.2000 for exclusive internet film webcasting rights of 68 feature films.
- 4) Agreement with Mr. Y. Ravibabu dated 04.09.2000 for exclusive internet film webcasting rights of 183 feature films.
- 5) Agreement with Mr. Mahadevan Ganesh dated 23.03.2000 for exclusive internet film webcasting rights of 400 feature films.
- 6) Memorandum of Understanding with Drushya Entertainment & Broadcast Streams Ltd dated 29th March, 2005 for webcasting of films on a revenue sharing basis.



G. OTHER REGULATORY AND STATUTORY DISCLOSURES:

AUTHORITY FOR THE PRESENT ISSUE:

The Issue is being made pursuant to the resolution passed by the Board of Directors of the Company at its meeting held on Monday 11th April, 2005.

PROHIBITION BY SEBI

The Company, its directors, its promoters, any of the Company Associates or Group Companies with which the directors of issuer are associated, as directors or promoters have not been prohibited from accessing the capital market under any order passed by SEBI.

ELIGIBILITY OF THE ISSUE:

The Company is a existing Listed Companies and it is eligible to offer this right issue in terms of Clause 2.4.1 (iv) of the SEBI (Disclosure and Investor Protection) Guidelines 2000.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THIS LETTER OF OFFER HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI).

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED/ CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LETTER OF OFFER. THE LEAD MANAGER VIVRO FINANCIAL SERVICES PRIVATE LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURE AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGER VIVRO FINANCIAL SERVICES PRIVATE LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 25TH APRIL, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE THERETO IN CONNECTION WITH THE FINALISATION OF THE LETTER OF OFFER PERTAINING TO THE SAID ISSUE;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY;**

WE CONFIRM THAT:

- A. THE LETTER OF OFFER FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- B. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS ETC., ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;**
- C. THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE;**
- D. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID; AND**
- E. IF UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCE AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER, VIVRO FINANCIAL SERVICES PRIVATE LIMITED ANY IRREGULARITIES OR LAPSES IN THE LETTER OF OFFER.

DISCLAIMER

The Company and the Lead Manager to the issue accepts no responsibility for statements made otherwise than in this Letter of Offer or in any advertisement or other material issued by the Company or by any other persons at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his own risk.

CAUTION

The Company accepts no responsibility for statements made otherwise than in this Letter of Offer or in any advertisement or other material issued by the Company or by any other persons at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his own risk.

The Lead Manager and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of the Letter of Offer with SEBI. The Lead Manager and the Company shall update the Letter of Offer and keep the public informed of any material changes till the listing and trading commences.

DISCLAIMER WITH RESPECT TO JURISDICTION

This Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations hereunder. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Chennai, India only.

The distribution of the Letter of offer and the offering of securities on a right basis to persons in certain jurisdictions outside India may be restricted by the legal requirements prevailing in those jurisdictions. Persons into whose possession the LOF may come are required to inform themselves about and observe such restrictions. Any disputes arising out of such issue will be subject to the jurisdiction of appropriate courts in Chennai, India Only.

No action, has been, or will be taken, to permit offering of these securities in any jurisdiction where action would be required for that purpose, except that the LOF has been filed with SEBI and SEBI has given its observations and that the Letter of Offer would be filed with the relevant stock exchanges in India. Accordingly, the equity shares may not be offered or sold directly or indirectly, and the LOF may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of the LOF, nor any sale hereunder, shall under any circumstances create any implication that the affairs of the company have remained unchanged since the date hereof or that the information herein is correct as of any time subsequent to this date.

DESIGNATED STOCK EXCHANGE

The designated stock exchange for the purpose of the issue is BSE

LISTING

The existing Equity Shares are listed on MSE, BSE (Designated Stock Exchange) and HSE.. The Company has made applications to MSE, BSE and HSE for permission to deal in and for an official quotation in respect of the securities being offered in terms of this Letter of Offer vide letters all dated 27th April 2005. The Company has received in-principle approval from MSE, BSE and HSE vide letters dated vide letter dated 29th April,2005, May 16, 2005 and May 4, 2005 respectively.

If the permission to deal in and for an official quotation of the securities is not granted by the Designated Stock Exchange mentioned above, within six weeks from the Issue Closing Date, the Company shall forthwith repay, without interest, all monies received from applicants in pursuance of this Letter of Offer. If such money is not paid within eight days after the Company becomes liable to repay it, then the Company and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under the Section 73 of the Act.

DISCLAIMER CLAUSE OF THE BSE THE STOCK EXCHANGE (THE DESIGNATED STOCK EXCHANGE)

The Stock Exchange, Mumbai ("the Exchange") has given vide its letter dated May 16,2005, permission to the Company to use the Exchange's name in this Letter of Offer as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinised this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner: (i) warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; or (ii) warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or (iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company; and its should not for any reason be deemed or construed that this Letter of Offer has been cleared or approved by the Exchange. "Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever."

DISCLAIMER CLAUSE OF MSE

MSE has given vide its letter dated 29th April,2005_, permission to the Issuer to use the Exchange's name in this Letter of Offer as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission, given by MSE, should not in any way be deemed or construed that the



Letter of Offer has been cleared or approved by MSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer nor does it warrant that the Issuer's securities will be listed or will continue to be listed on the Exchange nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Issuer. ; and it should not for any reason be deemed or construed that this Letter of Offer has been cleared or approved by the Exchange. "Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever."

DISCLAIMER CLAUSE OF HSE

The Hyderabad Stock Exchange Ltd. (the Exchange), has given its permission to the Company to use the name of the Exchange in the offer document as one of the stock Exchanges on which the Company's securities are proposed to be listed. Vide the letter dated May 4, 2005. The Exchange has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission, given by HSE, should not in any way be deemed or construed that the Letter of Offer has been cleared or approved by HSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer nor does it warrant that the Issuer's securities will be listed or will continue to be listed on the Exchange nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Issuer. ; and it should not for any reason be deemed or construed that this Letter of Offer has been cleared or approved by the Exchange. "Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever."

FILING

The Draft Letter of Offer was filed with SEBI, Mittal Court, A Wing, Nariman Point, Mumbai 400 021 for its observations. The final Letter of Offer has been filed with the Stock Exchanges and SEBI. All the legal requirements applicable till the date of filing the Letter of Offer with the stock exchanges and SEBI have been complied with.

CONSENTS

The written consents of Promoters, Directors, Company Secretary, Auditors, Legal Advisors, Lead Managers to the Issue, Registrars to the Issue, Bankers to the Company and Bankers to the Issue HDFC Bank Ltd. to act in their respective capacities, have been obtained. and such consents have not been withdrawn up to the time of delivery of the Letter of Offer with the Stock Exchange.

EXPERT OPINION

The Company has not obtained any expert opinion apart from whatever is already mentioned in this Letter of Offer.

EXPENSES OF THE ISSUE

The expenses of the Issue payable by the Company inclusive of brokerage, fees payable to the Lead Manager to the Issue, Registrar to the Issue, Legal Advisors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, listing fees and other miscellaneous expenses will not exceed Rs. 40 Lakhs and will be met out of the proceeds of the present Issue.

DETAILS OF FEES PAYABLE

The expenses for the issue include among others, issue lead management fees, advertising costs, printing and distribution expenses, legal, statutory fees payable to the Stock Exchanges. The estimate of the issue expenses is as follows:

Activity	(Rs. in Lakhs)
Lead Manager	5.00
Registrar Fees	1.00
Advertising Expenses	20.00
Printing & Stationery	10.00
Others(Legal fees, Auditors, Bankers to the issue, etc.)	4.00
Total	40.00

UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

The Issue has not been underwritten. As such, no fees under this head are payable.

PREVIOUS PUBLIC OR RIGHTS ISSUE

There was no public/rights issue done in the last 5 years.

PREVIOUS ISSUE OF SHARES OTHERWISE THAN FOR CASH

- On 23.03.2000, a Preferential allotment of 10,00,000 equity shares of the face value of Rs.10 each was made at a price of Rs.55/- per share (including a premium of Rs. 45/- per share) aggregating to Rs. 5,50,00,000/- to Mr. Mahadevan Ganesh against the Internet film rights & video rights of 400 feature films.
- On 20.09.2000, a Preferential allotment of 1,25,00,000 equity shares of the face value of Rs.10 each was made at a price of Rs.70/- per share (including a premium of Rs. 60/- per share) aggregating to Rs. 87,50,00,000/- (Allotted to the allottees see table given under) against Internet webcasting rights for 1000 feature films and Internet webcasting rights for 4000 Hindi films.

