

# Annual Report

## 2012-2013



(Formerly known as 7Seas Technologies Ltd.)

INDIAN'S FIRST ISO 9001:2008 Certified Independent Games Development Company.

# **C O N T E N T S**

1	Corporate Information	-
2.	Notice of Annual General Meeting	1
3.	Directors' Report	10
4.	Management's Discussion and Analysis	15
5.	Report on Corporate Governance	17
6.	Auditor's Certificate on Corporate Governance	30
7.	Auditor's Report	31
8.	Annexure to Auditor's Report	33
9.	Balance Sheet	36
10.	Profit and Loss Account	38
11.	Cash Flow Statement	39
12.	Notes to Accounts	40
13.	Statement Pursuant to Section 212	51
14.	Consolidated Auditor's Report	52
15.	Consolidated Balance Sheet	54
16.	Consolidated Profit & Loss Account	56
17.	Consolidated Cash Flow Statement	57
18.	Consolidated Notes to Accounts	58
19.	Proxy Form & Attendance Slip	68

## CORPORATE INFORMATION

**Board of Directors:**

- |                          |                     |
|--------------------------|---------------------|
| 1. Mr. L. Maruti Sanker  | --Managing Director |
| 2. Mr. M. Rama Mohan Rao | --Director          |
| 3. Mr. A.S.R. Murthy     | --Director          |

**Company Secretary:**

Mr. S. Vivek

**Registered Office:**

6-3-1239/2/A, Renuka Enclave  
3<sup>rd</sup> Floor, Kotis Court, Rajbhavan Road  
Somajiguda, Hyderabad-500082  
Ph.Nos.040-30686161/30686162  
Fax: 040-30686163

**Auditors:**

M/s. M M Reddy & Co.  
Chartered Accountants, Hyderabad

**Audit Committee:**

Mr. M. Rama Mohan Rao  
Mr. A.S.R. Murthy  
Mr. L. Maruti Sanker

**Remuneration Committee:**

Mr. M. Rama Mohan Rao  
Mr. A.S.R. Murthy  
Mr. L. Maruti Sanker

**Investor Grievance Committee:**

Mr. M. Rama Mohan Rao  
Mr. A.S.R. Murthy  
Mr. L. Maruti Sanker

**Bankers:**

Indian Overseas Bank  
Rajbhavan Road, Hyderabad – 500082

**Listing/Trading:**

Ahmedabad Stock Exchange Limited  
BSE Limited (Indonext model)

**Registrar & Share Transfer Agents:**

M/s. Venture Capital and Corporate Investments Private Limited  
12-10-167, Bharat Nagar, Hyderabad - 500 018  
Ph.Nos.040-23818475/23818476/23868023  
Fax: 040-23868024

## NOTICE

NOTICE is hereby given that the 22nd Annual General Meeting of the Shareholders of M/s 7SEAS ENTERTAINMENT LIMITED will be held on Saturday, 28.09.2013 at 9.30 a.m. at the registered office of the Company at 6-3-1239/2/A, Renuka Enclave, 3rd Floor, Kotis Court, Rajbhavan Road, Somajiguda, Hyderabad-500082 to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance sheet as on 31st March, 2013 and Profit & Loss A/c and Cash Flow Statement for the year ended on that date, together with all schedules and notes attached thereto, along with the report of Directors and Auditors thereon.
2. To appoint a director in place of Mr. A.S.R. Murthy who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. M M Reddy & Co., Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at remuneration as may be fixed by the Board.

### SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT in terms of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), Memorandum and Articles of Association of the Company, Listing Agreement entered into by the Company with the Ahmedabad Stock Exchange where the Company's shares are listed, and in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as may be applicable to the preferential issue of Equity Shares and other applicable regulations of SEBI, if any, and subject to such conditions and modifications as may be considered appropriate by the Board of Directors of the Company (hereinafter referred to as "the Board" which expression shall include any committee thereof for the time being to which all or any of the powers hereby conferred on the Board by this resolution, have been delegated) and subject to such consents and approvals of SEBI, Stock Exchange, Government of India or such other bodies or authorities as may be required by law and as may be necessary and subject to such conditions and modifications as may be imposed upon and accepted by the Board while granting such consents and approvals, and

which may be agreed to by or any other authority as may be necessary for that purpose, the consent of the members of the Company be and is hereby accorded to the Board to offer, issue and allot in one or more trenches up to 75,000 equity shares of Rs. 10 each at an issue price of Rs. 11/- each which includes a premium of Re. 1 per share and 1,75,000 convertible warrants to the promoter Mr. L. Maruti Sanker, at an issue price of Rs.11 per warrant convertible into equal number of Equity Shares within a period not exceeding 18 months from the date of allotment which includes a premium of Re.1/- per warrant as determined in accordance with the preferential issue guidelines given in chapter VII of SEBI (ICDR) Regulations, 2009 and subsequent amendments thereto:

"RESOLVED FURTHER THAT the pricing of the Equity Shares to be allotted on shall be calculated in accordance with the SEBI's Preferential Issue Guidelines with reference to the 'Relevant Date'. However, the issue price shall in no case be less than the price determined as per the Preferential Issue Guidelines as provided in Chapter VII of SEBI (ICDR) Regulations."

The "relevant date" for the purpose of pricing of the share / resultant share is 29.08.2013 i.e. thirty days prior to the date on which this General Meeting is held in terms of Section 81(1A) of the Companies Act, 1956 (AGM to be held on -28.09.2013).

"RESOLVED THAT the new equity shares and the equity shares issued on conversion of warrants shall rank pari-passu with the existing Equity Shares of the Company in all respects and that the equity shares so allotted during the financial year shall be entitled to the dividend, if any, declared including other corporate benefits, if any, for which the book closure or the Record Date falls subsequent to the allotment of Equity Shares."

"RESOLVED FURTHER THAT the aforesaid warrants allotted in terms of this resolution and the resultant equity shares arising on exercise of right attached to such warrants shall be subject to lock-in requirements as per the provisions of Chapter VII of SEBI ICDR Regulations."

"RESOLVED FURTHER THAT the aforesaid warrants shall be in accordance with the following terms and conditions:

- A warrant by itself shall not give to a warrant holder thereof, any rights of the shareholder of the company.
- In the event, the equity share of the company are either sub-divided or consolidated before the conversion of the warrants into equity shares of the company, then the face value, the number of equity shares to be acquired on conversion of the warrants and the warrant issue price shall automatically stand adjusted in the same proportion, as the present value of the equity shares of the company bears, to the newly sub-

## 7SEAS ENTERTAINMENT LTD.

divided / consolidated equity shares without affection of any right or obligation of the said warrant holders; and

- In the event the company's equity capital is affected or changed due to any other corporate actions such as a merger, demerger, consolidation of business, or other reorganization of the company, tender offer for equity shares of sale of undertaking, necessary adjustments with respect to the terms of the aforesaid warrants shall be made by the company and such other action as may be deemed necessary or appropriate by the Board shall be taken to reflect such corporate actions, including but without limitation, suitable adjustment of the warrant issue price, subject to necessary approvals."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to modify and decide the price, terms and conditions of the Issue of the warrants, if necessary, keeping in view the provisions of various Acts and Guidelines in force from time to time."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to agree and accept all such condition(s), modification(s) and alteration(s) as may be stipulated by any relevant authorities while according approval or consent to the issue as may be considered necessary, proper or expedient and give effect to such modification(s) and to resolve and settle all questions, difficulties or doubts that may arise in this regard to implementation of this Resolution, issue and allotment of warrants and to do all acts, deeds and things in connection therewith and incidental thereto without being required to seek any further consent or approval of the members of the Company to the intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution."

"RESOLVED FURTHER THAT the Company does apply for listing of the new equity shares."

"RESOLVED FURTHER THAT the Company does make an application to the Depositories for admission of the new equity shares."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or any other officer or officers of the Company to give effect to the aforesaid resolutions."

**For and on behalf of the Board  
For 7Seas Entertainment Limited**

**Sd/-**

**L. Maruti Sanker  
Managing Director**

**Place: Hyderabad  
Date: 14.08.2013**

## NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective must be received by the company not less than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will be closed from 25.09.2013 to 28.09.2013 (Both days inclusive).
3. Members are requested to produce the Attendance Slip duly signed as per the Specimen Signature recorded with the Company/Depository Participant for admission to the meeting hall.
4. Members are requested to notify immediately any change in their address to the Share Transfer Agents and in case their shares are held in dematerialized form, this information should be passed on to their respective Depository Participants.
5. A Member desirous of receiving any information on the accounts or operations of the company is requested to forward his/her queries to the company at least 7 working days prior to the meeting, so that the required information can be made available at the meeting.
6. Members desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to send the same to the office of the Registrar and Transfer Agent of the Company.
7. Corporate Members/Trusts are requested to send to the Company's Registrar & Transfer Agent, a duly certified copy of the Board Resolution/ Letter of Authority authorising their representative to attend and vote at the Annual General Meeting.
8. Members holding shares in physical form are requested to notify immediately any change in their address along with address proof, i.e., Electric/Telephone Bill, Driving License or a copy of passport and Bank particulars to the company or its Registrar & Share Transfer Agent and in case their shares are held in dematerialized form, this information should be passed on directly to their respective Depository Participants and not to the company/RTA without delay.

# 7SEAS ENTERTAINMENT LTD.

9. Members, who hold shares in de-materialized form, are requested to bring their Client ID and DP IDs for easier identification of attendance at the meeting.
10. It shall be mandatory for the transferee(s) to furnish copy of PAN Card to the Company/RTAs for registration of transfer of shares for securities market transactions and off market/private transaction involving transfer of shares in physical form of listed companies.
11. As a measure of austerity, copies of the annual report will not be distributed at the Annual General Meeting. Members are therefore, requested to bring their copies of the Annual Report to the Meeting.
12. Members holding shares in the same name under different ledger folios are requested to apply for Consolidation of such folios and send the relevant share certificates to M/s. Venture Capital & Corporate Investments Pvt. Ltd. Share Transfer Agents of the Company for their doing the needful.
13. As part of Green Initiative in Corporate Governance the Ministry of Corporate Affairs (MCA), Government of India vide its Circular has allowed paperless compliances by Companies inter-alia stating that if the Company sends official documents to their shareholders electronically, it will be in compliance with the provisions of Section 53 of the Companies Act, 1956. Keeping in view shareholders are requested to update their E-Mail ID with their DP.

**For and on behalf of the Board  
For 7Seas Entertainment Limited**

**Place: Hyderabad  
Date: 14.08.2013**

**Sd/-  
L. Maruti Sanker  
Managing Director**



## EXPLANATORY STATEMENT

(Pursuant To Section 173(2) of the Companies Act, 1956)

### Item No. 4:

#### **Issuance of equity shares and convertible warrants on preferential basis:**

The special resolution as mentioned above proposes to authorise the Board of directors to issue to the promoter up to 75,000 equity shares at an issue price of Rs.11 each and 1,75,000 convertible warrants at an issue price of Rs. 11/- each convertible into equal number of equity shares of Rs.10 each with a premium of Re. 1/- each.

Information pertaining to the proposed preferential allotment in terms of the Chapter VII of SEBI (ICDR) Regulations and subsequent amendments there to as set out as below:

(1) Objects of the issue through preferential offer:

The purpose of the issue of equity shares and convertible warrants is to aid the Company to raise the funds to meet ever increasing working capital requirements as a part of scaling up operations and other general corporate purposes.

(2) Pricing of the issue and Relevant Date:

The “relevant date” for the above purpose means the date thirty days prior to the date of AGM in terms of Section 81(1A) of the Act as the date of AGM is 28.09.2013, the “relevant date” is 29.08.2013.

The above said warrants on conversion shall rank pari-passu in all respects with, and carry the same rights including dividend as the existing equity shares.

The issue price of shares and convertible warrants is calculated and fixed in the manner specified for pricing of shares, as per the SEBI's (ICDR)/Preferential Issue Guidelines. For this purpose, the price quotations on BSE Limited are considered.

(3) The proposal of the promoters, directors or key managerial personnel of the issuer to subscribe to the offer:

The proposed allottee i.e., Mr. L. Maruti Sanker for 75,000 equity shares and 1,75,000 convertible warrants belong to promoters category.

Accordingly the promoters propose to subscribe for the above said equity shares and convertible warrants.

