

DIRECTORS' REPORT

DEAR MEMBERS,

Your Directors take pleasure in presenting the Seventh Annual Report on the Business and Operations of the Company for the year ended 31st March, 2011.

FINANCIAL RESULTS

The financial performance of the Company for the year ended 31st March, 2011 is summarized below:

(figures in Lac)

	Year Ended March 31, 2011	Year Ended March 31, 2010
Operating Revenues	10,846.85	7,208.39
EBIDTA from Operating activities	2,421.44	735.53
Less : Capital Raising Expenses	220.08	Nil
Add : Other Income	329.59	416.56
Total EBIDTA	2,530.95	1,152.09
Interest & Finance Expenses	510.25	629.03
Cash Profit	2,020.70	523.06
Foreign Exchange (Loss) / Gains	17.42	(564.05)
Depreciation	2,489.87	1,599.07
Profit (Loss) before Exceptional Items & Tax	(451.75)	(1,640.06)
Exceptional Items (provision for diminution in value of investment)	85.95	Nil
Profit/(Loss) before Tax (PBT)	(537.70)	(1,640.06)
Provision for Tax and Deferred Tax (prior period item)	Nil	Nil
Profit/(Loss) after Tax (PAT)	(537.70)	(1,640.06)

During the year under review, your Company's Operating Revenues increased from Rs. 7,208.39 lac in the previous year to Rs. 10,846.85 lac showing a robust increase of 50% on Year on Year basis. Correspondingly, there has been over threefold improvement in the EBIDTA level as well. The EBIDTA from Operating Activities for the current year improved to Rs 2,421.44 lacs viz-a-viz Rs. 735.53 lac in the last financial year. The Loss before Exceptional Items & Tax for the current year stood much lower at Rs. 451.75 lac as compared to Rs. 1,640.06 lac during previous year.

DIVIDEND

Your Directors do not recommend any dividend for the year ended 31st March, 2011.

AUDITORS' REPORT

The Auditor's observations and the relevant notes on the accounts are self explanatory and therefore, do not call for further comments.

REVIEW OF BUSINESS OPERATIONS

- a) Your Company continued with its expansion plans in the Year 2010-2011 as well. During the year under review, another 466 screens were added to the ever growing network of UFO theatres thereby taking the total number of screens to 2283 in March 2011. There has been an increased acceptance to UFO business model which is evident from the steady growth in the cumulative number of theatres and utilization capacity, which incidentally crossed 70% on an annualized basis for the first time in the Company's history, as depicted in the table given below:

Particulars	FY 2010-11		FY 2009-10		FY 2008-09		FY 2007-08	
	No. of Theatres	Capacity Utilization	No. of Theatres	Capacity Utilization	No. of Theatres	Capacity Utilization	No. of Theatres	Capacity Utilization
Q I	1917	69.46%	1473	54.61%	1113	48.13%	739	33.62%
Q II	2001	73.00%	1589	68.06%	1221	47.15%	876	47.73%
Q III	2146	76.52%	1674	68.46%	1316	54.94%	944	44.76%
Q IV	2283	69.87%	1817	66.84%	1409	62.97%	1028	42.76%
Annual Capacity utilization		72.26%		64.79%		53.77%		42.70%

- b) During the year under review, your Company has rolled out its indigenously developed 3D solution in the Indian markets. With a significant cost advantage, state of the art technology and unique business model, the offering has received encouraging response from the exhibitors and by the end of the year, 43 screens have already been converted into 3D format.
- c) The Company has also entered into an agreement with M/s Impact Media Exchange Limited for marketing of their unique Ticketing Platform cum Exchange called IMPACT. The ticketing platform is being marketed as UFO Ticketing Platform (UTP) and it has already been deployed at close to 200 installations all over India. Initially, the product is being deployed as a ticketing platform but as soon as a critical mass of around 750 installations is achieved, this will be used as a settlement exchange for all stakeholders in the entertainment industry. Your Directors feel that this will be an important growth engine for your Company in the years to come.
- d) Your Directors take pride in informing you that UFO is now a household name in the Indian Film Fraternity. The Indian Producers and Distributors now consider UFO as an indispensable part of their distribution plans. So much so that now UFO is contributing almost 50% of total digital and analogue prints in the first week for major releases.

IMPORTANT DEVELOPMENTS DURING THE YEAR

a) Investment by Providence Equity Partners, USA in the Company.

To meet the capex requirement for expansion of the Company, to maintain its *numero-uno* position in digital cinema space in India as well as to finance its ambitious international roll out, substantial funds were required by your Company. After carefully assessing various options available, your Directors unanimously decided to explore the option of raising further funding from a reputed PE investor.

Your Directors take great pride in reporting to you that after running a thoroughly professional process, M/s Providence Equity Partners (PEP), USA (through its Mauritius Company) has invested a sum of Rs 15,830 lacs in your Company by way of Compulsorily Convertible Preference Shares. In addition to this investment in the Company, PEP has also acquired shares from other existing shareholders as well. The first tranche of the investment came in

March 2011 and the entire transaction was completed in May 2011. Providence is the world's leading private equity firm focused on media, communications, and information and education investments. Based out of US, it has investments of USD 23 billion in different geographies of the world. This investment by Providence is a testimony to the growth potential of the Company as well as to the sound business practices adopted by the Company's management and its capabilities.

Part of this investment has been used in acquiring strategic stakes in two Indian companies in the digital cinema space. While part of the balance money will be used in funding the capex requirements and international rollouts, remaining funds may be used as war chest for capitalizing on any future opportunities for growth of the Company.

b) Acquisition of Equity In Southern Digital Screenz India Pvt. Limited

As of 31st March 2011, your Company has a total of 2283 screens on an all India basis out of which 831 screens were in four southern states of Andhra Pradesh, Tamil Nadu, Karnataka and Kerala through its franchisee Southern Digital Screenz India Pvt. Limited (SDS). These screens constitute over 36% of the total network of the Company and are extremely important in the overall business growth of Company.

Your Company during the year under review decided to take a strategic stake in SDS. The acquisition of strategic stake in SDS will not only ensure a faster growth of UFO's network in southern states but also insulate its network from any potential threat in case of a third party taking a stake in SDS. With this strategic tie-up, UFO will now have full control on its entire network.

c) Strategic Stake in Scrabble Entertainment Pvt. Limited (Scrabble)

Scrabble is the only DCI approved digital cinema screen aggregator in India. DCI is the digital cinema initiative from six major Hollywood studios, being Paramount Pictures, Sony Pictures, Universal Studios, Warner Bros, Fox Entertainment and Walt Disney. All international content produced by these studios can be played on only those screens which are in conformity with DCI specifications.

Scrabble has installed around 250 DCI compliant digital cinema systems in premium multiplexes and single screens all over India and has excellent relations with these Hollywood studios which can open new avenues for UFO. There is a huge scope for deployment of DCI screens in overseas markets as well where Scrabble intends to roll-out operations.

Keeping these facts in mind, your Company, during the financial year 2010-2011, entered into agreements with Scrabble and its existing shareholders to take a significant strategic stake in Scrabble. The transaction was finally completed in the current year. This strategic investment has also helped UFO in providing a joint offering (both DCI and UFO's own technology) to the prospective customers in India and overseas. With this joint offering, your Company will have a distinct edge over competition in multiplex segment in India. Your Directors are confident that this will ultimately result not only in getting new screens but also capturing screens that are already with competition.

FUTURE PROSPECTS

Your Directors believe that the current year will be as exciting and challenging as the year gone by. To capitalize on the opportunities and synergies, your Company will continue with expansion of existing network of digital screens both under 2D and 3D formats. The success of India's first 3D stereoscopic film "Haunted" has provided a new impetus to the creation of Bollywood content in 3D format. Your Company has already installed over 80 3D screens all over India and going forward this number will increase in a big way. It is expected that 3D will be a significant contributor in the growth of your Company in the years to come.

Revenue generation from play back of in-cinema advertisements is a very important stream for your Company. With renewed emphasis on this segment, your Company has earned gross revenues in excess of Rs 3242 lacs in the year under review. It is expected that this revenue stream will be the most important revenue generator to overall growth of your Company in FY 2011-12 and years to come.

More and more advertisers are joining UFO Digital Cinema for their advertising. Your Company is confident that it will establish in-cinema advertising as a new advertising medium for Indian advertising industry.

Your Directors are also pleased to report that your Company is now looking to spread its footprints in overseas markets as well. UFO is already present in Nepal and is now looking at markets like Sri Lanka, Middle East, Bangladesh, Pakistan and Russia.

Your directors are confident that despite increase in competition in the domestic arena, your Company will not only retain its leadership position in the digital cinema space but strengthen it even further.

SUBSIDIARY COMPANIES

The following companies are subsidiaries of your Company:

1. Edridge Limited, Cyprus
2. UFO International Limited, Cyprus,
3. UFO Europe Limited, Cyprus,
4. DCLP Limited, Cyprus
5. United Film Organisers (Mauritius) (Private) Limited, Mauritius
6. UFO Lanka Private Limited, Sri Lanka (UFO Lanka)
7. United Film Organisers Nepal Private Limited, Nepal (UFO Nepal)
8. UFO Software Technologies Private Limited, India
9. Allied Film Services Private Limited, India (AFS)
10. Southern Digital Screenz India Private Limited

Of the above subsidiaries, Edridge Limited Cyprus, UFO Nepal and AFS are wholly owned subsidiaries of the Company. The Statement pursuant to Section 212 of the Companies Act, 1956 in respect of subsidiaries as of 31st March 2011 is annexed to this Report.

