

# **UFO Moviez India Limited**

**Consolidated Financial Statements along with Auditor's Report  
For The Year Ended March 31, 2014**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of UFO Moviez India Limited

We have audited the accompanying consolidated financial statements of UFO Moviez India Limited ("the Company") and its subsidiaries, associates and joint ventures, (collectively "the Group") which comprise the consolidated Balance Sheet as at March 31, 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

### Opinion

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

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2014;
  - (b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date;
- and

in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.



# S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

*UFO Moviez India Limited*

*Auditors Report on consolidated financial statements · March 31, 2014*

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## Other Matters

1. We did not audit total assets of Rs. 10,515,279 as at March 31, 2014, total revenues of Rs. 2,776,463 and net cash inflow amounting to Rs. 677,592 for the year then ended, in respect of one Indian subsidiary and one Indian step-down subsidiary and the Group's share of profit of Rs. 7,489,184 in respect of one Indian associate, included in the accompanying consolidated financial statements, whose financial statements and other financial information have been audited by other auditors and whose reports have been furnished to us. Our opinion, in so far as it relates to the affairs of such subsidiaries and associate is based solely on the report of other auditors. Our opinion is not qualified in respect of this matter.
2. Further, we did not audit total assets of Rs. 225,000, total revenues of Rs. Nil and net cash flows amounting to Rs. 225,000 for the year ended, included in the accompanying consolidated financial statements in respect of one Indian joint venture, whose unaudited financial statements and other financial information have been certified by management and our opinion, in so far as it relates to the affairs of this joint venture, is based solely on these management certified accounts. Our opinion is not qualified in respect of this matter.
3. Further, we also did not audit total assets of Rs. 670,516,152 as at March 31, 2014 and total revenues of Rs. 866,697,990, net cash inflow amounting to Rs. 57,781,145 for the year then ended in respect of two foreign subsidiaries and seven step-down foreign subsidiaries and the Group's share of profit of Rs. 2,734,182 for the year then ended in respect of one foreign associate, whose financial statements prepared under the respective reporting country's generally accepted accounting principles have been audited by other auditors, who have submitted their audit report prepared under auditing standards applicable in respective countries to the management of the respective companies, copies of which have been provided to us by the Company. Further, we also did not audit the Group's share of loss of Rs. 18,036,853 for the year ended March 31, 2014 in respect of two foreign associates whose unaudited financial statements and other financial information, prepared in accordance with accounting policies generally accepted in their respective countries, have been certified by the management. The management of the Company has converted these financial statements of the Company's subsidiaries (including step down subsidiaries) and associates to accounting principles generally accepted in India for the purpose of preparation of the Company's consolidated financial statements under accounting principles generally accepted in India. Our opinion thus, in so far it relates to amounts included in respect of these subsidiaries (including step down subsidiaries) and associates is based solely on the reports of the other auditors or management certified accounts under the accounting policies generally accepted in respective countries and our audit of the conversion process followed by management. Our opinion is not qualified in respect of this matter.

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W

  
per Govind Ahuja

Partner

Membership Number: 48966

Place of Signature: Mumbai

Date: August 5, 2014



**Consolidated Balance sheet as at 31 March 2014**

Liability	Notes	31 March 2014	31 March 2013
		Rupees	(Unaudited) Rupees
<b>Equity and liabilities</b>			
<b>Shareholder's Funds</b>			
Share capital	3	258,976,690	258,976,690
Reserves and surplus	4	3,708,030,013	3,165,641,222
		<b>3,967,006,703</b>	<b>3,424,617,912</b>
Minority Interest		148,425,291	107,033,028
<b>Non-current liabilities</b>			
Long-term borrowings	5	999,148,603	692,441,711
Deferred Tax liabilities (net)	11	-	4,255
Other long-term liabilities	7	443,163,450	386,408,477
Long-term provisions	6	8,469,322	11,649,745
		<b>1,450,781,375</b>	<b>1,090,504,188</b>
<b>Current liabilities</b>			
Short-term borrowing	8	8,592,323	168,065,782
Trade payables	7	474,164,545	283,987,634
Other current liabilities	7	1,308,910,052	1,159,616,006
Short-term provisions	6	34,086,030	26,188,106
		<b>1,825,752,950</b>	<b>1,637,857,528</b>
<b>TOTAL</b>		<b>7,391,966,319</b>	<b>6,260,012,656</b>
<b>Assets</b>			
<b>Non-current Assets</b>			
<b>Fixed Assets</b>			
Tangible assets	9	3,412,255,698	2,618,627,089
Intangible assets	9	49,310,618	56,862,819
Capital work-in-progress		198,739,233	311,657,978
Goodwill on consolidation		1,329,155,610	1,274,880,446
Non-current investments	10	55,026,687	20,403,470
Deferred tax assets (net)	11	131,387,753	21,928,007
Long-term loans and advances	12	378,272,962	245,026,686
Trade receivables	15	999,986	4,546,873
Other non-current assets	17	36,513,270	62,059,747
		<b>5,591,661,817</b>	<b>4,615,993,115</b>
<b>Current Assets</b>			
Current investments	13	52,987,764	116,634,774
Inventories	14	97,428,325	105,213,488
Trade receivables	15	912,310,607	752,180,806
Cash and bank balances	16	517,500,212	419,988,973
Short-term loans and advances	12	150,772,407	225,414,997
Other current assets	17	69,305,187	24,586,503
		<b>1,800,304,502</b>	<b>1,644,019,541</b>
<b>TOTAL</b>		<b>7,391,966,319</b>	<b>6,260,012,656</b>
<b>Summary of significant accounting policies</b>	2.1		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report attached of even date

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

per Govind Ahuja  
 Partner  
 Membership No.: 48966



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

Sanjay Gaikwad  
 Managing Director

Kapil Agarwal  
 Joint Managing Director

Sameer Chavan  
 Company secretary

Ashish Malushte  
 Chief Financial Officer

Place of signature: Mumbai  
 Date: August 5, 2014

Place of signature: Mumbai  
 Date: August 5, 2014

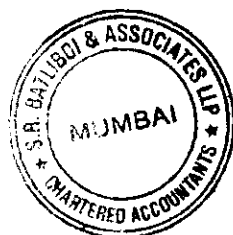
## Consolidated Statement of profit and loss for the year ended 31 March 2014

Particulars	Notes	31 March 2014	31 March 2013
		Rupees	(Unaudited) Rupees
<b>Income</b>			
Revenue from operations	18	4,241,968,223	3,329,503,195
Other income	19	8,397,860	12,666,180
<b>Total Income (I)</b>		<b>4,250,366,083</b>	<b>3,342,169,375</b>
<b>Expenses</b>			
Direct expenses	20	1,697,719,000	1,247,323,252
Employee benefit expenses	21	553,201,921	447,036,685
Other expenses	22	667,447,100	585,117,949
Prior - Period Expenses		-	664,288
<b>Total Expenses (II)</b>		<b>2,918,368,021</b>	<b>2,280,142,174</b>
<b>Earnings before interest,tax,depreciation and amortization (EBITDA) (I) - (II)</b>		<b>1,331,998,062</b>	<b>1,062,027,201</b>
Depreciation & amortisation expenses	9	655,156,706	535,423,298
Finance cost	23	198,535,792	151,660,389
Finance income	24	(34,155,380)	(30,861,504)
<b>Profit/(Loss) Before Tax</b>		<b>512,460,944</b>	<b>405,805,019</b>
<b>Tax expenses</b>			
Current tax (MAT payable)		99,566,282	58,376,261
MAT credit entitlement		(875,568)	(25,376,261)
Short \ (Excess) Provision for taxation in earlier years		8,176	2,404,102
<b>Total current tax</b>		<b>98,698,890</b>	<b>35,404,102</b>
Deferred Tax		(109,461,881)	(8,889,181)
<b>Total tax expenses</b>		<b>(10,762,991)</b>	<b>26,514,921</b>
<b>Profit/(Loss) for the year before share of profit \ (Loss) from associates</b>		<b>523,223,934</b>	<b>379,290,097</b>
Share of profit \ (Loss) from associates		(7,813,487)	5,178,979
<b>Profit/(Loss) for the year before attribute to Minority interest</b>		<b>515,410,447</b>	<b>384,469,076</b>
Less : Profit/(Loss) for the year Attributable to: Minority Interest		(38,795,829)	(54,649,549)
<b>Profit/(Loss) for the year</b>		<b>476,614,618</b>	<b>329,819,528</b>
<b>Earnings per equity share</b>	25		
Basic (Face value of Rs.10 each)		17.21	11.54
Diluted (Face value of Rs.10 each)		17.09	11.24
<b>Summary of significant accounting policies</b>	2.1		