# 7SEAS ENTERTAINMENT LTD.

The Company is interested in expanding the business activities and meeting working capital requirement. Hence the requirement of securities on preferential basis is necessitated.

- (4) Identity of the proposed allottee and percentage of pre and post preferential issue capital that may be held by them:

	Name of the proposed allottee	Pre issue holding		Shares and Warrants proposed to be allotted	Post issue holding	
		Shares	% of Shares		Shares	% of Shares
	<b>PROMOTERS GROUP</b>					
	L. Maruti Sanker	1440500	20.47	250000 (75000 shares and 175000 warrants)	1690500*	23.20
	<b>TOTAL</b>	<b>1440500</b>	<b>20.47</b>	<b>250000</b>	<b>1690500</b>	<b>23.20</b>

\* Assuming that all warrants are converted into equity shares

- (5) **Shareholding Pattern before and after preferential issue of the capital would be as follows:**

Sl. No.	CATEGORY	Pre issue holding details		Share and warrants proposed to be allotted	Post issue holding details	
		No. of shares	% of shares		No. of shares	% of shares
<b>A</b>	<b>Promoter Share Holding</b>					
1.	Indian Promoters	3404764	48.39	250000 (75000 Equity shares and 175000 warrants)	3654764*	50.16
2.	Foreign Promoters	-	-	-	-	-
	<b>Sub-Total (A)</b>	<b>3404764</b>	<b>48.39</b>		<b>3654764</b>	<b>50.16</b>
<b>B</b>	<b>Public Share Holding</b>					
1	Institutions	-	-	-	-	-
2	Non-Institutions	-	-	-	-	-
A	Bodies Corporate	106347	1.51	-	106347	1.46
B	Individuals	3463341	49.22	-	3463341	47.54
C	NRIs	50507	0.72	-	50507	0.69
D	Others (Clearing Member)	10941	0.16	-	10941	0.15
	<b>Sub-Total (B)</b>	<b>3631136</b>	<b>51.61</b>		<b>3631136</b>	<b>49.84</b>
	<b>Grand Total (A+B)</b>	<b>7035900</b>	<b>100</b>	<b>250000</b>	<b>7285900</b>	<b>100</b>

\* Assuming that all warrants are converted into equity shares

## **(6) Proposed time within which the allotment shall be completed:**

The allotment of equity shares / convertible warrants shall be completed, within a period of 15 days from the date of passing of the resolution by the shareholders provided, that where the allotment is pending on account of pendency of any approval from any regulatory authority or the Central Government, the allotment shall be completed by the Company within a period of 15 days from the date of such approvals.

An amount, as may be decided by the Board of Directors, not being less than 25% of the issue price shall be payable on the date of allotment of the warrants. The warrants would be allotted on the following terms:

- a. The holder of warrants will have an option to apply for and be allotted 1 (one) equity share of the Company per warrant, any time after the date of allotment but on or before the expiry of 18 months from the date of allotment in one or more trenches.
- b. Upon receipt of the payment as above, the Board shall allot one equity share per Warrant by appropriating Rs.10/- towards equity share capital and the balance amount paid against each warrant, towards the securities premium.
- c. If the entitlement against the warrants to apply for the equity share is not exercised within the period specified, the entitlement of the warrant holder to apply for equity shares of the Company along with the rights attached thereto shall expire and any amount paid on such warrants shall stand forfeited.
- d. The warrant holder shall also be entitled to any future bonus/rights issue(s) of equity shares or other securities convertible into equity shares by the Company, in the same proportion and manner as any other shareholders of the Company for the time being.
- e. The warrants by itself do not give to the holder thereof any rights of the shareholders of the Company.

## **(7) Approvals:**

The Company is taking necessary steps to obtain the required approvals from the Stock Exchanges, SEBI or any other regulatory agency as may be applicable, for the proposed preferential issue of equity shares.

## **(8) SEBI Takeover code:**

The provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, are not attracted for this issue and therefore proposed allottees are not required to make an open offer and comply with formalities related to an open offer for this preferential allotment except the specific disclosures as may be required by the Guidelines.

## **(9) Holding of shares in the Demat Account, non disposal of shares by the proposed allottees and lock-in period of shares:**

- a. The entire shareholding of the proposed allottee in the company, if any, is held by him in dematerialized form.
- b. The entire pre preferential allotment shareholding of such allottee shall be under lock-in from the relevant date up to a period of six months from the date of preferential allotment.
- c. The shareholders who have sold their shares during the six months period prior to the relevant date shall not be eligible for allotment of shares on preferential basis.

# 7SEAS ENTERTAINMENT LTD.

- d. The convertible warrants or equity shares allotted to the proposed allottee shall be subject to 'lock-in' as per Clause 78 of the SEBI (ICDR) Regulations, 2009.

**(10) Auditor's Certificate:**

M/s M M Reddy & Co., Chartered Accountants has given Auditor's Certificate confirming that the proposed issue of equity shares and/or convertible warrants are in accordance with the SEBI (ICDR) Regulations, which is available for inspection up to the date of the Annual General Meeting at the Registered Office of the Company on any working day and also at the place of the meeting on the meeting day.

**(11) Control:**

As a result of the proposed preferential allotment of equity shares and / convertible warrants, there will be no change in the management / control of the Company.

**(12) Compliances:**

The company has complied with the requirements of listing agreement including clause 40A i.e., maintaining a minimum of 25% of the paid up capital in the hands of public.

**(13) Approval under the Companies Act, 1956:**

Section 81(1A) of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to increase the subscribed capital of a Company by a further issue and allotment of shares, such shares shall be first offered to the existing shareholders of the Company in the manner laid down in the said section, unless the shareholders decide otherwise in general meeting by way of special resolution.

Accordingly, the consent of the shareholders is being sought pursuant to the provisions of section 81(1A) and all other applicable provisions of the Companies Act, 1956, SEBI Guidelines and the provisions of the Listing Agreement with the Stock Exchanges for authorizing the Board to offer, issue and allot equity shares and convertible share warrants as stated in the resolution, which would result in a further issuance of securities of the Company to the promoter on a preferential allotment basis, in such form, manner and upon such terms and conditions as the Board may in its absolute discretion deem fit.

The Board of Directors recommends the passing of this resolution as a Special Resolution as set out in the Notice.

None of the Directors except Mr. L. Maruti Sanker, Managing Director of the company is concerned or interested in the above said resolution.

**For and on behalf of the Board  
For 7Seas Entertainment Limited**

**Place: Hyderabad  
Date: 14.08.2013**

**Sd/-  
L. Maruti Sanker  
Managing Director**

## DIRECTORS' REPORT

To  
The Members

We have pleasure in presenting the 22nd Annual Report with Audited Statements of Accounts for the year ended 31st March 2013.

### FINANCIAL RESULTS:

(Rupees in Lakhs)

On Standalone Basis:

Particulars	2012-13	2011-12
Income	1073.65	1696.30
Expenditure	1057.39	1246.25
Profit for the year	4.16	299.18
Add: Profit brought forward	667.20	395.81
Profit / (Loss) carried to Balance Sheet	671.37	667.20

On Consolidated Basis:

Particulars	2012-13	2011-12
Income	1250.24	2309.09
Expenditure	1255.60	1837.86
Profit for the year	(17.46)	316.98
Add: Profit brought forward	691.43	402.24
Profit / (Loss) carried to Balance Sheet	673.97	691.43

### PERFORMANCE REVIEW :

During the financial year 2012-13, the global economic environment was on a slow growth path. There were signs of faster growth in certain geographies, primarily in the emerging markets. The prevailing uncertainties were challenging, which called for much higher level of efficiency and preparedness for participants in the market.

The Company on standalone basis has recorded a turnover of Rs. 1073.65 Lakhs and the profit of Rs. 4.16 Lakhs in the current year against the turnover of Rs. 1696.30 lakhs and profit of Rs. 299.18 Lakhs in the previous financial year ending 31.03.2012.

The Company has been continuously working on quality up gradation and austerity measures for achieving efficient running of the organization.

**DIVIDEND :**

Keeping the Company's expansion and growth plans in mind, your Directors have decided not to recommend dividend for the year.

**PUBLIC DEPOSITS :**

Your Company has not accepted any deposits falling within the meaning of Sec.58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, during the financial year under review.

**LISTING :**

The equity shares of your company are listed on The Ahmedabad Stock Exchange and are being traded on IndoNext Model of BSE Limited.

**ALLOTMENT OF EQUITY SHARES :**

In the month of April, 2013, the Company has converted 5,50,000 convertible warrants into 5,50,000 equity shares of Rs. 10 /- each with the premium of Rs. 35/- per share. With this the paid up capital of the Company stands at Rs. 7,03,59,000 divided into 70,35,900 equity shares of Rs. 10/- each.

**SUBSIDIARY COMPANY :**

Company is in process to close its subsidiary M/s Fortune 7Inc, USA due to reduced business volume and unviable business opportunities for M/s. Fortune 7Inc, U.S.A 100% subsidiary of the Company, after taking appropriate approvals.

**MANAGEMENT DISCUSSION AND ANALYSIS :**

A detailed review of operations, performance and future outlook of your Company and its businesses is given in the Management Discussion and Analysis, which forms part of this Report as Annexure.

**INSURANCE :**

The company's assets have been adequately insured against major risks.

**DIRECTORS :**

In accordance with the Companies Act, 1956 read with Articles of Association of the company, the Director namely Mr. A.S.R. Murthy retires by rotation and is eligible for re-appointment. Your Board recommends the re appointment of the Director above in the best interests of the company.

During the year the director namely Mr. D.V.S. Prasad resigned from the Board w.e.f. 28.09.2012. The Board placed on record its sincere appreciation for the valuable services rendered by him during his tenure as director of the company.

**BRIEF PROFILE OF MR. A.S.R.MURTHY :**

Particulars	Mr. A.S.R. Murthy
Date of Birth	22.11.1968
Date of Appointment	23.07.2011
Qualifications	Graduate
No. of Shares held in the Company	Nil
Directorships held in other companies (excluding private limited and foreign companies)	Nil
Positions held in mandatory committees of other companies	Nil

**DIRECTORS' RESPONSIBILITY STATEMENT:**

In pursuance of Section 217(2AA) of the Companies Amendment Act, 2000 your directors confirm:

- (I) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at the end of the financial year 31.03.2013 and of the profits of the company for that period;
- (iii) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) that they have prepared the annual accounts on a going concern basis.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The required information as per Sec.217 (1) (e) of the Companies Act 1956 is provided hereunder:

## **A. Conservation of Energy :**

Your Company's operations are not energy intensive. Adequate measures have been taken to conserve energy wherever possible by using energy efficient computers and purchase of energy efficient equipment.

## **B. Technology Absorption:**

- |   |   |     |
|---|---|-----|
| 1. Research and Development (R&D)                 | : | NIL |
| 2. Technology absorption, adoption and innovation | : | NIL |

## **C. Foreign Exchange Earnings and Out Go:**

Foreign Exchange Earnings	:	Rs.881.85 lacs
Foreign Exchange Outgo	:	NIL

## **PARTICULARS OF EMPLOYEES :**

There is no employee who is falling under section 217 (2A). Therefore, the disclosures required to be made under section 217 (2A) of the Companies Act, 1956 and the rules made there under are not applicable.

## **CODE OF CONDUCT :**

The Code of Conduct has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. Code of Conduct has also been placed on the website of the company. A declaration signed by the Managing Director is given in Annexure.

## **AUDITORS :**

Your directors propose the appointment of M/s. M M Reddy & Co. as statutory auditors to hold office until the conclusion of the next Annual General Meeting of the company.

## **CORPORATE GOVERNANCE :**

As a listed company, necessary measures have been taken to comply with the listing agreements of Stock Exchanges. A report on Corporate Governance, along with a certificate of compliance from the Auditors forms part of this Report as Annexure.



## **ACKNOWLEDGEMENTS :**

Your directors would like to express their grateful appreciation for assistance and co-operation received from clients, banks, investors, Government, other statutory authorities and all others associated with the company. Your directors also wish to place on record their deep sense of appreciation for the excellent contribution made by the employees at all levels, which enabled the company to achieve sustained growth in the operational performance during the year under review.