INSURANCE

The assets of the Company have been adequately insured to the extent required.

FIXED DEPOSITS

During the year, your Company has neither invited nor accepted any Deposits under Section 58A and Section 58AA of the Companies act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

DIRECTORS

In terms of the Articles of Association, Mr. Raaja Kanwar and Mr. Vijay Gopal Jindal retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election. Your Directors recommend the re-election of Mr. Raaja Kanwar and Mr. Vijay Gopal Jindal as Directors of the Company.

Mr. Biswajit Anna Subramanian and Mr. Gaurav Sharma were appointed as Additional Directors on the Board on 8th April 2011. In accordance with the provisions of Section 260 of the Companies Act, 1956, Mr. Biswajit Anna Subramanian and Mr. Gaurav Sharma hold office upto the forthcoming Annual General Meeting of the Company. Notices u/s 257 of the Companies Act, 1956 has been received, along with requisite fees proposing the candidature of Mr. Biswajit Anna Subramanian and Mr. Gaurav Sharma as Directors of the Company.

Your Directors recommend the appointment of Mr. Biswajit Anna Subramanian and Mr. Gaurav Sharma as Directors of the Company.

AUDITORS

The Statutory Auditors of the Company, M/s S. R. Batliboi & Associates, Chartered Accountants, Mumbai retire in accordance with the provisions of the Companies Act, 1956 and are eligible for re-appointment and have confirmed that their re-appointment if made, shall be within the limits prescribed under section 224 (1B) of the Companies Act, 1956.

The Board recommends the re-appointment of M/s. S. R. Batliboi & Associates, Chartered Accountants, as Statutory Auditors of the Company in the forthcoming Annual General Meeting.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 require the disclosure of particulars regarding Conservation of Energy in Form-A and Technology Absorption in Form-B, prescribed by the Rules. The Company not being a Manufacturing Company, the requirements of Forms A & B are not applicable.

The Company has earned foreign exchange equivalent to Rs. Nil (Previous Year: Nil) and the Company has spent foreign exchange equivalent to Rs.18.92 Lac during the year under review (Previous Year: Rs 13.55 Lacs).

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

1. In the preparation of the annual accounts for the financial year ended 31st March, 2011, the applicable accounting standards have been followed and no material departures have been made from the same;
2. The selected accounting policies were applied consistently and the Directors 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 31st March, 2011 and of the profit of the Company for year ended 31st March, 2011;
3. That proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The annual accounts have been prepared on a going concern basis.

HUMAN RESOURCES

Your Directors believe that the quality of its employees is the key to any Company's' success in the long run. Your Company has a team of able and experienced professionals. Their dedicated efforts and enthusiasm has been integral to your Company's growth. Your Directors would like to place on record their deep appreciation of the continuous effort and contribution from all employees of the Company.

The information on employee's remuneration as per Section 217 (2A) read with the Companies (Particulars of Employees) Rules 1975, as amended till date, forming part of this Director's Report is attached.

ACKNOWLEDGMENT

Your Directors take this opportunity to place on record their appreciation for continued co-operation and unstinted support received from its Marketing Associates, Film Producers and Distributors, Exhibitors, Suppliers and other business associates which have contributed to the success of your Company.

Your Directors would also like to express their gratitude towards Shareholders, Investors, Bankers and various departments of State and Central Government for the incessant support provided to the Company and their confidence in the management.

Your Directors expect that the Company will continue to endeavor to build and nurture strong relationship with all concerned based on trust, mutual respect and co-operation.

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

A handwritten signature in black ink, appearing to read 'UFO', is written over a horizontal line.

Chairman

**Date: July 20, 2011
Place: Mumbai**

Statement of Particulars of Employees Pursuant to the Provisions of the Section 217(2A) of the Companies Act, 1956 read together with the Companies (Particulars of Employees) Rules, 1975 for the year ended 31st March, 2011 and forming part of the Directors Report.

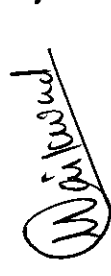
S.No.	Name	Designation	Qualification	Age	Experience	Gross Remuneration	Joining Date	Previous Employment & Designation	The percentage of equity shares held by the employee in the company as on 31 st March, 2011	Nature of employment (Contractual or otherwise)	Nature of duties of the employee
1	Sanjay Gaikwad	Managing Director (MD)	B.E. (Chemical), MBA (Operations)	46 yrs	17 yrs	Rs. 14,602,608	01-Jan-07	Apollo International Limited -Chief Operating Officer	2.55%	Contractual	Managerial Duties
2	Kapil Agarwal	Joint Managing Director (JMD)	F.C.A	50yrs	26 yrs	Rs. 14,602,608	01-Mar-09	Apollo International Limited Executive Director	1.34%	Contractual	Managerial Duties

Other Terms and Conditions:

- Approval of Central Government was obtained for payment of remuneration vide letters dated 29.06.2009 for MD and 29.07.2009 for JMD.
- Gross remuneration shown above is subject to tax and comprises salary including arrears, allowances, rent, medical, leave, travel benefits and provident fund in terms of actual expenditure incurred by the Company.
- None of the employee mentioned above is a relative of any Director

Mumbai
July 20, 2011

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




Chairman


STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES - UFO MOVIEZ INDIA LTD FOR THE YEAR ENDED ON MARCH 31, 2011

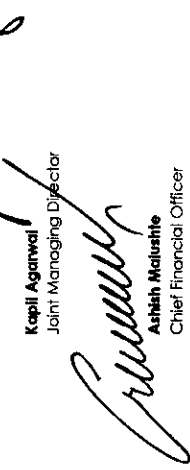
Name of the Subsidiary	Etridge Ltd., Cyprus	UFO International Ltd., Cyprus	UFO Software Technologies Pvt. Ltd.	United Film Organisers Nepal (Private) Limited	Allied Film Services Private Limited	DCIP Limited	UFO Europe Limited	UFO Lanka Private Limited	United Film Organisers (UFO) Mauritius Private Limited
Number of shares held in the Subsidiary Companies	1,025,258 Ordinary Shares of US\$ 1 each		10,000 equity Shares of Rs. 10/- each	99,600 Equity & Preference Shares of NPR 100					
Percentage of holding in the Subsidiary Companies	100%	Subsidiary through Etridge Ltd. : 94.48%	Subsidiary through UFO International Ltd. : 95.97%	100%	100%	Subsidiary through UFO International Ltd. : 100%	Subsidiary through UFO International Ltd. : 100%	Subsidiary through UFO International Ltd. : 100%	Subsidiary through UFO International Ltd. : 100%
Financial year ended	31 st March, 2011	31 st March, 2011	31 st March, 2011	16 th July, 2011	31 st March, 2011	31 st March, 2011	31 st March, 2011	31 st March, 2011	31 st March, 2011
Profits / (Losses) of the Subsidiary Companies for their respective financial years so far as it concerns the members of UFO Moviez India Ltd. which have not been dealt within the accounts of UFO Moviez India Ltd. for the year ended 31 st March, 2011									
For the year*	US\$ 74,319 Rs. 3,391,919	US\$ (3,723,074) Rs. [1,69,921,097]	Rs. 62,648	NPR (3,891,809) Rs. [2,37,572]	Rs. 176,566	US\$ 276,246 Rs. 12,607,867	US\$ (1,691,828) Rs. [77,215,030]	SLR 188,844 Rs. 75,538	MUR (56,235) Rs. (86,040)
For the previous financial years*	US\$ (766,734) Rs. (34,993,740)	US\$ (3,215,127) Rs. [1,46,738,396]	Rs. 14,836	NPR (1,077,781) Rs. (668,224)	Rs. (1,618,791)	US\$ (286,563) Rs. [13,078,735]	US\$ (1,086,376) Rs. [49,582,201]	SLR (4,395,002) Rs. [1,758,001]	MUR 321,493 Rs. 491,884
Total accumulated up to the year*	US\$ (692,415) Rs. (31,601,821)	US\$ (6,938,201) Rs. (31,659,494)	Rs. 77,484	NPR (4,909,589) Rs. (3,043,945)	Rs. (1,442,225)	US\$ (10,317) Rs. [470,868]	US\$ (2,778,204) Rs. [126,797,231]	SLR (4,206,158) Rs. [1,682,463]	MUR 265,258 Rs. 405,844
Aggregate of Profits / (Losses) of the Subsidiary Companies which have been dealt within the accounts of UFO Moviez India Ltd. for the period ended on 31 st March, 2011									
For the year	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
For the previous financial years	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total accumulated up to the year	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