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

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

per Govind Ahuja  
Partner  
Membership No.: 48966



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

Sanjay Gaikwad  
Managing Director

Kapil Agarwal  
Joint Managing Director

Sameer Chavan  
Company secretary

Ashish Maushte  
Chief Financial Officer

Place of signature: Mumbai  
Date: August 5, 2014

Place of signature: Mumbai  
Date: August 5, 2014

Consolidated Cash flow statement for the year ended 31 March 2014

	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees
<b>Cash flow from operating activities</b>		
Profit before tax	512,460,944	405,805,019
<b>Non-cash adjustment to reconcile profit before tax to net cash flows</b>		
Depreciation	655,156,706	535,423,298
Foreign exchange (gain)/loss (net)	25,468,208	16,909,831
Loss/(Profit) on sale & Discarding of fixed assets	12,551,456	3,706,754
Provision for doubtful debts & Bad Debt Written off	21,657,530	36,193,788
Employee stock compensation expense	11,885	(80,991)
Prior Period Expense	-	664,288
Provision for doubtful advances	15,269,264	13,926,127
Utilisation of Provision for Warranty	(3,441,259)	-
Provision for Warranty	-	2,114,978
Provision for compensated absences	6,766,142	5,394,139
Provision for gratuity	6,175,258	4,942,562
Provision for diminution in value of fixed assets	2,986,830	6,564,792
Sundry credit balances written back	(1,174,378)	(5,442,007)
Dividend income	(4,684,504)	(4,187,120)
Interest Income	(29,470,876)	(26,674,384)
Interest expense	185,914,391	141,169,112
<b>Operating profit before working capital changes</b>	<b>1,405,647,596</b>	<b>1,136,430,185</b>
<b>Movements in working capital :</b>		
Decrease / (increase) in trade payable	171,199,991	134,635,805
Increase / (decrease) in Long-term provisions	1,580,651	(96,923)
Increase / (decrease) in short-term provisions	(6,319,652)	(3,711,492)
Increase / (decrease) in other current liabilities	153,237,930	(171,067,623)
Increase / (decrease) in other long-term current liabilities	37,948,363	490,365,798
Decrease / (increase) in trade receivables ( Non - Current)	3,496,577	(223,284)
Decrease / (increase) in trade receivables (Current)	(193,513,173)	(388,618,860)
(Increase) / decrease in inventories	8,040,729	(2,200,357)
Decrease/ (increase) in long-term loans and advances	(46,558,547)	(192,274,678)
Decrease / (increase) in short-term loans and advances	(76,133,490)	(80,340,645)
Decrease / (increase) in other current assets	(30,662,088)	(25,324,286)
Decrease / (increase) in other non-current assets	(293,727)	31,336,507
<b>Cash generated from operations</b>	<b>1,427,671,160</b>	<b>928,910,148</b>
Direct tax paid (net of refunds)	(166,232,729)	(81,308,358)
Foreign exchange fluctuation (net)	(46,589,103)	(16,062,015)
<b>Net cash flow from operating activities</b> (A)	<b>1,214,849,329</b>	<b>831,539,775</b>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets including intangible, CWIP & capital advances	(1,343,164,678)	(1,125,837,280)
Purchase of investment in subsidiary (from minority)	(117,393,465)	(90,266,735)
Investment in associates	(26,936,753)	-
Share application money for investment in Associates	-	(15,500,000)
Purchase of current investment including dividend reinvestment	(488,848,951)	(103,710,325)
Advance for purchase of Investment	(20,000,000)	-
Loan repayment from Associates	8,763,926	-
Proceeds from redemption of current investment	552,979,610	-
Proceeds from sale of fixed assets	12,934,110	15,992,837
Interest received	26,748,661	27,455,603
Dividend received	4,200,787	4,187,120
Investments in bank deposits (having original maturity of more than three months)	(39,383,270)	(23,585,365)
Redemption from bank deposits (having original maturity of more than 3 months)	111,211,268	216,701,446
<b>Net cash flow used in investing activities</b> (B)	<b>(1,318,888,755)</b>	<b>(1,094,562,699)</b>



**Consolidated Cash flow statement for the year ended 31 March 2014**

	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees
<b>Cash flow from financing activities</b>		
Proceeds from long term borrowings	1,261,754,852	771,690,971
Repayment of long term borrowings	(745,079,125)	(376,379,112)
Proceeds of short-term borrowings	48,984,851	(9,117,286)
Proceeds from short term borrowings (net)	(156,473,459)	168,065,782
Interest paid	(179,082,471)	(135,568,765)
<b>Net cash flow from financing activities</b>	<b>230,104,647</b>	<b>418,691,590</b>
<b>Net increase/(decrease) in cash and cash equivalent ( A + B + C)</b>	<b>126,065,222</b>	<b>155,668,666</b>
Cash and cash equivalents at the beginning of the year	302,562,580	145,916,956
acquisition of cash and cash equivalent from acquisition	7,764,603	-
<b>Unrealised Gain/(Loss) on Foreign Currency Cash and Cash equivalents</b>	<b>10,287,596</b>	<b>976,958</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>446,680,000</b>	<b>302,562,580</b>
<b>Components of cash and cash equivalents</b>		
Cash on hand	1,466,723	1,057,997
Balance with banks:		
- on current accounts	319,433,598	270,164,243
- on fixed deposits	125,779,679	31,340,340
<b>Cash &amp; cash equivalents [refer note 16]</b>	<b>446,680,000</b>	<b>302,562,580</b>

**Notes:**

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

As per our report attached of even date

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



per **Govind Ahuja**  
Partner  
Membership No.: 48966

Place of signature: Mumbai  
Date:

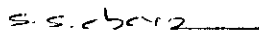
Place of signature: Mumbai  
Date: August 5, 2014



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



**Sanjay Gaikwad**  
Managing Director

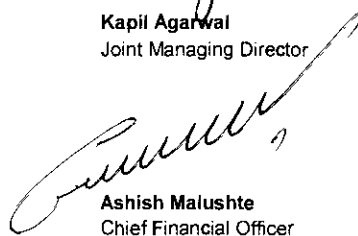


**Sameer Chavan**  
Company Secretary

Place of signature: Mumbai  
Date: August 5, 2014



**Kapil Agarwal**  
Joint Managing Director



**Ashish Malushte**  
Chief Financial Officer

## 1. Corporation information

UFO Moviez India Limited ('UFO' or 'the parent company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956 ('the Act'). The consolidated financial statements (CFS) of UFO and its subsidiaries collectively referred to as "the Group" are prepared under the historical cost convention on the accrual basis of accounting and to comply in all material respects with the accounting standards notified under the Act read with General Circular 15/2013 dated 13<sup>th</sup> September 2013, issued by the ministry of Corporate Affairs, in respect of section 133 of the Companies Act, 2013. The Group is mainly into the business of providing digital cinema services.

As these financial statements are not statutory financial statements, full compliance with the Act is not required and hence these financial statements do not reflect all disclosures requirement of the Act.

## 2. Principles of Consolidation

- (i) The financial statements of the Company and its subsidiaries have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expense after eliminating intra-group balances and transactions as per Accounting Standard (AS) 21 "Consolidated Financial Statements".
- (ii) The Financial statement include the share of profit / loss of associate companies in which the investor has significant influence and which is neither a subsidiary nor a joint venture, which are accounted under "Equity Method" in accordance with Accounting standard (AS) 23 on Accounting for Investment in Associates in Consolidated Financial Statement, as per which the share of profit/(loss) of associate company has been added and restricted to the cost of investment.
- (iii) The excess of cost to the Parent Company of its investments in the subsidiaries over its portion of equity in the subsidiaries, as at the date on which investment was made, is recognized as goodwill in the consolidated financial statements. The Parent Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statement of the subsidiary companies as on the date of investment.
- (iv) **Minority Interest:**  
Minority interest share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of group in order to arrive at the net income attributable to shareholders of the company. In case where losses applicable to minority interest exceed the minority interest in the equity of the subsidiary, the excess of, any further losses applicable to minority interest are adjusted against the parent company's portion of equity in the subsidiary, until all previous losses absorbed by parent are recovered.
- (v) The financial statements of the Company and its Joint venture entities have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expense after eliminating intra-group balances and transactions, by applying "Proportionate consolidation" Method, as per Accounting Standard (AS) 27 "Financial Reporting of interest in joint venture".
- (vi) The CFS has been prepared using uniform accounting policies for like transactions and other events in similar circumstances to the extent possible across the group and are presented, to the extent possible, in the same manner as per the parent's separate financial statement, except in case of the accounting policies mentioned below, where there exists variance between Parent and the subsidiary and the impact on account of alignment of such policy with the parent company is not material.