## **DECLARATION BY MANAGING DIRECTOR OF AFFIRMATION BY DIRECTORS AND SENIOR MANAGEMENT PERSONNEL OF COMPLIANCE WITH THE CODE OF CONDUCT:**

The shareholders

I, L. Maruti Sanker, Managing Director of the Company do hereby declare that the directors and senior management of the Company have exercised their authority and powers and discharged their duties and functions in accordance with the requirements of the code of conduct as prescribed by the company and have adhered to the provisions of the same.

**For and on behalf of the Board  
For 7Seas Entertainment Limited**

**Place: Hyderabad  
Date: 14.08.2013**

**Sd/-  
L. Maruti Sanker  
Managing Director**

## MANAGEMENT DISCUSSION AND ANALYSIS (Forming part of Directors' Report)

7Seas Entertainment Limited is an independent game development Company with a strong focus on developing and publishing IP based games in all genres for all ages.

Having pioneered the developing IP based Games in India, 7Seas is today poised to take on the challenges of global demands. With such capabilities across online, mobile and PC gaming, the Company is bringing the world of gaming to every consumer touch point. 7Seas has a newer Business lines with a very high potential.

### **Business Activities:**

Developing IP based games and providing them to the portals, partners and affiliates through game licensing is the core business focus. 7Seas develops games for online, mobile and PC.

Creating original IP will help the industry move up the value chain and underpin the real value of this segment

### **Fiscal synopsis**

Your Company performance during the previous year was inadequate. However at the same time your company is focusing on new gaming technologies.

2012-13 turnover was 10.73 crores and profit after tax was 0.04 crores when compared with 2011-12 your Company growth rate has declined by 37%. Net profit and EPS were declined the main reason is that the increased cost of operational expenses for developing the new genre games and the global economy experienced a market slowdown in the course and affected all national economies. However the number of subscribers is increasing year on year and the Company has the strong customer base so once the market is recovered your company can absolutely earn big profits.

### **Opportunities and Threats**

Though the overall scenario for the smaller companies is extremely competitive, there are some niche areas where there are some opportunities for growth. The management is exploring these areas to consider entering these areas and develop expertise in such areas.

## **Risks and Concerns**

While venturing into latest business lines, the company would need access to funds. The risk of not being able to raise funds at the timer needed is the biggest risk that the management foresees.

## **Internal Control Systems**

The Company maintains a system of well established policies and procedures for internal control of operations and activities, and these are continually reviewed for effectiveness.

The internal control system is supported by qualified personnel and a continuous program of internal audit. The prime objective of such audits is to test the adequacy and effectiveness of all internal control systems laid down by the management and to suggest improvements. We believe that the company's overall system of internal control is adequate given the size and nature of operations and effective implementation of internal control self assessment procedures and ensure compliance to policies, plans and statutory requirements.

The internal control system of the company is also reviewed by the Audit Committee periodically. The Management duly considers and takes appropriate action on the recommendations made by the statutory auditors, internal auditors and the independent Audit committee.

## **Human resource development and industrial relations**

During the year under review the company has taken some HR initiatives to train and develop talent pool. In order to improve the performance of management and to scale up the business operations, the company planned to recruit experienced personnel at senior level apart from strengthening other departments with competent people.

## **CAUTIONARY STATEMENT:**

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and international markets in which the Company operates, changes in the Government regulations, tax laws and other statues and other incidental factors.

## REPORT ON CORPORATE GOVERNANCE

(Forming part of Directors' Report)

### I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company strongly believes that for attaining sustainable growth in this competitive corporate world, Corporate Governance is a pre-requisite. Our Endeavour over the years has been to strengthen the governance processes and systems attributing to constant improvisations, sustainability, profitable growth and creating long-term value for the stakeholders.

All the procedures, policies and practices followed by your Company are based on sound governance principles.

### II. BOARD OF DIRECTORS

- a.) The Board of Directors consists of 3 Members of whom 2 are Non-Executive Independent Directors. The Composition of the Board is in conformity with the listing requirements.
- b.) The details of the Directors being appointed/ re-appointed on retirement by rotation at the ensuing Annual General Meeting, as required pursuant to Clause 49(IV) (G) of the Listing Agreement, are mentioned in the Directors Report, forming part of the Report.
- c.) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships/Memberships held by them in other companies is given below. Other Directorships do not include alternate directorships, directorships of private limited companies, section 25 companies and of companies incorporated outside India. Chairmanship/ Membership of Board Committees include only Audit and shareholders/ investor Grievance Committees.
- d.) Pecuniary relationship or transaction of the Non – executive Directors vis-à-vis the company. None of the Non-executive Directors has any pecuniary relationship or transactions with the company.
- e.) The Board of Directors met 5 times during the year on 24.05.2012, 31.07.2012, 28.09.2012, 09.11.2012 and 30.01.2013 and the maximum gap between any two meetings was less than four months, as stipulated under Clause 49.

The details of Composition of Board of Directors, directors' attendance at

# 7SEAS ENTERTAINMENT LTD.

Board Meetings, AGM and details of other directorships, committee chairmanships/memberships held by the Directors during the year are as follows:

S.No	Name of the Directors	Category	Attendance Particulars		No. of other Directorships and Committee memberships/chairmanships			
			No. of Board meetings held during the tenure of the director		Last AGM	Other Director ships	Committee Memberships	Committee Chairmanships
			Held	Attended				
1.	Mr. L. Maruti Sanker	Promoter Executive	5	5	YES	NIL	NIL	NIL
2.	Mr. M. Ramamohan Rao	Independent Non-Executive	5	5	YES	2	NIL	NIL
3.	Mr. A.S.R. Murthy	Independent Non-Executive	5	5	YES	NIL	NIL	NIL

## Board's Procedure :

Agenda papers along with explanatory statements were circulated to the directors in advance for each of these meetings. All relevant information as per Clause 49 of the Listing Agreement was placed before the Board from time to time.

## Committees of the Board :

Currently, there are three (3) Committees of the Board, namely: Audit Committee, Remuneration Committee and Shareholders/ Investors Grievance Committee & Share Transfer Committee. The Board decides the terms of reference for these Committees. The minutes of the meetings of the Committees are placed before the Board for information. The details as to the composition, terms of reference, number of meetings and related attendance, etc., of these Committees are provided hereunder:

## III. AUDIT COMMITTEE

a) The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

b) The terms of reference of the Audit Committee include a review of:

Overview of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.

Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.

Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

Reviewing the financial statements and draft audit report including quarterly / half yearly financial information.

Reviewing with management the annual financial statements before submission to the Board, focusing on:

- Any changes in accounting policies and practices;
- Qualification in draft audit report;
- Significant adjustments arising out of audit;
- The going concern concept;
- Compliance with accounting standards;
- Compliance with stock exchange and legal requirements concerning financial statements;
- Any related party transactions
- Reviewing the company's financial and risk management's policies.
- Disclosure of contingent liabilities.
- Reviewing with management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the audit character, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors of any significant findings and follow-up thereon.

## 7SEAS ENTERTAINMENT LTD.

- Reviewing the findings of any internal investigations by the internal auditors into the 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.
  - Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
  - Reviewing compliances as regards the Company's Whistle Blower Policy.
- c) The previous Annual General Meeting of the Company was held on 28th September, 2012 and Mr. M. Rama Mohan Rao, Chairman of the Audit Committee, attended previous AGM.
- d) The composition of the Audit Committee and the attendance of each member of the Audit Committee are given below:

The Company has complied with all the requirements of Clause 49 (II) (A) of the Listing Agreement relating to the composition of the Audit Committee. During the financial year 2012-2013, (4) four meetings of the Audit Committee were held on the 24.05.2012, 31.07.2012, 09.11.2012 and 30.01.2013.

The details of the composition of the Committee and attendance of the members at the meetings are given below:

Name	Designation	Category	No. of meetings attended
Mr. M. Rama Mohan Rao	Chairman	NED (I)	4
Mr. A.S.R. Murthy	Member	NED (I)	4
Mr. L. Maruti Sanker	Member	ED (P)	4

**NED (I): Non Executive Independent Director**

**ED (P): Executive Director Promoter**

The necessary quorum was present at all the meeting.

## IV. REMUNERATION COMMITTEE

The details of composition of the Committee are given below :

Name	Designation	Category
Mr. M. Rama Mohan Rao	Chairman	NED (I)
Mr. A.S.R. Murthy	Member	NED (I)
Mr. L. Maruti Sanker	Member	ED (P)

### Terms of reference:

The main term of reference of the Committee is to approve the fixation/revision of remuneration of the Managing Director/Whole Time Director or other key employees of the Company and while approving:

To take into account the financial position of the Company, trend in the industry, appointee's qualification, experience, past performance, past remuneration etc.

To bring out objectivity in determining the remuneration package while striking a balance between the interest of the Company and the Shareholders.

### Remuneration Policy :

The objectives of the remuneration policy are to motivate Directors to excel in their performance, recognize their contribution and retain talent in the organization and reward merit.

The remuneration levels are governed by industry pattern, qualifications and experience of the Directors, responsibilities shouldered, individual performance etc.

The details of remuneration paid to the Executive/Non Executive Directors for the financial year 2012-13 are given below:

Name of the Director	Designation	Salary (Rs in Lakhs)	Commission (Rs in Lakhs)	Perquisites (Rs in Lakhs)	Retirement Benefits (Rs in Lakhs)	Contribution to Provident and other funds (Rs in Lakhs)
Mr. L. Maruti Sanker	Managing Director	24.00	Nil	Nil	Nil	0.09
Mr. M. Rama Mohan Rao	Director	—	—	—	—	—
Mr. A.S.R. Murthy	Director	—	—	—	—	—



## V. SHAREHOLDERS / INVESTOR GRIEVANCE AND SHARE TRANSFER COMMITTEE

A.) Composition, meetings during the year:

The Details of composition of the Committee and attendance of the members at the meetings are given below:

Name	Designation	Category
Mr. M. Rama Mohan Rao	Chairman	NED (I)
Mr. A.S.R. Murthy	Member	NED (I)
Mr. L. Maruti Sanker	Member	ED (P)

B.) Powers:

The committee has been delegated with the following powers:

To redress shareholders and investor complaints relating to transfer of shares, dematerialization of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.

To approve, transfer, transmission, and issue of duplicate/ fresh share certificate(s).

Consolidate and sub-division of share certificate etc.

To redress, approve and dispose off any, other complaints, transactions and requests etc. received from any shareholder of the company and investor in general.

The Board has delegated the power to process the transfer and transmission of shares to the Registrar and share Transfer Agents, who process share transfers within a week of lodgment in the case of shares held in physical form.

The Board has designated Mr. S. Vivek, Company Secretary as the Compliance Officer.

The Company has designated an exclusive **e-mail ID investors@7seasent.com** for redressal of shareholders' complaints/grievances.

Complaints received and redressed by the Company during the financial year:

# 7SEAS ENTERTAINMENT LTD.

During the year no complaints were received.

S.No.	Particulars	Remarks
1.	At the beginning of the year	Nil
2.	Received during the year	Nil
3.	At the end of the year	Nil

## VI. GENERAL BODY MEETINGS:

Financial Year	Date	Time	Venue	Special Resolution
2011-2012	28.09.2012	9.30 AM	At Hotel Inner Circle 6-3-905, Saboo Heights, Behind Saboo Maruti Showroom, Somajiguda, Hyderabad – 500082.	1) Alteration of Articles to permit participation by the Directors and the Shareholders in the Meetings through electronic mode including video conferencing
2010-2011	22.09.2011	9.30 AM	At Hotel Inner Circle 6-3-905, Saboo Heights, Behind Saboo Maruti Showroom, Somajiguda, Hyderabad – 500082.	1) Issue of Warrants on preferential basis to the promoters. 2) Employee Stock Option Scheme. 3) Grant of options to the employees of subsidiary and step Down subsidiary company under Employee Stock Option Scheme. 4) Re-appointment of Mr. L. Maruti Sanker as Managing Director.
2009-2010	30.06.2010	9.30 AM	At Hotel Inner Circle 6-3-905, Saboo Heights, Behind Saboo Maruti Showroom, Somajiguda, Hyderabad – 500082.	1) Increase in authorised share capital. 2) Issue of equity shares and warrants on preferential Basis.

## VII. OTHER DISCLOSURES

There were no significant related party transactions that may have potential conflict with the interests of the Company at large.

In the preparation of financial statements, no treatment materially different from that prescribed in Accounting Standards had been followed.

There were no penalties or strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets at any time during the last 3 years.