Note:
 * The Figures presented in US\$ are converted into INR at the prevailing exchange rates (US\$ for 45.64 INR) as on March 31, 2011
 * The Figures presented in Nepal Currency (NPR) are converted into INR at the prevailing exchange rates (1 NPR for 0.62 INR) as on March 31, 2011
 * The Figures presented in Sri Lankan Currency (SLR) are converted into INR at the prevailing exchange rates (1 SLR for 0.40 INR) as on March 31, 2011
 * The Figures presented in Mauritius Currency (MUR) are converted into INR at the prevailing exchange rates (1 MUR for 1.53 INR) as on March 31, 2011

For and on behalf of the Board of Directors


 Sanjay Galkwad
 Managing Director

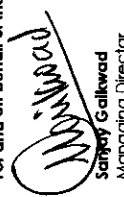

 Kapil Agarwal
 Joint Managing Director

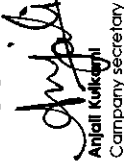

 Ashish Malhotra
 Chief Financial Officer

STATEMENT PURSUANT TO SECTION 212 (5) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES - UFO MOVIEZ INDIA LTD FOR THE YEAR ENDED ON MARCH 31,2011

Name of the Subsidiary	Edridge Ltd., Cyprus	UFO International Ltd., Cyprus	UFO Software Technologies Pvt. Ltd.	United Film Organisers Nepal (Private) Limited	Allied Film Services Private Limited	DCLIP Limited	UFO Europe Limited	UFO Lanka Private Limited	United Film Organisers (UFO) Mauritius Private Limited
Number of shares held in the Subsidiary Companies	1,025,258 Ordinary Shares of US\$ 1 each			99,600 Equity & 59,900 Preference Shares of NPR 100/- each	10,000 equity Shares of Rs. 10/- each				
Percentage of holding in the Subsidiary Companies	100%	Subsidiary through Edridge Ltd. : 94.48%	Subsidiary through UFO International Ltd. : 95.97%	100%	100%	Subsidiary through UFO International Ltd. : 100%	Subsidiary through UFO International Ltd. : 100%	Subsidiary through UFO International Ltd. : 100%	Subsidiary through UFO International Ltd. : 100%
financial year ended	31 st March, 2011	31 st March, 2011	31 st March, 2011	16 th July, 2011	31 st March, 2011	31 st March, 2011	31 st March, 2011	31 st March, 2011	31 st March, 2011
Change in the holding company's interest in the subsidiary between the end of the financial year or of the last of the financial year of the subsidiary and the end of the holding company's financial year	No Change	No Change	No Change	Became Subsidiary w.e.f.2/10/2007	Became Subsidiary w.e.f.11/04/2007	No Change	No Change	Became Subsidiary w.e.f.21/11/2007	Became Subsidiary w.e.f.28/05/2007
Details of any material change which have occurred between the end of the financial year of the subsidiary or of the last of the financial year of the subsidiary and the end of the holding company's year in respect of									
(i) the subsidiary's fixed assets	US\$ NIL Rs. NIL	US\$ (64,300) Rs. (2,934,652)	Rs. (23,019)	NPR (6,064,341) Rs. (3,743,420)	Rs. (57,217)	US\$ NIL Rs. (1,223,882)	US\$ (26,816) Rs. (1,223,882)	SLR NIL Rs. NIL	MUR NIL Rs. NIL
(ii) the subsidiary's investments	US\$ 1,024,156 Rs. 46,742,480	US\$ 786,925 Rs. 35,915,257	NIL	NPR 2,490,000 Rs. 1,500,000	NIL	US\$ NIL Rs. (137)	US\$ (3) Rs. (137)	SLR NIL Rs. NIL	MUR NIL Rs. NIL
(iii) the moneys lent by the subsidiary	US\$ (66,4020) Rs. (303278713)	US\$ (280,554) Rs. (12,804,485)	NIL	NPR NIL Rs. NIL	NIL	US\$ NIL Rs. (73,768,992)	US\$ (1,616,323) Rs. (73,768,992)	SLR NIL Rs. NIL	MUR NIL Rs. NIL
(iv) the moneys borrowed by the subsidiary for any purpose other than that of meeting current liabilities	US\$ (10,601,717) Rs. (483,862,364)	US\$ (6,651,483) Rs. (303,573,684)	NIL	NPR NIL Rs. NIL	NIL	US\$ (280,554) Rs. (12,804,485)	US\$ NIL Rs. NIL	SLR NIL Rs. NIL	MUR NIL Rs. NIL

For and on behalf of the Board of Directors


Saroj Galkwad
Managing Director


Anjali Kulkarni
Company secretary



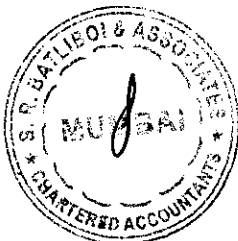
Kapil Agarwal
Joint Managing Director


Ashish Malushte
Chief Financial Officer

Auditors' Report

To
The Members of UFO Moviez India Limited

1. We have audited the attached Balance Sheet of UFO Moviez India Limited ('the Company') as at March 31, 2011 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on 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) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. 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 Companies Act, 1956;
 - v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;




S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

UFO Moviez India Limited
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- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
- a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2011;
 - b) in the case of the profit and loss account, of the loss for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

S.R. Batliboi & Associates
For S.R. BATLIBOI & ASSOCIATES
Firm registration number: 101049W
Chartered Accountants


per Govind Ahuja
Partner
Membership No.: 48966

Place: Mumbai
Date: July 20, 2011



UFO Moviez India Limited
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Annexure referred to in paragraph [3] of our report of even date

Re: UFO Moviez India Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification over a period of 2 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. For the fixed assets physically verified by the management during the year, as informed, no material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of substantial part of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) The Company has granted loan to two companies covered in the register maintained under section 301 of the Companies Act, 1956 ('the Act'). The maximum amount involved during the year was Rs. 491,994,700 and the year-end balance of loans granted to such parties was Rs. 2,000,000.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (c) The loans granted and interest thereon is re-payable on demand. Repayment of the principal amount in one case and payment of interest in another case is as per the Company's demand. We are informed that the Company has not demanded repayment of one loan during the year, and repayment of interest in another case. Thus, there has been no default on the part of the parties to whom the money has been lent.
- (d) There is no overdue amount more than Rs. 1 lakh of loans granted to Companies, firms or other parties listed in the register maintained under Section 301 of the Act.
- (e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.



S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

UFO Moviez India Limited
Auditors Report – March 31, 2011
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- (iv) 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 inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the company in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time. In case of certain transactions, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for the products of the Company.
- (ix) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, wealth-tax, service tax, customs duty, cess and other material statutory dues applicable to it have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases*. Undisputed statutory dues of value added tax have *not generally been regularly deposited with the appropriate authorities though the delays in deposit have not been serious in large cases*. The provisions of excise duty and investor education and protection fund are not applicable to the Company.
- Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Act, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions of excise duty and investor education and protection fund are not applicable to the Company.
- (c) According to the information and explanation given to us, there are no dues of income tax, wealth tax, service tax, customs duty, and cess which have not been deposited on account of any dispute. The provisions of excise duty and investor education and protection fund are not applicable to the



S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

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Company. According to the records of the Company, the dues outstanding of Value Added Tax (VAT) on account of any dispute are as follows:

Name of the statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
West Bengal VAT Act, 2003	VAT	181,875	2005-06	West Bengal Commercial Taxes, Appellate and Revisional Board
West Bengal VAT Act, 2003	VAT	2,320,703	2007-08	Commissioner of Sales Tax (Appeals), West Bengal
Income Tax Act, 1961	TDS	1,897,700	2006-07 & 2007-08	Commissioner of Income Tax (Appeals), Mumbai

- (x) The Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks and to a financial institution. The Company has not issued any debentures.
- (xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.




S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

UFO Moviez India Limited
Auditors Report – March 31, 2011
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- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) We have been informed that *an employee of the Company had misappropriated funds amounting to Rupees 154,120 during the year under audit from collections received from clients.* The Company has taken legal action against the employee and his services are terminated and the amount has been written off. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that except foregoing, no fraud on or by the Company has been noticed or reported during the year.

