S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of UFO Moviez India Limited

We have audited the accompanying consolidated financial statements of UFO Moviez India Limited ("the Company") and its subsidiaries (collectively "the Group") which comprise the consolidated Balance Sheet as at March 31, 2011, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated balance sheet, of the state of affairs of the Company as at March 31, 2011
(b) in the case of the consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and
(c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date

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Other Matters – scope exclusion

We did not audit the total assets of Rs. 73,211,369 as at March 31, 2011, total revenues of Rs. 3,378,709 and net cash inflows amounting to Rs. 8,237,971 for the year then ended, included in the accompanying consolidated financial statements in respect of certain subsidiaries, whose financial statements and other financial information have been audited by other auditors and whose report have been furnished to us. Our opinion, in so far as it relates to the affairs of such subsidiaries is based solely on the report of other auditors. Our opinion is not qualified in respect of this matter.
Other Matters – restrictions of use

Other Matters – restrictions of use

The accompanying consolidated financial statements are prepared to solely for the purpose of preparation of the consolidated restated financial information as at and for the six months period ended September 30, 2014, as at and for the year ended March 31, 2014, 2013, 2012, 2011 and 2010 in connection with the proposed Initial Public Offering ('IPO') of the Company. Accordingly, the accompanying consolidated financial statements and this auditor's report should not be distributed, used, referred to for any other purpose or to any other person without our prior written consent.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W

MUMBAI

per Govind Ahuja
Partner
Membership Number: 48966
Place of Signature: Mumbai
Date: November 20, 2014

UFO digital cinema

UFO Moviez India Limited

Consolidated Balance sheet as at 31 March 2011

Liability	Notes	31 March 2011 Rupees	31 March 2010 Rupees
Equity and liabilities			
Shareholders' Funds			
Share capital	3	201,503,700	186,593,160
Reserves and surplus	4	1,164,909,622	844,782,898
		1,366,413,322	1,031,376,058
Share application money pending allotment		440,000,000	-
Minority interest		622,217	100,597
Non-current liabilities			
Long-term borrowings	5	330,161,960	350,501,445
Deferred Tax liabilities (net)	11	199,447	288,575
Other long-term liabilities	7	254,658,778	195,944,190
		585,020,185	546,734,210
Current liabilities			
Trade payables	7	209,107,885	79,146,354
Other current liabilities	7	285,883,658	335,164,862
Short-term provisions	6	10,077,848	6,797,207
		505,069,391	421,108,423
TOTAL		2,897,125,115	1,999,319,288
Assets			
Non-current Assets			
Fixed Assets			
Tangible assets	8	1,144,132,540	1,105,140,496
Intangible assets	8	41,843,670	44,634,829
Capital work-in-progress		76,187,407	75,613,501
Goodwill on consolidation		417,807,442	144,066,882
Non-current investments	9	184,162,533	8,595,135
Long-term loans and advances	10	48,464,669	43,213,214
Other non-current assets	15	-	420,945
		1,912,598,261	1,421,685,002
Current Assets			
Inventories	12	40,675,235	52,705,092
Trade receivables	13	387,920,135	142,683,790
Cash and bank balances	14	199,104,532	160,588,247
Short-term loans and advances	10	356,811,497	211,086,426
Other current assets	15	15,455	10,570,731
		984,526,854	577,634,286
TOTAL		2,897,125,115	1,999,319,288
Summary of significant accounting policies	2.3		

The accompanying notes are an integral part of the consolidated financial statements.
As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No:101049W
Chartered Accountants

per Govind Ahuja
Partner
Membership No.: 48966

Place of signature: Mumbai
Date: November 20, 2014

S.R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

For and on behalf of the board of directors of UFO Moviez India Limited

Sanjay Gaikwad
Managing Director
DIN No. : 01001173

Kapil Agarwal
Joint Managing Director
DIN No. : 00024378

s.s.chavan

Sameer Chavan
Company secretary

Ashish Malushte
Chief Financial Officer

Place of signature: Mumbai
Date: November 20, 2014

Consolidated statement of profit and loss as at 31 March 2011

Particulars	Notes	31 March 2011 Rupees	31 March 2010 Rupees
Income			
Revenue from operations	16	**1,088,021,053**	731,596,784
Other income	17	**11,692,744**	3,455,451
Total Income (I)		**1,099,713,797**	735,052,235
Expenses			
Operating direct costs	18	**354,021,641**	296,527,669
Employee benefit expenses	19	**198,320,867**	151,144,510
Other expenses	20	**418,944,905**	268,059,681
Total Expenses (II)		**971,287,413**	715,731,860
Earnings before interest,tax,depreciation and amortization (EBITDA) (I) -(II)		**128,426,384**	19,320,375
Depreciation and amortisation expenses	8	**254,167,464**	165,587,496
Finance cost	21	**43,855,160**	64,076,718
Finance income	22	**(11,263,319)**	(4,169,730)
Loss before tax		**(158,332,921)**	(206,174,109)
Tax expenses			
Current tax		**25,001**	6,181
MAT credit entitlement		**4,000**	-
Short Provision for taxation in earlier years		**-**	1,046
Total tax expense		**29,001**	7,227
Deferred tax		**(93,505)**	136,716
Total tax expenses		**(64,504)**	143,943
Loss for the year before share of profit loss from associates		**(158,268,417)**	(206,318,052)
Share of loss from associates		-	-
Loss for the year before Minority interest		**(158,268,417)**	(206,318,052)
Add/(less) : Minority Interest		**61,643,024**	(7,041)
Loss for the year		**(96,625,393)**	(206,325,093)
Earnings per equity share	23		
Basic (Face value of Rs.10 each)		**(6.56)**	(13.98)
Diluted (Face value of Rs.10 each)		**(6.56)**	(13.98)
Summary of significant accounting policies	2.3		

The accompanying notes are an integral part of the consolidated financial statements.
As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No:101049W
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per Govind Ahuja
Partner
Membership No.: 48966