**UFO Moviez India Limited**  
**Notes to consolidated financial statements for the year ended**  
**31 March 2014**



- (a) Fixed Asset and Depreciation
- (b) Employee benefits

(vii) The list of Subsidiaries included in consolidation are mentioned below :

Subsidiary Name	Country of Incorporation	Proportion of ownership interest of the Company/Subsidiary as on March 31, 2014	Proportion of ownership interest as on March 31, 2013
<b>Subsidiaries of UFO</b>			
Scrabble Entertainment Limited (SEL)	India	76.41%	76.41%
V N Films Private Limited (erstwhile known as Allied Film Services Pvt. Ltd.)	India	100%	100%
Southern Digital Screenz India Private Limited	India	75.18%	75.18%
Edridge Limited	Cyprus	100%	100%
United Film Organisers Nepal Private Limited	Nepal	100%	100%
<b>Subsidiary of Edridge Limited &amp; stepdown subsidiary of UFO</b>			
UFO International Limited.	Cyprus	100%	100%
<b>Subsidiaries of UFO International Limited &amp; stepdown subsidiaries of UFO</b>			
United Film Organisers (UFO) (Mauritius) Private Limited.	Mauritius	100%	100%
UFO Lanka Private Limited.	Sri Lanka	100%	100%
UFO Software Technologies Private Limited.	India	100%	100%
<b>Subsidiaries of SEL &amp; stepdown subsidiaries of UFO</b>			
Scrabble Entertainment JLT	Dubai	100%	100%
Scrabble Entertainment Mauritius Limited	Mauritius	100%	100%
Scrabble Lebanon	Lebanon	100%	100%
Scrabble Digital Inc	United States of America	100%	-



**UFO Moviez India Limited**  
**Notes to consolidated financial statements for the year ended**  
**31 March 2014**



(viii) The list of associates of SEL included in consolidation are mentioned below:

Associate Name	Country of Incorporation	Proportion of ownership interest of SEL as on March 31, 2014	Proportion of ownership interest as on March 31, 2013
Scrabble Digital Ltd	India	33.33%	33.33%
Scrabble Digital JLT	Dubai	33.33%	33.33%
Scrabble Venture LLC	United States of America	30.00%	-
Scrabble Ventures, S. de R.L. de C.V, Mexico	Mexico	30.00%	-

(ix) The list of Joint venture entities of UFO included in consolidation are mentioned below:

Joint Venture Entity Name	Country of Incorporation	Proportion of ownership interest as on March 31, 2014	Proportion of ownership interest as on March 31, 2013
Mukta V N Films Pvt Ltd	India	45.00%	-

(x) The list of Companies not included in Consolidation are mentioned below:

Subsidiary Name	Country of Incorporation	Reason for not consolidating
DCLP Limited	Cyprus	Under Liquidation
UFO Europe Limited	Cyprus	Under Liquidation

## 2.1 Summary of significant accounting policies

### (a) Tangible Fixed Assets

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

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



**(b) Intangible Assets**

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

**(c) Depreciation on tangible & amortisation of intangible assets**

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher, except in case of one associate, where depreciation is provided using Sum of digits Method. The impact of alignment of such changes on group profitability is not material.

The company has used the following rates to provide depreciation on its fixed assets

	<b>Rates as per management's estimate of useful lives (SLM)</b>	<b>Schedule XIV Rates (SLM)</b>
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% -33%	9.50%

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

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

	<b>Rates as per management's estimate of useful lives (SLM)</b>
Computer Software	16.21%

**(d) Goodwill on consolidation**

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

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

**(e) Impairment of tangible and intangible assets**

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



**(f) Leases**

**Where the 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 Statement of 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 Statement of Profit and Loss Account on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Statement of Profit and Loss Account. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the statement of Profit and Loss Account.

**(g) Investments**

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as 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.

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

**(h) Inventories**

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

**(i) Revenue Recognition**

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

**Income from Services**

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



#### **Sale of Goods**

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

The Company recognizes revenue from sales of equipment and 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.

#### **Dividends**

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

#### **(j) Foreign Currency Translation**

Foreign currency transactions and balances

##### **(i) Initial Recognition**

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

##### **(ii) Conversion**

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

##### **(iii) Exchange Differences**

Exchange differences arising on the settlement of monetary items or on reporting such monetary items of 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) Translation of foreign subsidiaries**

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

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

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



**UFO Moviez India Limited**  
**Notes to consolidated financial statements for the year ended**  
**31 March 2014**



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

**(l) Retirement and other benefits**

Retirement benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Statement of Profit and Loss of the year when the 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). However in case of one subsidiary gratuity liability is accrued over the period of employment and in accordance with U.A.E. Labour Law. The impact on alignment of such change will not be material.

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

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

**(m) Income Taxes**

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the company operates. The tax rates and tax laws use to compute the amount are those that are enacted or substantively enacted, at the reporting date. 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.

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



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

**(n) Earnings Per Share**

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

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

**(o) Contingent liabilities**

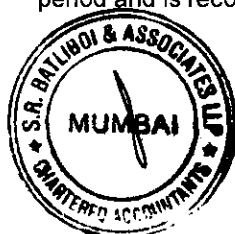
A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an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

**(p) Cash and cash equivalents**

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

**(q) Employee Stock Compensation Cost**

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The 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. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.



**(r) Provisions**

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

**(s) Borrowing Cost**

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

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

**(t) Segment Reporting**

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

**(u) Measurement of EBITDA**

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





Notes to consolidated financials statements for the year ended 31 March 2014

3 Share capital	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees
<b>Authorised share capital</b>		
45,000,000 (March 31,2013: 45,000,000) equity shares of Rs.10 each	450,000,000	450,000,000
1,385,000 (March 31,2013: 1,385,000) preference shares of Rs.1000/- each	1,385,000,000	1,385,000,000
	<b>1,835,000,000</b>	<b>1,835,000,000</b>
<b>Share capital</b>		
<b>issued, subscribed and fully paid up shares</b>		
25,897,669 (March 31,2013:25,897,669) equity shares of Rs.10/- each fully paid-up	250,751,690	258,976,690
<b>Total issued, subscribed and fully paid up share capital</b>	<b>250,751,690</b>	<b>258,976,690</b>

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

Equity shares	31 March 2014		31 March 2013	
	No.	Rupees	No.	Rupees
At the beginning of the year	25,897,669	250,976,698	25,897,669	258,976,690
Issued during the year	-	-	-	-
Outstanding at the end of the year	<b>25,097,669</b>	<b>250,976,690</b>	<b>25,697,669</b>	<b>258,976,690</b>

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

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

**Rights as to Dividend**

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

**Pre-emption Rights:**

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

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

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

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

**Exit Rights and Drag Along Rights:**

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

**Rights pertaining to repayment of capital**

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

**Other Rights:**

P5, 3i, Apollo Group and VTL Group have right to have their representatives on the Board of Directors of the Company.

Certain specified reserved matters such as change in the share capital of the Company, material related party transactions, raising of debt, declaration of dividends, change in senior management including key business matters requires the consent of the Investor Group Shareholders.

**Restrictions**

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

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



## Notes to consolidated financial statements for the year ended 31 March 2014

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

Name of the shareholder	31 March 2014		31 March 2013	
	No.	% holding in the class	No.	% holding in the class
Equity shares of Rs10 each fully paid				
P5 Asia Holding Investments (Mauritius) Limited	9,253,740	35.73	9,253,740	35.73
3i Research (Mauritius) Limited	5,566,570	21.49	5,566,570	21.49
Valuable Technologies Limited	3,071,745	11.86	3,071,745	11.86
Apollo International Limited	2,266,417	8.75	2,266,417	8.75
Valuable Media Limited	2,131,782	8.23	2,131,782	8.23

**(d) Shares reserved for issue under options**

For details of shares reserved for issue under the employee stock option (ESOP) plan of the company, please refer note 27.

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

	31 March 2014	31 March 2013
Equity shares allotted as fully paid bonus shares by capitalisation of securities premium	13,068,626	13,068,626

**4 Reserves and Surplus**

	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees
<b>Legal Reserve</b>		
Balance as per the last financial statements	4,930,482	-
Add: Transferred from Profit & Loss Account	12,752,061	4,930,482
Closing Balance	17,682,543	4,930,482
<b>Securities premium account</b>		
Balance as per last financial statements	3,481,215,682	3,481,215,682
Add : received on issue of equity shares	-	-
Add : additions on ESOPs exercised	-	-
Closing balance	3,481,215,682	3,481,215,682
<b>Employee stock options outstanding</b>		
Gross employee stock compensation for options granted in earlier years	129,874	129,874
Less : Deferred Employee Stock Compensation	(69,106)	(80,991)
Closing Balance	80,768	48,883
<b>Foreign Currency Translation Reserve</b>	157,128,228	91,365,944
	157,128,228	91,385,944
<b>Surplus \ (deficit) in the statement of profit and loss</b>		
Balance as per last financial statements	(411,919,788)	(736,808,814)
Profit for the year	476,614,619	329,819,528
Less: Transferred to Legal reserve	(12,752,081)	4,930,482
Net (deficit) \ Surplus in the statement of profit and loss	51,942,790	(411,919,768)
<b>Total reserves and surplus</b>	<b>3,708,030,012</b>	<b>3,165,641,222</b>