S.R. Batliboi & Associates
For S.R. BATLIBOI & ASSOCIATES
Firm registration number: 101049W
Chartered Accountants


per Govind Ahuja
Partner
Membership No.: 48966

Place: Mumbai
Date: July 20, 2011



BALANCE SHEET AS AT MARCH 31, 2011

	Schedule	31-Mar-11 Rupees	31-Mar-10 Rupees
SOURCES OF FUNDS			
Shareholder's Funds			
Share Capital	1	201,503,700	186,593,160
Share application money pending allotment		440,000,000	-
Reserves and Surplus	2	1,914,768,862	1,711,339,349
		<u>2,556,272,562</u>	<u>1,897,932,509</u>
Loan Funds			
Secured Loans	3	446,846,918	403,305,984
		<u>446,846,918</u>	<u>403,305,984</u>
TOTAL		<u><u>3,003,119,480</u></u>	<u><u>2,301,238,493</u></u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	1,821,687,480	1,545,525,617
Less : Accumulated Depreciation		663,474,309	429,462,660
Net Block		1,158,213,171	1,116,062,957
Capital Work in Progress (including capital advances)		73,437,539	72,968,984
		<u>1,231,650,710</u>	<u>1,189,031,941</u>
Investments			
	5	694,484,641	17,215,408
Current Assets, Loans and Advances			
Inventories	6	30,104,083	31,686,154
Sundry Debtors	7	381,489,360	137,068,129
Cash and Bank balances	8	178,456,154	151,277,209
Other Current Assets	9	33,060,342	32,339,339
Loans and Advances	10	402,433,542	665,484,355
		<u>1,025,543,481</u>	<u>1,017,855,186</u>
Less: Current Liabilities and Provisions			
Current Liabilities	11	614,407,821	538,222,728
Provisions	12	10,077,848	6,797,207
		<u>624,485,669</u>	<u>545,019,935</u>
Net Current Assets		401,057,812	472,835,251
Debit Balance in the Profit and Loss Account		675,926,317	622,155,893
TOTAL		<u><u>3,003,119,480</u></u>	<u><u>2,301,238,493</u></u>
Notes to Accounts	19		

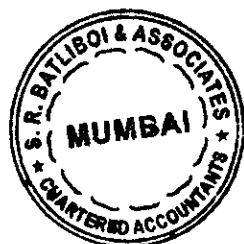
The schedules referred to above and notes to accounts form an integral part of the Balance Sheet
As per our Report attached of even date

S.R. Batliboi Associates
For S.R.BATLIBOI & ASSOCIATES
Firm Registration No:101049W
Chartered Accountants

Govind Ahuja

per Govind Ahuja
Partner
Membership No.: 48966

Place: Mumbai.
Date: July 20, 2011



For and on behalf of the Board of Directors

Sanjay Galkwad
Sanjay Galkwad
Managing Director

Anjali Kulkarni
Anjali Kulkarni
Company secretary

Kapil Agawai
Kapil Agawai
Joint Managing Director

Ashish Malushte
Ashish Malushte
Chief Financial Officer

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011.

	Schedule	For the year March 31, 2011 Rupees	For the year March 31, 2010 Rupees
INCOME			
Turnover	13	1,084,685,092	720,838,702
Other Income	14	34,700,993	41,655,839
		<u>1,119,386,085</u>	<u>762,494,541</u>
EXPENDITURE			
Direct Expenses	15	402,387,047	303,898,016
Personnel Expenses	16	197,427,381	150,317,168
Administrative, Sales and other Expenses	17	264,734,230	249,475,388
Interest and Finance Expenses	18	51,025,147	62,902,758
Depreciation	4	248,987,703	159,907,515
		<u>1,164,561,508</u>	<u>926,500,846</u>
Profit / (Loss) Before Exceptional Items and Tax		(45,175,424)	(164,006,305)
Provision for diminution in value of Investments		8,595,000	-
Profit / (Loss) Before Tax		(53,770,424)	(164,006,305)
Less: Provision for Tax		-	-
Profit / (Loss) After Tax		(53,770,424)	(164,006,305)
Add: Balance Brought Forward from Previous Year		(622,155,893)	(458,149,588)
Balance Carried to Balance Sheet		(675,926,317)	(622,155,893)
Earnings Per Share (Basic and Diluted)		(4.36)	(11.49)
(Refer Note 7 of Schedule 19)			
(Nominal value of shares Rs.10 (Previous Year : Rs.10))			

Notes to Accounts

19

The schedules referred to above and notes to accounts form an integral part of the Profit & Loss Account
As per our Report attached of even date

S.R. Batliboi Associates

For S.R.BATLIBOI & ASSOCIATES
Firm Registration No:101049W
Chartered Accountants

Govind Ahuja

per Govind Ahuja
Partner
Membership No.: 48966

Place: Mumbai.
Date: July 20, 2011



For and on behalf of the Board of Directors

Sanjay Gaikwad
Sanjay Gaikwad
Managing Director

Kapil Agarwal
Kapil Agarwal
Joint Managing Director

Anjali Nalkarni
Anjali Nalkarni
Company secretary

Ashish Malushte
Ashish Malushte
Chief Financial Officer

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31,2011

	31-Mar-11 Rupees	31-Mar-10 Rupees
A Cash flow from Operating Activities		
Net Profit Before Tax and Extraordinary Items	(53,770,424)	(164,006,305)
Add:		
Depreciation	248,987,703	159,907,515
Foreign Exchange (Gain)/Loss (net)	(1,742,355)	56,404,810
Loss on sale of Fixed Assets	9,171,563	5,318,719
Interest Received	(23,008,617)	(38,576,146)
Interest Paid	39,198,124	48,097,858
Provision for Doubtful Debts	10,791,270	13,070,898
Provision for Leave Encashment	3,136,452	-
Provision for gratuity	2,426,313	-
Sundry Credit Balances written back	(7,763,282)	(6,185)
Provision for diminution in value of Investments	8,595,000	-
Operating Profit before Working Capital Changes	236,021,748	80,211,164
(Increase)/ Decrease in Inventories	1,582,071	(13,585,387)
(Increase)/ Decrease in Sundry Debtors	(255,212,501)	(12,671,420)
(Increase)/ Decrease in Other Current Assets, Loans & Advances	14,679,278	(44,239,349)
Increase/ (Decrease) in Liabilities	153,336,581	84,869,561
Increase/ (Decrease) in Provisions	(2,282,124)	1,168,971
Cash generated from Operations	148,125,053	95,753,540
Fringe Benefit Tax Paid	-	(506,267)
Direct Tax Paid (Net of Refunds)	(30,410,068)	(7,519,163)
Foreign Exchange Fluctuation (Net)	2,559,716	4,977,126
Net Cash inflow / Outflow from Operating activities	120,274,702	92,705,236
B Cash flow from investing Activities		
Purchase of Fixed/Capital Assets	(385,377,060)	(368,314,950)
Purchase of Investments in Subsidiaries	(1,500,000)	(2,243,750)
Purchase of Investments	(195,455,033)	-
Loan repaid by subsidiary	-	500,000
Advance for investment in subsidiaries	(200,999,514)	-
Sale of Fixed Assets	14,750,004	7,223,329
Interest received	11,338,272	16,940,420
Margin Money and Fixed Deposits under lien	25,223,395	310,234
Net Cash inflow / Outflow from Investing activities	(732,019,936)	(345,584,717)
C 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)
Proceeds from short term borrowings	-	240,000,000
Repayment of short term borrowings	-	(429,974,124)
Share Allotment money incl. Share Premium	250,000,053	250,000,054
Share Issue Expenses	(31,660,000)	-
Share Application Money	440,000,000	-
Interest paid	(37,733,413)	(46,480,435)
Net Cash inflow / Outflow from Financing activities	664,147,574	209,669,677
Net increase/Decrease in Cash & Cash Equivalent (A + B + C)	52,402,340	(43,209,804)
Cash & Cash Equivalents at the beginning of the year	92,971,025	136,180,829
Cash & Cash Equivalents at the end of the year	145,373,364	92,971,025



CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

	31-Mar-11 Rupees	31-Mar-10 Rupees
Components of Cash and Cash equivalents, as at March 31, 2011		
Cash	227,440	218,962
With Banks:		
- In Current Accounts	120,581,849	13,794,562
- In Fixed Deposits	24,564,075	78,957,501
- Mutual Fund	-	-
	145,373,364	92,971,025
Add / (Less) :		
Fixed Deposits having maturity more than 90 days	33,082,790	58,306,184
Cash & Bank Balances [Refer Schedule 8]	178,456,154	151,277,209

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 During the year company converted loan given to Edridge Limited of Rs 489.99 million (\$ 10.86 million) into Equity.
- 4 Previous year figures have been regrouped wherever necessary to correspond with the figures of current year

As per our Report attached of even date

S.R. Batliboi Associates

For S.R.BATLIBOI & ASSOCIATES
Firm Registration No:101049W
Chartered Accountants

Govind Ahuja

per **Govind Ahuja**
Partner
Membership No.: 48966
Place: Mumbai.
Date: July 20, 2011



For and on behalf of the Board of Directors

Sanjay Galkwad

Sanjay Galkwad
Managing Director

Kapil Agrowal

Kapil Agrowal
Joint Managing Director

Anjali Kulkarni

Anjali Kulkarni
Company secretary

Ashish Maishte

Ashish Maishte
Chief Financial Officer

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31,2011

	31-Mar-11 Rupees	31-Mar-10 Rupees
SCHEDULE 1: SHARE CAPITAL		
AUTHORISED SHARE CAPITAL		
23,500,000 (Previous Year : 43,500,000) Equity Shares of Rs.10 each	235,000,000	435,000,000
1,500,000 (Previous Year : 1,500,000) 11% Cumulative Redeemable Preference Shares of Rs.100 each	-	150,000,000
1,500,000 (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 Paid-up

20,150,370 (Previous Year: 18,659,316) Equity shares of Rs.10/- each Fully Paid up	201,503,700	186,593,160
TOTAL	201,503,700	186,593,160

Notes :

Of the above:

- 4,806,037 (PY :4,806,037) Equity shares has been allotted without payment being received in cash pursuant to the scheme of amalgamation
- 13,068,626 (PY: 12,439,544) Equity shares of Rs. 10 each are allotted as fully paid up bonus shares by capitalising securities premium

(For Stock options outstanding, refer Note 8 of Schedule 19)