S.R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

Place of signature: Mumbai
Date: November 20, 2014

For and on behalf of the board of directors of UFO Moviez India Limited

Sanjay Gaikwad
Managing Director
DIN No. : 01001173

Kapil Agarwal
Joint Managing Directo
DIN No. : 00024378

s.s.chavan

Sameer Chavan
Company secretary

Ashish Malushte
Chief Financial Officer

Place of signature: Mumbai
Date: November 20, 2014

Consolidated Cash flow statement for the year ended 31 March 2011

		31 March 2011 Rupees	31 March 2010 Rupees
Cash flow from operating activities			
Loss before tax		**(158,332,921)**	(206,174,109)
Non-cash adjustment to reconcile profit before tax to net cash flows			
Depreciation		**254,167,464**	165,587,496
Unrealised foreign exchange (gain) (net)		**804,315**	61,345,396
Loss on sale / discarding of fixed assets		**10,222,710**	6,683,110
Provision for doubtful debts & bad debt written off		**84,578,085**	13,594,674
Provision for obsolete inventories		**8,574,013**	-
Provision for compensated absences		**3,136,452**	-
Provision for gratuity		**2,426,313**	-
Provision for diminution in value of investment		**8,595,137**	-
Sundry credit balances written back		**(7,763,282)**	(64,810)
Interest income		**(11,263,319)**	(4,169,730)
Interest and finance expense		**38,942,567**	49,809,791
Operating profit before working capital changes		**234,087,534**	86,611,818
Movements in working capital :			
Decrease / (increase) in trade payable		**(12,634,956)**	6,235,146
Increase / (decrease) in short-term provisions		**(2,282,124)**	1,168,971
Increase / (decrease) in other current liabilities		**124,814,273**	102,961,654
Increase / (decrease) in other non current liabilities		**45,621,623**	(24,558,864)
Decrease / (increase) in trade receivables (Non - Current)		**-**	4,121
Decrease / (increase) in trade receivables (Current)		**(268,278,155)**	(12,973,540)
(Increase) / decrease in inventories		**12,238,609**	(7,789,519)
Decrease / (increase) in short-term loans and advances		**35,506,605**	(44,331,975)
Decrease / (increase) in other current assets		**(8,715,565)**	(5,623,040)
Cash generated from operations		**160,357,844**	101,704,772
Direct tax paid (net of refunds)		**(30,410,068)**	(8,031,610)
Net cash flow from operating activities	**(A)**	**129,947,776**	93,673,162
Cash flow from investing activities			
Purchase of fixed assets including intangible, Capital work-in progress and capital advances		**(385,377,060)**	(370,882,924)
Purchase of investment		**(195,455,033)**	-
Advance for purchase of Investment		**(200,999,514)**	-
Proceeds from sale of fixed assets		**14,750,004**	7,223,327
Interest received		**11,608,576**	17,022,693
Investments in bank deposits (having original maturity of more than three months)		**32,580,165**	(1,989,766)
Redemption from bank deposits (having original maturity of more than three months)		**(187,238)**	-
Net cash flow used in investing activities	**(B)**	**(723,080,100)**	(348,626,670)
Cash flow from financing activities			
Proceeds from long term borrowings		**143,395,816**	310,938,378
Repayment of long term borrowings		**(99,854,882)**	(114,814,196)
Repayment of Short term borrowings		**-**	(429,974,124)
Share allotment money including securities premium		**250,000,053**	-
Proceeds from short-term borrowings		**-**	240,000,000
Share issue expenses		**(31,660,000)**	-
Proceeds from share application money pending allotment		**440,000,000**	250,000,054
Interest and finance cost		**(37,948,796)**	(46,823,943)
Net cash flow from financing activities	**(C)**	**663,932,191**	209,326,169
Net Increase/(decrease) in cash and cash equivalent (A + B + C)		**70,799,867**	(45,627,339)
Cash and cash equivalents at the beginning of the year		**100,403,009**	145,510,249
Unrealised Gain/(Loss) on Foreign Currency Cash and Cash equivalents		**(311,601)**	520,099
Cash and cash equivalents at the end of the year		**170,891,275**	100,403,009

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Consolidated Cash flow statement for the year ended 31 March 2011

	31 March 2011 Rupees	31 March 2010 Rupees
Components of cash and cash equivalents		
Cash on hand	**242,770**	250,712
Balance with banks:		
- on current accounts	**135,926,860**	21,194,796
- on fixed deposit account with original maturity of less than 3 months	**34,721,645**	78,957,501
Cash & cash equivalents [refer note 14]	**170,891,275**	100,403,009

Notes:

1. Figures in bracket denote outflow
2. The above Cash flow statement has been prepared under the " Indirect Method" set out in Accounting Standard (AS-3) " Cash Flow Statements"
3. Previous year figures have been regrouped wherever necessary to correspond with the figures of current year

As per our report attached of even date

For S.R. Batlibol & Associates LLP
ICAI Firm Registration No:101049W
Chartered Accountants

per Govind Ahuja
Partner
Membership No.: 48966

S.R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

Place of signature: Mumbai
Date: November 20, 2014

For and on behalf of the board of directors of UFO Moviez India Limited

Sanjay Gaikwad
Managing Director
DIN No. : 01001173

Kapil Agarwal
Joint Managing Director
DIN No. : 00024378

S.S. Chavan

Sameer Chavan
Company Secretary

Ashish Malushte
Chief Financial Officer

Place of signature: Mumbai
Date: November 20, 2014

1. **Corporate information**

UFO Moviez India Limited ('UFO' or 'the parent company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956 ('the Act'). The Group is mainly into the business of providing digital cinema services. As these financial statements are not statutory financial statements, full compliance with the Act is not required and hence these financial statements do not reflect all disclosures requirement of the Act.

2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP) for the year ended March 31, 2010 originally approved by the Company in the board meeting held on July 20, 2011, prepared as per Indian GAAP at that relevant time, except that the presentation and disclosure requirements of Schedule III to the Companies Act, 2013 have been followed in the preparation of the accompanying financial statements. The consolidated financial statements have been prepared under historical cost convention on accrual basis of accounting. These financial statements have been prepared in connection with the proposed initial public offering by the Company.

2.2 Principles of Consolidation

(i) The financial statements of the Company and its subsidiaries have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expense after eliminating intra-group balances and transactions as per Accounting Standard (AS) 21 "Consolidated Financial Statements".

(ii) The Financial statement include the share of profit / loss of associate companies in which the investor has significant influence and which is neither a subsidiary nor a joint venture, which are accounted under "Equity Method" in accordance with Accounting standard (AS) 23 on Accounting for Investment in Associates in Consolidated Financial Statement, as per which the share of profit/(loss) of associate company has been added and restricted to the cost of investment.

(iii) The excess of cost to the parent Company of its investments in the subsidiaries over its portion of equity in the subsidiaries, as at the date on which investment was made, is recognized as goodwill in the consolidated financial statements. The Parent Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the Financial statement of the subsidiary companies as on the date of investment. Capital reserve on consolidation represents negative goodwill arising on consolidation.

(iv) Minority Interest:
Minority interest share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of group in order to arrive at the net income attributable to shareholders of the company. In case where losses applicable to minority interest exceed the minority interest in the equity of the subsidiary, the excess of, any further losses applicable to minority interest are adjusted against the parent company's portion of equity in the subsidiary, until all previous losses absorbed by parent are recovered.

(v) The CFS has been prepared using uniform accounting policies for like transactions and other events in similar circumstances to the extent possible across the group and are presented, to the extent possible, in the same manner as per the parent's separate financial statement, except in case of the accounting policies mentioned below, where there exists variance between Parent

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and the subsidiary and the impact on account of alignment of such policy with the parent company is not material.

(a) Fixed Asset and Depreciation (Refer note 2.3(a), (b) and (c))
(b) Employee benefits (Refer note 2.3(l))

No adjustments are made for differences in accounting policy for Inventory and depreciation on written down value method.

(vi) The list of subsidiaries included in consolidation are mentioned below:

Subsidiary Name	**Country of Incorporation**	**Proportion of ownership interest of the Company/Subsidiary as on March 31, 2011**	**Proportion of ownership interest as on March 31, 2010**
Subsidiaries of UFO			
V N Films Private Limited (erstwhile known as Allied Film Services Pvt. Ltd.)	India	100%	100%
Edridge Limited	Cyprus	100%	100%
United Film Organisers Nepal Private Limited	Nepal	100%	100%
Subsidiary of Edridge Limited & stepdown subsidiary of UFO			
UFO International Limited.	Cyprus	100%	100%
Subsidiaries of UFO International Limited & stepdown subsidiaries of UFO			
United Film Organisers (UFO) (Mauritius) Private Limited.	Mauritius	100%	100%
UFO Lanka Private Limited.	Sri Lanka	100%	100%
UFO Software Technologies Private Limited.	India	95.97%	95.97%
DCLP Limited	Cyprus	100%	100%
UFO Europe Limited	Cyprus	100%	100%

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(vii) The list of subsidiary which are under liquidation are not included in Consolidation are mentioned below:

Subsidiary Name	Country of Incorporation	Proportion of ownership interest of the Company/Subsidiary as on March 31, 2011	Proportion of ownership interest as on March 31, 2010
Digital film brokers SPRL	Belgium	100%	100%

2.3 Summary of significant accounting policies

Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the end of the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(a) Tangible fixed assets

Tangible fixed assets are stated at cost, net accumulated depreciation and accumulated impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

(b) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight line basis over the estimated useful economic life.