The share allotted are as under

Sr. No.	Name of the Allottees	No. of shares allotted
1	Dr. J. Murali Manohar	10,00,000
2	Mahadevan Ganesh	7,50,000
3	R. V. Gurupadam	7,60,000
4	Laxmi G. Jhaveri	99,90,000
	Total	1,25,00,000

- On 14.05.2004, an allotment of 3,85,00,000 equity shares of the face value of Rs.10 each was made at a price of Rs.10/- per share aggregating to Rs. 38,50,00,000/- under the Scheme of Amalgamation of M/s. OneWorld Media Network Infotainment Ltd merged with the Company.

The share allotted are as under

Sr. No.	Name of the Allottees	No. of shares allotted
1	Usha Venkatramani	19249664
2	Mahadevan Ganesh	19250000
3	S Mahadevan	48
4	Jeevan	48
5	P Raghuraman	96
6	Yamini Manoharan	48
7	Saroja Annasamy	48
8	Majith	48
	Total	3,85,00,000

COMMISSION OR BROKERAGE ON PREVIOUS ISSUES

The Company has not made any public issue in last five years.

PARTICULARS IN REGARD TO THE COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370(1)(B) OF THE COMPANIES ACT, 1956 WHICH MADE ANY PUBLIC ISSUE DURING THE LAST THREE YEARS

The Company as well as the other listed Companies under the same management have not done any public issue in last three years.

PROMISES VS PERFORMANCE**GV FILMS LIMITED:**

On 16/11/1989 the company made an Initial Public Offer. In this offer the company issued 57,49,300 equity shares of the face value of Rs. 10/- each at Rs. 10/- fully paid-up, thereby making the consideration received on this offer to Rs. 5,74,93,000/-. This offer was made to the public at large and the consideration was received by the company in cash. The company has confirmed that the proceeds of the issue were utilised as stated in the Offer document The Prospectus did not contain the promised future performance of the Company.

LISTED VENTURE OF PROMOTER**KAASHYAP RADIANT SYSTEMS LTD.:**

The Company made an issue of 32,00,000 Equity shares of Rs.10/- each at par in the year 1999. The net proceeds of the issue was Rs. 3,20,39,000/- and the same was used to part finance the project as envisaged in the Offer Document dated 5th August 1999. The company has confirmed that the proceeds of the issue were utilised as stated in the Offer document. The Offer Document did not contain the promised future performance of the Company.



OUTSTANDING BONDS/DEBENTURES

There are no outstanding debentures or bonds or redeemable preference shares or any other instruments issued by the issuer company outstanding as on the date of Letter of Offer.

STOCK MARKET DATA

The Company's shares are listed on BSE, MSE and HSE. As the shares are actively traded on Stock Exchange, Mumbai, the Company's stock market data has been given for BSE. The Company's shares are not actively traded on HSE & MSE. The high and low closing prices recorded on BSE for the preceding three years and the number of shares traded on the days the high and low prices were recorded are stated below:

BSE

Year ending	High (Face Value of Rs. 10)	Date of High	Volume of Date High	Low (Face value of Rs. 10)	Date of Low	Vol. On date of Low	Avg. price for the year
2004	5.70	29th December, 2004	3910	1.91	24th June, 2004	75	3.805
2003	6.50	30th December, 2003	334	1.65	7th May, 2003	308	4.075
2002	10.10	17th April, 2002	3296	4.00	26th September, 2002	8600	7.05

Monthly high & low prices for the preceding six months and volume of transactions on the respective dates of High & low

Month	High (Face Value of Rs. 10)	Date of High	Volume of Date High	Low (Face value of Rs. 10)	Date of Low	Vol. On date of Low	Total volume for the month
October, 2004	3.60	11th October, 2004	8484	2.01	5th October, 2004	3257	45621660
November, 2004	4.69	23rd, November, 2004	5873	2.22	10th November, 2004	577	36788778
December, 2004	5.70	29th December, 2004	3910	3.05	13th December, 2004	1988	31662306
January, 2005	6.10	11th January, 2005	3873	4.00	25th January, 2005	753	21714402
February, 2005	5.10	1st February, 2005	663	0.50	8th February, 2005	209	117475425
March, 2005 (Face Value of Re. 1)	0.68*	1st March, 2005	905	0.41*	30th March, 2005	499	92428961

*Face value of Re. 1/-

Market price as on 12th April, 2005, immediately after the date of passing the Board Resolution for approving the issue:

Rs. 0.66 Per Share

DISCLOSURE ON INVESTOR GRIEVANCES AND REDRESSAL SYSTEM

The Redressal of investors' grievances is given top priority by the Company. The Shareholders' Grievance Committee of the Board was formed with Mr. PM Gopalakrishnan, Mr. DE Ramakrishnan and Mr. CL Narasa Reddy as its member. The Committee oversees redressal of complaints of shareholders/investors and other important investor related matters. In order to expedite the process of investor service, the Company Secretary, who is also the Compliance Officer, Mr. P. Thirumalai Kumar had been delegated by the Board to take all necessary steps for effecting proper shareholder servicing and report to the Shareholders Grievance Committee regarding the investors/shareholders grievance and its redressal. From 2nd June 2003 the members of the Shareholder's Grievance Committee comprised of Mr. A Venkataramani, Mr. P Raghuraman and Mr. VP Mani. The Board of directors has delegated the power of approving the share transfer to the Share Transfer Committee and deal with matters connected therewith. The Company has adequate arrangements for redressal of investor complaints as follows:

a) Computerised record of correspondence.

Share transfer/dematerialisation/rematerialisation are handled by well equipped professionally managed Registrar and Transfer Agent, appointed by the Company in terms of SEBI's direction for appointment of Common Agency for physical as well as demat shares. The Registrars are constantly monitored and supported by qualified and experienced personnel of the Company.

During the year 2003-04, out of 17 investor complaints that were received, and replied to the satisfaction of shareholders. Outstanding complaints as on 31st March, 2004 were nil. 11 requests for transfers and nil request for dematerialization were pending for approval as on 31st March 2004 which were subsequently taken up for transfer and dematerialisation.

DISPOSAL OF INVESTOR GRIEVANCES

Redressal norm for response time for all correspondence including shareholders complaints is 7 days. However, the Company endeavors to redress all the complaints within two weeks of the receipt of complaint.

STATUS OF COMPLAINTS

No. of shareholders complaints pending as of date: Nil

Total number of complaints received during last financial year (2003-04): 17

Total number of complaints received during October 1, 2004 to March 30, 2004: 6

Time normally taken by it for disposal of various types of investor grievances: Most of the investor grievances have been attended to within 14 days.

CHANGES IN THE AUDITORS IN THE LAST THREE YEARS

There has been no change in the auditors in the last three years except as under:

Name and address of new Auditor	Name and address of previous auditor	Date of change
Mr. G.Parthasarathy No.8, Iswar Apartments, No.5, East Coast Road Thiruvanmiyur, Chennai 600 041	Mr. C. Mahadevan & Co., MM Complex Kodambakkam High Road, Kodambakkam, Chennai.	27th February 2004

CAPITALIZATION OF RESERVES OR PROFITS (DURING LAST FIVE YEARS)

There is no capitalisation of reserves/profits during the last five years.

REVALUATION OF ASSETS, IF ANY (DURING LAST FIVE YEARS)

There is no revaluation of assets carried out during the last five years.



H. OFFERING INFORMATION

TERMS OF THE PRESENT ISSUE

The Equity Shares, now being issued, are subject to the terms and conditions of this Letter of Offer, the enclosed Composite Application Form ("CAF"), the Memorandum & Articles of Association of the Company, the approvals from the GOI, FIPB and RBI, if applicable, the provisions of the Companies Act, 1956, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/ or other statutory authorities and bodies from time to time, terms and conditions as stipulated in the allotment advice or letter of allotment or Security Certificate and rules as may be applicable and introduced from time to time.

AUTHORITY TO THE ISSUE

The Issue is being made pursuant to the resolution passed by the Board of Directors of the Company at its meeting held on Monday 11th April, 2005.

RANKING OF EQUITY SHARES.

The Equity shares being offered shall be subject to the Provisions of our Memorandum and Articles and shall rank pari passu in all respect with the other existing Equity shares of the Company including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits (including dividend), if any, declared by the Company after the date of allotment.

MODE OF PAYMENT OF DIVIDEND

The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, in their discretion and will depend on a number of factors including but not limited to our earnings, capital requirements and overall financial condition.

FACE VALUE AND ISSUE PRICE

The Equity shares with a face value of Re.1/- each are being offered in terms of this Letter of Offer at a price of Re.1 per Equity share. At any given point of time, there shall be only one denomination for the Equity Shares of the Company subject to applicable laws.