SCHEDULE 2: RESERVES AND SURPLUS

Securities Premium Account		
Balance as per last account	1,711,339,349	1,453,255,005
Add: Additions during the year	241,380,333	382,479,784
Less: Utilised for bonus shares	6,290,820	124,395,440
	1,946,428,862	1,711,339,349
Less : Shares Issue Expenses	31,660,000	-
TOTAL	1,914,768,862	1,711,339,349



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31,2011

	31-Mar-11 Rupees	31-Mar-10 Rupees
SCHEDULE 3: SECURED LOANS		
(Refer Note 3 of Schedule 19)		
Loan from Banks		
Rupee Term Loans (Amount repayable within one year Rs.112,500,000(Previous Year Rs.50,000,000)	440,625,000	95,399,136
Foreign Currency Term Loan	-	301,519,621
Loan from Financial Institution		
Vehicle Finance (Amount repayable within one year Rs. 4,184,958 (Previous Year Rs.2,804,539)	6,221,918	6,387,227
TOTAL	<u>446,846,918</u>	<u>403,305,984</u>



UFO MOVIEZ INDIA LIMITED

SCHEDULE 4: FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at April 1, 2010	Additions	Deductions	As at March 31, 2011	As at April 1, 2010	For the Year	Deductions	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
Leasehold Property Improvement	11,525,888	1,075,519	9,082,985	3,518,422	6,440,495	3,309,761	7,943,909	1,806,347	1,712,075	5,085,393
Plant & Machinery - Including Exhibition equipment	1,443,953,404	300,947,360	23,652,388	1,721,248,377	388,796,203	228,718,950	4,797,836	612,717,317	1,108,531,060	1,055,157,201
Computer Systems	47,762,701	2,743,107	36,500	50,469,308	15,500,377	10,003,706	9,694	25,494,389	24,974,919	32,262,324
Office Equipments	17,614,475	6,224,629	333,448	23,505,656	9,773,233	2,658,230	142,155	12,289,308	11,216,348	7,841,242
Furniture & Fixtures	7,208,729	216,066	5,429,391	1,995,404	2,084,955	1,035,221	1,894,101	1,226,075	769,329	5,123,774
Electrical Equipments & Installations	3,510,406	277,989	362,909	3,425,486	2,762,083	262,741	188,359	2,836,465	589,021	748,323
Vehicles	13,950,014	3,574,813	-	17,524,827	4,105,314	2,999,094	-	7,104,408	10,420,419	9,844,700
Total	1,545,525,617	315,059,483	38,897,621	1,821,687,480	429,462,660	248,987,703	14,976,054	663,474,309	1,158,213,171	1,116,062,957
Previous Year	1,189,545,197	375,365,372	19,489,055	1,545,525,617	276,502,153	159,958,563	7,051,666	429,462,660	913,093,538	1,116,062,958

Note:

1. Depreciation charge for the year includes potential impairment loss for Rs. 40,414,877 (PY: Nil) for exhibition equipment which is damaged/faulty, for which the residual value has been estimated based on the expected salvage value.
2. Depreciation charge includes prior period reversal of Rs. Nil (PY: Rs. 31,636,656)



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011

	31-Mar-11	31-Mar-10
	Rupees	Rupees
SCHEDULE 5: INVESTMENTS		
Long Term Investments		
In Subsidiary Companies (Other than trade, Unquoted)		
1,025,258(Previous Year 1,102) Ordinary Shares of US \$ 1 each fully paid, in Edridge Limited, Cyprus	500,253,358	51,658
99,600(Previous Year 99,600) Ordinary Shares of NPR 100 each fully paid, in United Film Organizers Nepal (Private) Limited , Nepal	6,225,000	6,225,000
59,900 (Previous Year 35,900) Ordinary Preference Shares of NPR 100 each fully paid, in United Film Organizers Nepal (Private) Limited, Nepal	3,743,750	2,243,750
10,000 (Previous Year 10,000) Ordinary Shares of INR 10 each at par, fully paid, in Allied Film Services (Private) Limited , India	100,000	100,000
In Others (Other than trade, Unquoted)		
19,173(Previous Year Nil) Ordinary Shares of INR 10 each fully paid in Scrabble Entertainment Private Limited, India	20,000,033	-
155,500(Previous Year Nil) Ordinary Shares of INR 10 each fully paid in Southern Digital Screenz Private Limited, India	11,662,500	-
15,250,000(Previous Year Nil) 8% Cumulative Redeemable Preference Shares of INR 10 each fully paid in Southern Digital Screenz Private Limited, India	152,500,000	-
1,86,500 (Previous Year 1,86,500) 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
TOTAL	694,484,641	17,215,408

	31-Mar-11	31-Mar-10
	Rupees	Rupees
SCHEDULE 6: INVENTORIES (at lower of cost and net realisable value)		
Stores and spares	26,410,872	31,294,113
Others	3,693,211	392,041
TOTAL	30,104,083	31,686,154



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31,2011

	31-Mar-11	31-Mar-10
	Rupees	Rupees
SCHEDULE 7: SUNDRY DEBTORS (Unsecured)		
More than six months		
- Considered good	57,313,878	23,250,748
- Considered doubtful	11,369,648	9,012,449
Others		
- Considered good	324,175,483	113,817,381
- Considered Doubtful	-	151,399
	392,859,009	146,231,977
Less: Provision for Doubtful Debts	11,369,649	9,163,848
TOTAL	381,489,360	137,068,129
Included in sundry Debtors are		
Dues from Subsidiary companies		
(i) Allied Film Services Private Limited	190,074	1,500
(ii) United Film Organizers Nepal Private Limited	-	419,150

SCHEDULE 8: CASH AND BANK BALANCES

Cash on hand	227,440	218,962
Balance with Scheduled Banks		
In Current Accounts	120,581,849	13,794,562
In Deposit Accounts*	57,646,865	137,263,685
TOTAL	178,456,154	151,277,209

* includes fixed deposits under lien with banks for
(a) LC facilities Rs.7,420,015 (Previous Year Rs.48,888,225)
(b) bank guarantee Rs.2,072,932 (Previous Year Rs.12,760,988)
(c) debt service reserve account Rs.23,583,238 (Previous year Rs. Nil)



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31,2011

	31-Mar-11 Rupees	31-Mar-10 Rupees
SCHEDULE 9: OTHER CURRENT ASSETS		
Unbilled Revenue	-	10,213,070
Interest accrued but not due	33,060,342	22,126,269
TOTAL	33,060,342	32,339,339

SCHEDULE 10: LOANS AND ADVANCES

	31-Mar-11 Rupees	31-Mar-10 Rupees
Unsecured, Considered good		
Advances recoverable in cash or in kind for value to be received	7,414,940	10,451,684
Loans to Subsidiaries	2,362,500	492,357,200
Advances to Vendors	5,089,110	4,178,126
Advance Income Tax and TDS	48,428,397	18,018,329
Deposits - others	34,973,553	31,760,826
Balance with Customs	2,386,721	2,089,781
Cenvat Credit Account	100,778,807	100,416,414
Deferred Premium on Forward Contract	-	6,211,995
Advance for Purchase of Investments	200,999,514	-
TOTAL	402,433,542	665,484,355

Included in Loans and Advances are:

Dues from companies under the same management:

Edridge Limited , Cyprus.

style="text-align: right;">- 511,622,267

(Maximum amount outstanding during the year Rs. 489,994,700)

(Previous Year Rs. 574,689,817)

Allied Film Services Private Limited

 style="text-align: right;">**2,184,500** 2,192,082

(Maximum amount outstanding during the year Rs. 2,184,500)

(Previous Year Rs. 2,192,082)

SCHEDULE 11: CURRENT LIABILITIES
Sundry creditors

Total outstanding dues of creditors other than Micro and Small Enterprises (Refer Note 13 to Schedule 19)

-Capital goods	33,127,812	102,976,834
-Others	116,116,594	62,868,144
Advance from Customers	42,113,140	34,091,101
Deferred Lease Rental Income	127,202,522	115,537,899
Bank Book overdraft	24,021,804	19,699,991
Security Deposits received		
- From Regional Dealers	15,600,000	15,600,000
- From Theatres	175,180,361	138,181,820
Interest Payable	5,009,018	3,544,306
Other Liabilities	76,036,570	38,405,637
Forward Contract Payable (Net)	-	7,316,995
	614,407,821	538,222,728

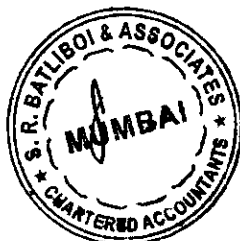
SCHEDULE 12:PROVISIONS

Provision for Gratuity (Refer Note 16 to Schedule 19)	1,582,450	1,085,007
Provision for Compensated Absences	8,495,398	5,712,200
	10,077,848	6,797,207