Whistle Blower policy: We have established a mechanism for employees to report concerns about unethical behavior, fraud or violation of code of conduct of the company. The mechanism provided direct access to the Managing Director/Chairman of the Audit Committee for exceptional cases. All employees can also directly meet the Audit Committee members of the company.

The Company has complied with the non –mandatory requirements to relating to remuneration committee and Whistle Blower policy.

Managing Director of the Company has furnished the requisite Certificates to the Board of Directors under Clause 49 of the Listing Agreement.

## VIII. MEANS OF COMMUNICATION

The quarterly, half yearly and yearly financial results will be sent to the stock Exchanges immediately after the Board approves the same and these results will also be published in one English newspaper and in one vernacular newspaper. These financial statements, press releases are also posted on the company's website, at [www.7seasent.com](http://www.7seasent.com).

## IX. GENERAL SHAREHOLDERS INFORMATION

a) 22nd Annual General Meeting :

<b>Date and Time</b>	Saturday, the 28th September 2013 at 9.30 AM
<b>Venue</b>	6-3-1239/2/A, Renuka Enclave, 3rd Floor, Kotis Court, Rajbhavan Road, Somajiguda, Hyderabad-500082

**b) Book Closure Date: 25.09.2013 to 28.09.2013 (Both days inclusive)**

**c) Financial Year and Calendar (Tentative) 2013-14:**

# 7SEAS ENTERTAINMENT LTD.

The Company follows April to March as its Financial Year. The results of every quarter beginning from April are declared in the first month following each quarter as follows :

## Financial Calendar

Financial Reporting for 2013-2014 (tentative)	On or before
The First Quarter results	Already declared on 14.08.2013
The Second quarter results	14.11.2013
The Third quarter results	14.02.2014
The Fourth quarter results	30.05.2014

d) Listing on Stock Exchanges : 1. Ahmedabad Stock Exchange Limited

2. BSE Limited (trading under IndoNext Segment)

e) Listing Fees : Listing fee for the year 2013-14 has been paid

f) Stock Code : For equity shares: - ASE: 1729, BSE: 590116

g) ISIN No. : For equity shares: - INE454F01010

h) Stock Price Data: The monthly high / low prices of shares of the Company from April 2012 to March 2013 at BSE Limited .The Company's shares are not traded on Ahmedabad Stock Exchange.

Month	High (Rs.)	Low (Rs.)
April, 2012	43.90	32.30
May, 2012	43.50	30.00
June, 2012	35.00	29.00
July, 2012	38.00	27.75
August, 2012	35.00	18.20
September, 2012	27.75	18.25
October, 2012	28.55	22.30
November, 2012	23.95	17.75
December, 2012	21.00	16.50
January, 2013	18.00	12.20
February, 2013	16.89	9.80
March, 2013	15.91	11.40

## i) Registrar & Share Transfer Agents (for shares held in both physical and demat mode) :

Venture Capital and Corporate Investments Private Limited

12-10-167, Bharat Nagar, Hyderabad-500018

Ph: 040-23818475, 23818476, 23868023

Fax: 040-23868024

Email: info@vccilindia.com

Website: www.vccilindia.com

## j) Share Transfer System:

The Physical shares transfers are processed and the share certificates are returned to the shareholders within a maximum period of 15 days from the date of receipt, subject to the document being valid and complete in all respects.

Any transferee who wishes to demat the shares may approach a Depository Participant along with a duly filled Demat Request Form, who shall, on the basis of the Share Certificate, generate a demat request and send the same to the Registrar and Share Transfer Agents (RTA). On receipt, the Depository Registrar confirms the request.

All the requests for Dematerialization of shares are processed and the confirmation is given to the respective Depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 21 days on receipt.

## k) Shareholding Pattern as on 31st March, 2013 :

Particulars	Category	No. of shares held	Percentage of shareholding
A.	Shareholding of Promoter and promoter group		
1.	Promoters & Persons acting in concert	2854764	44.01
	<b>Sub- Total A</b>	<b>2854764</b>	<b>44.01</b>
B.	Public Shareholding		
1.	Institutions	NIL	NIL
2.	Non-Institutions		
a.	Bodies Corporate	117472	1.81
b.	Indian public and others	3442552	53.08
c.	Any others		
	i) NRI's	50507	0.78
	ii) Clearing Members	20605	0.32
	Sub Total B	<b>3631136</b>	<b>55.99</b>
	<b>Grand Total (A+B)</b>	<b>6485900</b>	<b>100.00</b>

**l) Distribution of shareholding of the Company by number of shares held as on 31st March, 2013 is as follows:**

Particulars	Shareholders		Shareholding	
	Number	%	Number	%
UPTO - 500	1179	71.07	178004	2.74
501-1000	192	11.57	165385	2.55
1001-2000	93	5.61	141722	2.19
2001-3000	38	2.29	99557	1.53
3001-4000	19	1.14	65736	1.01
4001-5000	25	1.51	117945	1.82
5001-10000	45	2.71	338930	5.23
10001 & ABOVE	68	4.1	5378621	82.93
Total	1659	100.00	6485900	100.00

**m) Dematerialization of Shares:**

The Company's shares are dematerialized on National Securities Depositories limited (NSDL) and Central Depository Services (India) Limited. The Company's ISIN is INE454F01010. As on 31st March, 2013, 6,169,498 equity shares are dematerialized which is 95.12% of the paid up capital of the company and out of which 2612186 shares are in CDSL and 3557312 shares are in NDSL and the balance are in physical form.

**n) Address for Investors Correspondence:**

The Shareholders may correspond with the Company for the redressal of their grievances, if any to the registered office of the company.

6-3-1239/2/A, Renuka Enclave, 3rd floor  
Kotis court, Rajbhavan Road  
Somajiguda, Hyderabad – 500082  
Ph No: 040-30686161, 30686162  
Email Id: 7seasent@gmail.com

**o) CEO/MD Certification:**

As required by the clause 49 (V) of the Listing Agreement, the certificate from CEO is attached elsewhere in the annual report.

## **p) Compliance Certificate of the Auditors:**

The Statutory Auditor has certified that the company has complied with the conditions of the Corporate Governance as stipulated in clause 49 of the listing agreement and the same forms part of the Annual Report. The Certificate from the statutory auditor will be sent to the stock exchange along with the Annual Report of the Company.

**For and on behalf of the Board  
7Seas Entertainment Limited**

**Sd/-**

**L. Maruti Sanker  
Managing Director**

**Place: Hyderabad  
Date: 14.08.2013**

Dear Shareholder,

Please find below the Managing Director certificate as per Clause 49(V) of the Listing Agreement:

### **MANAGING DIRECTOR CERTIFICATE**

I, L. Maruti Sanker, Managing Director of M/s 7Seas Entertainment Limited certify that:

1. We have reviewed the financial statements for the year and that to the best of our knowledge and belief:
  - (a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (b) These statements present a true and fair view of the state of affairs of the Company and of the results of the operations and cash flows. The financial statements have been prepared in conformity, in all material respects, with the existing generally accepted accounting principles including accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of Company's code of conduct.
3. We accept overall responsibility for establishing and monitoring the

## 7SEAS ENTERTAINMENT LTD.

Company's internal control system for financial reporting and evaluating its effectiveness. Internal Audit function monitors the internal control system for financial reporting, which encompasses the examination and evaluation of the adequacy and effectiveness. Internal Audit works with all levels of management and Statutory Auditors, and reports significant issues to the Audit Committee of the Board. The Auditors and Audit Committee are apprised of any corrective action taken with regard to significant deficiencies and material weakness.

4. We indicate to the Auditors and to the Audit Committee:
- (a) Significant changes in internal controls over financial reporting during the year;
  - (b) Significant changes in the accounting policies during the year;
  - (c) No instances of significant fraud of which we have become aware of and which involve the management or other employees who have significant role in the Company's internal control system over financial reporting.

**For and on behalf of the Board  
7Seas Entertainment Limited**

**Place: Hyderabad  
Date: 14.08.2013**

**Sd/-  
L. Maruti Sanker  
Managing Director**



## AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To  
The Members of  
7Seas Entertainment Limited

We have examined the Compliance with conditions of Corporate Governance of M/s. 7Seas Entertainment Limited for the year ended 31st March, 2013 as stipulated in clause 49 of the Listing Agreement with stock Exchanges.

The Compliance with the conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to review the procedures and implementations thereof adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us and representations made by the Directors and the Management's, we certify that the company has complied with conditions of the Corporate Governance as stipulated in Clause 49 of the above mentioned Listing agreement.

As required by the guidance note issued by the institute of Chartered Accountants of India, we have to state that no grievances of investors are pending for a period exceeding one month against the Company as per the records maintained by the Company.

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

**For M M Reddy & Co.  
Chartered Accountants  
FRN. 010371S**

**Sd/-  
M. Madhusudhana Reddy  
Partner  
Membership No.213077**

**Place: Hyderabad  
Date: 14.08.2013**

## AUDITOR'S REPORT TO THE MEMBERS OF 7SEAS ENTERTAINMENT LTD.

1. We have audited the attached Balance Sheet of 7Seas Entertainment Limited, as at 31st March, 2013 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of section 227 of 'The Companies Act, 1956' of India ('the Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

- d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
- e) On the basis of written representations received from the directors, as on March 31, 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
- f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i. In the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2013;
  - ii. In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
  - iii. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For M M REDDY & CO**  
**Chartered Accountants**  
**Firm Registration No: 010371S**

**Place: Hyderabad**  
**Date: 26.04.2013**

**M. Madhusudhana Reddy**  
**Partner**  
**Membership. No: 213077**

## ANNEXURE TO AUDITOR'S REPORT

[Referred to in paragraph 3 of Auditor's Report of even date to the members of 7seas Entertainment Limited on the financial statements for the year ended March 31, 2013]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.  
  
(b) According to the information and explanations given to us, fixed assets were physically verified by the management during the year and no material discrepancies were noticed on such verification.  
  
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
2. The Company does not have any inventories and accordingly the provisions of clause 4 (ii) (a), (b) and (c) of the order are not applicable to this Company.
3. The company has neither granted nor taken any loans secured or unsecured to/from companies, firms or parties covered in the register maintained under section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of fixed assets and for the sale of services. The activities of the company do not involve purchase of inventory and sale of goods. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. According to the information and explanations given to us, there have been no contracts or arrangements referred to section 301 of the Act during the year to be entered in the register required to be maintained under that section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise.
6. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

7. The Company has an adequate internal audit system commensurate with its size and nature of its business.
8. The maintenance of cost records is not applicable to this company.
9. (a) According to the information and explanations given to us and the records of the company examined by us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including income-tax, and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us and the records of the company examined by us, excise duty and cess are not applicable to the company for the current year.  
  
(b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income-tax, sales-tax, wealth tax, service tax, customs duty which have not been deposited on account of any dispute.
10. The company has no accumulated losses at the end of the financial year and not incurred cash losses during the year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in the repayment of dues to banks and to the financial institutions.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not in the business of Nidhi/ Mutual Benefit Fund/ Societies.
14. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the company has not given guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion and according to the information and explanation given to us, the term loan has been applied on an overall basis, for the purposes for which they are obtained.

17. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, we report that funds raised on short-term basis have not been used for long-term investment.
18. The Company has not issued any debentures during the year.
19. The company has not raised any money by public issues during the year.
20. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

**For M M REDDY & CO**  
**Chartered Accountants**  
**Firm Registration No: 010371S**

**Place: Hyderabad**  
**Date: 26.04.2013**

**M. Madhusudhana Reddy**  
**Partner**  
**Membership. No: 213077**

# 7SEAS ENTERTAINMENT LTD.

## 7 SEAS ENTERTAINMENT LIMITED

(FORMERLY KNOWN AS 7SEAS TECHNOLOGIES LIMITED)

### Balance Sheet as on 31st March, 2013

(All amounts in Indian Rupees except for share data or otherwise stated)

(Amount in ₹)

Particulars	Note No.	As at	
		2012-13	2011-12
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	2	89,609,000	73,999,000
Reserves and Surplus	3	161,287,653	160,871,378
Preference Share Warrant		-	-
	<b>A</b>	<b>250,896,653</b>	<b>234,870,378</b>
<b>Non - Current Liabilities</b>			
Long - term borrowings	4	15,438,570	14,008,834
Deferred tax liabilities (Net)		11,955,318	11,055,645
Long term provisions		-	-
	<b>B</b>	<b>27,393,888</b>	<b>25,064,479</b>
<b>Current Liabilities</b>			
Short - term borrowings	5	37,751,837	19,516,151
Trade Payable	6	3,849,909	3,388,066
Short - term provisions	7	310,165	8,155,980
	<b>C</b>	<b>41,911,911</b>	<b>31,060,197</b>
<b>Total</b>	<b>A+B+C</b>	<b>320,202,452</b>	<b>290,995,054</b>
<b>ASSETS</b>			
<b>Non-Current assets</b>			
<b>Fixed assets</b>			
Gross Block	8	271,896,101	176,980,686
Less : Accumulated depreciation / amortization		68,594,023	42,750,580
<b>Net block</b>		<b>203,302,078</b>	<b>134,230,106</b>
Capital work - in - progress		-	-
<b>Total</b>	<b>A</b>	<b>203,302,078</b>	<b>134,230,106</b>

# 7SEAS ENTERTAINMENT LTD.

## Balance Sheet as on 31st March, 2013

(Amount in ₹)

Particulars	Note No.	As at	
		2012-13	2011-12
Deferred tax assets (Net)		-	-
Long - term loans and advances		-	-
<b>Non-current investments</b>			
Investment in fortune 7inc. (wholly owned subsidiary)		596,700	596,700
Other Non-Current Assets		-	-
	<b>B</b>	<b>596,700</b>	<b>596,700</b>
<b>Current Assets</b>			
Inventories			
Trade receivables	9	104,611,991	55,262,408
Cash and cash equivalents	10	119,642	4,272,456
Short - term loans and advances	11	3,027,197	1,195,585
Other current assets	12	8,544,844	95,437,798
	<b>C</b>	<b>116,303,674</b>	<b>156,168,248</b>
	<b>A+B+C</b>	<b>320,202,452</b>	<b>290,995,054</b>

The Notes referred to above and the notes to accounts form an integral part of the Balance Sheet  
This is the Balance Sheet referred to in our report of even date.

**For M M Reddy & Co.**  
Firm Registration Number : 010371S

**For and on behalf of the Board of Directors of**  
**7Seas Entertainment Limited**

**M Madhusudhana Reddy**  
Partner  
Membership No. 213077

**L. Maruti Sanker**  
Managing Director

**A.S.R. Murthy**  
Director

**Place: Hyderabad**  
**Date: 26.04.2013**

**S. Vivek**  
Company Secretary



# 7SEAS ENTERTAINMENT LTD.

## Profit And Los Account For The Year Ended 31st March, 2013 (Amount in ₹)

Particulars	Note No.	Year Ended	
		31-3-2013	31-3-2012
<b>INCOME</b>			
<b>Turnover (Gross)</b>			
Revenue from Operations		107,254,376	169,594,678
Other Income		110,640	35,420
<b>Total Revenue</b>		<b>107,365,016</b>	<b>169,630,098</b>
<b>EXPENDITURE</b>			
Operating Expenses	13	61,206,009	88,709,339
Administration expenses	14	18,570,399	14,981,898
Depreciation / amortization	8	25,962,494	20,933,982
<b>Total</b>		<b>105,738,902</b>	<b>124,625,219</b>
<b>Profit / (Loss) before tax</b>		1,626,114	45,004,879
<b>Exceptional Items</b>		-	-
<b>(Refer note no.18 of scheduled 20)</b>			
<b>Profit before tax</b>			
Provision for taxation			
- Current Year Tax		310,165	8,403,078
- Deferred Tax		899,673	6,683,608
<b>Total Tax expense</b>		<b>1,209,838</b>	<b>15,086,686</b>
Profit / (Loss) from contiuing Operations		416,276	29,918,193
Add/Less : MAT Credit		-	(2,778,887)
Balance brought forward from previous year		66,720,453	39,581,147
<b>Balance carried to Balance Sheet</b>		<b>67,136,729</b>	<b>66,720,453</b>
<b>Earnings per share</b>			
Basic		0.06	4.75
Weighted Number of Shares		6,485,900	6,294,244
Nominal Value		10	10
<b>Notes to accounts</b>	15		

The Notes referred to above and the notes to accounts form an integral part of the Balance Sheet  
This is the Balance Sheet referred to in our report of even date.

**For M M Reddy & Co.**  
**Firm Registration Number : 010371S**

**For and on behalf of the Board of Directors of**  
**7Seas Entertainment Limited**

**M Madhusudhana Reddy**  
**Partner**  
**Membership No. 213077**

**L. Maruti Sanker**  
**Managing Director**

**A.S.R. Murthy**  
**Director**

**Place: Hyderabad**  
**Date: 26.04.2013**

**S. Vivek**  
**Company Secretary**

# 7SEAS ENTERTAINMENT LTD.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013 (Amount in ₹)

Particulars	As at	
	31-3-2013	31-3-2012
<b>A. Cash flow from operating activities</b>		
Net profit / (Loss) before tax	1,626,114	45,004,879
Adjustments for:		
Preliminary Expenses Written Off	-	-
Depreciation	25,962,494	20,933,982
MAT credit	-	2,778,887
Interest and other income received	(110,640)	(35,420)
Loss on sale of asset	1,901	47,120
Operating profit before working capital changes	27,479,869	63,171,674
Movements in working capital :		
Increase in Trade Receivables	(49,349,583)	(23,767,500)
Work in Progress (Product Development)	86,892,954	(69,090,566)
(Increase) /Decrease in Short term loans and advances	(1,831,612)	2,346,781
Increase in other current assets	-	-
increase in Trade Payables	461,843	1,606,359
<b>Cash generated from / (used in) Operations</b>	<b>63,653,470</b>	<b>(25,733,253)</b>
Taxes paid	8,155,980	2,571,953
<b>Net cash used in / (generated from) Operating activities</b>	<b>55,497,490</b>	<b>(28,305,206)</b>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(95,038,867)	(10,316,465)
Sales of fixed assets	2,500	13,524
Fixed deposits	-	-
Interest and other income received	110,640	35,420
<b>Net cash used in investing activities</b>	<b>(94,925,727)</b>	<b>(10,267,521)</b>
<b>C. Cash flow from financing activities</b>		
Proceeds share capital	15,610,000	14,906,956
Other short term Borrowing (Net)	18,235,686	4,832,995
Other Long term Secured & Unsecured Loans (Net)	1,429,736	14,008,834
Interest received	-	-
Interest Paid	-	-
<b>Net cash generated from/ (used in) financing activities</b>	<b>35,275,423</b>	<b>33,748,785</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>(4,152,814)</b>	<b>(4,823,942)</b>
Cash and cash equivalents at the beginning of the year	4,272,456	9,096,398
Cash and cash equivalents at the end of the year	119,642	4,272,456

This is the Cash Flow Statement referred to in our report of even date.

**For M M Reddy & Co.**  
**Firm Registration Number : 010371S**

**For and on behalf of the Board of Directors of**  
**7Seas Entertainment Limited**

**M Madhusudhana Reddy**  
**Partner**  
**Membership No. 213077**

**L. Maruti Sanker**  
**Managing Director**

**A.S.R. Murthy**  
**Director**

**Place: Hyderabad**  
**Date: 26.04.2013**

**S. Vivek**  
**Company Secretary**

# 7SEAS ENTERTAINMENT LTD.

## NOTES forming Part of Balance Sheet & Profit and Loss Account as on 31st March, 2013

(Amount in ₹)

Particulars	As at	
	31-3-2013	31-3-2012
<b>Note 2 : Share Capital</b>		
<b>Authorised:</b>		
10000000 Equity Shares of Rs. 10/- each	100,000,000	100,000,000
<b>Issued, Subscribed and Paid up</b>		
6485900 equity shares of Rs. 10/- each	64,859,000	64,859,000
Convertible Warrants Application Money Received	24,750,000	9,140,000
	<b>89,609,000</b>	<b>73,999,000</b>
<b>Reconciliation of shares outstanding at the beginning and at the end of the reporting period</b>		
Equity Shares outstanding at the beginning of the year	6,485,900	6,202,940
Add: Additional shares issued during the year	-	282,960
Equity Shares outstanding at the closing of the year	6,485,900	6,485,900
<b>Terms/rights attached to equity shares</b>		
The company has only one class of equity shares having a par value of ` 10/- per share. Each holder of equity shares is entitled to one vote per share.		
In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held		
<b>Names of shareholders holding more than 5 % shares</b>	No of Shares	No of Shares
<b>Equity Shares</b>		
L. Maruti Sanker	1,040,500	1,020,500
Meenu Bhanshali	712,597	973,579
Kalidindi Sarada Vijaya Kumari	763,400	863,400
Neelima Kalidindi	400,000	-
<b>Note3 : Reserves and Surplus</b>		
<b>General Reserve</b>		
Balance as per last account	-	-
<b>Capital Reserve</b>		
Share Premium	92,660,515	92,660,515
Forfeited Shares Reserve	1,490,410	1,490,410

# 7SEAS ENTERTAINMENT LTD.

(Amount in ₹)

Particulars	As at	
	31-3-2013	31-3-2012
<b>Profit &amp; Loss A/c Surplus</b>		
Balance in the statement of profit & loss	66,720,453	39,581,147
Additions during the year	416,276	27,139,306
	<b>161,287,653</b>	<b>160,871,378</b>
<b>Note 4 : Long - term borrowings</b>		
<b>Loans and advances from banks</b>		
<b>Term loans</b>		
From banks		
IOB- Secured Loan	6,927,433	6,018,475
Kotak Mahindra- Unsecured Loan	6,041,090	3,605,484
From others- Religare- Unsecured Loan	2,470,047	4,384,875
Other Loans	-	-
	<b>15,438,570</b>	<b>14,008,834</b>
<b>Note 5 : Short term Loans:</b>		
<b>Secured Loans</b>		
Working Capital Loan-IOB	34,289,267	18,974,155
<b>Total Secured Loans</b>	<b>34,289,267</b>	<b>18,974,155</b>
<b>Unsecured Loans</b>		
Tata Capital Ltd	1,6761,50	541,996
Bajaj Finance Limited	1,068,363	-
Loan From Director	718,057	-
<b>Total Unsecured Loans</b>	<b>3,462,570</b>	<b>541,996</b>
<b>Total Short term Liabilities</b>	<b>37,751,837</b>	<b>19,516,151</b>
<b>Note 6 : Trade Payables</b>		
Expenses payable	2,540,048	2,162,403
Sundry Creditors	1,309,861	1,225,663
	<b>3,849,909</b>	<b>3,388,066</b>
<b>Note 7 : Short - term provisions</b>		
Provision for Income tax	310,165	8,155,980
Others Provisions	-	-
	<b>310,165</b>	<b>8,155,980</b>

# Note 8 : Fixed Assets

Particulars	Gross Block			Depreciation/amortization			Net Block	
	As at April 1, 2012	Additions	Deletions	As at April 1, 2012	Deletions	For the year 2013	As at March 31, 2013	As at March 31, 2012
1. Computers	4,230,606	139,300	-	3,668,449	-	265,381	3,933,830	582,157
2. Furniture and Fixtures	3,390,821	-	-	1,626,874	-	319,274	1,946,148	1,763,947
3. Office Equipments	1,488,364	32,499	15,000	844,720	10,599	121,422	955,543	643,644
4. Vehicles	1,699,606	-	-	1,242,682	-	118,298	1,360,980	456,924
5. Electrical Fittings	686,910	-	-	263,066	-	58,954	322,040	423,824
6. Interiors	750,489	-	-	461,014	-	52,395	513,409	289,475
7. Software	65,787,754	3,429,270	-	20,722,126	-	6,735,728	27,457,854	45,065,628
8. Games & IP's	79,070,147	56,510,005	-	11,050,541	-	12,617,685	41,759,170	68,019,606
9. Web Portals	19,767,537	34,927,793	-	2,762,636	-	5,673,358	46,259,337	17,004,901
<b>Total</b>	<b>176,872,234</b>	<b>95,038,867</b>	<b>15,000</b>	<b>42,642,128</b>	<b>10,599</b>	<b>25,962,494</b>	<b>203,302,078</b>	<b>134,230,106</b>

# 7SEAS ENTERTAINMENT LTD.

(Amount in ₹)