(c) Depreciation on tangible and amortisation of intangible assets

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the companies Act, 1956 whichever is higher.

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The Group has used the following rates to provide deprecation on its fixed assets

	Rates as per management's estimate of useful lives (SLM)	Schedule XIV Rates (SLM)
Exhibition Equipment	9.50% - 25.00%	7.07%
Plant & Machinery	16.21%	7.07%
Computer	16.21%	16.21%
Furniture and Fixtures	16.67%	6.33%
Office Equipments	16.67%	4.75%
Vehicles	20.00% - 33.00%	9.50%

Leasehold improvements are written off over the period of lease or over a period of 4 years whichever is lower.

Intangible assets are amortised over their estimated useful life as follows.

	Rates as per management's estimate of useful lives (SLM)
Computer Software	10.00% - 16.21%

(d) Goodwill on consolidation

Goodwill on consolidation is not amortised and is tested for impairment on an annual basis. Such evaluation determines impairment in value if any, taking into account the ability to recover the carrying amount of goodwill from discounted cash flows. The group also considers projected future operating results, trends and other circumstances in making such evaluations.

In addition to the annual impairment test, the Group will perform an impairment test if an event occurs or circumstances change that would more likely than not reduce the fair value or the reporting unit below its carrying amount.

(e) Impairment of tangible and intangible assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

(f) Leases

Where the Group is the lessee
Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

Where the Group is the lessor
Assets subject to operating leases are included in fixed assets. Lease income is recognised in the Statement of Profit and Loss on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Statement of Profit and Loss. Initial direct costs

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such as legal costs, brokerage costs, etc. are recognised immediately in the statement of Profit and Loss.

(g) Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as non-current investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Non-current investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

(h) Inventories

Inventories comprise of stores and Spares and are valued at cost or at net realisable value whichever is lower. Cost is determined on first in first out basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(i) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Income from Services

- Virtual Print Fee income received from Distributors of the films is recognised in the period in which the services are rendered.
- Advertisement Income is recognised in the period during which advertisement is displayed.
- Digitization income is recognised on rendering of services.
- Theatre programming revenue is recognized for the period of exhibition of movies.
- Registration fee is recognised in the period in which the services are rendered.
- Revenue from annual maintenance is recognised on time proportion basis for the period falling in the reporting period

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer. Sales are recorded net of returns, trade discounts, and value added tax.

The Group recognizes revenue from sales of equipment and stores as and when these are dispatched/issued to customers.

Interest

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

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Dividends

Dividend income is recognised when the Group's right to receive dividend is established by the reporting date.

(j) Foreign Currency Translation

Foreign currency transactions and balances

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting such monetary items of Group at rates different from those at which they were initially recorded during the year or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(k) Translation of foreign subsidiaries

Translation of foreign subsidiaries are done in accordance with AS – 11 (Revised) "The Effects of Changes in Foreign Exchange Rates". In the case of subsidiaries, the operations of which are considered as integral, the Balance Sheet items have been translated at the closing rate except share capital and fixed assets, which have been translated at the transaction date. The income and expenditure items have been translated at the average rate for the year. Exchange gain / loss are recognized in the statement of profit and loss.

In case of foreign subsidiaries, the operation of which are considered as non-integral, all assets and liabilities are converted at the closing rate at the end of the year and items of income and expenditure items have been translated at the average rate

Any goodwill / Capital reserve arising on acquisition of a non – integral foreign operation is translated at the closing rate.

Exchange gain / loss arising on conversion are recognized under Foreign Currency Translation Reserve.

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(l) Retirement and other benefits

Retirement benefits in the form of provident fund is a defined contribution scheme and the contributions are charged to the statement of profit and loss of the year when the employee render related services. There are no other obligations other than the contribution payable to the respective funds.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The group has an Employees' Gratuity Fund managed by the by Life Insurance Corporation of India.

Actuarial gains/losses are immediately taken to statement of profit and loss and are not deferred.

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation at the year end. The actuarial valuation is done as per projected unit credit method.

(m) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is "virtual certainty" (as defined in Accounting Standard 22) supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Group re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or "virtually certain", as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or "virtually certain", as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

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Minimum altemate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Group recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Group recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Group does not have convincing evidence that it will pay normal tax during the specified period.

(n) Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares)

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

(o) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

(p) Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(q) Employee stock compensation cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Group measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortized over the vesting period of the option on a straight line basis. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

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(r) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(s) Borrowing cost

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

(t) Segment reporting

The Group's operations predominantly relate to providing digital cinema services to exhibitors and distributors of films in DCI and Non DCI format. The Group's operating businesses are organized and managed according to the services and are identified as reportable segment based on the dominant source and nature of risks and returns as primary and secondary segments. The analysis of geographical segments is based on the areas in which major operating divisions of the Group operate.

(u) Measurement of EBITDA

As permitted by the *Guidance Note on the Revised Schedule VI to the Companies Act, 1956*, the company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the company does not include depreciation and amortization expense, finance costs, finance income and tax expense.

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3. Share capital

	31 March 2011 Rupees	31 March 2010 Rupees
Authorised share capital		
23,500,000 (Previous Year : 43,500,000) Equity Shares of Rs.10 each	235,000,000	435,000,000
Nil (Previous Year : 1,500,000) 11% Cumulative Redeemable Preference Shares of Rs.100 each	-	150,000,000
Nil (Previous Year : 1,500,000) 6% Cumulative Convertible Preference Shares of Rs.100 each	-	150,000,000
1,600,000 (Previous Year : Nil) 0.0001% Compulsorily Convertible Preference Shares of Rs.1000 each	1,600,000,000	-
	1,835,000,000	735,000,000
Share capital		
Issued, subscribed and fully paid up shares		
20,150,370 (Previous Year: 18,659,316) Equity shares of Rs.10/- each Fully Paid up	201,503,700	186,593,160
Total issued, subscribed and fully paid up share capital	201,503,700	186,593,160

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares	31 March 2011		31 March 2010	
	No.	Rupees	No.	Rupees
At the beginning of the period	18,659,316	186,593,160	5,467,745	54,677,450
Issued during the period - Bonus issue	943,623	9,436,230	-	-
Issued during the period - preferential issue	547,431	5,474,310	-	-
Equity shares issued in Right issue	-	-	497,018	4,970,180
Conversion of Pref. Shares in to Equity shares	-	-	255,009	2,550,090
issue of Bonus shares (2:1)			12,439,544	124,395,440
Outstanding at the end of the period	20,150,370	201,503,700	18,659,316	186,593,160

Preference shares	31 March 2011		31 March 2010	
	No.	Rupees	No.	Rupees
At the beginning of the year	-	-	1,400,000	140,000,000
Conversion of Pref. Shares in to Equity shares	-	-	(1,400,000)	(140,000,000)
Outstanding at the end of the year	-	-	-	-

(b) Terms/ rights attached to equity shares-
Voting Rights

Each holder of equity shares having a par value of Rs.10 per equity share is entitled to one vote per equity share.

Rights as to Dividend

The equity shareholders have right to receive dividend when declared by the Board of Directors, subject to approval in the General Meeting.

Pre-emption Rights:

In the event the Company proposes to issue any securities to any person, then P5 Asia Holding Investments (Mauritius) Ltd. (P5) and 3i Research (Mauritius) Limited (3i) (collectively called Investor Group and individually Investor) have a right to subscribe to the issue on a pro-rata basis, in proportion to their respective shareholding in the Company on the same terms, as the issue is proposed, such that their respective shareholding is maintained at least at the level prior to such issuance.