**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED MARCH 31,2011**

	31-Mar-11 Rupees	31-Mar-10 Rupees
SCHEDULE 13: TURNOVER		
Software Decryption & Digital Transmission Income	302,317,129	204,124,826
Advertisement Income	324,288,899	97,370,305
Lease Rental Income	248,262,541	194,963,216
Lamp Sales	116,975,921	92,056,789
Digitization Income	40,856,243	32,307,082
Registration Fees Income	12,606,827	14,339,613
Sale of Equipments	37,163,557	82,370,600
Technology Service Fees	2,213,975	3,306,271
	<u>1,084,685,092</u>	<u>720,838,702</u>
SCHEDULE 14: OTHER INCOME		
Foreign Exchange Gain (Net)	1,742,355	-
Interest received		
Bank Deposits (TDS Rs.548,568 Previous year. Rs 476,554)	5,416,121	3,945,157
Others (TDS Rs 20,500 Previous year. Rs 48,021)	17,592,496	34,630,989
Miscellaneous Receipts	2,186,739	3,073,508
Sundry Balance written back	7,763,282	6,185
	<u>34,700,993</u>	<u>41,655,839</u>
SCHEDULE 15: DIRECT EXPENSES		
Purchases of Equipments & goods	30,341,066	71,987,640
Bandwidth Charges	43,085,109	41,455,285
Rates and taxes	814,770	560,911
Repair and Maintenance - Exhibition Equipments	41,722,733	42,231,529
Exhibitor Share for Advertisement	100,542,660	22,950,704
Commission	47,511,036	9,858,171
Royalty / Technical Service Fees	33,759,325	26,885,872
Other Expenses	1,122,539	-
<u>Editing & Support Charges</u>		
-Content Processing Charges	3,522,000	7,490,800
-Rent on Equipments	14,327,737	19,914,482
<u>Consumables / Stores/ Spares</u>		
Opening Stock	31,294,113	18,100,767
Add: Purchases	80,754,831	73,755,968
Less: Closing Stock	26,410,872	31,294,113
	<u>85,638,072</u>	<u>60,562,622</u>
	<u>402,387,047</u>	<u>303,898,016</u>



**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31,2011**

	31-Mar-11 Rupees	31-Mar-10 Rupees
SCHEDULE 16: PERSONNEL EXPENSES		
Salaries & Wages	171,864,198	131,354,189
Staff Welfare Expenses	8,928,537	5,469,462
Contribution to Provident and Other Funds	11,071,881	8,958,825
Gratuity expenses & other employee benefits	5,562,765	4,534,692
TOTAL	197,427,381	150,317,168

SCHEDULE 17: ADMINISTRATIVE & SALES EXPENSES

Rent	43,305,361	30,880,317
Freight & Forwarding Charges	24,036,360	21,504,394
Legal, Professional and Consultancy Charges	54,520,653	20,001,700
Commission on Sales	19,492,897	19,113,471
Sales Promotion expenses	15,971,871	17,907,219
Electricity Charges	8,868,489	6,934,075
Rates & Taxes	10,760,657	2,514,970
Auditor's Remuneration	2,269,187	1,851,128
Repairs and Maintenance		
-Plant & Machinery	8,527,944	7,805,714
-Furniture & Fixtures	65,936	289,361
-Others	3,387,270	1,016,371
Insurance	6,407,093	4,849,387
Traveling & Conveyance Expenses	20,571,519	18,613,928
Communication & Courier Expenses	12,822,740	11,503,373
Printing and Stationery	3,524,530	2,750,002
Provisions for doubtful debts & bad debts written off	10,791,270	13,070,898
Loss on Sale & Write off of Fixed Assets (net)	9,171,563	5,318,719
Foreign Exchange Loss (net)	-	56,404,810
Miscellaneous Expenses	10,238,890	7,145,550
TOTAL	264,734,230	249,475,388

SCHEDULE 18: INTEREST AND FINANCE EXPENSES

Interest on		
- Term Loan	38,598,975	47,217,652
- Others	599,149	880,206
Bank Charges	4,803,998	14,058,490
Premium on Forward Contract	7,023,025	746,410
TOTAL	51,025,147	62,902,758



Schedule 19: NOTES TO ACCOUNTS

1. Background of Operations

UFO Moviez India Limited (UFO) is into the business of providing digital cinema services. Digital Cinema as a concept uses digital media instead of analogue media (prints) to record, transmit and replay images.

2. Statement of Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects in respects with the Notified accounting standard by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company.

(b) Use of estimates

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

(c) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and 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.

(d) Depreciation

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.

	Rates as per management's estimate of useful lives (SLM)	Schedule Rates (SLM)
Exhibition Equipment	9.50% - 25%	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%	9.50%

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

(e) Impairment

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 Company 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 Profit and Loss account on a straight-line basis over the lease term.

Where the Company is the lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Profit and Loss Account. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Profit and Loss Account.

(g) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term 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.

(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 Company and the revenue can be reliably measured.

Income from Services

- Software Decryption & Digital Transmission Income received from Distributors of the films are recognised in the period in which the services are rendered.
- Advertisement Income is recognised in the period during which advertisement is displayed.
- Income from digitization charges is recognised on completed contract method.
- Technology service fee is recognised in the period in which services are rendered.
- Registration fee is recognised in the period in which it is received.

Sale of Goods

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

Lease income towards leasing of cinematographic and projecting equipments is recognised as per the terms of the agreement on straight line basis over the lease term.

The Company recognizes the cost of stores as and when these are dispatched/issued to customers.



Interest

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

(j) Foreign Currency Translation

Foreign currency transactions

(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 company 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) Retirement and other benefits

Retirement benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective trusts.

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

Actuarial gains/losses are immediately taken to profit and loss account 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.

(l) 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 company 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 issued by The Institute of Chartered Accountants of India) supported by convincing evidence that they can be realised against future taxable profits.



At each balance sheet date the Company 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 company 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.

(m) 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.

(n) Cash and cash equivalents

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

(o) 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 Company 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

(p) 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.

3. Secured Loans

3.1 Term Loan from Banks

Rupee Term Loan of **Rs. 440,625,000/-** (Previous Year Rs. 7,899,136/-) and Foreign currency Term Loan of **Rs. Nil** (Previous Year Rs. 301,519,621/-) from Axis Bank Ltd is secured by first charge on all Fixed Assets (except the Vehicles) and all current assets of the Company.

The Company is required to maintain Debt Service Reserve account equivalent to three months principal and interest repayment under lien with the bank.

3.2 Vehicle Finance

Vehicle Loans of **Rs. 6,221,918/-** (Previous Year Rs.6,387,277/-) is secured against the hypothecation of Vehicles.



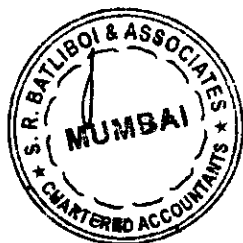
4. Related Party Disclosures

Names of related parties where control exists irrespective of whether transactions have occurred or not

Subsidiary Company	<ul style="list-style-type: none"> • Edridge Limited, Cyprus • Allied Film Services Private Limited, India • United Film Organisers Nepal Private Limited, Nepal
Step-down Subsidiary Company	<ul style="list-style-type: none"> • DCLP Limited, Cyprus • UFO Europe Limited, Cyprus • UFO International Limited, Cyprus • UFO Lanka Private Limited, Sri Lanka • UFO Software Technologies Private Limited, India • United Film Organisers (UFO) (Mauritius) Private Limited, Mauritius

Names of other related parties with whom transactions have taken place during the year

Key Management Personnel	<ul style="list-style-type: none"> • Mr. Sanjay Gaikwad - Managing Director • Mr. Kapil Agarwal - Joint Managing Director
Enterprises owned or significantly influenced by key management personnel or their relatives	<ul style="list-style-type: none"> • Apollo International Limited • Dusane Infotech (India) Private Limited • Valuable Technologies Limited • Crown Infotainment Limited • Impact Media Exchange Limited • Valuable Media Limited • Valuable Technologies Inc



Particulars of Related Party Transactions

(In Rupees)

Sr. No	Particulars Nature of Expenses/Name of the Parties	31.03.2011	31.03.2010
1	Subsidiaries Companies		
A	Sale		
	i) United Film Organizers Nepal Private Limited	Nil	2,926,600
	ii) Allied Film Services Private Limited	42,750	12,000
B	Investment in Shares		
	i) United Film Organizers Nepal Private Limited (Preference Shares)	1,500,000	2,243,750
	ii) Edridge Limited (Equity Shares)	11,292,500	Nil
C	Interest income on loans		
	i) Edridge Limited	11,810,602	34,299,629
	ii) Allied Film Services Private Limited	205,000	240,103
D	Rent Income		
	i) Allied Film Services Private Limited	160,824	Nil
2	Step-down Subsidiaries		
A	Expenses Reimbursed		
	i) UFO Software Technologies Private Limited	Nil	30,123
B	Purchase of Fixed Assets		
	UFO International Limited	Nil	10,732,499
	United Film Organiser (UFO)(Mauritius) Private Limited	Nil	130,043
3	Key Management Personnel		
A	Remuneration		
	Sanjay Gaikwad	14,602,608	13,950,000
	Kapil Agarwal	14,602,608	15,000,000
4	Enterprises owned or significantly influenced by Key Management Personnel or their relatives		
A	Purchase of Equipment		
	Apollo International Limited	Nil	168,750
	Impact Media Exchange Limited	35,930,028	Nil
	Valuable Media Limited	5,300,685	Nil
B	Sale of Equipment		
	Valuable Media Limited	140,947	Nil
	Valuable Technologies Inc	1,428,142	Nil
C	Expenses Reimbursed		
	Valuable Technologies Limited	774,902	29,667
	Valuable Media Limited	105,000	Nil
	Impact Media Exchange Limited	151,342	Nil
D	Purchase of Consumables/Stores/Spares		
	Valuable Media Limited	706,650	Nil
	Impact Media Exchange Limited	745,817	Nil
E	Software Development Charges		
	Dusane Infotech (India) Private Limited	321,304	Nil
F	Purchase of Software		
	Valuable Technologies Limited	Nil	15,600,000
G	Technical Services (expense)		
	Valuable Technologies Limited	35,208,578	27,383,485