Particulars	As at	
	31-3-2013	31-3-2012
<b>Note 9 : Trade receivables</b> <b>(Unsecured, considered good, unless otherwise stated)</b>		
Debts outstanding for a period exceeding six months		
Considered good	100,260,356	14,302
Considered doubtful	-	-
Other debts	-	-
Debts outstanding for a period less than six months	4,351,635	55,248,106
	104,611,991	55,262,408
Less: Provision for doubtful debts	-	-
	<b>104,611,991</b>	<b>55,262,408</b>
<b>Note 10 : Cash and cash equivalents</b>		
Cash on hand	3,089	7,390
Balances with scheduled banks		
On current accounts	116,553	4,265,066
On deposit accounts	-	-
	<b>119,642</b>	<b>4,272,456</b>
<b>Note 11 : Short - term loans and advances</b>		
Advances recoverable in cash or in kind or for value to be received	1,104,284	104,643
Other Deposits	1,788,333	899,840
Prepaid Expenses	134,579	191,102
	<b>3,027,197</b>	<b>1,195,585</b>
<b>Note 12: Other current assets</b>		
Product Development Expenditure		
Games & Game Engines Development	3,043,583	60,510,005
Portals Development	5,501,261	34,927,793
	<b>8,544,844</b>	<b>95,437,798</b>
<b>Note 13 : Operating Expenses</b>		
Direct Expenses	61,206,009	88,709,338
	<b>61,206,009</b>	<b>88,709,338</b>

# 7SEAS ENTERTAINMENT LTD.

(Amount in ₹)

Particulars	As at	
	31-3-2013	31-3-2012
<b>Note 14 : Administration expenses</b>		
Salaries & Other benefits to employees	5,024,792	4,617,426
Communication Expenses	161,381	188,958
Consultancy Charges	596,670	620,825
Rates & Taxes	846,139	512,070
Conference & Promotional Expenses	537,184	382,030
Electricity Charges	171,620	160,811
Printing & Stationery	133,229	224,252
Repairs & Maintenance	271,695	336,625
Rent	254,296	233,715
Travelling & conveyance	182,932	138,544
Office maintenance	319,243	274,196
Security Charges	288,000	278,000
Auditors remuneration	200,000	200,000
Interest & Bank Charges	9,339,357	4,341,478
Insurance	225,967	153,257
Loss on sale of asset	1,901	47,120
Exchange loss	15,993	2,272,591
	<b>18,570,399</b>	<b>14,981,898</b>

## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

### 1. Basis of preparation of financial statements

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention, on the basis of a going concern basis, while revenue, expenses, assets and Liabilities accounted/recognized on accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies are consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Management evaluates all recently issued or revised accounting standards on an ongoing basis.

### 2. Use of Estimates

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that effect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Management periodically assessed using external and internal sources whether there is an indication that an asset may be impaired. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from those estimates.

### 3. Revenue recognition

Revenue from gaming software development on fixed-price and games distributed on revenue share basis has been recognized based on actual deliveries / downloads. On time-and-material contracts, revenue is recognized as the related services are rendered. Annual Technical Services revenue and revenue from fixed-price maintenance contracts are recognized proportionately over the period in which services are rendered. Revenue from the sale of game products for software applications is recognized on transfer of the products to the users.



## **4. Fixed Assets, intangible assets:**

Fixed Assets are stated at cost, less accumulated depreciation. All direct costs are capitalized until fixed assets are ready for use including taxes, duties, freight and other incidental expenses relating to acquisition and installation.

## **5. Depreciation and amortization**

Depreciation on fixed assets is applied on diminishing value method, pro-rata for the period of usage, in accordance with the rates prescribed under schedule XIV of the Companies Act, 1956.

## **6. Retirement Benefits**

### **a. Provident fund**

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid at retirement, death, incapacitation or termination of employment. Both the employee and the company make monthly contributions to the Regional Provident Fund Commissioner equal to a specified percentage of the covered employee's salary.

### **b. Employee State Insurance Fund:**

Eligible employees receive benefits from employee state insurance scheme, which is a gross salary of less than Rs.15,000 per month are entitled to receive benefit under employee state insurance fund scheme. The employer makes contribution to the scheme at a predetermined rate (presently 4.75%) of employee's gross salary. Company has no further obligations under the plan beyond its monthly contributions. These contributions are made to fund administered and managed by the Government of India. The monthly contributions are charges to profit and loss account in the year it is incurred.

## **7. Product under development**

Revenue expenditure incurred on product under development for development of new games and portals has been shown separately under Products and Development.

## **8. Foreign Currency Transactions**

The company translates all foreign currency transactions at Exchange Rates prevailing on the date of transactions. Exchange rate differences resulting from foreign exchange transactions settled during the year are recognized as income or expenses in the period in which they arise.

Monetary current assets and monetary current liabilities that are denominated in foreign currency are translated at the exchange rate

prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account.

## **9. Income tax**

Income taxes are computed using the tax effect accounting method, in accordance with the Accounting Standard (AS 22) "Accounting for Taxes on Income" which includes current taxes and deferred taxes. Deferred income taxes reflect the impact if current year timing differences between taxable income and accounting income for the year and the relevant of timing difference of earlier years. Deferred tax asset and liabilities are measured at the tax rates that are expected to apply to the period when the asset / liability is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred Tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

## **10. Earnings per share**

In determining earnings per share, the company considers the net profit after tax expense. The number of shares used in computing basic earnings per is the weighted average shares used in outstanding during the period.

## **11. Investments**

Long term trade investments are stated at cost & all other investments are carried at lower of cost or fair value.

## **12. Cash flow statement**

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the company are segregated.

## **NOTES ON ACCOUNTS:**

All amounts in the financial statements are presented in Rupees and as otherwise stated.

## **15. Contingent Liabilities : Nil**

## **16. Secured Loans**

Working Capital Loan and Term Loan from Indian Overseas Bank: First charge on all current assets by way of hypothecation of all book debts and other current assets of the Company and Collateral Security on open Plot No.38 of 313.33 Sy of Smt, L. Usha Kumari in S.No.416/4 at

# 7SEAS ENTERTAINMENT LTD.

Prabhu Nagar, Poranki, Krishna Dist, and open plot No.8 of 485 Sy of Smt. L. Hemalatha in s.No.404/1 at Poranki, Krishna Dist, AP and personal guarantee given by Directors.

## 17. Quantitative details

The Company is engaged in the business of development & maintenance of Computer Software, offshore development and other related services. The production and sale of such software services cannot be expressed in any generic unit and hence it is not possible to give such quantitative details of sales and certain information as required under paragraph 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956. The details of Conversation of Energy, Technology absorption are given in Directors Report. R&D expenditure is not separately accounted for.

## 18. Foreign Exchange earned and outgo

a. Activity in foreign currency		(In Rs. Lakhs)
Particulars	For the Year 2012-2013	For the Year 2011-2012
Earnings in foreign exchange (on accrual basis)		
Income from software products	881.85	1,398.40
Expenditure in foreign exchange (on accrual basis)		
Cost of services	Nil	Nil
Net earnings in foreign exchange	881.85	1,398.40

## 19. Related Party Transactions

List of related parties on which the company is able to exercise control.

### A. Subsidiaries

**Name of the Subsidiary company: Fortune 7Inc**

Transactions with above company in the ordinary course of business: NIL

### B. Transactions with key management personnel

Particulars of remuneration and other benefits paid to key management personnel during the year ended March 31, 2013:

(In Rs. Lakhs)

Name	Salary and allowances	Contributions to provident and other funds	Perquisites and incentives	Total remuneration
L. Maruti Sanker	24.00	0.09	-	24.09

# 7SEAS ENTERTAINMENT LTD.

No commission paid to the directors and computation of net profit in accordance with Section 349 of the Companies Act, 1956, for commission payable to non-whole-time directors is not required.

## 20. Dues to micro & small-scale industrial undertakings

As at March 31, 2013 as per available information with the company, there are no dues to small scale Industrial Undertakings.

## 21. Income taxes

The provision for taxation includes tax liabilities in India on the company's global income as reduced by exempt incomes and any tax liabilities arising overseas on income sourced from those countries.

Most of the operations are conducted through Software Technology Parks (STPs). Income from STPs are tax exempt for the earlier of 10 years commencing from fiscal year in which the unit commences software development or March 31, 2011. Hence from the fiscal year ending March 31, 2012 the tax exemption is waived off.

The detail of deferred tax liability comprises the following:

(In Rs.)

	Particulars	31-Mar-13	31-Mar-12
I.	<b>Deferred tax liability -</b> On account of depreciation	<b>11955318</b>	11055645
	<b>Net deferred tax liability</b>	<b>11955318</b>	<b>11055645</b>

## 22. Segment reporting

As required by the Accounting Standard (AS 17) "Segment Reporting", the Company is mainly engaged in the area of Gaming Software Development and related services. Hence segment reporting is not applicable to the Company and to the nature of its business.

## 23. Auditors Remuneration

(In Rs.)

Particulars	For the Year 2012-2013	For the Year 2011-2012
<b>Statutory Audit</b>	1,50,000	1,50,000
<b>Tax Audit</b>	50,000	50,000
<b>Total</b>	<b>2,00,000</b>	<b>2,00,000</b>

## 24. Earnings per share

(In Rs.)

Particulars	For the Year 2012-2013	For the Year 2011-2012
Net profit after tax	4,16,276	29918193
Weighted average number of equity shares	6485900	6294244
Nominal value of shares	10	10
Earnings per share (basic/diluted)	0.06	4.75

25. The Balance in Sundry Debtors, Loans & Advances are subject to confirmation, and consequential adjustments if any.

26. The previous year figures have been recast / restated, wherever necessary, to the current period's classification.

27. Financial figures have been rounded off to nearest rupee.

28. Notes 1 to 14 form part of Balance Sheet and have been authenticated.

As per our report of even date attached

For and on behalf of the Board of Directors of

For M M Reddy & Co.  
Chartered Accountants  
Firm Registration Number : 010371S

**L. Maruti Sanker**  
**Managing Director**

**M Madhusudhana Reddy**  
**Partner**  
**Membership No. 213077**

**A.S.R. Murthy**  
**Director**

**Place: Hyderabad**  
**Date: 26.04.2013**

**S. Vivek**  
**Company Secretary**

# 7SEAS ENTERTAINMENT LTD.

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

S.No.	Particulars	Details of Subsidiary Companies
1.	Name of the Subsidiary	Fortune 7Inc
2.	Financial year ending of the Subsidiary	March 31, 2013
3.	Holding Company's Interest	
a.	Number and Face Value	1500 Shares of \$10 each
b.	Extent of Holding	100%
4.	Net aggregate amount of profit / (losses) for the above financial year of the subsidiary so far as it concerns the members of the holding company	
a.	Dealt with or provided for in the accounts of the holding Company	Nil
b.	Not dealt with or provided for in the accounts of the holding Company	USD (39, 882)
5.	Net aggregate amount of profits / (losses) for previous financial years of the subsidiary so far as it may concern the members of the holding Company	
a.	Dealt with or provided for in the accounts of the holding Company	Nil
b.	Not dealt with or provided for in the accounts of the holding Company	USD 37,560

For and on behalf of the Board of Directors of

**L. Maruti Sanker**  
Managing Director

**A.S.R. Murthy**  
Director

**Place: Hyderabad**  
**Date: 26.04.2013**

**S. Vivek**  
Company Secretary

## CONSOLIDATED AUDITORS' REPORT TO THE MEMBERS OF 7SEAS ENTERTAINMENT LTD.

1. We have audited the attached Consolidated Balance Sheet of 7Seas Entertainment Limited and its subsidiary as at 31st March, 2013, and the related Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary viz., Fortune 7Inc. U.S.A. whose financial statements reflect total assets of US \$ 25,642 equivalent to Rs. 8.08 Lakhs, total revenue of US \$ 3,24,850 equivalent to Rs. 176.59 lakhs. The financial statements of the said subsidiary for the year ended March 31, 2013 were audited by other auditors, whose report has been furnished to us. Our opinion, insofar as it relates to the amounts included in respect of such subsidiary is solely based on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the 7Seas Entertainment Limited's management in accordance with the requirements of Accounting Standard (AS) 21 "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India.
5. In our opinion and to the best of our information and according to the explanations given to us and subject to our observations vide para 3 above, the consolidated financial statements together with the notes

thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity

## 7SEAS ENTERTAINMENT LTD.

with the accounting principles generally accepted in India:

- i. In the case of the Consolidated Balance Sheet, of the state of affairs of the company as at March 31, 2013;
- ii. In the case of the Consolidated Profit and Loss Account, of the Profit of the Group for the year ended on that date; and
- iii. In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

**For M M REDDY & CO**  
Chartered Accountants  
Firm Registration No:010371S

Place: Hyderabad  
Date: 26.04.2013.