5 Long-term borrowings	Non-Current portion		Current maturities	
	31 March 2014	31 March 2013 (Unaudited)	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees	Rupees	Rupees
<b>Non Current</b>				
<b>Term loans (Secured)</b>				
Rupee loan from banks (secured by first charge on all fixed assets (except vehicles) and all current assets of the Company)				
Term loan 1 from HDFC Bank	-	112,500,000	112,500,000	112,500,000
Term loan 2 from HDFC Bank	112,492,509	-	108,000,000	-
Term loan 3 from Axis Bank	-	211,492,508	-	108,000,000
Term loan 4 from Axis Bank	290,416,194	-	204,999,996	-
Term loan 5 from Axis Bank	293,285,146	308,370,163	124,992,000	204,999,996
Term loan 6 from Yes Bank	185,714,285	-	85,714,286	-
Term loan 7 from HDFC Bank	32,192,211	-	8,779,694	-
<b>Sub Total</b>	<b>914,100,345</b>	<b>632,362,671</b>	<b>644,985,976</b>	<b>425,499,996</b>
<b>From Financial Institutions</b>	-	1,258,249	-	1,675,200
<b>Other Loans</b>				
Vehicle finance from banks and financial institutions (secured against hypothecation of vehicles)				
Loan 1	21,239,488	26,194,473	16,930,034	10,693,078
Loan 2	95,640	177,836	133,944	562,104
<b>Sub Total</b>	<b>21,335,128</b>	<b>26,372,309</b>	<b>17,063,978</b>	<b>11,255,182</b>
<b>Unsecured Loans</b>	<b>63,713,129</b>	<b>32,448,482</b>	<b>45,130,512</b>	<b>-</b>
Less :Amount disclosed under the head "Other Current Liabilities" (note 7)	-	-	(707,180,466)	(438,430,378)
<b>Net amount</b>	<b>999,148,603</b>	<b>692,441,711</b>	<b>-</b>	<b>-</b>

Term loan 1 having interest of bank base rate plus 2.60% @ 12.60% p.a. (March 31, 2013 :12.40% p.a.) is repayable in 31 monthly installments of Rs 93,75,000/- each along with interest from September 30, 2012.

Term loan 2 having interest of bank base rate plus 2.40% @ 12.40% p.a. (March 31, 2013 : Nil) is repayable in 31 monthly installments of Rs 90,00,000/- each along with interest from July 31, 2013.

Term loan 3 having interest of bank base rate plus 3.25% @ 13.25% p.a. was repayable in 48 monthly installments of Rs 90,00,000/- each along with interest from April 30, 2012.

Term loan 4 having interest of bank base rate plus 2.00% @ 12.25% p.a. is repayable in 46 monthly installments of Rs 17,083,333/- each along with interest from September 30, 2012.

Term loan 5 having interest of bank base rate plus 2.00% @ 12.25% p.a. is repayable in 48 monthly installments of Rs 10,416,000/- each along with interest from April 30, 2014.

The term loan 6 from Yes Bank Limited (YBL) is secured against the first pari passu charge with HDFC Bank over entire current and fixed assets of Scrabble Entertainment Limited, both present and future (excluding assets charged to Tata Capital Ltd for term loan).

The loan carries a floating interest rate of YBL Base Rate plus 3.00 p.a. (@ 14.25% p.a.) and is repayable in 42 monthly installments along with interest after 7 months from disbursement.

The term loan 7 from HDFC Bank Ltd is secured against the First pari passu charge with YBL on all fixed assets of Scrabble Entertainment Limited, except assets charged to Tata Capital and Second pari passu charge with YBL on all the current assets of the company both present and future. The loan carries a floating interest rate of HDFC Base Rate plus 2.50 p.a. (@ 12.50% p.a.) and is repayable in 42 monthly installments along with interest from July 31, 2014.

The term loan from financial institution is from Tata Capital Limited and is secured against the hypothecation of specific equipments and assignment of future rent receivable arising from Cinemax.

The loan carries a floating interest of long term lending rate minus 2.25% p.a. subject to a minimum of 12% p.a. and is repayable in 60 monthly installments of Rs. 139,600/- each along with interest.

Vehicle loan is secured against hypothecation of specific motor vehicle and it carries an interest of 10.01 % p.a. and is repayable in 48 Installments.



## Notes to consolidated financial statements for the year ended 31 March 2014

6 Provisions	Long term		Short term	
	31 March 2014	31 March 2013 (Unaudited)	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees	Rupees	Rupees
Provision for gratuity (refer note 26)	4,989,701	2,661,431	1,275,343	3,424,662
Provision for compensated absences	27,692	14,596	23,838,898	17,022,185
Provision for Warranties	3,451,929	6,973,718	5,971,789	3,891,259
Provision for Indirect taxes	-	-	3,000,000	1,850,000
Provision for others	-	-	-	-
	<b>8,469,322</b>	<b>11,649,745</b>	<b>34,086,030</b>	<b>26,188,106</b>

**Provision for Warranty**

A provision is recognized for expected warranty claims on products sold during the year, based on past experience of the level of repairs and returns. The table below gives information about movement in warranty provisions.

	31 March 2014 Rs.	31 March 2013 Rs.
At the beginning of the year	12,864,977	6,750,000
Prior period cost	-	4,000,000
Arising during the year	450,000	4,927,977
Utilized during the year	(3,891,259)	(2,813,000)
Unused amounts reversed	-	-
<b>At the end of the year</b>	<b>9,423,718</b>	<b>12,864,977</b>
Current portion	5,971,789	3,891,259
Non-current portion	3,451,929	8,973,718

**7 Trade Payable & Other Liabilities**

	Non-Current portion		Current portion	
	31 March 2014	31 March 2013 (Unaudited)	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees	Rupees	Rupees
Trade payables (including acceptances) (refer note 35 for details of dues to micro and small enterprises)	-	-	474,164,545	283,987,634
<b>Other liabilities</b>				
Current maturities of long-term borrowings (refer note 5)	-	-	707,180,466	438,430,378
Interest accrued but not due on borrowings	-	-	19,095,030	14,545,730
Deferred lease rental income	25,061,841	23,673,581	6,185,361	6,209,138
Deferred advertisement income	-	-	1,931,202	-
Deferred revenue on AMC services	-	-	9,738,545	3,465,058
Advance from customers	-	-	167,056,392	122,964,715
<b>Others</b>				
Deposit from theatre and regional dealers	418,101,609	362,734,896	123,878,683	91,483,224
Payables for purchase of fixed assets	-	-	74,878,568	238,683,134
Payable for purchase of Investment	-	-	-	117,393,465
Salary & reimbursement payable	-	-	8,084,476	1,336,523
Other statutory dues (employee related liabilities)	-	-	3,888,315	3,436,374
Sales tax payable	-	-	14,031,825	5,859,750
TDS payable	-	-	25,645,973	22,082,932
Income tax payable	-	-	12,912,471	-
Other Taxes Payable	-	-	307,486	386,314
Other creditors (other than trade)	-	-	16,671,962	17,328,059
Other payable (including provisions for expenses)	-	-	117,423,295	76,011,212
	<b>443,163,450</b>	<b>386,408,477</b>	<b>1,308,910,052</b>	<b>1,159,616,006</b>

**g Short-term borrowings**

	31 March 2014 Rupees	31 March 2013 (Unaudited) Rupees
<b>Loans from Related parties</b>		
Cash credit from banks (secured)	8,592,323	168,065,782
	<b>8,592,323</b>	<b>168,065,782</b>

Cash credit from banks is secured by first charge on all the fixed assets of the company except vehicles and first charge on all the current assets. The cash credit is repayable on demand and carries interest @ 12.25 % p.a.