Right of First Offer, Right of Sale and Tag Along Rights:

In the event Apollo Group (comprising of Apollo International Limited and an individual shareholder) and VTL Group (comprising of Valuable Technologies Limited, Valuable Media Limited and two individual shareholders) (collectively called Group A Shareholders) propose to transfer all or part of their securities to any person, shall first offer to the Investor Group, a pro rata right to purchase all their Shares. Investors Group shall have the right to exercise certain specified tag along rights in case the Group A shareholders proposes to transfer any securities to any person in certain cases as defined in Articles of Association (AOA).

In the event either of 3i or P5 propose to sell any or all of their securities held by them in the Company, it shall first offer the other Investor and the Group A Shareholders a right to purchase all their shares.

Exit Rights and Drag Along Rights:

The Investor Group has the right to sell their entire shareholding in the Company at any time after expiry of certain specified period subject to certain specified conditions as defined in the AOA of the Company. Such shareholders also have the right to exercise drag along rights as stipulated in the AOA of the Company.

Rights pertaining to repayment of capital

In the event of certain specified liquidation events as defined in the AOA, the proceeds of such events will be distributed between shareholders in the manner specified in the AOA of the Company.

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Other Rights:

P5, 3i, Apollo Group and VTL Group have right to have their representatives on the Board of Directors of the Company.
Certain specified reserved matters such as change in the share capital of the Company, material related party transactions, raising of debt, declaration of dividends, change in senior management including key business matters requires the consent of the Investor Group Shareholders.

Restrictions

The Securities held by Group A Shareholders are locked-in and they cannot transfer any securities held by them without Investors' consent, until the shareholding of each of the Investors in the Company falls below the Minimum Requisite Shareholding as defined in the AOA.

The Investor Group cannot transfer shares held by them in favour of any competitor as defined in the AOA of the Company or enter into an agreement for the transfer of shares to any competitor, subject to certain specified conditions.

(c) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	31 March 2011 No.	31 March 2011 % holding in the class	31 March 2010 No.	31 March 2010 % holding in the class
Equity shares of Rs.10 each fully paid				
3i Research (Mauritius) Limited (erstwhile known as 3i Digital Media (Mauritius) Limited)	**7,116,621**	**35.32**	7,116,621	38.14
Apollo International Ltd	**3,816,468**	**18.94**	3,816,468	20.45
Valuable Media Ltd.	**2,131,782**	**10.58**	2,131,782	11.42
Valuable Technologies Ltd.	**3,071,745**	**15.24**	2,128,857	11.41

(d) Shares reserved for issue under options

For details of shares reserved for issue under the employee stock option (ESOP) plan of the company, please refer note 25.

(e) Aggregate number of bonus shares, shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

	31 March 2011	31 March 2010
Equity shares allotted as fully paid bonus shares by capitalisation of securities premium	**13,068,828**	13,068,626

4. Reserves and Surplus

	31 March 2011 Rupees	31 March 2010 Rupees
Securities premium account		
Balance as per last financial statements	**1,711,339,349**	1,453,255,005
Add : received on issue of equity shares	**257,396,946**	382,479,784
Less: Utilised for bonus share	**(6,290,820)**	(124,395,440)
Less: Share issue expenses	**(31,660,000)**	-
Closing balance	**1,930,785,475**	1,711,339,349
Foreign Currency Translation Reserve		
Balance as per last financial statements	**(5,744,649)**	(5,744,649)
Addition during year	**5,485,948**	-
Closing balance	**(258,701)**	(5,744,649)
deficit in the statement of profit and loss		
Balance as per last financial statements	**(860,811,802)**	(654,486,709)
Less: Pre - acquisition loss acquired from minority interest	**191,820,043**	-
Profit for the year	**(96,625,393)**	(206,325,093)
deficit in the statement of profit and loss	**(765,617,152)**	(860,811,802)
Total reserves and surplus	**1,164,909,622**	844,782,898

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Notes to consolidated financials statements for the year ended 31 March 2011

5. Long-term borrowings

	Non-Current portion		Current maturities	
	31 March 2011 Rupees	31 March 2010 Rupees	31 March 2011 Rupees	31 March 2010 Rupees
Non Current				
Term loans (Secured)				
Rupee loan from banks (secured by first charge on all fixed assets (except vehicles) and all current assets of the Company)				
Term loan 1 from Yes Bank	-	37,500,000	-	50,000,000
Term loan 2 from Axis bank	328,125,000	7,899,136	112,500,000	-
Sub Total	328,125,000	45,399,136	112,500,000	50,000,000
Foreign Currency loan	-	301,519,621	-	
Other Loans				
Vehicle finance from banks and financial institutions (secured against hypothecation of vehicles)				
Vehicle loan from Kotak Mahindra Prime Ltd (IRR from 8.34 to 11.17% repayable in 36 Monthly installments)	2,036,960	3,582,688	4,184,958	2,804,539
Sub Total	2,036,960	3,582,688	4,184,958	2,804,539
Unsecured Loans	-		-	-
Less :Amount disclosed under the head "Other Current Liabilities" (note 7)	-	-	(116,684,958)	(52,804,539)
Net amount	330,161,960	350,501,445	-	-

Term loan 1 having interest of bank at the rate of 13.50% p.a. (March 31, 2010 :13.50% p.a.) is repayable in 48 monthly installments of Rs 12,500,000/- each along with interest.

Term loan 2 having interest of banks prime lending rate plus 3.25% @ 11.50% p.a. (March 31, 2010 : 11.50% p.a.) is repayable in 48 monthly installments of Rs 9,375,000/- each along with interest from March 31, 2011.

The company is required to maintain debt service reserve account equivalent to 3 months principal and interest repayment under lien with the bank.

6. Provisions

	Long term		Short term	
	31 March 2011 Rupees	31 March 2010 Rupees	31 March 2011 Rupees	31 March 2010 Rupees
Provision for gratuity (refer note 24)	-	-	1,582,450	1,085,007
Provision for compensated absences	-	-	8,495,398	5,712,200
	-	-	10,077,848	6,797,207

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Notes to consolidated financials statements for the year ended 31 March 2011

7. Trade Payable & Other Liabilities

Non - Current	Non-Current portion		Current portion	
	31 March 2011 Rupees	31 March 2010 Rupees	31 March 2011 Rupees	31 March 2010 Rupees
Trade payables (refer note 34 for details of dues to micro and small enterprises)	-	-	**209,107,885**	79,146,354
Other liabilities				
Current maturities of long-term borrowings (refer note 5)	-	-	**116,684,958**	52,804,539
Interest accrued but not due on borrowings	-	-	**5,009,018**	3,544,306
Deferred lease rental income	**102,034,489**	72,918,734	**25,168,033**	42,619,165
Advance from customers	-	-	**42,120,092**	34,091,101
Others				
Deposit from theatre and regional dealers	**152,624,289**	123,025,456	**39,183,032**	32,227,804
Payables for purchase of fixed assets	-	-	**33,127,812**	102,976,834
Bank book overdraft	-	-	**24,021,804**	19,699,991
Salary & reimbursement payable	-	-	**34,375**	-
Sales tax payable	-	-	**227,469**	247,927
TDS payable	-	-	**26,675**	18,431
Forward contract payable	-	-	-	7,316,995
Other creditors (other than trade)	-	-	**280,390**	39,617,769
	254,658,778	195,944,190	**285,883,658**	335,164,862

9. Non-current Investments

	31 March 2011 Rupees	31 March 2010 Rupees
Trade investments (valued at cost unless stated otherwise)		
Unquoted equity instruments		
Investment in others		
19,173 Ordinary shares of INR 10 each fully paid in Scrabble Entertainment Limited, India	**20,000,033**	-
155,500 Ordinary shares of INR 10 each fully paid in Southern Digital Screenz Private Limited, India	**11,662,500**	-
186,500 (March 31,2013 : 186,500) Ordinary shares of US $ 1 each, fully paid, in DG2L Technologies Pte. Limited, Singapore	**81,440,625**	81,440,625
Less : Provision for diminution in value of investments	**(81,440,625)**	(72,845,625)
	-	**8,595,000**
Digital film brokers SPRL	-	135
Preference shares (unquoted)		
Investment in Others		
15,250,000 8% Cumulative redeemable preference shares of INR 10 each fully paid in Southern Digital Screenz Private Limited, India	**152,500,000**	-
	184,162,533	8,595,135