**M. Madhusudhana Reddy**  
Partner  
M. No: 213077



# 7SEAS ENTERTAINMENT LTD.

## 7 SEAS ENTERTAINMENT LIMITED

(FORMERLY KNOWN AS 7SEAS TECHNOLOGIES LIMITED)

Consolidated Balance Sheet as on 31st March, 2013

(All amounts in Indian Rupees except for share data or otherwise stated)

(Amount in ₹)

Particulars	Note No.	As at	
		2012-13	2011-12
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	2	89,609,000	73,999,000
Reserves and Surplus	3	162,095,545	163,626,658
Preference Share Warrant		-	-
	<b>A</b>	<b>251,704,545</b>	<b>237,625,658</b>
<b>Non - Current Liabilities</b>			
Long - term borrowings	4	15,438,570	14,008,834
Deferred tax liabilities (Net)		11,955,318	11,055,645
Long term provisions		-	-
	<b>B</b>	<b>27,393,888</b>	<b>25,064,479</b>
<b>Current Liabilities</b>			
Short - term borrowings	5	37,751,837	19,516,151
Trade Payable	6	3,849,909	3,388,066
Short - term provisions	7	310,165	8,495,045
	<b>C</b>	<b>41,911,911</b>	<b>31,399,262</b>
<b>Total</b>	<b>A+B+C</b>	<b>321,010,344</b>	<b>294,089,400</b>
<b>ASSETS</b>			
<b>Non-Current assets</b>			
<b>Fixed assets</b>			
Gross Block	8	271,896,101	176,980,686
Less : Accumulated depreciation / amortization		68,594,023	42,750,580
<b>Net block</b>		<b>203,302,078</b>	<b>134,230,106</b>
Capital work - in - progress		-	-
<b>Total</b>	<b>A</b>	<b>203,302,078</b>	<b>134,230,106</b>

# 7SEAS ENTERTAINMENT LTD.

## Balance Sheet as on 31st March, 2013

(Amount in ₹)

Particulars	Note No.	As at	
		2012-13	2011-12
Deferred tax assets (Net)		-	-
Long - term loans and advances		-	-
<b>Non-current investments</b>			
Other Non-Current Assets		-	-
	<b>B</b>	-	-
<b>Current Assets</b>			
Inventories			
Trade receivables	9	104,611,991	56,919,880
Cash and cash equivalents	10	1,524,234	6,021,087
Short - term loans and advances	11	3,027,197	1,480,527
Other current assets	12	8,544,844	95,437,800
	<b>C</b>	<b>117,708,266</b>	<b>159,859,294</b>
<b>Total</b>	<b>A+B+C</b>	<b>321,010,344</b>	<b>294,089,400</b>

The Notes referred to above and the notes to accounts form an integral part of the Balance Sheet  
This is the Balance Sheet referred to in our report of even date.

For M M Reddy & Co.  
Firm Registration Number : 010371S

For and on behalf of the Board of Directors of  
7Seas Entertainment Limited

M Madhusudhana Reddy  
Partner  
Membership No. 213077

L. Maruti Sanker  
Managing Director

A.S.R. Murthy  
Director

Place: Hyderabad  
Date: 26.04.2013

S. Vivek  
Company Secretary

# 7SEAS ENTERTAINMENT LTD.

## 7 SEAS ENTERTAINMENT LIMITED

(FORMERLY KNOWN AS 7SEAS TECHNOLOGIES LIMITED)

### Consolidated Profit and Loss Account for the year ended 31st March, 2013

(All amounts in Indian Rupees except for share data or otherwise stated)

(Amount in ₹)

Particulars	Note No.	Year Ended	
		31-3-2013	31-3-2012
<b>INCOME</b>			
<b>Turnover (Gross)</b>			
Revenue from Operations		124,913,522	230,873,726
Other Income		110,640	35,420
<b>Total Revenue</b>		<b>125,024,162</b>	<b>230,909,146</b>
<b>EXPENDITURE</b>			
Operating Expenses	13	80,811,294	147,718,872
Administration expenses	14	18,786,045	15,132,783
Depreciation / amortization	8	25,962,494	20,933,982
<b>Total</b>		<b>125,559,833</b>	<b>183,785,637</b>
<b>Profit / (Loss) before tax</b>		(535,671)	47,123,509
<b>Exceptional Items</b>		-	-
<b>(Refer note no.18 of scheduled 20)</b>			
<b>Profit before tax</b>			
Provision for taxation			
- Current Year Tax		310,165	8,742,143
- Deferred Tax		899,673	6,683,608
<b>Total Tax expense</b>		<b>1,209,838</b>	<b>15,425,751</b>
Profit / (Loss) from continuing Operations		(1,745,509)	31,697,758
Add/Less : MAT Credit		-	(2,778,887)
Balance brought forward from previous year		69,142,972	40,224,101
<b>Balance carried to Balance Sheet</b>		<b>67,397,463</b>	<b>69,142,972</b>
<b>Earnings per share</b>			
Basic		(0.27)	5.04
Weighted Number of Shares		6,485,900	6,294,244
Nominal Value		10	10
<b>Notes to accounts</b>	15		

The Notes referred to above and the notes to accounts form an integral part of the Balance Sheet  
This is the Balance Sheet referred to in our report of even date.

For M M Reddy & Co.  
Firm Registration Number : 010371S

For and on behalf of the Board of Directors of  
7Seas Entertainment Limited

**M Madhusudhana Reddy**  
**Partner**  
**Membership No. 213077**

**L. Maruti Sanker**  
**Managing Director**

**Place: Hyderabad**  
**Date: 26.04.2013**

**S. Vivek**  
**Company Secretary**

**A.S.R. Murthy**  
**Director**

# 7SEAS ENTERTAINMENT LTD.

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

(Amount in ₹)

Particulars	As at	
	31-3-2013	31-3-2012
<b>A. Cash flow from operating activities</b>		
Net profit / (Loss) before tax	(535,671)	47,123,509
Adjustments for:		
Preliminary Expenses Written Off	-	-
Depreciation	25,962,494	20,933,981
MAT credit	-	2,778,887
Interest and other income received	(110,640)	(35,420)
Loss on sale of asset	1,901	47,120
Operating profit before working capital changes	25,318,084	65,290,303
Movements in working capital :		
Increase in Trade Receivables	(47,692,111)	(25,424,972)
Work in Progress (Product Development)	86,892,954	(68,724,391)
(Increase) /Decrease in Short term loans and advances	(1,546,670)	2,310,540
Increase in other current assets	-	-
increase in Trade Payables	461,843	1,606,359
<b>Cash generated from / (used in) Operations</b>	<b>63,434,100</b>	<b>(24,942,161)</b>
Taxes paid	8,495,045	2,571,953
<b>Net cash used in / (generated from) Operating activities</b>	<b>54,939,055</b>	<b>(27,514,114)</b>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(95,038,867)	(10,316,465)
Sales of fixed assets	2,500	13,524
Fixed deposits	-	-
Interest and other income received	110,640	35,420
<b>Net cash used in investing activities</b>	<b>(94,925,727)</b>	<b>(10,267,521)</b>
<b>C. Cash flow from financing activities</b>		
Proceeds share capital	15,610,000	14,906,956
Other short term Borrowing (Net)	18,235,686	4,832,995
Other Long term Secured & Unsecured Loans (Net)	1,429,736	14,008,834
Currency translation reserve	214,396	482,598
Interest received	-	-
Interest Paid	-	-
<b>Net cash generated from/ (used in) financing activities</b>	<b>35,489,819</b>	<b>34,231,383</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>(4,496,853)</b>	<b>(3,550,252)</b>
Cash and cash equivalents at the beginning of the year	6,021,087	9,571,340
Cash and cash equivalents at the end of the year	1,524,234	6,021,087

This is the Cash Flow Statement referred to in our report of even date.

**For M M Reddy & Co.**  
Firm Registration Number : 010371S

**For and on behalf of the Board of Directors of**  
7Seas Entertainment Limited

**M Madhusudhana Reddy**  
Partner  
Membership No. 213077

**L. Maruti Sanker**  
Managing Director

**A.S.R. Murthy**  
Director

**Place: Hyderabad**  
**Date: 26.04.2013**

**S. Vivek**  
Company Secretary

## Consolidated Notes to Accounts

(All amounts in Indian Rupees except for share data or otherwise stated)

(Amount in ₹)

Particulars	As at	
	31-3-2013	31-3-2012
<b>Note 2 : Share Capital</b>		
<b>Authorised:</b>		
10000000 Equity Shares of Rs. 10/- each	<b>100,000,000</b>	<b>100,000,000</b>
<b>Issued, Subscribed and Paid up</b>		
6485900 equity shares of Rs. 10/- each	64,859,000	64,859,000
Convertible Warrants Application Money Received	24,750,000	9,140,000
	<b>89,609,000</b>	<b>73,999,000</b>
<b>Reconciliation of shares outstanding at the beginning and at the end of the reporting period</b>		
Equity Shares outstanding at the beginning of the year	6,485,900	6,202,940
Add: Additional shares issued during the year	-	282,960
Equity Shares outstanding at the closing of the year	6,485,900	6,485,900
<b>Terms/rights attached to equity shares</b>		
The company has only one class of equity shares having a par value of ` 10/- per share. Each holder of equity shares is entitled to one vote per share.		
In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held		
<b>Names of shareholders holding more than 5 % shares</b>	No of Shares	No of Shares
<b>Equity Shares</b>		
L. Maruti Sanker	1,040,500	1,020,500
Meenu Bhanshali	712,597	973,579
Kalidindi Sarada Vijaya Kumari	763,400	863,400
Neelima Kalidindi	400,000	-
<b>Note3 : Reserves and Surplus</b>		
<b>General Reserve</b>	-	-
Balance as per last account		
<b>Capital Reserve</b>		
Share Premium	92,660,515	92,660,515
Forfeited Shares Reserve	1,490,410	1,490,410
Currency Translation Reserve	547,157	332,761

# 7SEAS ENTERTAINMENT LTD.

(Amount in ₹)

Particulars	As at	
	31-3-2013	31-3-2012
<b>Profit &amp; Loss A/c Surplus</b>		
Balance in the statement of profit & loss	69,142,972	40,224,101
Additions during the year	(1,745,509)	28,918,871
	<b>162,095,545</b>	<b>163,626,658</b>
<b>Note 4 : Long - term borrowings</b>		
<b>Loans and advances from banks</b>		
<b>Term loans</b>		
From banks		
IOB- Secured Loan	6,927,433	6,018,475
Kotak Mahindra- Unsecured Loan	6,041,090	3,605,484
From others- Religare- Unsecured Loan	2,470,047	4,384,875
Other Loans	-	-
	<b>15,438,570</b>	<b>14,008,834</b>
<b>Note 5 : Short term Loans:</b>		
<b>Secured Loans</b>		
Working Capital Loan-IOB	34,289,267	18,974,155
<b>Total Secured Loans</b>	<b>34,289,267</b>	<b>18,974,155</b>
<b>Unsecured Loans</b>		
Tata Capital Ltd	1,676,150	541,996
Bajaj Finance Limited	1,068,363	-
Loan From Director	718,057	-
<b>Total Unsecured Loans</b>	<b>3,462,570</b>	<b>541,996</b>
<b>Total Short term Liabilities</b>	<b>37,751,837</b>	<b>19,516,151</b>
<b>Note 6 : Trade Payables</b>		
Expenses payable	2,540,048	2,162,403
Sundry Creditors	1,309,861	1,225,663
	<b>3,849,909</b>	<b>3,388,066</b>
<b>Note 7 : Short - term provisions</b>		
Provision for Income tax	310,165	8,495,045
Others Provisions	-	-
	<b>310,165</b>	<b>8,495,045</b>