Notes to Consolidated financials statements for the year ended 31 March 2013

9. Fixed Assets

	Leasehold improvements	Plant & Machinery	Computer Systems	Office Equipments	Furniture & Fixtures	Electrical Equipments & Installations	Vehicles	Tangible Total Assets	Goodwill	Computer software	Intangible Total Assets	Grand Total
Cost:												
At 1 April 2012	15,576,161	2,779,899,877	42,283,182	58,885,114	11,941,582	4,625,925	34,748,189	2,998,242,232	5,185,210	186,366,281	111,551,491	3,049,793,723
Additions	7,713,464	1,182,490,416	5,488,784	4,864,905	1,456,646	235,509	51,526,893	1,253,776,616	-	693,817	693,817	1,254,470,433
Disposals	2,543,334	30,540,781	42,827	677,812	4,170,892	-	8,908,062	46,883,397	-	-	-	46,883,397
Adjustment*	(2,145,996)	(2,797,796)	(4,411)	(17,991)	1,970,324	-	14,692	(2,985,169)	-	(1,077,151)	(1,077,151)	(4,062,319)
At 31 March 2013	22,896,298	3,933,837,587	47,653,558	54,270,196	7,257,382	4,861,435	77,344,328	4,148,128,618	5,185,218	108,137,249	113,322,459	4,261,443,877
Adjustments	8,196,672	1,414,609,124	6,823,551	4,741,424	3,188,976	231,341	21,552,585	1,458,542,783	-	785,284	785,284	1,459,327,987
Disposals	4,697,411	44,307,832	12,983,152	23,246,442	415,619	2,732,878	4,817,779	93,105,185	-	16,343,583	16,343,583	109,448,688
Adjustment*	(257,538)	(6,822,732)	156,252	64,729	(111,884)	8	(189,163)	(6,364,529)	-	(1,752,484)	(1,752,484)	(8,117,012)
At 31 March 2014	26,739,839	5,318,171,532	48,337,788	55,786,450	18,148,842	4,869,326	94,268,218	5,579,922,744	5,185,218	94,331,434	99,516,644	5,619,439,388
Depreciation/Amortisation												
At 1 April 2012	4,141,315	957,599,773	24,883,329	27,351,190	4,495,518	3,886,833	14,754,495	1,835,621,453	519,521	48,789,865	41,228,386	1,076,749,839
Charge for the year	5,382,379	488,160,814	6,265,233	6,863,885	1,661,072	369,626	11,309,767	520,012,776	-	15,231,254	15,231,254	535,244,031
Disposals	1,827,812	14,479,082	15,274	298,377	1,861,728	-	7,637,714	26,219,967	-	-	-	26,219,967
Adjustment	(1,212,536)	192,768	-	-	908,623	-	3,1978	(179,267)	-	-	-	(179,267)
At 31 March 2013	8,998,417	1,431,997,757	38,333,288	33,928,698	3,386,348	3,456,459	18,394,578	1,529,892,538	519,521	55,941,119	56,459,648	1,585,953,170
Charge for the year	6,269,658	608,349,855	6,038,428	5,682,385	1,649,116	365,500	17,007,128	645,362,071	-	9,794,635	9,794,635	656,156,786
Disposals	3,969,801	24,050,735	12,567,747	21,242,667	404,108	2,729,078	3,064,960	68,029,180	-	16,056,616	16,056,616	84,085,712
Adjustment*	112,853	821,405	(109,059)	(61,685)	22,396	-	54,514	840,545	-	8,366	8,366	848,911
At 31 March 2014	11,321,227	2,816,288,281	23,694,918	18,304,752	4,653,746	1,882,881	32,391,252	2,187,667,048	519,521	49,687,585	58,286,826	2,157,873,875
Net Block												
At 31 March 2013	13,987,888	2,582,749,758	17,328,262	28,343,588	3,870,962	1,404,976	58,949,758	2,918,627,888	4,665,689	52,196,138	56,862,819	2,975,489,987
At 31 March 2014	15,416,862	3,293,963,251	16,842,787	17,481,638	5,487,897	1,267,825	61,876,966	3,412,255,698	4,666,689	44,643,929	49,310,618	3,461,566,314

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



**10 Non-current Investments**

	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees
<b>Trade investments (valued at cost unless stated otherwise)</b>		
<b>Unquoted equity instruments</b>		
<b>Investment in subsidiaries</b>		
(In subsidiary under liquidation)		
1 (March 31, 2013: 1) Equity Shares of USD 1 each fully paid up in UFO Europe Ltd	60	54
1 (March 31, 2013: 1) Equity Shares of USD 1 each fully paid up in DCLP Ltd	60	54
Less : Provision for diminution in value of investments	(60)	-
	-	54
<b>Investment in Associates</b>		
197,714 (March 31, 2013: 128,000) Equity Shares of Rs. 10 each fully paid up in Scrabble Digital Limited including post - acquisition share of profit or loss	41,530,529	15,054,931
Add/(Less) : Post - acquisition share of Profit/(Loss) for the year	7,489,164	2,075,698
	49,019,712	17,130,629
100 (March 31, 2013: 100) Ordinary shares of AED 1000 each at par fully paid up in Scrabble Digital JLT including post - acquisition share of profit or loss	3,272,732	169,452
Add/(Less) : Post - acquisition share of Profit/(Loss) for the year	2,734,182	3,103,281
	6,006,914	3,272,732
2,500 Equity Shares of Mexican Pesos each fully paid up in Scrabble Venture S.de R.L.De C.V, Mexico (Note 1)	11,516	-
Less: 1,000 shares held on behalf of the others where the group is not a beneficial owner	(4,603)	-
	6,913	-
Add/(Less) : Post - acquisition share of Profit/(Loss) for the year (Rs. 27,895,550/- restricted to value of Investment)	(6,913)	-
	-	-
5,000 Equity Shares in Scrabble Venture LLC, USA of no par value. (Note 1)	30,049,900	-
Less: 2,000 shares held on behalf of the others where the group is not a beneficial owner	(12,019,960)	-
	18,029,940	-
Add/(Less) : Post - acquisition share of Profit/(Loss) for the year (Rs. 24,643,484/- restricted to value of Investment)	(18,029,940)	-
	-	-
<b>Investment in Others</b>		
186,500 (March 31, 2013 : 186,500) Ordinary shares of US \$ 1 each, fully paid, in DG2L Technologies Pte. Limited, Singapore	81,440,625	81,440,625
Less : Provision for diminution in value of investments	(81,440,625)	(81,440,625)
	-	-
	<b>55,026,687</b>	<b>20,403,470</b>

**Note 1:**

During the year, Scrabble Digital inc. and Scrabble Entertainment JLT has invested USD 500,000 (RS. 300,49,900) and 2500 Mexican Pesos (RS. 11,517) in Scrabble venture LLC and Scrabble venture S.de R.L.De C.V, Mexico. respectively.

The Group is holding 2000 shares of scrabble Venture LLC and 1000 shares of Scrabble venture S.de R.L.De C.V, Mexico on behalf of others, where group is not a beneficial owner.

groups total investment in these entities is presented net of shares held on behalf of others, where the group is not a beneficial owner



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

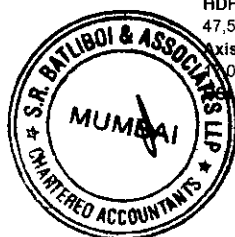
	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees
<b>Deferred Tax Liabilities</b>		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	4,255	6,346
Deferred revenue expenses/Other difference	91,904	
<b>Gross Deferred Tax Liabilities</b>	<b>96,159</b>	<b>6,346</b>
<b>Deferred Tax Assets</b>		
Effect on account of Carry forward of losses	10,203,968	261,411
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	95,357,914	4,021,858
Effect of expenditure debited to profit and loss account in the current year but allowed for tax purposes in following years:	18,444,038	3,848,001
Provision for doubtful debts	18,533,007	8,837,400
Provision for Gratuity and Leave Encashment	9,128,878	570,621
Provision for advance recoverable in cash or kind	542,787	-
Provision for Warranty	3,057,525	4,372,806
Gross Deferred Tax Assets	147,259,317	21,932,096
Gross Deferred Tax Assets (Net)	147,163,156	21,926,007
Gross Deferred Tax Assets Recognised	147,163,156	21,926,007
<b>Net Deferred tax assets recognised</b>	<b>131,387,753</b>	<b>21,926,007</b>
<b>Net Deferred tax Liability recognised</b>	<b>-</b>	<b>(4,255)</b>

**12 Loan and advances**

	Non-Current portion		Current portion	
	31 March 2014	31 March 2013 (Unaudited)	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees	Rupees	Rupees
<b>Unsecured, considered good unless otherwise stated</b>				
Capital advances	7,344,929	16,163,359	-	-
Security deposit to others	51,133,115	5,635,724	7,755,054	45,301,893
Unamortised Upfront & Lease Rental charges	-	-	-	-
Loan and advances to related parties	-	12,922,907	23,801,109	39,972,436
Advances recoverable in cash or kind	-	-	-	-
Unsecured, considered good	-	-	28,883,334	16,980,493
Doubtful	-	-	-	12,076,127
	-	-	20,883,334	29,056,620
Provision for doubtful advances	-	-	-	12,076,127
	-	-	28,083,334	16,980,493
<b>Other loans and advances (unsecured considered good)</b>				
Advance income-tax (net of provision)	239,956,806	156,605,917	95,482	60,379
Balance with statutory / government authorities	21,831,676	9,669,617	18,981,989	14,663,486
Advance for Purchase of Investments	28,000,800	-	-	-
Advances to Supplier	-	-	11,473,835	7,889,113
Advance to employees	-	-	44,261	214,591
Insurance claim receivable	-	-	3,686,291	1,681,613
Prepaid expenses	10,865,706	-	25,151,547	13,331,454
Service tax credit receivable	-	-	37,685,348	61,996,737
Vat credit receivable	-	-	644,181	1,765,237
MAT credit entitlement	27,104,848	26,228,460	-	-
Share Application Money - Scrabble Digital Limited	-	15,500,000	-	-
Others	36,682	60,662	1,369,976	1,337,565
	<b>378,272,962</b>	<b>245,026,686</b>	<b>150,772,407</b>	<b>225,414,997</b>