H	License Fees on 3D Movie Valuable Technologies Limited	117,846	Nil
I	Technology Service Fee (Income) Crown Infotainment Limited	2,213,975	3,306,271
J	Licensee Fees – Impact (Expense) Impact Media Exchange Limited	659,632	Nil

Balance outstanding at the year end

Sr. No	Particulars	(in Rupees)	
		31.03.2011	31.03.2010
1.	Subsidiaries Companies		
A	Loan and advance given		
	i) Edridge Limited	Nil	489,994,700
	ii) Allied Film Services Private Limited	2,000,000	2,000,000
B	Interest receivable (gross)		
	i) Edridge Limited	32,701,898	21,627,567
	ii) Allied Film Services Private Limited	184,500	240,103
C	Debtors		
	i) United Film Organisers Nepal Private Limited	Nil	419,150
	ii) Allied Films Services Private Limited	190,074	1,500
2	Key Management Personnel		
A	Amounts Payable		
	Sanjay Gaikwad	Nil	8,451,401
3	Enterprises owned or significantly influenced by Key Management Personnel or their relatives		
A	Unbilled revenue		
	Crown Infotainment Limited	Nil	3,306,271
B	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

5. Leases

5.1 In case of assets taken on lease

Operating Lease

The Company's significant leasing arrangements are in respect of operating leases taken for Office Premises & Stores, etc. These leases are cancelable 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 lease generally is for 11 to 36 months.

Particulars	(In Rupees)	
	31.03.2011	31.03.2010
Lease Payments for the year	57,251,358	50,509,265
Minimum Lease Payments :		
Not later than one year	70,262,398	42,166,975
Later than one year and not later than five years	141,536,424	202,326,422
Later than 5 years	Nil	9,472,400



5.2 In case of assets given on lease

Operating Lease:

The Company has leased out Digital Cinema Equipment to theaters and franchisees on operating lease arrangement. The lease term is generally for ten years. The Company 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 ten years.

Assets given on Lease:

Class of Assets: Plant & Machinery (exhibition equipments)

	(In Rupees)	
	31.03.2011	31.03.2010
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 P & L Account	205,988,672	155,494,498
Minimum Future lease payments		
Not later than one year	307,880,990	268,187,466
Later than one year and not later than five years	1,047,419,205	973,888,537
Not later than five year	623,959,510	625,136,592
Total	1,979,259,705	1,867,212,595

6. Segment Reporting

The Company 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, issued by The Institute of Chartered Accountants of India ('ICAI'). The Company's operations are based in one geographical segment i.e. India.

7. Earning per share

In accordance with AS-20 "Earnings Per Share" issued by ICAI, basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by weighted average number of equity shares outstanding during the year.

	(In Rupees)	
Particulars	31.03.2011	31.03.2010
Net Profit/(Loss) after Tax as Profit & Loss Account	(53,770,424)	(164,006,305)
Less: Dividend on Cumulative Preference shares	31,002,198	31,002,198
Net Profit attributable to Equity Shareholders (Rs.)	(84,772,622)	(195,008,503)
Weighted average number of equity shares	19,452,623	16,972,602
Basic/Diluted earnings/(loss) per share (Rs.)	(4.36)	(11.49)

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.



8. Employee Stock Option Plan

ESOP 2006

During the financial year 2010-11, the Company granted 10960 options under the ESOP Scheme 2006 (ESOP Grant 2010) to eligible employees at an exercise price of Rs.100.18 per equity share. ESOP Grant 2010 was approved by the Compensation Committee at their meeting held on October 05, 2010. As per ESOP 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.

ESOP 2010

The Compensation Committee recommended the new ESOP Scheme 2010. Board approved the new ESOP Scheme 2010 at its meeting held on October 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 Company get listed on a Recognized Stock Exchange.

Movement In the options granted to employees is set out below:

(In Rupees)

Particulars	31.03.2011		31.03.2010	
	Number of Options	Weighted Average Exercise Price(Rs.)	Number of Options	Weighted Average Exercise Price(Rs.)
Employee Stock Option Scheme 2006				
Outstanding at the beginning of the year	209,412	100.18	71,450	300.55
Granted during the year(1)	10,960	N.A.	-	N.A.
Forfeited during the year(2)	-	N.A.	-	N.A.
Exercised during the year(3)	-	N.A.	-	N.A.
Expired during the year#	3,564	100.18	1,646	300.55
Adjustment to outstanding options pursuant to bonus issue of shares	-	N.A.	139,608	N.A.
Outstanding at the end of the year	216,808	100.18	209,412	100.18
Exercisable at the end of the year	216,808	N.A.	209,412	N.A.
Weighted average remaining contractual life (in month)	12		-	

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

Employee Stock Option Scheme 2010				
Outstanding at the beginning of the year	-	-	-	-
Granted during the year(1)	1,413,497	161.87	-	-
Forfeited during the year(2)	-	-	-	-
Exercised during the year(3)	-	-	-	-
Expired during the year#	-	-	-	-



Adjustment to outstanding options pursuant to bonus issue of shares	-	-	-	-
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		-	

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 fairvalue considering the following inputs:

	2011	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	-
Expected dividends	-	-
Average risk-free interest rate	7.69%	-
Expected dividend (rate)	-	-
Weighted average share price	164.00	-

Since the company shares are not listed with any stock exchange the expected volatility has 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 Company's Net Income and Earning Per Share as reported would have changed to amount indicated below.

	(In Rupees)	
	31.03.2011	31.03.2010
	Rs.	Rs.
Profit attributable to equity shareholders as reported	(84,772,622)	(195,008,503)
Add: Employee stock compensation under intrinsic value method	-	-
Less: Employee stock compensation under fair value method	14,196,596	1,669,093
Proforma profit / (loss)	(98,969,218)	(165,675,398)
Earnings Per Share		
Basic		
- As reported	(4.36)	(11.49)
- Pro forma	(5.09)	(11.59)
Diluted		
- As reported	(4.36)	(11.49)
- Pro forma	(5.09)	(11.59)

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



9. Share Warrants

During the previous year, the Company 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 Company 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 Company called for conversion of warrants and against which holders of 314,531 warrants exercised the option. The Company 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 Company 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.

10. Investments during the year

Investment by the company

- (a) During July 2010, the Board of Directors approved the conversion of loan of USD 10.86 million (Rs 489.99 million) given to Edridge Limited, Cyprus into 1,001,100 equity shares of US\$10.84 each in Edridge Limited.

Subsequently in January 2011 the company further invested USD 0.25 million (Rs.11.29 million) into 23,056 equity share of US\$10.84 each in Edridge Limited

- (b) During July 2010, the Board of Directors approved the acquisition of up to 26% of share capital of Scrabble Entertainment Private Limited (SEPL). The Company has paid Rs 20 million to SEPL for the acquisition of 19,173 equity shares during the year ended March 31, 2011. Subsequently, in April 2011, the Company further invested Rs 160 million in SEPL for the acquisition of 153,387 equity shares.

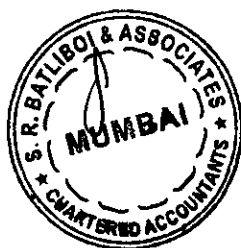
- (c) During March 2011, the Board of Directors approved the acquisition of a strategic stake in Southern Digital Screenz India Private Limited (SDS), subsequent to which, the Company invested Rs 164.17 million in SDS comprising Rs 11.67 million for 155,500 equity shares and Rs 152.50 million for 15,250,000, 8% Cumulative Redeemable Preference Shares (CRPS) of Rs. 10/- each. The Company has an option of converting the CRPS into equity shares of SDS any time at its own discretion, in the ratio of 2 equity shares for every 15 CRPS held by the Company. Further, as at March 31, 2011 the Company also paid advance of Rs.146 million for acquisition of 1,000,000 equity shares of SDS from existing shareholders of SDS. Subsequently in April 2011, the Company acquired these 1,000,000 equity shares and exercised its option of conversion of CRPS into equity shares of SDS based on which, 2,033,333 equity shares were allotted to the Company.

Investment in the company

During March 2011, the Company 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 Company received additional share application money from P5 of Rs 1,143 million. The Company 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 Company is subject to "floor" and "cap" specified in the Agreement.