**Note 8 : Fixed Assets**

Particulars	Gross Block				Depreciation /amortization			Net Block	
	As at April 1, 2012	Additions	Deletions	As at March 31, 2013	As at April 1, 2012	Deletions	For the year	As at March 31, 2013	As at March 31, 2012
1. Computers	4,230,606	139,300	-	4,369,906	3,668,449	-	265,381	436,076	562,157
2. Furniture and Fixtures	3,390,821	-	-	3,390,821	1,626,874	-	319,274	1,444,673	1,763,947
3. Office Equipments	1,480,364	32,499	15,000	1,505,863	844,720	10,599	121,422	550,320	643,644
4. Vehicles	1,699,606	-	-	1,699,606	1,242,682	-	118,298	338,626	456,924
5. Electrical Fittings	686,910	-	-	686,910	263,086	-	58,954	364,870	423,824
6. Interiors	750,489	-	-	750,489	461,014	-	52,395	237,080	289,475
7. Software	65,787,754	3,429,270	-	69,217,024	20,722,126	-	6,735,728	41,759,170	45,065,628
8. Games & IP's	79,070,147	56,510,005	-	135,580,152	11,050,541	-	12,617,685	111,911,926	68,019,606
9. Web Portals	19,767,537	34,927,793	-	54,695,330	2,762,636	-	5,673,358	46,259,337	17,004,901
<b>Total</b>	<b>176,872,234</b>	<b>95,038,867</b>	<b>15,000</b>	<b>271,896,101</b>	<b>42,642,128</b>	<b>10,599</b>	<b>25,962,494</b>	<b>203,302,078</b>	<b>134,230,106</b>

# 7SEAS ENTERTAINMENT LTD.

(Amount in ₹)

Particulars	As at	
	31-3-2013	31-3-2012
<b>Note 9 : Trade receivables</b> <b>(Unsecured, considered good, unless otherwise stated)</b>		
Debts outstanding for a period exceeding six months		
Considered good	100,260,356	14,303
Considered doubtful	-	-
Other debts	-	-
Debts outstanding for a period less than six months	4,351,635	56,905,577
	104,611,991	56,919,880
Less: Provision for doubtful debts	-	-
	<b>104,611,991</b>	<b>56,919,880</b>
<b>Note 10 : Cash and cash equivalents</b>		
Cash on hand	3,089	7,390
Balances with scheduled banks		
On current accounts	1,521,145	6,013,697
On deposit accounts	-	-
	<b>1,524,234</b>	<b>6,021,087</b>
<b>Note 11 : Short - term loans and advances</b>		
Advances recoverable in cash or in kind or for value to be received	1,104,284	389,585
Other Deposits	1,788,333	899,840
Prepaid Expenses	134,579	191,102
	<b>3,027,197</b>	<b>1,480,527</b>
<b>Note 12: Other current assets</b>		
Product Development Expenditure		
Games & Game Engines Development	3,043,583	60,510,005
Portals Development	5,501,261	34,927,793
	<b>8,544,844</b>	<b>95,437,798</b>
<b>Note 13 : Operating Expenses</b>		
Direct Expenses	80,811,294	147,718,872
	<b>80,811,294</b>	<b>147,718,872</b>



# 7SEAS ENTERTAINMENT LTD.

(Amount in ₹)

Particulars	As at	
	31-3-2013	31-3-2012
<b>Note 14 : Administration expenses</b>		
Salaries & Other benefits to employees	5,024,792	4,617,426
Communication Expenses	207,587	247,787
Consultancy Charges	667,066	685,552
Rates & Taxes	846,139	512,070
Conference & Promotional Expenses	631,227	404,325
Electricity Charges	171,620	160,811
Printing & Stationery	133,229	224,252
Repairs & Maintenance	271,695	336,625
Rent	254,296	233,715
Travelling & conveyance	182,932	138,544
Office maintenance	319,243	274,196
Security Charges	288,000	278,000
Auditors remuneration	200,000	200,000
Interest & Bank Charges	9,344,358	4,346,512
Insurance	225,967	153,257
Loss on sale of asset	1,901	47,120
Exchange loss	15,993	2,272,591
	<b>18,786,045</b>	<b>15,132,783</b>

## **NOTE: 01** **SIGNIFICANT ACCOUNTING POLICIES :-**

### **1. Company overview:**

7Seas Entertainment Limited, its wholly consolidated subsidiaries (hereinafter referred to as “7Seas Group”) are engaged in development of games and game development software and other solutions relating to gaming.

7 Seas Entertainment limited (hereinafter referred to as “7Seas”) was incorporated on 25.01.2006 in Hyderabad, Andhra Pradesh. 7Seas has its headquarters and development centre facilities in India and serves a global customer base through directly and through its subsidiaries.

Fortune 7Inc, USA (hereinafter referred to as “Fortune 7”), a wholly owned subsidiary of 7seas India, provides publishing, distributions and marketing of games and game software.

### **2. Basis of preparation of financial statements**

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention, on the basis of a going concern basis, while revenue, expenses, assets and Liabilities accounted/recognized on accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies are consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Management evaluates all recently issued or revised accounting standards on an ongoing basis.

The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the financial statements of 7Seas Entertainment Limited and its Subsidiaries. All material inter-Company balances and transactions are eliminated on consolidation.

Assets and liabilities of subsidiaries are translated into Indian Rupees at the rate of exchange prevailing as at the Balance Sheet date. Revenues and Expenses are translated into Indian Rupees at average of the opening and closing rates.

### **3. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that effect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Management periodically assessed using external and internal sources whether there is an indication that an asset may be impaired. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from those estimates.

### **4. Revenue recognition**

Revenue from gaming software development on fixed-price and games distributed on revenue share basis has been recognized based on actual deliveries / downloads. On time-and-material contracts, revenue is recognized as the related services are rendered. Annual Technical Services revenue and revenue from fixed-price maintenance contracts are recognized proportionately over the period in which services are rendered. Revenue from the sale of game products for software applications is recognized on transfer of the products to the users.

### **5.Fixed Assets, intangible assets:**

Fixed Assets are stated at cost, less accumulated depreciation. All direct costs are capitalized until fixed assets are ready for use including taxes, duties, freight and other incidental expenses relating to acquisition and installation.

### **6.Depreciation and amortization**

Depreciation on fixed assets is applied on diminishing value method, pro-rata for the period of usage, in accordance with the rates prescribed under schedule XIV of the Companies Act, 1956.

### **7. Product under development**

Revenue expenditure incurred on product under development for development of new games and portals has been shown separately under Products and Development.

### **8. Foreign Currency Transactions**

The company translates all foreign currency transactions at Exchange

Rates prevailing on the date of transactions. Exchange rate differences resulting from foreign exchange transactions settled during the year are recognized as income or expenses in the period in which they arise.

Monetary current assets and monetary current liabilities that are denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account.

## **9. Income tax**

Income taxes are computed using the tax effect accounting method, in accordance with the Accounting Standard (AS 22) "Accounting for Taxes on Income" which includes current taxes and deferred taxes. Deferred income taxes reflect the impact if current year timing differences between taxable income and accounting income for the year and the relevant of timing difference of earlier years. Deferred tax asset and liabilities are measured at the tax rates that are expected to apply to the period when the asset / liability is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred Tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

## **10. Earnings per share**

In determining earnings per share, the company considers the net profit after tax expense. The number of shares used in computing basic earnings per is the weighted average shares used in outstanding during the period.

## **11. Investments**

Long term trade investments are stated at cost & all other investments are carried at lower of cost or fair value.

## **12. Cash flow statement**

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the company are segregated.

## **NOTES ON ACCOUNTS:**

All amounts in the financial statements are presented in Rupees and as otherwise stated.

### **15. Contingent Liabilities : Nil**

### **16. Secured Loans**

Working Capital Loans from Indian Overseas Bank: First charge on all current assets by way of hypothecation of all book debts and other current assets of the Company and Collateral Security on open Plot No.38 of 313.33 Sy of Smt, L. Usha Kumari in S.No.416/4 at Prabhu Nagar, Poranki, Krishna Dist, and open plot No.8 of 485 Sy of Smt. L. Hemalatha in s.No.404/1 at Poranki, Krishna Dist, AP and personal guarantee given by Directors.

### **17. Quantitative details**

The Company is engaged in the business of development & maintenance of Computer Software, offshore development and other related services. The production and sale of such software services cannot be expressed in any generic unit and hence it is not possible to give such quantitative details of sales and certain information as required under paragraph 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956. The details of Conversation of Energy, Technology absorption are given in Directors Report. R&D expenditure is not separately accounted for.

### **18. Dues to micro & small-scale industrial undertakings**

As at March 31, 2013 as per available information with the company, there are no dues to small scale Industrial Undertakings.

### **19. Segment reporting**

As required by the Accounting Standard (AS 17) "Segment Reporting", the Company is mainly engaged in the area of Gaming Software Development and related services. Hence segment reporting is not applicable to the Company and to the nature of its business.

## 20. Earnings per share

Particulars	For the Year 2012-2013	For the Year 2011-2012
Net profit after tax	(1745509)	31697757
Weighted average number of equity shares	6485900	6294244
Nominal value of shares	10	10
Earnings per share (basic/diluted)	(0.27)	5.04

21. The Balance in Sundry Debtors, Loans & Advances are subject to confirmation, and consequential adjustments if any.

22. The previous year figures have been recast / restated, wherever necessary, to the current period's classification.

23. Financial figures have been rounded off to nearest rupee.

24. Notes 1 to 14 form part of Balance Sheet and have been authenticated.

As per our report of even date attached  
For and on behalf of the board of directors

**For M M REDDY & CO.,**  
Chartered Accountants  
Firm Registration No: 010371S

M Madhusudhana Reddy  
Partner  
Membership No. 213077

L. Maruti Sanker  
Managing Director

A.S.R. Murthy  
Director

Place: Hyderabad  
Date: 26.04.2013

S. Vivek  
Company Secretary

# 7SEAS ENTERTAINMENT LTD.

## 7SEAS ENTERTAINMENT LIMITED

6-3-1239/2/A, Renuka Enclave, 3rd Floor, Kotis Court, Rajbhavan Road,  
Somajiguda Hyderabad-500082

### PROXY FORM

I/We \_\_\_\_\_ of \_\_\_\_\_ being a Member(s) of above  
named company, hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing  
him/her \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to attend and vote for  
me/us, on my/our behalf at the 22nd Annual General Meeting of the Company to be held  
on Saturday, 28.09.2013 at 9.30 a.m. at the registered office of the Company at 6-3-  
1239/2/A, Renuka Enclave, 3rd Floor, Kotis Court, Rajbhavan Road, Somajiguda,  
Hyderabad-500082 and at any adjourned meeting thereof.

As Witnessed Signed this \_\_\_\_\_ day of September 2013

Signed by the said \_\_\_\_\_

Folio No. / Client ID \_\_\_\_\_

No. of shares held \_\_\_\_\_

Affix  
Re.1/-  
Revenue  
Stamp.

#### Note:

The proxy in order to be effective should be duly stamped, completed, signed and must be  
deposited at the Registered Office of the Company not less than 48 hours before the time  
for holding the meeting.

## 7SEAS ENTERTAINMENT LIMITED

6-3-1239/2/A, Renuka Enclave, 3rd Floor, Kotis Court, Rajbhavan Road,  
Somajiguda Hyderabad-500082

### ATTENDANCE SLIP

(Please present this slip at the Meeting venue)

I hereby record my presence at the 22nd Annual General Meeting of the members of the  
company to be held on Saturday, 28.09.2013 at 9.30 a.m. at the registered office of the  
Company at 6-3-1239/2/A, Renuka Enclave, 3rd Floor, Kotis Court, Rajbhavan Road,  
Somajiguda, Hyderabad-500082

Shareholders/Proxy's Signature \_\_\_\_\_

Shareholders/Proxy's full name \_\_\_\_\_  
(In block letters)

Folio No. / Client ID \_\_\_\_\_

No. of shares held \_\_\_\_\_

#### Note:

Shareholders attending the meeting in person or by proxy are required to complete the  
attendance slip and hand it over at the entrance of the meeting hall.

**BOOK - POST**  
**PRINTED MATTER**

If Undelivered please return to :



**7SEAS ENTERTAINMENT LTD.**

6-3-1239/2/A, Renuka Enclave  
3<sup>rd</sup> Floor, Kotis Court, Rajbhavan Road  
Somajiguda, Hyderabad-500082  
Ph.Nos.040-30686161/30686162  
Fax: 040-30686163