**13 Current Investments**

	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees
<b>Unquoted mutual funds</b>		
HDFC Liquid Fund - dividend - daily reinvest	-	30,874,076
Nil units (March 31, 2013 : 3,027,404.596 units)	-	-
ICICI Prudential Liquid - direct plan - daily dividend	-	66,819,564
Nil units (March 31, 2013 : 666,044.664 units)	-	-
HDFC Cash Management Fund	477,466	5,394,412
47,596.69 units of Rs. 10.03 each (March 31, 2013: 537,737)	-	-
Axis Liquid Fund	52,510,298	11,046,720
1077.53 units of Rs. 1,000.11 each (March 31, 2013: 11,046)	-	-
Ultra - Retail Growth	-	2,500,000
	<b>52,987,764</b>	<b>116,634,774</b>



**14 Inventories (valued at lower of cost and net realisable value)**

	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees
Stores and spares	84,557,001	89,234,109
Traded Goods	12,871,324	15,979,379
	<b>97,428,325</b>	<b>105,213,488</b>

**15 Trade receivables**

	Non-Current portion		Current Maturities	
	31 March 2014	31 March 2013 (Unaudited)	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees	Rupees	Rupees
<b>Unsecured, considered good unless stated otherwise Outstanding for a period exceeding six months from the date they are due for payment</b>				
- considered good	-	-	95,206,159	28,260,984
- considered doubtful	-	-	60,187,968	61,625,815
Provision for doubtful receivables	-	-	(60,187,968)	(61,625,815)
(A)	-	-	95,206,159	28,260,984
Others receivables				
- Secured, considered good	-	-	-	-
- Unsecured considered good	999,986	4,546,874	817,104,449	723,919,821
- doubtful	-	-	-	806,708
	999,988	4,546,874	817,104,449	724,726,529
Provision for doubtful receivables	(55,207)	-	-	(806,708)
(B)	-	-	817,104,449	723,919,821
<b>TOTAL (A + B)</b>	<b>999,988</b>	<b>4,546,874</b>	<b>912,310,607</b>	<b>752,180,806</b>

**16 Cash & bank balances**

	Non-Current portion		Current Maturities	
	31 March 2014	31 March 2013 (Unaudited)	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees	Rupees	Rupees
<b>Cash and cash equivalents</b>				
Balances with banks :				
- On current accounts	-	-	303,716,913	270,164,243
- Deposits with original maturity of less than three months	-	-	113,086,166	11,555,155
- Margin money deposit with original maturity of less than three months	-	-	12,693,513	19,785,183
Cheques in hand	-	-	225,000	-
Cash on hand	-	-	16,958,408	1,057,997
	-	-	446,680,000	302,562,578
<b>Other bank balances</b>				
- Deposits with original maturity for more than 3 months but less than 12 months	-	-	8,429,242	3,235,978
- Margin money deposit with original maturity for more than 3 months but less than 12 months	-	-	435,800	3,671,999
	-	-	8,864,242	6,907,977
- Deposits with original maturity for more than 12 months	30,000	27,845,978	51,093,325	92,908,203
- Margin money deposits with original maturity for more than 12 months	36,483,270	34,213,769	10,862,645	17,610,215
	36,513,270	62,059,747	61,955,970	110,518,418
Amount disclosed under non - current assets	(36,513,270)	(62,059,747)	-	-
	-	-	517,500,212	419,988,973

**Margin money deposits:**

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

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





**17 Other Assets**

	Non-Current portion		Current Maturities	
	31 March 2014	31 March 2013 (Unaudited)	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees	Rupees	Rupees
Non-current bank balances (refer note 16)	36,513,270	62,059,747	-	-
Unbilled revenue	-	-	65,820,275	23,812,921
Interest accrued on fixed deposit	-	-	3,484,912	773,582
	<b>36,513,270</b>	<b>62,059,747</b>	<b>69,305,187</b>	<b>24,586,503</b>

**18 Revenue from operations**

	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees
<b>Sale of Services</b>		
Virtual Print Fee - Non DCI	476,079,303	440,816,028
Virtual Print Fees - DCI	1,649,338,872	1,069,445,979
Advertisement revenue	996,636,229	694,965,528
Lease rental income - Non DCI equipment	282,309,882	252,206,297
Lease rental income - DCI equipment	137,263,288	82,058,966
Digitisation income	65,149,500	66,669,121
Theatre Programming & exhibition revenue	2,726,191	2,571,274
Maintenance service fee	25,593,274	9,185,102
Registration fees income	6,753,031	14,983,890
(A)	<b>3,645,849,571</b>	<b>2,632,902,184</b>
<b>Sales of Products</b>		
Lamp sale	171,085,136	154,296,830
Sale of digital cinema equipments	425,033,516	542,304,180
(B)	<b>596,118,652</b>	<b>696,801,010</b>
(A)+(B)	<b>4,241,968,223</b>	<b>3,329,503,195</b>

**19 Other Income**

	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees
Miscellaneous Income	5,942,060	7,224,173
Profit on Sale of Fixed Assets	32,628	-
Sundry balance written back	2,423,171	5,442,007
	<b>8,397,860</b>	<b>12,666,180</b>



## Notes to consolidated financial statements for the year ended 31 March 2014

**20 Direct Expenses**

	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees
<b>Consumables / Stores/ Spares</b>		
Opening stock	101,856,513	102,976,327
Add : purchases	493,048,498	566,497,621
Less : closing stock	93,915,477	101,856,513
	<u>500,989,534</u>	<u>567,617,435</u>
Advertisement revenue share	309,580,721	125,887,154
Repair and maintenance - exhibition equipments	137,103,591	105,908,934
Royalty / Technical service fees	53,511,112	46,819,561
Purchases of equipments & goods	33,946,154	19,237,761
Bandwidth charges	52,759,859	47,674,775
Rent on equipments	11,949,756	13,660,376
Delivery and Distribution Charges	29,597,877	18,777,014
Content processing charges	28,114,241	14,002,289
Virtual Print Fee Sharing	515,109,835	273,667,412
Warranty Cost	-	2,114,978
Other expenses	21,696,894	10,019,960
Entry tax	3,359,426	1,935,563
	<u>1,697,719,000</u>	<u>1,247,323,252</u>

**21 Employee benefit expense**

	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees
Salaries & wages	479,593,712	392,030,555
Contribution to provident and other funds	23,754,744	20,040,698
Employee stock option scheme cost	11,885	(80,991)
Gratuity expenses & other employee benefits	13,749,026	10,396,855
Staff welfare expenses	36,092,554	24,649,566
	<u>553,201,921</u>	<u>447,036,685</u>

**22 Other expenses**

	31 March 2014	31 March 2013 (Unaudited)
	Rupees	Rupees
Rent	86,990,212	80,149,039
Freight & forwarding charges	65,398,226	45,522,107
Legal, professional and consultancy charges	73,915,923	69,834,488
Commission & Brokerage	15,639,904	12,061,917
Commission on advertisement revenue	90,942,970	78,777,534
Commission on other revenue	19,330,494	16,835,522
Rebates & discount on advertisement revenue	-	19,041,719
Sales promotion expenses	31,599,879	23,046,163
Electricity charges	15,753,972	14,754,314
Rates & taxes	13,236,109	10,028,564
Auditor's remuneration	7,467,413	6,099,690
Repairs and maintenance		
-Plant & machinery	7,491,618	10,315,038
-Building	99,322	142,038
-Furniture & fixtures	2,627,391	1,305,091
-Others	7,241,114	3,107,143
Insurance	12,131,355	10,659,855
Travelling & conveyance expenses	67,056,212	51,639,259
Communication & courier expenses	21,958,115	19,480,163
Printing and stationery	5,550,197	4,751,882
Bad debts written-off	23,806,095	
Less: Provision utilised	<u>(20,146,846)</u>	15,703,641
Provisions for doubtful debts	17,951,875	20,490,148
Provision for doubtful advances	15,269,264	13,926,127
Loss on sale & write off of fixed assets (net)	12,584,084	3,706,754
Bank Charges	1,248,926	-
Event Expenses	-	-
Provision for diminution in value of fixed assets	1,054,830	6,584,792
Impairment in value of investment	-	-
Miscellaneous expenses	45,733,831	30,265,112
Foreign exchange loss (net)	25,468,209	16,909,830
	<u>667,447,100</u>	<u>585,117,949</u>



	31 March 2014	31 March 2013
	Rupees	(Unaudited) Rupees
<b>23 Interest and finance expense</b>		
Interest on		
- Term loan	181,126,546	135,073,292
- Others	4,787,845	6,095,820
Bank charges	4,308,437	9,001,763
Other borrowing costs	8,312,964	1,489,514
	<b>198,535,792</b>	<b>151,660,389</b>
<b>24 Finance Income</b>		
Interest received		
Bank deposits	24,835,279	21,329,413
Others	5,435,597	5,344,971
Dividend on current investment	4,684,504	4,187,120
	<b>34,155,380</b>	<b>30,861,504</b>