COMPLIANCE WITH SEBI GUIDELINES

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

RIGHTS OF THE EQUITY SHAREHOLDERS

Subject to applicable laws, the Equity shareholders shall have the following rights:

- Right to receive dividend, if declared.
- Right to attend general meetings and exercise voting powers, unless prohibited by law
- Right to vote on a poll either in person or by proxy
- Right to receive offers for rights shares and be allotted bonus shares, if announced
- Right to receive surplus on liquidation
- Right of free transferability and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of the Company's Articles of Association relating to voting rights, dividend, forfeiture and lien, transfer and transmission, see "Terms of Articles of Association of the Issuer Company" on page 80 in this Letter of Offer.

MARKET LOT

The market lot for the Equity shares in dematerialised mode is one. In case of physical certificates, the Company would issue one certificate for the Equity Shares allotted to one folio ("Consolidated Certificate")

NOMINATION FACILITY TO THE INVESTOR

NOMINATION FACILITY

In terms of Section 109A of the Act, nomination facility is available in case of Equity Shares. The applicant can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

Only one nomination would be applicable for one folio. Hence, in case the Equity shareholder has already registered the nomination with the company, no other further information needs to be made for equity shares to be allotted in the issue under the same folio.

In case the allotment of equity shares is in dematerialized form, there is no need to make a separate nomination for the equity shares to be allotted in this issue. Nominations registered with respective Depository Participant of the applicant would prevail. If the applicants wish to change the nomination, they are requested to inform their respective depository participants.

MINIMUM SUBSCRIPTION

The Issue will become under subscribed after considering the number of Equity Shares applied as per entitlement plus additional Equity Shares. The Promoters shall subscribe to such under subscribed portion as per the relevant provisions of the law. If any person presently in control of the Company desires to subscribe to such under-subscribed portion and if disclosure is made pursuant to SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, such allotment of the under subscribed portion will be governed by the provisions of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997. Allotment to promoters of any unsubscribed portion, over and above their entitlement, shall be done in compliance with Clause 40A of the Listing Agreement.

If the Company does not receive the minimum subscription of 90% of the Issue (excluding the amounts on the rights entitlement on the Equity Shares held in abeyance as explained in the notes to the "Capital Structure"), the entire subscription shall be refunded to the applicants within forty-two days from the date of closure of the Issue. If there is a delay in the refund of subscription by more than 8 days after the Company becomes liable to repay the subscription amount, (i.e. forty two days after closure of the Issue), the Company will pay interest for the delayed period, at prescribed rates in sub-section (2) and (2A) of Section 73 of the Companies Act, 1956.

The above is subject to the terms mentioned under the "Basis of Allotment".

BASIS OF THE ISSUE

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company in respect of Equity Shares held in the physical form at the close of business hours on the Record Date i.e. [July 13, 2005 fixed in consultation with the Designated Stock Exchange.

The Equity Shares are being offered for subscription in the ratio of 7(Seven) Equity Shares for every 10 (Ten) Equity Shares held by the Equity Shareholders.

RIGHTS ENTITLEMENT

As your name appears in the Register of Members as an equity shareholder/Beneficial Owner (as per the list provided by the Depositories) of the Company on the Record Date i.e. July 13, 2005, you are entitled to the number of equity shares by way of Rights as shown in Part A of the enclosed CAF on the basis mentioned above.

FRACTIONAL ENTITLEMENT

"If the Shareholding of any of the equity shareholders is less than 10 or is not in multiple of 10, then in respect of the holding not in exact multiple of 10 equity shares, the fractional entitlement of such holder shall be rounded off to the next higher integer. The number of equity shares offered is shown in Block 2 of part A of the enclosed CAF(s). The additional equity shares required to accommodate such rounding off, will first be adjusted from the under-subscribed portion of the issue, if any, and should there be further requirement, be adjusted from the promoters entitlement.

ARRANGEMENTS FOR DISPOSAL OF ODD LOTS

The market lot is one share. Therefore there is no possibility of odd lot.

RESTRICTION ON TRANSFER AND TRANSMISSION OF SHARES

Nothing contained in the Articles of Association of the Company shall prejudice any power of the Company to refuse to register the transfer of shares.

No fee shall be charged for sub-division and consolidation of share certificates (physical form), debenture certificates and detachable warrants and for sub-division of letters of allotment and split, consideration, renewal and pucca transfer receipts into denomination corresponding to the market units of trading.



ISSUE PROCEDURE

PRINCIPAL TERMS AND CONDITIONS OF THE ISSUE

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company in respect of Equity Shares held in the physical form at the close of business hours on the Record Date i.e. [July 13, 2005 fixed in consultation with the Designated Stock Exchange.

The Equity Shares are being offered for subscription in the ratio of 7(Seven) Equity Shares for every 10 (Ten) Equity Shares held by the Equity Shareholders.

RIGHTS ENTITLEMENT

As your name appears in the Register of Members as an equity shareholder/Beneficial Owner (as per the list provided by the Depositories) of the Company on the Record Date i.e. July 13, 2005 you are entitled to the number of equity shares by way of Rights as shown in Part A of the enclosed CAF on the basis mentioned above.

FACE VALUE

Each Equity Share shall have the face value of Re. 1/-

ISSUE PRICE

Each Equity Share is being offered at a price of Re 1/- each.

ENTITLEMENT RATIO

The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of 7 (Seven) Equity Shares for every 10 (Ten) Equity Shares held as on the Record Date.

TERMS OF PAYMENT

On Application	100%	Re 1.00 per share
Total	100%	Re 1.00 per share

RANKING OF THE EQUITY SHARES

The Equity Shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects including dividends with the existing Equity Shares of the Company.

OPTION AVAILABLE TO THE EQUITY SHAREHOLDERS

The Composite Application Form clearly indicates the number of Equity Shares that the Equity Shareholder is entitled to.

If the Equity Shareholder applies for an investment in Equity Shares, then he can:

- Apply for his entitlement in part
- Apply for his entitlement in part and renounce the other part
- Apply for his entitlement in full
- Apply for his entitlement in full and also apply for additional Equity Shares

Renounees for Equity Shares can apply for the Equity Shares renounced to them and also apply for additional Equity Shares.

OFFER TO NON-RESIDENT EQUITY SHAREHOLDERS/APPLICANTS

Applications received from NRIs and other NRI shareholders for allotment of Equity Shares shall be, inter alia, subject to the conditions imposed from time to time by RBI under the Foreign Exchange Management Act, 1999 (FEMA) in the matter of refund of application moneys, allotment of Equity Shares, issue of Letter of Allotment / share certificates, payment of interest, dividends, etc. General permission has been granted to any person resident outside India to apply for shares offered on rights basis by an Indian Company in terms of FEMA and the rules and regulations there under.

The Equity Shares issued under the Rights Issue and purchased by NRI shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the previously held Equity Shares against which Equity Shares under the Rights Issue are issued.

As per the provisions of AP DIR circular No 14 dated September 16, 2003(issued by RBI) , such equity shareholders who have been allotted equity shares as OCBs would not be permitted to participate in the issue. Accordingly, The shareholders/ applicants who are OCBs and wishing to participate in the issue would be required to submit approvals in relation thereto from FIPB and RBI.

The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Equity Shares, payment of dividend etc. to the Equity Shareholders who are Non Resident.

HOW TO APPLY

Option Available	Action Required
1. Accept whole or part of your entitlement without renouncing the balance.	Fill in and sign Part A . (All joint holders must sign)
2. Accept your entitlement in full and apply for additional Equity Shares	Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (All joint holders must sign)
3. Renounce your entitlement in full to one person (joint renounees are considered as one)	Fill in and sign Part B (All joint holders must sign) indicating the number of shares renounced and hand it over to the renounee. The renounees must fill in and sign Part C (All joint holders renounees must sign)
4. Accept a part of your entitlement and renounce the balance to one or more renounees Or Renounce your entitlement to all the equity shares offered to you to more than one renounee	Fill in and sign Part D (all joint holders must sign) requesting for split Application Form. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for Split Forms.
	Splitting will be permitted only once. On receipt of the Split Form take action as indicated below.
	For the Equity Shares you wish to accept, if any, fill in and sign Part A. (all Joint holders must sign)
	For the Equity Shares you wish to renounce, fill in and sign Part B (all joint holders should sign) indicating the number of Equity Shares renounced and hand it over to the renounee. Each of the renounees should fill in and sign Part C for the Equity Shares accepted by them.
5. Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the renounees must fill in and sign Part C.

AVAILABILITY OF APPLICATION FORMS**RESIDENT EQUITY SHAREHOLDERS**

Application should be made only on the enclosed CAF provided by the Company. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. Applications will not be accepted by the Lead Manager or by the Registrar to the Issue or by the Company at any of its offices except in the case of postal applications as per instructions given in the Letter of Offer.