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Notes to Consolidated financials statements for the year ended 31 March 2011

8. Fixed Assets

	Lesseheld Imprevemants	Plant & Machinery	Computer Systems	Office Equipments	Furniture & Fixtures	Electrical Equipmenta & Installations	Vehicles	Tangible Total Assets	Goodwill	Computer software	Intangible Total Assets	Grand Total
Coat												
At 1 April 2009	18,764,613	1,123,405,896	15,983,353	19,964,535	7,600,523	3,402,767	10,754,550	1,191,696,257	4,500,400	40,706,043	45,206,443	1,237,102,700
Additians	1,580,502	331,123,199	7,072,962	8,335,828	8,077,465	355,929	3,185,464	359,751,339	-	19,075,484	16,875,484	375,926,823
Disposals	829,227	14,965,285	2,642,590	825,819	179,024	248,310	-	19,489,055	-	-	-	19,499,055
Adjustment*	-	-	-	-	-	-	-	-	-	-	-	-
At 31 March 2810	11,626,888	1,439,663,800	20,413,725	27,694,744	15,499,964	3,510,486	13,960,014	1,532,158,541	4,500,400	56,761,527	61,281,927	1,593,440,468
Additions	1,075,519	300,947,360	2,743,107	8,224,629	218,066	277,969	3,574,813	315,059,483	-	-	-	315,059,483
Disposals	8,082,985	23,652,388	139,450	333,448	5,429,391	362,909	-	39,000,571	-	-	-	39,000,571
Adjustment*	-	-	-	172,044	(970,398)	-	-	(798,354)	29,140	180,940	289,080	(589,274)
At 31 March 2811	3,518,422	1,716,858,772	23,817,382	33,767,969	9,316,241	3,425,486	17,524,827	1,807,419,099	4,528,540	56,962,467	61,491,007	1,868,910,106
Depreciation/Amortieation												
At 1 April 2009	3,317,872	254,573,818	5,020,271	4,707,659	3,160,291	2,627,948	1,898,708	275,406,565	450,040	9,342,333	8,782,373	285,198,938
Charge for the year	3,525,487	134,688,183	4,416,455	9,482,986	4,114,070	187,332	2,206,806	156,579,138	-	7,008,357	7,008,357	185,587,496
Disposals	402,965	4,953,411	1,234,423	222,267	109,493	33,196	-	8,955,855	-	-	-	9,955,655
Adjustment*					(12,004)			(12,004)	-	(153,832)	(153,832)	(185,636)
At 31 March 2010	6,440,494	384,486,596	8,202,313	13,948,379	7,152,864	2,762,984	4,185,314	427,016,045	450,040	18,197,058	16,647,898	443,665,143
Charge for the year	3,309,761	228,718,950	10,035,965	4,612,132	1,264,398	262,741	2,999,084	251,203,041	-	2,964,424	2,964,424	254,197,465
Disposals	7,943,909	4,797,836	55,615	142,155	1,894,101	186,359	-	15,021,975	-	-	-	15,021,975
Adjustment*	-	-	-	84,915	2,533	-	-	87,448	2,814	33,001	35,815	123,263
At 31 March 2011	1,896,346	608,327,712	16,162,883	18,503,270	8,525,694	2,836,456	7,104,488	663,286,559	452,854	19,194,483	19,647,337	682,933,896
Net Block												
At 31 March 2010	5,085,394	1,055,157,202	12,211,412	13,746,366	8,347,100	748,322	9,844,708	1,105,148,496	4,050,368	40,584,469	44,634,829	1,149,775,326
At 31 March 2011	1,712,076	1,108,531,060	4,634,719	15,264,699	2,790,647	589,020	18,420,419	1,144,132,540	4,075,686	37,767,984	41,843,878	1,185,976,210

*Also includes foreign exchenge adjustment representing exchange difference resulting from translation of fixed assets relating to non - integral foreign operations

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10. Loans and advances

	Non-Current portion		Current portion	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	Rupees	Rupees	Rupees	Rupees
Unsecured, considered good unless otherwise stated				
Security deposit to others	-	21,519,240	35,042,889	10,436,448
Loan and advances to related parties	-	1,541,440	362,500	74,815,452
Advances recoverable in cash or kind				
Unsecured, considered good	-	-	7,806,764	14,578,958
Other loans and advances (unsecured considered good)				
Advance income-tax (net of provision)	48,464,669	18,062,753	-	-
Balance with statutory / government authorities	-	2,089,781	5,523,233	2,772,066
Advance for purchase of investments			200,999,514	-
Advances to supplier	-	-	5,089,110	678,127
Prepaid expenses	-	-	588,846	315,614
Service tax credit receivable	-	-	100,778,807	100,416,414
Vat credit receivable	-	-	619,834	861,352
Deferred premium on forward contract	-	-	-	6,211,995
	48,464,669	43,213,214	356,811,497	211,086,426

11. Deferred tax assets / (liability) (net)

	31 March 2011	31 March 2010
	Rupees	Rupees
Deferred tax liabilities		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	199,447	288,575
Gross deferred tax liabilities	199,447	288,575
Net Deferred tax Liability recognised	199,447	288,575

12. Inventories (valued at lower of cost and net realisable value)

	31 March 2011	31 March 2010
	Rupees	Rupees
Consumables and spares	40,675,235	52,705,092
	40,675,235	52,705,092

13. Trade receivables

	Non-Current portion		Current Maturities	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	Rupees	Rupees	Rupees	Rupees
Unsecured, considered good unless stated otherwise				
Outstanding for a period exceeding six months from the date they are due for payment				
- considered good	-	-	57,376,528	23,279,002
- considered doubtful	-	-	11,369,648	9,012,449
			68,746,176	32,291,451
Provision for doubtful receivables	-	-	(11,369,649)	(9,012,449)
(A)	-	-	57,376,527	23,279,002
Other trade receivables (less than six month)				
- considered good	-		330,543,608	119,404,788
- considered doubtful	-	-	-	151,399
	-	-	330,543,608	119,556,187
Provision for doubtful receivables	-	-	-	(151,399)
(B)	-	-	330,543,608	119,404,788
TOTAL (A + B)	-	-	387,920,135	142,683,790

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14. Cash & bank balances

	Non-Current portion		Current Maturities	
	31 March 2011 Rupees	31 March 2010 Rupees	**31 March 2011 Rupees**	31 March 2010 Rupees
Cash and cash equivalents				
Balances with banks :				
– On current accounts	-	-	**135,926,860**	21,194,796
– Deposits with original maturity of less than three months	-	-	-	-
– Margin money deposit with original maturity of less than three months	-	-	**34,721,645**	78,957,501
Cash on hand	-	-	**242,770**	250,712
	-	-	**170,891,275**	100,403,009
Other bank balances				
– Deposits with original maturity for more than 3 months but less than 12 months	-	-	**28,213,257**	60,185,238
– Margin money deposit with original maturity for more than 3 months but less than 12 months	-	-	-	-
			28,213,257	60,185,238
– Deposits with original maturity for more than 12 months	-	420,945	-	-
– Margin money deposits with original maturity for more than 12 months	-	-	-	-
	-	420,945	-	-
Amount disclosed under non - current assets	-	(420,945)	-	-
	-	-	**199,104,532**	160,588,247

Margin money deposits:

Margin money deposits with original maturity of less than 12 months are against guarantees given to statutory authorities and are kept under lien with bank for opening of Letter of Credit.