**Notes to financials statements for the year ended 31 March 2014**
**25. Earnings per share (EPS)**

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

	31 March 2014	31 March 2013
	Rupees	Rupees
<b>Basic</b>		
Net profit after tax as per statement of profit and loss	476,614,618	329,819,528
Less : dividends on convertible preference shares & tax thereon	(31,002,198)	(31,002,198)
<b>Net profit for calculation of basic EPS</b>	<b>445,612,420</b>	<b>298,817,330</b>
Weighted average number of equity shares in calculating basic EPS	25,897,669	25,897,669
<b>Earning per share</b>	<b>17.21</b>	<b>11.54</b>
<b>Diluted</b>		
Net profit for calculation of basic EPS	445,612,420	298,817,330
Add : dividends on convertible preference share	-	-
<b>Net profit for calculation of diluted EPS</b>	<b>445,612,420</b>	<b>298,817,330</b>
Weighted average number of equity shares in calculating basic EPS	25,897,669	25,897,669
Weighted average number of convertible preference share	-	-
Effect of dilutions on stock options granted under ESOP	184,180	697,053
Total no of shares outstanding (weighted average) (including dilution)	26,081,849	26,594,722
<b>Earning per share</b>	<b>17.09</b>	<b>11.24</b>

**26. Gratuity and other post-employment benefit plans**

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

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

**Net employee benefit expense recognized in the employee cost**

	Gratuity	
	31 March 2014	31 March 2013
	Rupees	Rupees
Current service cost	4,665,197	3,196,320
Interest cost on benefit obligation	1,222,716	876,594
Expected return on plan assets	(1,092,604)	(844,266)
Net actuarial (gain) / loss recognized in the year	1,379,949	1,532,494
<b>Net benefit expense</b>	<b>6,175,258</b>	<b>4,761,140</b>
Actual return on plan assets	1,092,604	844,268

**Balance sheet**

<b>Benefit asset/ liability</b>		
	31 March 2014	31 March 2013
	Rupees	Rupees
Present value of defined benefit obligation	22,573,355	15,832,688
Fair value of plan assets	16,308,310	9,746,594
<b>Plan (asset) / liability</b>	<b>6,265,045</b>	<b>6,086,094</b>

**Changes in the present value of the defined benefit obligation are as follows:**

	31 March 2014	31 March 2013
	Rupees	Rupees
Opening defined benefit obligation	15,283,952	11,090,646
Current service cost	3,057,314	2,647,584
Interest cost	1,222,716	876,594
Benefits paid	(504,001)	(863,366)
Actuarial (gains) / losses on obligation	1,379,949	1,532,494
<b>Closing defined benefit obligation</b>	<b>20,439,930</b>	<b>15,283,952</b>

**Changes in the fair value of plan assets are as follows:**

	31 March 2014	31 March 2013
	Rupees	Rupees
Opening fair value of plan assets	9,746,594	7,296,327
Expected return	1,092,604	844,268
Contributions by employer	5,973,113	2,372,442
Benefits paid	(504,001)	(766,443)
Actuarial gains / (losses)	-	-
<b>Closing fair value of plan assets</b>	<b>16,308,310</b>	<b>9,746,594</b>

**The principal assumptions used in determining gratuity as shown below:**

	Gratuity	
	31 March 2014	31 March 2013
	%	%
Discount rate	8.00%	8.00%
Expected rate of return on assets	8.75%	9.15%
Employee turnover	1% to 3%	1% to 3%
	depending on age	depending on age



## Notes to financials statements for the year ended 31 March 2014

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

The Group expects to contribute Rs. 2,356,652 to gratuity in the next year. (March 31, 2013 : Rs. 3,425,000)

### 27. Employee stock option plans

#### Employee Stock Option Scheme 2006 & 2010 :

The parent company has two ESOP Schemes viz., ESOP Scheme 2006 and ESOP Scheme 2010. All Options granted under ESOP Scheme 2006 are vested. The Shareholders of the Company in their Annual General Meeting held on August 17, 2011 had revised the terms and conditions of the Exercise Period of the Options granted under ESOP Scheme 2006 to make it in consonance with ESOP Scheme 2010. The salient features with respect to the revised terms and conditions of the Exercise Period are as follows:

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

i) For the employees while in employment of the Company : All options vested can be exercised within a period of two years from the date on which the shares of the Company get listed on a Recognized Stock Exchange.

ii) For the retired employees, termination due to permanent disability, death: All vested options may be exercised immediately after but in no event later than six months from the date of listing with a recognised stock exchange.

During the year company granted a total number of 174,157 options at an exercise price of Rs.178.18 per share to certain employees and key managerial personnels of the company and certain employees of subsidiaries. Out of the options granted, in respect of 82,157 options 25% vest equally over a period of 4 years from the date of grant and in respect of 92,000 options entire options vest at the end of one year from the

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

	31 March 2014		31 March 2013	
	Number of Options	Weighted Average Exercise Price(Rs.)	Number of Options	Weighted Average Exercise Price(Rs.)
Outstanding at the beginning of the year	211,597	100.18	212,968	100.18
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	100.18
Forfeited during the year	273	100.18	1,371	100.18
Outstanding at the end of the year	211,324	100.18	211,597	100.18
Exercisable at the end of the year	211,324	100.18	211,597	-
Weighted average remaining contractual life (in month)	-	-	-	-

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

	31 March 2014		31 March 2013	
	Number of Options	Weighted Average Exercise Price (Rs.)	Number of Options	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the year	1,363,865	161.87	1,395,679	161.87
Granted during the year	174,157	178.17	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	32,533	161.87	31,814	-
Outstanding at the end of the year	1,505,489	163.76	1,363,865	161.87
Exercisable at the end of the year	1,004,722	161.87	681,933	161.87
Weighted average remaining contractual life (in month)	9	-	19	-

The range of exercise price for options outstanding at the end of the year was Rs 100.18 to Rs 178.17 (March 31, 2013: Rs.100.18 to 161.87)



**Notes to financials statements for the year ended 31 March 2014**
**Stock Options granted during the year**

The weighted average fair value of stock options granted during the year was Rs.63.11 (March 31, 2013: Nil). The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs

	31 March 2014	31 March 2013*
Expected volatility	25%	-
Risk-free interest rate	8.75%	-
Weighted average share price	178.17	-
Exercise price	178.17	-
Expected life of options granted in years	4	-

\* Not applicable since no ESOP's were granted during the year.

The fair value of stock options granted during the year with vesting period of 1 year is Rs.25.46 (March 31, 2013: Nil). The Black Scholes valuation model has been used for computing the fair value considering the following inputs:

	31 March 2014	31 March 2013*
Expected volatility	25%	-
Risk-free interest rate	8.75%	-
Weighted average share price	178.17	-
Exercise price	178.17	-
Expected life of options granted in years	1	-

\* Not applicable since no ESOP's were granted during the year.

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.

	31 March 2014	31 March 2013
	Rs.	Rs.
Net profit for calculation of basic EPS	445,612,420	298,817,330
Less: Employee stock compensation under fair value method	(9,140,251)	(17,230,475)
Proforma profit	436,472,169	281,586,855
<b>Earnings Per Share</b>		
<b>Basic</b>		
- As reported	17.21	11.54
- Proforma	16.85	10.87
<b>Diluted</b>		
- As reported	17.09	11.24
- Proforma	16.73	10.59

**28. Investments during the year**
**Investments by the Group**

During the year group has given advance of Rs 20,000,000 for acquiring a controlling stake in a company which is in the business of providing Digital Cinemas services.

**29. Leases**
**Operating lease : Group as lessee**

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

	(In Rupees)	
	Office Premises & Digital Cinema Equipment	
	31 March 2014	31 March 2013
Lease payments for the year	98,939,968	93,809,415

Future Minimum lease payments under non-cancellable operating leases are as follows:

	(In Rupees)	
	Office Premises	
	31 March 2014	31 March 2013
Within one year	446,000	1,106,730
After one year but not more than five years	3,171,293	3,158,334
More than five years	-	-



**Notes to financial statements for the year ended 31 March 2014**
**Operating lease commitments – Group as lessor**

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

	(In Rupees)	
	Digital Cinema Equipment	
	31 March 2014	31 March 2013
Gross carrying amount	3,777,293,966	2,875,376,579
Accumulated Depreciation	829,141,209	504,445,441
Depreciation recognized in the statement of Profit & Loss	426,680,816	328,280,909

**30. Segment reporting**

The Group is engaged in the business of Digital Cinema Services and the financial statements reflect the result of this business segment, which is the primary segment in accordance with the requirement of Accounting Standard 17 on Segment Reporting, issued by The Institute of Chartered Accountants of India ('ICAI'). The Group's operations are based on the distribution of the group by geographical markets, based on Revenue by Geographical Market

	(In Rupees)	
	For the year ended	
	31 March 2014	31 March 2013
<b>Revenue by Geographical Market</b>		
-Within India	3,375,270,233	2,606,812,427
-Outside India	866,697,990	722,690,768
<b>Carrying Amount of Segment Assets</b>		
-Within India	5,637,879,563	5,159,569,619
-Outside India	1,382,742,197	919,909,113
<b>Cost incurred to acquired Segment Fixed Assets</b>		
-Within India	1,276,863,602	1,251,351,305
-Outside India	182,464,386	3,119,128