NON-RESIDENT EQUITY SHAREHOLDERS

Applications received from the Non-Resident Equity Shareholders for the allotment of Equity Shares shall, interalia, be subject to the conditions as may be imposed from time to time by the Reserve Bank of India, in the matter of refund of application moneys, allotment of Equity Shares, issue of Letters of Allotment/ certificates/ payment of dividends etc.

THE CAF CONSISTS OF FOUR PARTS:

Part A: Form for accepting the Equity Shares offered and for applying for additional Equity Shares

Part B: Form for renunciation

Part C: Form for application for Renounee.

Part D: Form for request for Split Application Forms

AVAILABILITY OF DUPLICATE CAF

In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the applicant who should furnish the registered folio number/ DP and Client ID no. and his / her full name and address to the Registrar to the Issue. Please note that those who are making the application in the duplicate form should not renounce the original CAF for any purpose including renunciation, even if it is received/ found subsequently. In case of the original and the duplicate CAF are lodged for subscription, allotment will be made on the basis of the duplicate CAF and the original; CAF will be ignored. If the applicant violates any of these requirements, he/ she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications.

APPLICATION ON PLAIN PAPER

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Rights Issue on plain paper, along with an Account Payee Cheque drawn on a local bank at Mumbai/



Demand Draft payable at Mumbai which should be drawn in favour of the Company and send the same by registered post directly to the Registrar to the Issue.

The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company, must reach the office of the Registrar to the Issue before the Date of Closure of the Issue and should contain the following particulars:

- 1 Name of Issuer
- 2 Name and address of the Equity Shareholder including joint holders
- 3 Registered Folio Number/ DP and Client ID no.
- 4 Number of Equity Shares held as on Record Date
- 5 Number of Rights Equity Shares entitled
- 6 Number of Rights Equity Shares applied for
- 7 Number of additional Equity Shares applied for, if any
- 8 Total number of Equity Shares applied for
- 9 Total amount paid for ____ Equity Share
- 10 Particulars of Cheque/ Draft
- 11 Savings/Current Account Number and name and address of the bank where the Equity Shareholder will be depositing the refund order
- 12 PAN/GIR number and Income Tax Circle/Ward/District where the application is for Equity Shares of a total value of Rs 50,000/- or more for the applicant and for each applicant in case of joint names, and
- 13 Signature of Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company.

Payments in such cases, should be through a cheque/demand draft payable at Chennai and be crossed "A/C Payee" and marked "GV Films Limited - Rights Issue" and send the same to Registrar to the Issue.

In case of Non Resident they should follow the mode of payment as is indicated in point(s) on page no.76 of offer document.

Please note that those who are making the application otherwise than on original CAF shall not be entitled to renounce their Rights and should not renounce the original CAF for any purpose including renunciation even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications.

Mode of payment

Payments in such cases, should be through a cheque/ demand draft payable at Mumbai and be crossed "A/C Payee" and marked "GV-Films Limited - Rights Issue NR"

Acceptance of the Rights Issue

You may accept the Offer and apply for Equity Shares offered, either in full or in part by filling Block III of Part "A" of the enclosed CAF and submit the same along with the application money payable to the "Bankers to the Issue" or any of the branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board thereof in this regard. Applicants at centers not covered by the branches of collecting banks can send their CAF together with the cheque drawn on a local bank at Chennai /demand draft payable at Chennai (net of demand draft charges and postal charges) to the Registrar to the Issue by registered post.

Renunciation

As an Equity Shareholder, you have the right to renounce your entitlement for the Equity Shares in full or in part in favour of one or more person(s). Your attention is drawn to the fact that the Company shall not allot and/or register any Equity Shares in favour of:

- 1 More than three persons including joint holders
- 2 Partnership firm(s) or their nominee(s)
- 3 Minors
- 4 Hindu Undivided Family
- 5 Any Trust or Society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable Trust laws and is authorized under its Constitution to hold Equity Shares of a Company)

The right of renunciation is subject to the express condition that the Board/ Committee of Directors shall be entitled in its absolute discretion to reject the request for allotment to renouncee(s) without assigning any reason thereof.

"Any renunciation from Non-Resident Indian shareholder(s) to Resident Indian(s) is subject to the renouncer(s)/ renounee(s) obtaining the approval of the FIBP and /or necessary permission of RBI under the Foreign Exchange Management Act, 1999 (FEMA) and other applicable laws and such permissions should be attached to the CAF .Application not accompanied by the aforesaid approvals are liable to be rejected.

Any renunciation from Resident Indian Shareholder(s) to Non -Resident Indian or from Non-Resident Indian Shareholder(s) to other Non-Resident Indians(s) is subject to Prevailing RBI Guidelines.

By virtue of circular No 14 dated September 16, 2003 issued by RBI ,Overseas Corporate bodies ("OCBs") have been derecognized as an eligible class of investors and RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCB) Regulation, 2003. Accordingly the existing Shareholders of the company who do not wish to subscribe to equity Shares of the company who do not wish to subscribe to the equity shares being offered but wish to renounce the same in favour of renounees shall not renounce the same (whether for consideration or otherwise) in favour of OCBs".

Procedure for renunciation

To renounce the whole offer in favour of one renounee

If you wish to renounce the offer indicated in Part A in whole, please complete Part B of the CAF. In case of joint holding, all joint holders must sign Part B of the CAF. The person in whose favour renunciation has been made should complete and sign Part C of the CAF. In case of joint renounees, all joint renounees must sign this part of the CAF.

To renounce in part/or renounce the whole to more than one person(s)

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer in favour of two or more renounees, the CAF must be first split into requisite number of forms.

Please indicate your requirement of split forms in the space provided for this purpose in Part D of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for split forms. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in paragraph above shall have to be followed.

In case the signature of the Equity Shareholder(s), who has renounced the Equity Shares, does not agree with the specimen registered with the Company, the application is liable to be rejected.

Renounee(s)

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part C of the Application Form and submit the entire Application Form to the Bankers to the Issue on or before the Issue Closing Date along with the application money.

Change and/ or introduction of additional holders

If you wish to apply for Equity Shares jointly with any other person or persons, not more than three, who is/are not already joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed.

However, this right of renunciation is subject to the express condition that the Board of Directors of the Company shall be entitled in its absolute discretion to reject the request for allotment from the renounee(s) without assigning any reason thereof.

Please note that:

- (a) Part A of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid.
- (b) Only the person to whom this Letter of Offer has been addressed to and not the renounee(s) shall be entitled to renounce and to apply for Split Application Forms. Forms once split cannot be split again.
- (c) Split form(s) will be sent to the applicant(s) by post at the applicant's risk.

Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above the number of Equity Shares you are entitled to, provided that you have applied for all the Equity Shares offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and allotment shall be made in the manner prescribed elsewhere in the Letter of Offer under the section "Basis of Allotment". The renounee(s) applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares provided they apply for all the Equity Shares renounced in their favour.

In case of application for additional Equity Shares by non-resident Equity Shareholders, the allotment of additional securities will be subject to the permission of the Reserve Bank of India.

Where the number of additional Equity Shares applied for exceeds the number available for allotment, the allotment would be made on a fair and equitable basis with reference to number of Equity Shares held by the Shareholders as on Record Date i. e. July 13, 2005 in consultation with the Designated Stock Exchange.



The summary of options available to the Equity Shareholder is presented below. You may exercise any of the following options with regard to the Equity Shares offered, using the enclosed CAF:

Last date of Application

The last date for submission of CAF is 14th September ,2005 . The Board/Committee of Directors will have the right to extend the said date for such period as it may determine from time to time but not exceeding sixty days from the date the Issue opens.

If the CAF together with the amount payable is not received by the Bankers to the Issue/ Registrar on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/ Committee of Directors, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board/ Committee of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided under the heading "Basis of Allotment".

Arrangement for odd lot Equity Shares

The Company's Shares will be traded in dematerialized form only and therefore the marketable lot is 1(one) Share. Therefore, there is no possibility of any odd lot shares.

Equity Shares in Dematerialised Form

Applicants to the Equity Shares of the Company issued through this Rights Issue shall be allotted the securities in authorized (electronic) form at the option of the applicant. The Company and Cameo Corporate Services Limited, the Registrar to the Company, have signed a tripartite agreement with CDSL on 20th June, 2000 and with NSDL on 30th June ,2000, which enables the investors to hold and trade in securities in a dematerialized form, instead of holding the securities in the form of physical certificates.

In this Rights Issue, the allottees who have opted for Equity Shares in Dematerialized form will receive their Equity Shares in the form of an electronic credit to their beneficiary account with a depository participant.

Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Applications, which do not accurately contain this information, will be given the securities in physical form. No separate applications for securities in physical and Dematerialized form should be made. If such applications are made, the application for physical securities will be treated as multiple applications and is liable to be rejected. In case of partial allotment, allotment will be done in demat option for the shares sought in demat and balance, if any, will be allotted in physical shares.

Procedure for availing this facility for allotment of Equity Shares in this Issue in the electronic form is as under:

1. Open a Beneficiary Account with any Depository Participant (care should be taken that the Beneficiary Account should carry the name of the holder in the same manner as is exhibited in the records of the Company. In case of joint holding, the Beneficiary Account should be opened carrying the names of the holders in the same order as with the Company). In case of Investors having various folios in the Company with different joint holders, the investors will have to open separate accounts for such holdings. *Those Equity Shareholders who have already opened such Beneficiary Account (s) need not adhere to this step.*
2. For Equity Shareholders already holding Equity Shares of the Company in Dematerialized form as on Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Rights Equity Shares by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the allotment of securities arising out of this Issue may be made in dematerialized form even if the original equity shares of the Company are not Dematerialized. Nonetheless, it should be ensured that the Depository Account is in the name(s) of the Equity Shareholders and the names are in the same order as in the records of the Company.
3. Responsibility for correctness of applicant's age and other details given in the CAF vis a vis those with the applicant's Depository Participant would rest with the applicant. Applicants should ensure that the names of the applicants and the order in which they appear in CAF should be same as registered with the applicant's Depository Participant.
4. If incomplete / incorrect Beneficiary Account details are given in the CAF the applicant get Equity Shares in physical form.
5. The Rights Equity Shares allotted to investors opting for Dematerialized form, would be credited to the Beneficiary Account as given in the CAF after verification. Allotment advice, Refund Order (if any) would be sent directly to the applicant by the Registrar to the Issue but the applicant's Depository Participant will provide to him the confirmation of the credit of the Rights Equity Shares to the applicant's Depository Account.
6. Renouncees will also have to provide the necessary details about their Beneficiary Account for allotment of securities in this Issue. In case these details are incomplete or incorrect, the allotment of shares will be made in physical form.

Investment Limits by Mutual Funds

No Mutual Fund Scheme shall invest more than 10% of its Net Asset Value in the Equity Shares or Equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in Index Funds or sector or industry specific Fund. No Mutual fund should own more than 10% of any company's paid up capital carrying voting rights.

Unique Identification Number- MAPIN

In Terms of SEBI (Central Database of Market Participants) Regulations, 2003 as amended from time to time and SEBI Notification dated 25th November 2003 and 30th July 2004, circular dated 16th August 2004 and press release dated 31st December 2004, no specified investor being a body corporate shall subscribe to securities which are proposed to be listed in any recognized stock exchange unless such specified investor its promoters and directors have been allotted unique identification numbers (UIN) save and except:

- o Those promoters or directors who are persons resident outside India, who are required to obtain UIN before December 31,2005; and
- o Where such specified investor being a body corporate has applied for allotment of a UIN before December 31,2004 and has not yet been allotted the UIN until the disposal of his application or where he has filed an appeal, till the disposal of the appeal, as the case may be.

In terms of the above it shall be compulsory for specified investor being a body corporate making application in this issue to give their UIN. In case where a body corporate has made an application for such number before 31st December 2004 but the same has not been allotted, or where an appeal has been filed, but not disposed off, the investor shall indicate the same in the space provided in the application Form. Application forms from specified investors being a body corporate not providing their UIN or UIN application status, in cases where they have applied for such UIN before 1st December 2004, shall be liable to be rejected.

Note:

- Applicants are requested to write their names and application serial number on the reverse of the instruments by which the payments are being made to avoid misuse of instruments submitted along with applications for Equity Shares.
- Applications by NRIs on non-repatriation basis can be made using the Form meant for Public out of the funds held in Non Resident (Ordinary) Account (NRO). The relevant bank certificate must accompany such forms. Such applications will be treated on par with the applications made by the public.
- For further instructions, please read the Application Form carefully.

Utilisation of Proceeds

Subscription received against this Issue will be kept in a separate bank account(s) and the Company would not have access to such funds unless it has received minimum subscription of 90%, of the Issue and the necessary approvals of the Designated Stock Exchange, to use the amount of subscription.

General instructions for applicants**Do's & Don't's**

- (a) Please read the instructions printed on the enclosed CAF carefully.
- (b) Application should be made on the printed CAF, provided by the Company and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of this Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest within stipulated time period and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the applicants, details of occupation, address, father's / husband's name must be filled in block letters.
- (c) The CAF together with cheque / demand draft should be sent to the Bankers to the Issue / Collecting Bank or to the Registrar and not to the Company or Lead Managers to the Issue. Applicants residing at places other than cities where the branches of the Bankers to the Issue have been authorized by the Company for collecting applications, will have to make payment by Demand Draft payable at Mumbai (net of demand draft charges and postal charges) and send their application forms to the Registrar to the Issue by REGISTERED POST. If any portion of the CAF is / are detached or separated, such application is liable to be rejected.
- (d) Applications for a total value of Rs.50,000/- or more, i.e. where the total number of securities applied for multiplied by the Issue price, is Rs.50,000/- or more the applicant or in the case of application in joint names, each of the applicants, should mention his/ her permanent account number allotted under the Income-Tax Act, 1961 or where the same has not been allotted, the GIR number and the Income-Tax Circle / Ward / District. In case where neither the permanent account number nor the GIR number has been allotted, the fact of non-allotment should be mentioned in the CAFs. Forms without this information will be considered incomplete and are liable to be rejected.
- (e) Applicants are advised to provide information as to their savings/current account number and the name of the Bank with whom such account is held in the CAF to enable the Registrar to print the said details in the Refund Orders, if any, after the names of the payees. Application not containing such details is liable to be rejected.
- (f) The payment against the application should not be effected in cash if the amount to be paid is Rs 20,000/- or more. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded within the stipulated time period and no interest will be paid thereon. Payment against the application if made in cash, subject to conditions as mentioned above, should be made only to the Bankers to the Issue.



- (g) Signatures should be either in English or Hindi or in any other language specified in the 8th Schedule of the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with the Company.
- (h) In case of an application under Power of Attorney or by a body corporate or by a society, a certified true copy of the relevant Power of Attorney or relevant resolution or authority to make investment and sign the application along with a copy of the Memorandum & Articles of Association and / or bye laws must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closure Date, then the application is liable to be rejected.
- (i) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Company. Further, in case of joint applicants who are renounees the number of applicants should not exceed three. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.
- (j) Application(s) received from Non-Residents / NRIs, or persons of Indian origin residing abroad for allotment of Equity Shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of Equity Shares, subsequent issue and allotment of Equity Shares, interest, export of Equity Share certificates, et c. In case a Non-Resident or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.
- (k) All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole applicant Equity Shareholder, folio numbers and CAF number. Please note that any intimation for change of address of Equity Shareholders, after the date of allotment, should be sent to the Registrar and Transfer Agents of the Company (i.e. Cameo Corporate Services Ltd.) in the case of equity shares held in physical form and to the respective DP, in case of equity shares held in dematerialized form.
- (l) Split forms cannot be re-split.
- (m) Only the person or persons to whom Equity Shares have been offered and not renounee(s) shall be entitled to obtain split forms.
- (n) Applicants must write their CAF number at the back of the cheque / demand draft.
- (o) Only one mode of payment per application should be used. The payment must be either in cash or by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the Centre indicated on the reverse of the CAF where the application is to be submitted.
- (p) A separate cheque / draft must accompany each CAF. Outstation cheques / demand drafts or post-dated cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected. The Registrar will not accept payment against application if made in cash. (For payment against application in cash please refer point (f) above)
- (q) No receipt will be issued for application money received. The Bankers to the Issue / Collecting Bank/ Registrar will acknowledge receipt of the same by stamping and returning the acknowledgement slip at the bottom of the CAF.
- (r) An applicant which is a mutual fund can make a separate application in respect of each scheme of the fund and such applications shall not be treated as multiple applications. The application made by the asset management company or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which application is being made.

Payment instructions

Resident Shareholders

All cheques / drafts accompanying the CAF should be crossed "A/c Payee only" and marked "GV-Films Limited -Rights issue" Applicants residing at places other than places where the bank collection centers have been opened by the Company for collecting applications, are requested to send their applications together with Demand Draft(net of demand draft and postal charges)for the full application amount favouring the Bankers to the Issue, crossed "A/c Payee only" and marked "GV Films Limited Rights issue" payable at Chennai directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. The Company or the Registrar will not be responsible for postal delays or loss of applications in transit, if any.