Margin money deposits with original maturity of more than 12 months are kept under lien with bank for opening of Letter of Credit.

15. Other Assets

	Non-Current portion		Current Maturities	
	31 March 2011 Rupees	31 March 2010 Rupees	**31 March 2011 Rupees**	31 March 2010 Rupees
Non-current bank balances (refer note 14)	-	420,945	-	-
Unbilled revenue	-	-	-	10,213,070
Interest accrued on fixed deposit	-	-	**15,455**	357,661
	-	420,945	**15,455**	10,570,731

16. Revenue from operations

	31 March 2011 Rupees	31 March 2010 Rupees
Sale of Services		
Advertisement revenue	**324,288,899**	97,370,305
Virtual Print Fees - Non - DCI (E-Cinema)	**304,391,640**	203,672,586
Lease rental income - Non - DCI (E-Cinema)	**248,262,541**	194,963,216
Digitisation income	**40,856,243**	32,307,082
Registration fees income	**12,606,828**	14,339,614
Others	**3,475,424**	5,435,088
(A)	**933,881,575**	548,087,891
Sales of Products		
Lamp sale	**116,975,921**	92,058,789
Sale of digital cinema equipments	**37,163,557**	91,452,104
(B)	**154,139,478**	183,508,893
(A)+(B)	**1,088,021,053**	731,596,784

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Notes to consolidated financials statements for the year ended 31 March 2011

17. Other income

	31 March 2011 Rupees	31 March 2010 Rupees
Miscellaneous Income	**2,198,063**	3,390,640
Gain on foreign exchange	**1,731,399**	-
Sundry balance written back	**7,763,282**	64,811
	11,692,744	3,455,451

18. Operating direct costs

	31 March 2011 Rupees	31 March 2010 Rupees
Advertisement revenue share	**100,542,660**	22,950,704
Repair and maintenance - exhibition equipmants	**41,722,733**	42,777,874
Royalty / Technical service feas	**33,759,325**	27,800,424
Purchasas of equipments & goods	**30,341,066**	71,987,640
Bandwidth charges	**43,085,109**	41,455,285
Rent on equipments	**14,327,737**	19,914,482
Content processing charges	**3,479,250**	4,552,200
Other expenses	**1,125,689**	9,857
Consumables / Stores/ Spares		
Opaning stock	**31,294,113**	32,021,174
Add : purchases	**80,754,831**	80,283,779
Less : closing stock	**26,410,872**	47,225,750
	85,638,072	65,079,203
	354,021,641	296,527,669

19. Employee benefit expense

	31 March 2011 Rupees	31 March 2010 Rupees
Salaries and wages	**172,757,684**	132,162,241
Contribution to provident and other funds	**11,071,881**	8,958,825
Gratuity expansas & other employee benefits	**5,562,765**	4,534,693
Staff walfare expenses	**8,928,537**	5,488,751
	198,320,867	151,144,510

20. Other expenses

	31 March 2011 Rupees	31 March 2010 Rupees
Rent	**43,304,843**	30,947,661
Freight and forwarding charges	**24,049,826**	20,047,817
Lagal, professional and consultancy charges	**55,181,985**	20,593,190
Commission on advartisament revenue	**47,511,036**	9,858,171
Commission on other revenue	**19,492,897**	19,113,471
Sales promotion expenses	**16,009,615**	17,945,477
Electricity charges	**8,868,489**	6,943,768
Rates and taxes	**11,575,778**	3,103,227
Auditor's remuneration	**2,269,187**	1,851,128
Repairs and maintenance		
-Plant & machinery	**8,527,944**	7,805,714
-Fumiture & fixtures	**65,936**	289,361
-Others	**3,464,574**	1,023,835
Insurance	**6,413,779**	4,927,578
Travelling and conveyance expenses	**20,596,301**	18,668,229
Communication & courier expenses	**12,941,312**	11,633,638
Printing and stationery	**3,528,233**	2,753,221
Bad dabts writtan-off	**73,786,816**	523,776
Provisions for doubtful debts	**10,791,270**	13,070,898
Loss on sala & write off of fixed assets (nat)	**10,222,710**	6,683,110
Bank Charges	-	15,003
Provision for obsolete inventorias	**8,574,013**	-
Impairment in valua of investment	**8,595,137**	-
Miscellanaous expenses	**23,173,224**	13,880,990
Foreign exchange loss (net)	-	56,380,418
	418,944,905	**268,059,681**

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21. Interest and finance expense

	31 March 2011 Rupees	31 March 2010 Rupees
Interest on		
- Term loan	**38,598,975**	47,217,652
- Others	**343,592**	2,592,139
Bank charges	**4,912,593**	14,266,927
	43,855,160	64,076,718

22. Finance Income

	31 March 2011 Rupees	31 March 2010 Rupees
Interest received		
Bank deposits	**5,517,923**	3,948,784
Others	**5,745,396**	220,946
	11,263,319	4,169,730

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Notes to consolidated financials statements for the year ended 31 March 2011

23. Earnings per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

	31 March 2011 Rupees	31 March 2010 Rupees
Basic and Diluted		
Net profit after tax as per statement of profit and loss	**(96,625,393)**	(206,325,096)
Less : dividends on convertible preference shares & tax thereon	**(31,002,198)**	(31,002,198)
Net profit for calculation of basic and diluted EPS	**(127,627,591)**	(237,327,294)
Weighted average number of equity shares in calculating basic EPS	**19,452,623**	16,972,602
Earning per share	**(6.56)**	(13.98)

There are potential equity shares as on March 31, 2011 and March 31, 2010 in the form of Stock Options granted to employees. As these are anti dilutive, the diluted earnings per share is same as basic earnings per share.

24. Gratuity and other post-employment benefit plans

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance Group in the form of a qualifying insurance policy.

The following tables summaries the components of net benefit expense recognised in the statement of profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

Net employee benefit expense recognized in the employee cost

	Gratuity	
	31 March 2011 Rupees	31 March 2010 Rupees
Current service cost	**1,175,259**	921,338
Interest cost on benefit obligation	**302,868**	214,860
Expected return on plan assets	**(264,137)**	(184,032)
Net actuarial (gain) / loss recognized in the year	**1,201,701**	(33,042)
Net benefit expense	**2,415,691**	919,124
Actual return on plan assets	**264,137**	184,032
Balance sheet		
Benefit asset/ liability		
Present value of defined benefit obligation	**6,465,673**	3,788,602
Fair value of plan assets	**4,883,223**	2,703,595
Plan (asset) / liability	**1,582,450**	1,085,007
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	**3,788,602**	2,685,746
Current service cost	**1,172,502**	214,560
Interest cost	**302,868**	921,338
Benefits paid	**-**	-
Actuarial (gains) / losses on obligation	**1,201,701**	(33,042)
Closing defined benefit obligation	**6,465,673**	3,788,602
Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	**2,703,595**	1,299,231
Expected return	**264,137**	184,032
Contributions by employer	**1,915,491**	1,220,332
Benefits paid	**-**	-
Actuarial gains / (losses)	**-**	-
Closing fair value of plan assets	**4,883,223**	2,703,595

The principal assumptions used in determining gratuity as shown below:

	Gratuity	
	31 March 2011	31 March 2010
Discount rate	**8.00%**	8.00%
Expected rate of return on assets	**9.15%**	9.15%
Employee turnover	**1% to 3% depending on age**	1% to 3% depending on age

Amounts for the current and two years are as follows:

Gratuity	31 March 2011	31 March 2010
Defined benefit obligation	6,465,673	3,788,602
Plan assets	4,883,223	2,703,595
Surplus / Surplus / (deficit)	1,582,450	1,085,007

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Notes to consolidated financials statements for the year ended 31 March 2011

The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The Group expects to contribute Rs. 19,15,500 to gratuity in the next year.(March 31, 2010: Rs. 1,300,000)

25. Employee stock option plans

Employee Stock Option Scheme 2006 :
During the financial year 2010-11, the group granted 10,960 options under the ESOP Scheme 2006 (ESOP Grant 2010) to eligible employees at an exercise price of Rs.100.18 per equity share. ESDP Grant 2010 was approved by the Compensation Committee at their meeting held on October 05, 2010. As per ESDP Grant 2010, 30% of the options granted would vest on November 30, 2011 and the remaining 70% on February 29, 2012. The time limit for exercising the options under ESOP Grant 2010 is August 15, 2012 from the date of vesting or such extended period as the Compensation Committee may approve from time to time.