11. Deferred Taxes

The breakup of year end tax assets and liabilities into major components of the respective balance is as under

	(In Rupees)	
	31.03.2011	31.03.2010
Deferred Tax Liabilities		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	47,464	18,100,803
Deferred revenue expenses/Other difference	59,225	15,658
Gross Deferred Tax Liabilities (A)	106,689	18,116,461
Deferred Tax Assets		
Carry forward of losses	138,217,652	138,217,652
Effect of expenditure debited to profit and loss account in the current year but allowed for tax purposes in following years:	-	-
Provision for doubtful debts	3,864,544	3,114,792
Share Issue Expenses	8,608,987	-
Provision for Gratuity and Leave Encashment	3,425,461	4,586,446
Deferred expenses/other difference	22,023	38,873
Deferred Tax Assets	157,060,107	145,967,274
Deferred Tax Assets	106,689	18,116,461
Net Deferred tax assets / liability	-	-

The Company has accounted deferred tax assets to the extent of deferred tax liabilities since there is no "virtual certainty" of sufficient future taxable income available in the future (as defined in Accounting Standard 22 issued by The Institute of Chartered Accountants of India)

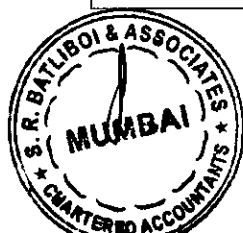
12. Capital Commitment

Estimated amount of contracts remaining to be executed on capital accounted and not provided for (Net of Advances) amounting **Rs 107,072,112/-** (Previous Period: Rs 15,976,166/-)

13. 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.

14. Unhedged Foreign Currency Exposure

Particulars of Un-hedged Exposure	Value (31.03.2011)	Value (31.03.2010)
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)
Loans to Subsidiaries	Nil	Rs. 489,994,700 (US \$ 10,855,000 @ Closing rate of 1 USD = Rs 45.14)
Interest Receivable from Subsidiaries	Rs. 32,701,898 (US \$ 732,405 @ Closing rate of 1 USD = Rs. 44.65)	Rs. 2,1,627,567 (US \$ 479,122 @ Closing rate of 1 USD = Rs. 45.14)



15. Contingent Liability not provided for:

(In Rupees)

	31.03.2011	31.03.2010
In respect of the bond(s) issued by the company 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 company in West Bengal VAT matter for the Financial Year 2005-06, for which company has gone on appeal. Based on the Judicial pronouncements, the Company's claim is likely to be accepted by appellate authorities.	181,875	725,601
In respect of demand raised against company in West Bengal VAT matter for the Financial Year 2007-08, for which company has gone on appeal. Based on the Judicial pronouncements, the Company's claim is likely to be accepted by appellate authorities.	2,320,703	Nil
In respect of demand raised against the company in Mumbai TDS matter for the Financial year 2006-07 & 2007-08, for which company has gone on appeal.	1,897,700	Nil
	210,224,402	205,824,124



16. Gratuity and other employee benefits plan

The Company 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 company in the form of a qualifying insurance policy.

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

(In Rupees)

(A)	Defined benefit plans	31.03.2011	31.03.2010
		Gratuity (Funded)	Gratuity (Funded)
I	Expenses recognised during the year		
1	Current Service Cost	1,175,259	921,338
2	Interest cost	302,868	214,860
3	Expected Return on Plan Assets	(264,137)	(184,032)
4	Past service costs	-	-
5	Actuarial Losses / (Gains)	1,201,701	(33,042)
	Total Expenses	2,415,691	918,824
	Actual return on plan assets	264,137	184,032
II	Net Asset /(Liability) recognised in the Balance Sheet		
1	Present value of defined benefit obligation	6,465,673	3,788,602
2	Fair value of plan assets	4,883,223	2,703,595
3	Net Asset /(Liability)	1,582,450	1,085,007
III	Reconciliation of Present Value of defined benefit obligation in the Balance Sheet		
1	Liability at the beginning of year	3,785,845	2,685,746
2	Interest cost	302,868	214,860
3	Current service cost	1,175,259	921,338
4	Benefits paid	-	-
5	Actuarial gain/(loss) on obligation	1,201,701	33,042
6	Net liability at the end of the year	6,465,673	3,788,602
IV	Reconciliation of Fair value of plan assets		
1	Opening fair value	2,703,595	1,299,231
2	Expected returns	264,137	184,032
3	Employer contributions	1,915,491	1,220,332
4	Benefits paid	-	-
5	Actuarial gain/ (loss) on obligation	-	-
6	Net asset at the end of the year	4,883,223	2,703,595
V	Actuarial Assumptions:		
1	Discount rate	8%	8%
2	Expected rate of salary increase	4%	5%
3	Employee turnover	1% to 3% depending on age	1% to 3% depending on age
4.	Expected return on plan assets	9.15%	9%

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.



B Defined contribution plan –

Amount recognised as an expense and included in the schedule 17- "Contribution to provident and other funds" of Profit and Loss Account **Rs 11,071,881/-** (Previous Year: Rs 8,958,825/-)

17. Directors Remuneration

	(In Rupees)	
	31.03.2011	31.03.2010
Salaries	27,765,216	27,528,000
Contribution to Provident fund	1,440,000	1,482,000
	29,205,216	28,950,000

As the future liability for gratuity and leave encashment is provided on actuarial basis for the Company as a whole, the amount pertaining to Directors is not ascertainable and there for not included in above.

18. Earnings and Expenditure in foreign currency

		(In Rupees)	
		31.03.2011	31.03.2010
16.1	Earnings in foreign currency (Accrual basis)		
	Interest	11,810,602	34,299,629
		11,810,602	34,299,629
16.2	Expenditure in foreign currency (Accrual basis)		
	Traveling	1,684,643	1,026,258
	Others	207,452	328,981
		1,892,095	1,355,239

19. Payment to Auditors

	(In Rupees)	
	31.03.2011	31.03.2010
As Auditors		
Statutory audit fee	2,000,000	1,800,000
In others matters		
Certification	165,450	51,128
	2,165,450	1,851,128

20. Value of imports calculated on C.I.F. basis

	(In Rupees)	
	31.03.2011	31.03.2010
Consumable, Stores and Spares	82,804,171	57,382,305
Capital goods	149,763,410	191,182,919
Purchase of trading Equipment	12,171,726	37,560,704
	204,316,280	223,412,009



Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956

21. Imported and indigenous raw materials, components and spare parts consumed

	Percentage of total consumption		(in Rupees)	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Imported	99	25	85,375,898	14,822,200
Indigenously obtained	1	75	815,196	45,740,421
	100	100	86,191,094	34,491,580

22. Details of Trading Goods

	Quantity (Nos.)		(in Rupees)	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Spare Parts				
Opening Stock	1,080	557	31,294,114	18,100,766
Purchases	2,741	2,528	80,754,831	73,755,968
	3,821	3,085	112,048,945	91,856,734
Sales/Consumption	2,774	2,006	85,638,072	60,562,621
Closing stock	1,047	1,080	26,410,871	31,294,113

	Quantity (Nos.)		(in Rupees)	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Cinematographic Equipment				
Opening Stock	Nil	Nil	Nil	Nil
Purchases	732	1,170	36,646,907	71,685,884
	732	1,170	36,646,907	71,685,884
Sales/Consumption	732	1,170	36,646,907	71,685,884
Closing stock	Nil	Nil	Nil	Nil

23. Previous year's figures have been regrouped where necessary to conform to this year's classification.

As per our report of even date

S.R. Batliboi Associates
For S.R. BATLIBOI & ASSOCIATES
Firm Registration No: 101049W
Chartered Accountants

For and on behalf of the Board of Directors of

UFO Moviez India Ltd

Govind Ahuja
per Govind Ahuja
Partner
Membership No. 48966

Place : Mumbai
Date : July 20, 2011

Sanjay Gaikwad
Sanjay Gaikwad
Managing Director

Anjali Kulkarni
Anjali Kulkarni
Company Secretary

Kapil Agarwal
Kapil Agarwal
Joint Managing Director

Ashish Malushte
Ashish Malushte
Chief Financial Officer



Statement pursuant to Part IV of Schedule VI to the Companies Act, 1956

Balance Sheet Abstract and Company's General Business Profile

I Registration Details

Registration No : **U22120DL2004PLC164728** State Code: **11**
Balance Sheet Date: **March 31, 2011**

II Capital Raised During The Year (Amount in Rs. Thousands)

Public Issue **Nil** Rights Issue **Nil**
Bonus Issue **Nil** Private Placement **250,000**

III Position of Mobilisation And Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities **3,003,119** Total Assets **3,003,119**

Sources of Funds

Paid-Up Capital **201,504** Reserves and Surplus **1,914,769**
Secured Loans **446,847** Unsecured Loans **Nil**

Application of Funds

Net Fixed Assets **1,231,651** Investments **694,484**
Net Current Assets **401,058** Miscellaneous Expenditure **Nil**
Accumulated Losses **(675,926)**

IV Performance of Company (Amount in Rs. Thousands)

Turnover (Sales and other income) **1,119,386** Total Expenditure **1,164,562**
Profit Before Tax **(53,770)** Profit After Tax **(53,770)**
Earnings Per Share - Basic Rs. **(4.36)** Dividend Rate % **Nil**
Earnings Per Share - Diluted Rs. **(4.36)**

V Generic names of principal products/services of the Company
(As per monetary Terms)

Item Code No. (ITC Code)	Product Description
NOT SPECIFIED	Digital Cinema