Non-Resident Equity Shareholders/ Applicants

As regards the application by non-resident Equity Shareholders, the following further conditions shall apply:

Payment by Non-Residents must be made by demand draft / cheque payable at Mumbai (net of demand draft charges and postal charges) or funds remitted from abroad in any of the following ways:

1. Application with repatriation benefits.

- a) By Indian Rupee drafts purchased from abroad and payable at Mumbai or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
- b) By cheque / draft on a Non-Resident External Account (NRE) or FCNR Account maintained in Mumbai; or
- c) By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable at Mumbai; or
- d) FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.

2. Application without repatriation benefits

As far as non-residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in Mumbai or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Mumbai. In such cases, the allotment of Equity Shares will be on non-repatriation basis.

All cheques/drafts submitted by non-residents should be marked "GV-Films Limited- Rights issue NR" payable at Mumbai/ Chennai and must be crossed "A/c Payee only" for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

Applicants may note that where payment is made by drafts purchased from NRE/ FCNR/ NRO accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR/ NRO account should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.

Note:

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.
- In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on the aforesaid Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case application received from Non-Residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.

Disposal of application and application money

No separate acknowledgment will be issued for the application moneys received by the Company. However, the Bankers to the Issue / Registrar to the Issue receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF.

In case an application is rejected in full, the whole of the application money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on Equity Shares allotted, will be refunded to the applicant within six weeks from the close of the Issue.

3. Fictitious Applications

Attention of the applicants is specifically drawn to the provisions of sub -section (1) of section 68 A of the Companies act, 1956, which is reproduced below:

"Any persons who:

- a) **Makes in a fictitious name, an application to a Company for acquiring or subscription for, any shares therein, or**
- b) **Otherwise induces a company to allot, or register any transfer therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five Years**

4. Basis of Allotment

Subject to provisions contained in this Letter of Offer, the Articles of Association and approval of the Designated Stock Exchange, the Board will proceed to allot the Equity Shares in the following order of priority:

- (a) Full allotment to those Equity Shareholders who have applied for their rights entitlement either in full or in part and also to the renouncee(s) who has/ have applied for Equity Shares renounced in their favour, in full or in part.



- (b) Allotment to the Equity Shareholders who having applied for all the Equity Shares offered to them as rights and have also applied for additional Equity Shares. The allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an under-subscribed portion after making full allotment in (a) above. The allotment of such Equity Shares will be at the sole discretion of the Board/Committee of Directors in consultation with the Designated Stock Exchange, as a part of the rights Issue and not preferential allotment.
- (c) Allotment to the renouncee who having applied for the Equity Shares renounced in their favour have also applied for additional Equity Shares, provided there is an under-subscribed portion after making full allotment in (a) and (b) above. The allotment of such additional Equity Shares will be made on a proportionate basis at the sole discretion of the Board/Committee of Directors but in consultation with the Designated Stock Exchange, as a part of the rights Issue and not preferential allotment.
- (d) An oversubscription to the extent of 10% of the net offer to the public can be retained for the purpose of rounding off to the nearest multiple of 10 while finalizing the allotment.
- (e) The Issue will become under subscribed after considering the number of Equity Shares applied as per entitlement plus additional Equity Shares. The promoters or any other person shall subscribe to such under subscribed portion as per the relevant provisions of the law. If any person presently in control of the Company desires to subscribe to such under subscribed portion and if disclosure is made pursuant to SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, such allotment of the under subscribed portion will be governed by the provisions of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.
- (f) After taking into account the allotments made under 1(a), 1(b) and 1(c) above, if there is still any under subscription, the unsubscribed portion shall be disposed off by the Board or Committee of Directors authorized in this behalf by the Board upon such terms and conditions, through such securities (Equity Shares) and to such person/persons and in such manner as the Board / Committee of Directors may in its absolute discretion deem fit, as part of the rights issue and not preferential allotment.

Allotment to the Promoters of any unsubscribed portion, over and above their entitlement shall be done in compliance with Clause 40A of the Listing Agreement.

Allotment / Refund

The Company will issue and dispatch letters of allotment/ securities certificates and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any within a period of six weeks from the Date of Closure of the Issue. If such money is not repaid within 8 days from the day the Company becomes liable to pay it, the Company shall pay that money with interest as stipulated under Section 73 of the Act.

Letters of allotment/ securities certificates/ refund orders above the value of Rs1,500 will be dispatched by Registered Post/ to the sole/ first applicant's registered address. However, refund orders for value not exceeding Rs1,500/- shall be sent to the applicants under Postal Certificate. Such cheques or pay orders will be payable at par at all the centres where the applications were originally accepted and will be marked "A/c Payee" and would be drawn in the name of the sole/ first applicant. Adequate funds would be made available to the Registrar to the Issue for the dispatch of Letters of allotment/ securities certificates and refund orders.

In case the Company issues Letters of Allotment, the corresponding Security Certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Company Law Board under Section 113 of the Companies Act, 1956 or other applicable provisions, if any. Allottees are requested to preserve such Letters of Allotment, which would be exchanged later for the Share Certificates.

As regards allotment/ refund to Non-Residents, the following further conditions shall apply

In case of Non-Residents, who remit their application monies from funds held in NRE/ FCNR accounts, refunds and/ or payment of interest/ dividend and other disbursement, if any, shall be credited to such accounts, details of which should be furnished in the CAF.

In case of non residents, who remit their application monies through Indian Rupee draft purchased from abroad, refund and/ or payment of dividend/ interest and any other disbursement, shall be credited to such accounts (details of which should be furnished in the CAF) and will be made net of bank charges/ commission in US Dollars, at the rate of exchange prevailing at such time. The Company will not be responsible for any loss on account of exchange fluctuations for converting the Indian Rupee amount into US Dollars. The Equity Share certificate(s) will be sent by registered post at the Indian address of the non-resident applicant.

Letters of Allotment / Equity Share certificates

Letter(s) of Allotment/ Equity Share certificates or Letters of Regret will be dispatched to the registered address of the first named applicant or respective beneficiary accounts will be credited within six weeks, from the date of closure of the subscription list. In case the Company issues Letters of Allotment, the relative Equity Share certificates will be dispatched within three months from the date of allotment. Allottees are requested to preserve such Letters of allotment (if any) to be exchanged later for Equity Share certificates.

Export of Letters of Allotment (if any)/ Equity Share certificates to non-resident allottees will be subject to the approval of RBI.

Undertaking by the Company

The Company undertakes as follows:

That the complaints received in respect of this issue shall be attended to expeditiously and satisfactorily;

That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;

That the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the issue;

That the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within the specified time; and

That no further issue of Equity Shares shall be made till the Equity shares issued through this Letter of Offer are listed or until the application monies are refunded on account of non-listing, under-subscription etc.

Utilisation of issue proceeds

The Board of Directors of the Company certify that:

All monies received out of the fresh issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;

Details of all monies utilised out of fresh issue referred to above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised; and

Details of all unutilized monies out of the fresh issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The Company shall not have recourse to the Issue proceeds until approval for trading of Equity shares from all the stock exchanges where listing is sought is received.

Pending utilisation of net proceeds of the fresh issue as specified under the section "Objects of the Issue", the net proceeds will be invested by the Company in high quality interest bearing liquid instruments including but not limited to deposits with banks for the necessary duration.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the industrial policy of Govt. of India or the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of the Govt. of India (FIPB) and the RBI. Under the present regulations, the maximum permissible FII investment in our Company is restricted to 24% of our total issued capital. This can be raised to 100% by adoption of a Board resolution and special resolution by our shareholders; however, as of the date hereof, no such resolution has been recommended to Board or our shareholders for adoption.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public issue without prior RBI approval, so long as the price of Equity shares to be issued is not less than the price at which Equity shares are issued to residents.

The transfer of Equity shares of NRIs, FIIs, Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial institutions shall be subject to the conditions as may be prescribed by the Government of India or RBI while granting such approvals.



I. MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF OUR COMPANY

Pursuant to schedule II of the companies act an the SEBI guidelines, the main provisions of the AOA relating to voting rights, dividend, lien, forfeiture, restriction on transfer and transmission of equity shares or debentures and./ or on their consolidation/ splitting as detailed below.

Please note that each provision herein below is numbered as per the corresponding article number in AOA and the definition in this section if any are in accordance with our AOA.

SHARE CAPITAL, INCREASE IN AND REDUCTION OF CAPITAL

The Authorised Capital of G V Films Limited is Rs 100 Crores divided into 100,00,00,000 Equity Shares of Re 1/- each.