Employee Stock Option Scheme 2010 :
The Compensation Committee recommended the new ESDP Scheme 2010. Board approved the new ESOP Scheme 2010 at its meeting held on Dctober 15, 2010 and Shareholders approved this ESOP Scheme 2010 at its meeting held on November 22, 2010.

Under ESOP Scheme 2010 a total number of 1,413,497 options were granted at an exercise price of Rs. 161.87 per share. As per the ESOP Scheme 2010, 25% of the options shall vest at the end of each year from the date of grant. The exercise period for the same is within a period of two years from the date on which the shares of the group get listed on a Recognized Stock Exchange.

The details of activity under the Scheme 2006 are summarised below:

	31 March 2011		31 March 2010	
	Number of Options	**Weighted Average Exercise Price(Rs.)**	**Number of Options**	**Weighted Average Exercise Price(Rs.)**
Outstanding at the beginning of the year	**209,412**	**100.18**	71,450	300.55
Granted during the year	**10,960**	**100.18**	-	-
Exercised during the year	-		-	-
Forfeited during the year	**3,564**	**100.18**	1,646	300.55
Adjusted to outstanding option pursuant to bonus issue of shares			139,608	-
Outstanding at the end of the year	**216,808**	**100.18**	209,412	100.18
Exercisable at the end of the year	**216,808**	-	209,412	-
Weighted average remaining contractual life (in month)	12		-	

Weighted average fair value of options granted on date of grant was Rs. 25.

The details of activity under the Scheme 2010 are summarised below:

	31 March 2011		31 March 2010	
	Number of Options	**Weighted Average Exercise Price (Rs.)**	**Number of Options**	**Weighted Average Exercise Price (Rs.)**
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	**1,413,497**	**161.87**	-	-
Exercised during the year	-	-	-	-
Forfeited during the year			-	-
Outstanding at the end of the year	**1,413,497**	**161.87**	-	-
Exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in month)	43			

The range of exercise price for options outstanding at the end of the year was Rs 161.87 (March 31, 2010: Rs.100.18 to 161.87)

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Stock Options granted during the year

The weighted average fair value of stock options granted during the year was Rs. 53.80 (previous year Rs.Nil). The Binomial valuation model has been used for computing the weighted average fair value considering the following inputs

	31 March 2011	31 March 2010
Weighted average share price	164.00	-
Exercise Price	161.87	-
Expected Volatility	-	-
Historical Volatility	-	-
Life of the options granted (Vesting and exercise period) in years	4.00	-
Expected dividends	-	-
Average risk-free interest rate	7.69%	-
Expected dividend (rate)	-	-
Weighted average share price	164.00	-

Since the group shares are not listed with any stock exchange the expected volatility has been taken as zero. To allow for the effects of early exercise, it was assumed that the employees will exercise the options one year after the vesting date when the share price was twice the exercise price.

There is no effect of the employee share-based payment plans on the profit and loss account and on its financial position.

Had the compensation cost been determined in a manner consistent with fair value approach, the group's Net Income and Eaming Per Share as reported would have changed to amount indicated below.

	31 March 2011	31 March 2010
	Rs.	Rs.
Net profit for calculation of basic EPS	(127,627,591)	(237,327,294)
Less: Employee stock compensation under fair value method	14,196,596	1,669,093
Proforma profit	(141,824,187)	(238,996,387)
Earnings Per Share		
Basic		
- As reported	(6.56)	(13.98)
- Proforma	(7.29)	(14.08)
Diluted		
- As reported	(6.56)	(13.98)
- Proforma	(7.29)	(14.08)

There are potential equity shares as on March 31, 2011 and March 31, 2010 in the form of Stock Options granted to employees. As these are anti dilutive, the diluted earnings per share is same as basic eamings per share.

26. Share Warrant

During the previous year, the group had issued 497,018 equity shares of Rs 10 each for cash at a premium of Rs 493 per share on Rights basis to the equity shareholders of the group in the ratio of 9.09 equity shares for every 100 equity shares held and issued 1 detachable warrant for each share subscribed for rights issue. During the year, as per the terms of this issue, the group called for conversion of warrants and against which holders of 314,531 warrants exercised the option. The group allotted 314,531 equity shares on the conversion of the warrant. Since, the warrant holders were entitled to bonus shares as per the terms of the issue, the group also allotted 629,092 bonus shares in the ratio of 2:1 i.e. two equity shares of Rs. 10 each for every one equity share issued on the conversion of the warrant.

27. Investments during the year

Investments in the Group

During March 2011, the group received Rs 440 million as share application money from P5 Asia Holding Investments (Mauritius) Limited (P5), a leading private equity fund, pursuant to the Share Subscription Agreement ('the Agreement').

Subsequently on April 08, 2011, the group received additional share application money from P5 of Rs 1,143 million. The group has issued 1,583,000 compulsorily convertible preference shares ('CCPS') having face value of Rs 1,000 each and a coupon rate of 0.0001% against this share application money.

As per the terms of the agreement , the CCPS shall be converted into equity shares in the financial year 2012-13 based on the Earnings Before Interest Depreciations Tax and Amortization (EBIDTA) of FY 2011-12 which is to be computed from the audited financials of FY 2011-12 as per the provisions of the Agreement. The conversion of CCPS into equity shares of the group is subject to "floor" and "cap" specified in the Agreement.

Notes to consolidated financials statements for the year ended 31 March 2011

28. Leases

Operating lease : Group as lessee

The Group's significant leasing arrangements are in respect of operating leases taken for Office Premises, Stores & Digital equipments. These leases are cancellable operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. The initial tenure of the office lease generally is for 11 to 36 months. The initial tenure of the Digital equipments on lease generally is for 36 to 72 months.

(In Rupees)

	Office Premises & Digital Cinema Equipment	
	31 March 2011	31 March 2010
Lease payments for the year	57,632,580	50,862,143

Operating lease commitments – Group as lessor

The Group has leased out Digital Cinema Equipment to theaters and franchisees on operating lease arrangement. The lease term is generally for 5 to 10 years. The Group as well as the theaters and franchisees have an option of terminating this lease arrangement any time during the tenure of the lease as per the provisions of the lease agreement. Based on the management assumptions there is a reasonable certainty that the lease will continue for the lease term of 5 to 10 years.

(In Rupees)

	Digital Cinema Equipment	
	31 March 2011	31 March 2010
Gross carrying amount	1,598,389,145	1,352,806,468
Accumulated Depreciation	553,947,583	354,397,667
Depreciation recognized in the statement of Profit & Loss	205,988,672	155,494,496

29. Segment reporting

The Group is engaged in the business of Digital Cinema Services and the financial statements reflect the result of this business segment, which is the primary segment in accordance with the requirement of Accounting Standard 17 on Segment Reporting. The Group's operations are based on the distribution of the group by geographical markets, based on the location of the assets.