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines , the main provisions of the Articles of Association of the Company are detailed below :

3. Subject to the provisions of the Act and these Articles the shares in the capital of the company for the time being (including any shares forming part of any increased capital of the company) shall be under the control of the Board who may allot the same or any of them, to such persons in such proportion and on such terms and conditions and either at a premium or at par or at a discount (subject to compliance with the provisions of the Act) and at such times as they may from time to time think fit and proper and with the sanction of the company in general meeting by a special resolution give to any person the option to call or be allotted shares of any class of the company either at par or at a premium or, subject as aforesaid, at a discount, such option being exercisable at such times and for such consideration as the Board thinks fit unless the company in general meeting by a special resolution otherwise decides. Any offer of further shares shall be deemed to include a right, exercisable by the person to whom the shares are offered, to renounce the shares offered to him in favour of any other person.

PROVIDED that an option or right to call shares shall not be issued to any person (s) except with the sanction of the company in General Meeting.

Share Certificates

6. Every person whose name is entered as a member in the Register shall be entitled to receive share certificate/s without payment. Share Certificates shall be issued in marketable lots. Where the share certificates are issued either for more or less than the marketable lots, sub division./consolidation into marketable lots shall be done free of charge.
7. The company shall, within three months after the allotment and within one month after application for registration of the transfer of any shares or debentures, complete and have ready for delivery, the share certificates for all the share and debentures so allotted or transferred unless the condition of issue of the said shares otherwise provide.
8. Every share certificate shall be under the seal of the Company and shall specify the shares to which it relates and the amount paid up thereon.

Duplicate Certificates

12. If a share certificate is worn out, old, decrepit, defaced, destroyed or lost or if there is no further space on the back thereof for endorsement of transfer, it shall, if requested, be replaced by a new certificate without any fee provided however that such new certificate shall not be given except upon delivery of the worn out, old, decrepit, or defaced or used up certificate for the purpose of cancellation, or upon proof of destruction or loss, on such terms as to evidence, advertisement and indemnity and the payment of out-of-pocket expenses as the Board may require in the case of the certificate having been destroyed or lost. Any renewed certificate shall be marked as such in accordance with the companies (Issue of Share Certificate) Rules, 1960 or any modification thereof for the time being in force.

No fee shall be charged for the issue of duplicate share certificate in replacement of those that are old, decrepit, worn out or where the space on the reverse has been completely exhausted.

Share Capital / Reduction of share capital

16. The Company may from time to time by special resolution, subject to confirmation by the court and subject to the provisions of section 100 to 104 of the Act, reduce its share capital in any way and in particular without prejudice to the generality of the foregoing by
 - (a) extinguishing or reducing the liability on any of its shares in respect of share capital not paid up; or
 - (b) either with or without extinguishing or reducing liability on any of its shares, cancel any paid up share capital which is lost or unrepresented by available assets; or
 - (c) either with or without extinguishing or reducing liability on any of its shares pay off any paid up share capital which is in excess of the wants of the company.

Capital may be paid off upon the footing that it may be called up again or otherwise and paid up capital may be cancelled as aforesaid without reducing the nominal amount of shares by the like amount to the extent that the unpaid and callable capital shall be increased by the like amount and may, if and so far as necessary, alter its Memorandum by reducing the amount of its share capital and of its shares accordingly.

17. Subject to the provisions of Section 91 of the Act, the Board of Directors may from time to time make such calls as they think fit upon the members in respect of all moneys unpaid on the shares held by them respectively and not by the conditions of allotment thereof made payable at fixed time and the member shall pay the amount of every call so made on him to the persons and at the same time and place appointed by the Board of Directors.
18. A call shall be deemed to have been made at the time when the resolution of the Directors authorizing such call was passed. The Board of Directors making a call may by resolution determine that the call shall be deemed to be made on a date subsequent to the date of the resolution and in the absence of such a provision a call shall be deemed to have been made on the same date as that of the resolution of the Board making such calls.
19. Not less than 30 days notice of any call shall be given specifying the time and place of payment provided that before the time for payment of such calls the directors may, by notice in writing to the members, extend the time for payment thereof.
20. If the sum payable in respect of any call or instalment be not paid on or before the day appointed for payment thereof the holder for the time being of the share in respect of which the call shall have been made or the instalment shall be due, shall pay interest for the same at the rate of twelve percent per annum from the day appointed for the payment thereof to the time of actual payment or at such lower rate as the Directors may determine. The Board of directors shall also be at liberty to waive payment of that interest wholly or in part.
21. The Board of Directors may, if they think fit, receive from any member, willing to advance, all or any part of the moneys uncalled and unpaid upon any shares held by him and upon all or any part of the moneys so advanced may (until the same would, but for such advance, become presently payable) pay interest at such rate as the Board may decide but shall not in respect of such advances confer a right to the dividend or participate in profits.

Lien

24. The Company shall have a first and paramount lien upon all the shares (other than fully paid up shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect, and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Company's lien if any on such shares. The directors may at any time declare any share wholly or in part to be exempt from the provisions of this clause.

Forfeiture

25. Neither receipt by the company of a portion of any money shall from time to time be due from any member to the company in respect of his shares, either by way of principal or interest nor any indulgence granted by the company in respect of the payment of such money, shall preclude the company from thereafter proceeding to enforce a forfeiture of such shares as provided.

TRANSFER AND TRANSMISSION:

27. The Instrument of transfer of any shares in the Company shall be executed by the transferor and transferee. The Transferor shall be deemed to remain a holder of the shares until the name of the Transferee is entered in the Register of Members in respect thereof.
28. The Board may, at their absolute discretion and without assigning any reasons, decline to register
 - 1) The transfer of any shares whether fully paid or not to a persons of whom they do not approve or
 - 2) any transfer or transmission of shares on which the Company has a lien.PROVIDED THAT registration of any transfer shall not be refused on the ground of the transferor being alone or jointly with any other persons indebted to the company on any account whatsoever except a lien on the shares.
29. If the Board refuses to register any transfer or transmission of shares they shall within two month from the date on which the instrument of transfer or the intimation of such transmission was delivered to the Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission as the case may be.
30. In case of refusal by the Board to register the transfer or transmission, the decision of the Board shall be subject to the right of appeal.
31. The Board, at their discretion , may decline to recognize or accept instrument of transfer of share unless the instrument of transfer is in respect of one class of share.
32. **No fees shall be charged for registration of transfer, transmission probate, succession Certificate and letters of administration, Certificates of death or Marriage, Power of Attorney or similar other document.**

TRANSMISSION OF SHARES

33. **In the event of death of any one or more of several of several Joint holders, the survivor or survivors, alone shall be entitled to be recognized as having title to the shares.**



34. In the event of death of any one holder or of death of last surviving holder, the executors or administrators of such holder or other persons legally entitled to the share of the deceased.

PROVIDED that on production of such evidence as to title and on such indemnity or other terms as the Board may deem fits sufficient, any persons may be recognized as having title to the shares as heir or legal representative of the deceased shareholder.

PROVIDED further that if the deceased shareholder was a member of Hindu Joint Family, the Board on being satisfied to that effect and on being satisfied that the shares standing in his name in fact belonged to the Joint family, may recognize the survivors or the Karta thereof as having title to the shares registered in the name of such member.

PROVIDED further that if the deceased shareholder was a member of Hindu Joint Family, the Board on being satisfied that the shares standing in his name in fact belonged to the Joint Family, may recognize the survivors or the Karta thereof as having title to the shares registered in the name of such member.

36. If the person so becoming entitled shall elect to be registered as holder of the shares himself, he shall deliver or send to the company a notice in writing signed by him stating that he so elects/

If the person aforesaid, shall elect to transfer the shares, he shall testify his election by executing a transfer of the share.

All the limitations, restrictions, and provisions of these regulations relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice of transfer as aforesaid as if the death or insolvency of the member had not occurred and the notice of transfer had been signed by that member.

General Meetings

44. The Board may whenever it thinks fit, call an Extra-ordinary General Meeting and it shall on the requisition of the members in accordance with Section 169 of the Act proceed to call an extra-ordinary general meeting.

45. If at any time there are not, within India, Directors capable of acting who are sufficient in number to form a quorum, any Director or any two members of the company may, call a General Meeting in the same manner as nearly as possible, as that on which such a meeting may be called by the Board. The requisitionists may be in default of the Board convening the same, convene an extra-ordinary General Meeting as provided by Section 169 of the Act.

Borrowing Powers

71. The Directors may from time to time at their discretion exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock and other securities whether outright or as security for any debts, liability or obligation of the Company.

72. Subject to the provision of Section 292 of the Act, the Board may from time to time at its discretion by a resolution passed at a meeting of the Board, accept deposits from members either in advance of call or otherwise and generally raise or secure the payment of any sum or sums of money for the purpose of the Company. Provided however where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loan obtained from the Company's bankers in the ordinary course of business), exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose), the Company shall obtain the consent of the Company in General Meeting.

Provided that moneys paid in advance of calls shall not in respect thereof confer a right to dividend or to participate in the profits of the Company.