Revenue by Geographical Market

(In Rupees)

	For the year ended	
	31 March 2011	31 March 2010
Revenue by geographical market		
-Within India	1,085,903,792	722,967,518
-Outside India	2,117,260	6,629,267
Carrying amount of segment assets		
-Within India	2,360,570,602	1,687,519,923
-Outside India	488,089,844	293,736,611
Cost incurred to acquired segment fixed assets		
-Within India	315,059,483	375,243,973
-Outside India	-	562,650

30. Related party disclosures

1. Names of related parties where transactions have taken place during the year occurred or not

Enterprises owned or significantly influenced by key management personnel or their relatives

- Apollo International Limited
- Valuable Media Limited
- Valuable Technologies Limited
- Crown Infotainment Limited
- Impact Media Exchange Limited
- Dusane Infotech (India) Private Limited
- Valuable Technologies Inc
- Shree Enterprises
- Mrs. Smita Gaikwad

Key management personnel

- Mr. Sanjay Gaikwad - Managing Director
- Mr. Kapil Agarwal - Joint Managing Director

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Notes to consolidated financials statements for the year ended 31 March 2011

Sr. No.	Particulars Nature of Expenses/Name of the Parties	31 March 2011 Rupees	31 March 2010 Rupees
2. Details of transaction with related parties during the year			
1	**Enterprises owned or significantly influenced by Key Management Personnel or their relatives**		
A	Purchase of equipment		
	i) Valuable Media Limited	5,300,685	Nil
	ii) Impact Media Exchange Limited	35,930,028	Nil
	iii) Apollo International Limited	Nil	168,750
	iv) Valuable Technologies Limited	Nil	5,962,500
B	Sale of equipment		
	i) Valuable Media Limited	140,947	Nil
	ii) Valuable Technologies Inc	1,428,142	Nil
C	Expenses reimbursed		
	i) Valuable Media Limited	105,000	Nil
	ii) Valuable Technologies Limited	774,902	29,667
	iii) Impact Media Exchange Limited	151,342	Nil
D	Purchase of consumables/stores/spares		
	i) Valuable Media Limited	706,650	Nil
	ii) Impact Media Exchange Limited	745,817	Nil
E	Software development charges		
	i) Dusane Infotech (India) Private Limited	321,304	Nil
F	Purchase of Software		
	i) Valuable Technologies Limited	Nil	15,600,000
G	Technical services (expense)		
	i) Valuable Technologies Limited	35,208,578	27,383,485
H	Direct Expenses (License fees on 3D movie)		
	i) Valuable Technologies Limited	117,846	Nil
I	Technology service fee (income)		
	i) Crown Infotainment Limited	2,213,975	3,306,271
J	Direct Expenses (Licensee fees – Impact)		
	i) Impact Media Exchange Limited	659,632	Nil
K	Rent paid expenses		
	i) Media Infotek Park	3,490,080	Nil
J	Consultancy & reimbursement expenses		
	i) Mrs. Smita Gaikwad	Nil	101,009
	i) Shree Enterprises	298,611	Nil

3. Remuneration to key managerial personnel

	31 March 2011 Rupees	31 March 2010 Rupees
Mr. Sanjay Gaikwad, Managing Director Salary, bonus and contribution to provident fund	14,602,608	13,950,000
Mr. Kapil Agarwal, Joint Managing Director Salary, bonus and contribution to provident fund	14,602,608	15,000,000
Total	29,205,216	28,950,000

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Notes to consolidated financials statements for the year ended 31 March 2011

4. Balance outstanding at the year end

Sr.No.	Particulars	31 March 2011 Rupees	31 March 2010 Rupees
1	**Enterprises owned or significantly influenced by Key Management Personnel or their relatives**		
A	Amount receivable		
	i) Impact Media Exchange Limited	389,632	Nil
	ii) Valuable Media Limited	245,947	Nil
	iii) Valuable Technologies Limited	5,756,815	Nil
	iv) Valuable Technologies Inc.	1,428,142	Nil
B	Unbilled revenue		
	i) Crown Infotainment Limited	Nil	3,306,271
2	**Key Management Personnel**		
A	Amount payable		
	i) Sanjay Gaikwad	Nil	8,451,401
K	Amount payable		
	i) Media Infoteck Park	3,464,602	Nil

31. Capital and other commitments

	31 March 2011 Rupees	31 March 2010 Rupees
Capital commitments (estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)) Repair & Maintenance	107,072,112	15,976,166

32. Contingent liabilities

	31 March 2011 Rupees	31 March 2010 Rupees
In respect of the bond(s) issued by the group towards fulfillment of export obligation given to Custom authorities arising out of grant of EPCG License for import of Digital Projectors.	174,821,926	174,821,926
Dividend on 4,885,925 - 6% Cumulative Convertible Preference Shares of Rs. 100/- each.	31,002,198	31,002,198
In respect of demand raised against group in West Bengal VAT matter for the Financial Year 2005-06, group has filed an appeal to the Tribunal which is positively settled in group's favour.	181,875	725,601
In respect of demand raised against group in West Bengal VAT matter for the Financial Year 2007-08.	2,320,703	Nil
In respect of demand raised against the group in Mumbai TDS matter for the Financial year 2006-07 & 2007-08, group has filed an appeal to the commissioner.	1,897,700	Nil
	210,224,402	206,549,725

The Group is contesting the demands and the management, including its tax advisors, believe that its position will likely be upheld in the appellate process. No tax expense has been accrued in the financial statements for the tax demand raised. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the Group's financial position and results of operations.

33. Particulars of unhedged foreign currency exposure at the reporting date

Particulars of un-hedged exposure	31 March 2011 Rupees	31 March 2010 Rupees
Import Creditors	**Rs. 37,695,763 (US $ 844,250 @ Closing rate of 1 USD = Rs. 44.65)**	Rs. 62,383,480 (US $ 1,382,000 @ Closing rate of 1 USD = Rs. 45.14)

34. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

Based on information available with the management, there is no amount due to Micro, small scale and Medium Enterprises as per the Micro, Small and Medium Enterprises Development Act, 2006.

S.R. BATLIBOI & ASSOCIATES LLP
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Notes to consolidated financials statements for the year ended 31 March 2011

35. Events subsequent to the Balance Sheet date:

The board of directors of the group, in its meeting held on November 20, 2014, considered acquiring 80% of the existing equity capital of Valuable Digital Screens Private Limited (VDSPL) engaged in providing digital cinema solutions to residential colonies in remote places, luxury residential projects and clubs etc. and Cinema screening in rural markets using Caravan Cinema vans. The consideration for acquiring this stake is Rs. 50 million and this acquisition is subject to satisfactory operational, financial and legal due diligence by an independent agency. The group has an option to acquire remaining 20% stake on August 31, 2018 at a valuation to be determined based on agreed formula.

The board of directors of the group, in its meeting held on October 22, 2014, approved the acquisition of 1,14,588 (representing 14.91% of the equity share capital) equity shares of Rs.10/- each of its subsidiary, Scrabble Entertainment Limited, held by one shareholder, at the rate of Rs.2,182/- per equity share for a total consideration of Rs. 250 million payable in one or more tranches as may be mutually agreed.

35. Previous year figures

Previous year figures have been regrouped / reclassified, where necessary, to conform to this year's classification.

As per our Report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No:101049W
Chartered Accountants

per Govind Ahuja
Partner
Membership No.: 48968

S.R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

Place of signature: Mumbai
Date: November 20, 2014

For and on behalf of the Board of Directors of UFO Moviez India Limited

Sanjay Gaikwad
Managing Director
DIN No. : 01001173

Kapil Agarwal
Joint Managing Director
DIN No. : 00024378

S.S. Chavan

Sameer Chavan
Company Secretary

Ashish Malushte
Chief Financial Dfficer

Place of signature: Mumbai
Date: November 20, 2014