73. Subject to the provisions of Articles 74 and 75 the payment or repayment of moneys borrowed as special resolution shall prescribe including by the issue of debentures or debenture stock of the Company, charge upon all or any part of the property of the Company (both present and future) including its uncalled capital for the time being and debentures, debenture-stock and other securities may be made assignable from any equities between the company and the person to whom the same may be issued.

74. Any debenture, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares and attending (but not voting) at General Meeting, appointment of directors and otherwise, Debentures, Debenture-stocks, Loan/loans with the right to conversion into or allotment of shares be issued only with the consent of the company in General Meeting accorded by a special resolution.

Capitalisation of Profits

75. The company in General Meeting upon the recommendation of the Board of Directors may resolve that it is desirable to capitalize any part of the amount for time being standing to the credit of any of the company's reserve account or to the credit of the profit and loss account or otherwise available for distribution and that such sum be accordingly set free for distribution and that such sum be accordingly set free for distribution in the manner specified in Article 79 amongst the members who have been entitled thereof if distributed by way of dividend and in the same proportion.

76. The sum aforesaid shall not be paid in cash but shall be applied either in or towards:

- (a) paying up any amount for the time being unpaid on any shares held by such members respectively.
- (b) paying up in full, un-issued shares of the Company to be allotted and distributed, credited as fully paid up to and amongst such members in the proportion aforesaid; or
- (c) Partly in the way specified in clause(a) and partly in the way specified in clause (b).

Dividends

The Company in general meeting may declare dividend, dividends, but no dividend shall exceed the amount recommended by the board.

The Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the company.

The Board may before recommending any dividend, set aside out of the profits of the company such sums as it thinks proper as a reserve or reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the company be properly applied including provision for may at the like discretion either be employed in the business of the company or be invested in such investments (other than shares of the company) as the Board may from time to time think fit.

The Board may also carry forward any profits which it may think prudent not to divide without setting them aside as a reserve. Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect thereof the dividend is paid but if and so long as nothing is paid upon any of the shares in the company, dividends may be declared and paid according to the amounts of the shares.

No amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of this regulation as paid on the share.

All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

The Board may deduct from any dividend payable to any member all sums of money if any presently payable by him to the company on account of calls or otherwise in relation to the shares of the company.

Any dividend interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or in the case of joint holders to the registered address of that one of the joint holders who is first named on the register of members or to such person and to such address as the holder or joint holders may in writing direct.

Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

Any one of two or more joint holders of a share may give effectual receipts for any dividends, bonuses or other moneys payable in respect of such share.

Notice of any dividend that may have been declared shall be given to the persons entitled to share therein the manner mentioned in the Act.

No dividend shall bear interest against the company.

Alteration of capital

The company may from to time by ordinary resolution increase the share capital by such sum to be divided into shares of such amount as may be specified in the resolution.

The Company may by ordinary resolution -

Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

Sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the memorandum, subject nevertheless to the provisions of clause (d) of sub-section (1) of section 94.

Cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person.

The Company may by special resolution reduce in any manner and with and subject to any incident authorised and consent required by law

Its share capital;

Any capital redemption reserve account; or

Any share premium account.

Article" in respect of 'Voting Rights' of the shareholders, Table "A" under the "Articles of Associations of the Issuer Company

"Subject to any rights or restrictions for the time being attached to any or class of shares

(a) on a show of hands, every member present in person shall have one vote; and

(b) on a poll, the voting rights of members shall be as laid down in section 87.

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

For this purpose, seniority shall be determined by the order in which the names stand in the register of members.

No member shall be entitled to vote any general meeting unless all calls or other sums presently payable by him in respect of shares in the company have been paid."



J. LIST OF MATERIAL CONTRACTS & DOCUMENTS FOR INSPECTION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company), which are or may be deemed material have been entered or are to be entered into by the Company. Copies of these contracts and also the documents referred to hereunder, will be delivered to The stock Exchange, Mumbai (Designated Stock Exchange). These documents may be inspected at the Registered Office of the company at No.4, Seshadri Road, Alwarpet, Chennai-600 018 from 11:00 am to 2:00 pm on all working days, from the date of this Letter of Offer until the date of closure of the Subscription List.

Material contracts

1. Memorandum of Understanding entered into between the Company and Vivro Financial Services Private Limited, Lead Manager to the Issue, dated 12th April, 2005
2. Supplemental Agreement entered into between the Company and Cameo Corporate Services Limited, Registrar to the Issue dated 20th September 2004
3. Tripartite agreement entered between the Company, Central Depository Services (India) Limited and Cameo Corporate Services Limited dated 20th June 2000
4. Tripartite agreement entered between the Company, National Security Depository Limited and Cameo Corporate Services Limited dated 30th June 2000
5. Agreement with M/s Ravikumar Chitra & Associates dated 02.09.2000 for exclusive internet film webcasting rights for 4000 feature films.
6. Agreement with M/s Kavitha Films International & Associates dated 02.09.2000 for exclusive internet film webcasting rights for 1000 feature films.
7. Agreement with Mr. V. P. Mani dated 04.09.2000 for exclusive internet film webcasting rights of 68 feature films.
8. Agreement with Mr. Y. Ravibabu dated 04.09.2000 for exclusive internet film webcasting rights of 183 feature films.
9. Agreement with Mr. Mahadevan Ganesh dated 23.03.2000 for exclusive internet film webcasting rights of 400 feature films.
10. Memorandum of Understanding with Drushya Entertainment & Broadcast Streams Ltd dated 29th March, 2005 for webcasting of films on a revenue sharing basis.
11. Agreement containing the terms and conditions for appointment of Mr. VP Mani as Director(operations) on 27th of February 2004.and approved by the members at the Annual general meeting held on 9th June 2004.
12. Agreement containing the terms and conditions for appointment of Mr. P Raghuraman as Director(Administration) on 10th of June 2004 and approved by the members at the Extra ordinary general meeting held on 30th December 2004.

Material Documents

1. Memorandum and Articles of Association of the Company
2. Listing agreements or letters in lieu thereof with BSE, MSE and HSE
3. Resolution passed by the Board of Directors in its meeting held on 11th March 2005 authorising the Issue
4. Consents from Directors, Auditors, Bankers to the Issue, Lead Manager to the Issue, Legal Advisor for the Issue and the Registrar to the Issue
5. Letter No. CFD/DIL/AC/ISSUES/42273/2005 dated June 09, 2005 issued by the Securities and Exchange Board of India
6. Annul reports of the Company for the last five years
7. Auditors' Report of the Company dated 16th April, 2005 giving the financial information given in the Letter of Offer.
8. Tax consultant's certificate dated 16th April, 2005 regarding tax benefits
9. Letters of intent for the subscription to rights entitlement and unsubscribed portion, received from the promoters.
10. Application made to the stock exchanges at time of filing of the draft Letter of Offer.
11. In-principle approvals dated 29th April, 2005,16th May, 2005 and 4th May, 2005 from MSE, BSE and HSE for listing the securities offered in this issue.

K. DECLARATION

This is to confirm that all the relevant provisions of the companies act, 1956, and the guidelines issued by the Government have been complied with and no statement made in this of Letter of Offer is contrary to the provisions of the companies act, 1956, and rules made thereunder. All the legal requirements connected with this said offer as also the guidelines, instructions etc., issued by SEBI, the Government and any other competent authority in this behalf have been duly complied with.

Undertaking

We the Directors of G.V. Films Ltd., declare and confirm that no information/material likely to have a bearing on the decision of the investor in respect of the equity shares offered in terms of this Letter of Offer have been suppressed/ withheld and/ or incorporated in a manner that would amount to misstatement /misrepresentation and in the event of it transpiring at any point of time till allotment/refund, as the case may be, that any information / material has been suppressed/ withheld and / or amounts to misstatement/ misrepresentation, we undertake to refund the entire application moneys to all the subscribers within seven days thereafter, without prejudice to the provisions of section 63 of the Act.

Since the date of last financial statement disclosed in this Letter of Offer, there have been no circumstances that materially and adversely affects or is likely to affect the profitability of the company or the value of its assets or its ability to pay off its liabilities within a period of next twelve months.

The Directors and Mr. P. Thirumalai Kumar, (Compliance Officer and Chief Financial Officer) of the Company certify that all disclosures made in the Letter of Offer are true and correct.

Signed by :

Sr. No.	Name	Signature
1	Mr. A. Venkataramani	
2.	Mr. Mahadevan Ganesh	
3.	Mr. P.R. Ramanan	
4.	Mr. VP Mani	
5.	Mr. P Raghuraman	
6	Mr. P. Thirumalai Kumar Chief Financial Officer and Company Secretary	

Place: Chennai

Date: 28th July, 2005

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