**31. Related party disclosures**
**1. Names of related parties where transactions have taken place during the year occurred or not**

Enterprises owned or significantly influenced by key management personnel or their relatives	Media Infotek Park Valuable Media Limited Valuable Technologies Limited Impact Media Exchange Limited Dusane Infotech (India) Private Limited
Associate Enterprises	Scrabble Digital Jit Scrabble Digital Ltd Scrabble Venture LLC, USA Scrabble Ventures, S. de R.L. de C.V.
Key management personnel	Mr. Sanjay Gaikwad - Managing Director Mr. Kapil Agarwal - Joint Managing Director
Relatives of Key management personnel	Ms. Apeksha Agarwal
Joint Venture entity	Mukta VN Films Limited (w.e.f June 10, 2013)



**Notes to financials statements for the year ended 31 March 2014**
**2. Details of transaction with related parties during the year**

Sr. No.	Particulars Nature of Expenses/Name of the Parties	31 March 2014 Rupees	31 March 2013 Rupees
<b>1</b>	<b>Enterprises owned or significantly influenced by Key Management Personnel or their relatives</b>		
A	Purchase of equipment i) Dusane Infotech (India) Private Limited ii) Valuable Technologies Limited	379,790 Nil	Nil 2,725,000
B	Sale of equipment i) Valuable Media Limited	Nil	2,323,065
C	Expenses reimbursed i) Media Infotek Park ii) Valuable Media Limited iii) Valuable Technologies Limited	8,332,740 42,000 3,472,166	7,588,634 Nil 672,501
D	Software development charges i) Dusane Infotech (India) Private Limited	3,523,200	5,595,700
E	Technical services (expense) i) Valuable Technologies Limited	53,511,112	46,819,561
F	Direct Expenses (License fees on 3D movie) i) Valuable Technologies Limited	54,545	723,912
G	Direct Expenses (Licensee fees – Impact) i) Impact Media Exchange Limited	1,736,510	1,453,612
H	Licensee fee- Club X (income) i) Valuable Media Ltd	1,064,180	848,441
I	Security deposit paid i) Media Infotek Park	1,680,740	Nil
J	Editing Charges (Income) i) Valuable Media Ltd	70,000	Nil
K	Rent paid (expense) i) Media Infotek Park	45,091,112	44,524,692
<b>2</b>	<b>Associate Enterprises</b>		
A	Sale of goods i) Scrabble Digital Ltd	4,652,397	8,256,524
B	Digital Conversion Expenses & Content Processing Charges i) Scrabble Digital Ltd	13,678,450	2,125,100
C	Investment in Shares i) Scrabble Digital Ltd	24,399,900	Nil
D	Share Application Money Given i) Scrabble Digital Ltd	Nil	15,500,000
E	Loan Given i) Scrabble Digital Ltd ii) Scrabble Digital JLT	Nil 9,289,519	972,704 2,955,793
F	Loan Repaid Scrabble Digital JLT	11,746,482	Nil
G	Advance Repaid Scrabble Digital Ltd	Nil	2,188,150
H	Interest income i) Scrabble Digital JLT	670,985	1,101,383
I	Delivery Distribution Income i) Scrabble Digital Ltd	18,790,500	11,580,000
J	Miscellaneous expenses i) Scrabble Digital Ltd	895,920	Nil
K	Rent i) Scrabble Digital Ltd	1,243,146	Nil
L	Sale of fixed assets i) Scrabble Digital Ltd	1,610,190	Nil
M	Installation Income i) Scrabble Digital Ltd	30,000	Nil
N	Recovery of expense i) Scrabble Digital Ltd	48,885	Nil
O	Reimbursement of expenses i) Scrabble Ventures LLC, USA	11,207,128	Nil
P	Investment in Shares i) Scrabble Ventures LLC, USA ii) Scrabble Venture S.de R.L.De C.V, Mexico	18,029,940 6,913	Nil Nil





**Notes to financials statements for the year ended 31 March 2014**
**3. Remuneration to key managerial personnel**

	31 March 2014 Rupees	31 March 2013 Rupees
Mr. Sanjay Gaikwad, Managing Director Salary, bonus and contribution to provident fund	25,000,000	25,000,000
Mr. Kapil Agarwal, Joint Managing Director Salary, bonus and contribution to provident fund	25,000,000	25,000,000
<b>Total</b>	<b>50,000,000</b>	<b>50,000,000</b>

**4. Remuneration to relatives of key managerial personnel**

	31 March 2014 Rupees	31 March 2013 Rupees
Ms. Apeksha Agarwal (from August 19, 2013) Salary, bonus and contribution to provident fund	285,568	Nil
<b>Total</b>	<b>285,568</b>	<b>Nil</b>

**5. Balance outstanding at the year end**

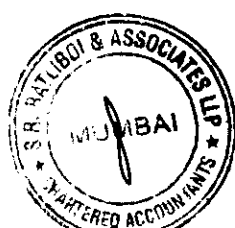
Sr.No.	Particulars	31 March 2014 Rupees	31 March 2013 Rupees
<b>1</b>	<b>Enterprises owned or significantly influenced by Key Management Personnel or their relatives</b>		
A	Amount receivable		
	i) Impact Media Exchange Limited	Nil	1,816,851
	ii) Valuable Media Limited	133,273	2,731,805
B	Deposit receivable		
	i) Media Infotek Park	35,771,540	34,090,800
C	Amount payable		
	i) Media Infotek Park	Nil	181,664
<b>2</b>	<b>Associate Enterprise</b>		
A	Amount receivable		
	i) Scrabble Digital Ltd	6,657,967	5,480,000
B	Loan and advance given		
	i) Scrabble Digital JLT (Including interest receivable)	12,539,123	13,018,585
C	Amount recoverable in cash or Kind		
	i) Scrabble Venture LLC	10,851,397	Nil
D	Share Application Money Given		
	i) Scrabble Digital Ltd	Nil	15,500,000

**32. Capital and other commitments**

	31 March 2014 Rupees	31 March 2013 Rupees
<b>Capital commitments</b> (estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances))	<b>51,266,592</b>	<b>34,468,721</b>
Repair & Maintenance	14,461,612	Nil
Dther Commitments	10,157,899	5,802,374

**33. Contingent liabilities**

	31 March 2014 Rupees	31 March 2013 Rupees
Dividend on 4,885,925 - 6% Cumulative Convertible Preference Shares of Rs. 100/-	31,002,198	31,002,198
In respect of demand raised against group in West Bengal VAT matter for the Financial Year 2007-08.	4,195,703	4,195,703
In respect of demand raised against the group in Andhra Pradesh for VAT matter for the Financial year 2005-06, 2006-07, 2008-2009, 2009-2010 & 2010-2011.	4,885,802	7,392,527
Penalty on the above claim of input tax credit	1,221,260	1,221,260
In respect of demand raised against the group in Mumbai TDS matter for the Financial year 2006-07 & 2007-08, company has filed an appeal to the commissioner.	1,897,700	1,897,700
In respect of demand raised against group in Andhra Pradesh VAT matter due to non-submission of "F" forms for the Financial Year 2008-09 & 2009-10.	630,162	630,162
In respect of demand raised against group in Bihar VAT matter due to non-submission of "F" forms for the Financial Year 2007-08 & 2008-09.	5,302,273	Nil



**Notes to financial statements for the year ended 31 March 2014**

In respect of the demand on the group by the Income Tax Department for Assessment Year 2011-12.	<b>2,020,890</b>	Nil
In respect of the demand raised on the group U/S 271(1)(C) of penalty for the FY 2006-07, the group has filed an appeal to the commissioner of Income Tax	<b>717,353</b>	Nil
Bank guarantees issued by the group in favour of various State Government for Sales tax registration	<b>450,000</b>	450,000
Financial guarantees issued by the group on behalf of Subsidiary (USD 1,250,000 (P.Y. USD 1,250,000)	<b>75,124,750</b>	67,986,625
Labour Guarantee	<b>536,748</b>	399,452
In respect of demand raised against the grouping Kerala, disallowing claim of input tax credit relating to Financial Year 2011-12	<b>984,323</b>	984,323
Performance guarantees issued by the group on behalf of Subsidiaries to two studios for the performance of obligation relating to distribution of their digital content in certain by its subsidiaries, step down subsidiaries and associates of subsidiary in certain overseas market (Refer Note) US\$ 30,000,000 ( March 31, 2013 : US\$ 25,000,000 )	<b>1,802,994,000</b>	1,359,732,500
	<b>1,931,963,162</b>	1,475,892,450

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

**Note :**

During the year, the group has issued performance guarantee of US\$ 20 Mn each on behalf of Scrabble Entertainment Mauritius Ltd and Scrabble Entertainment JLT by termination of earlier guarantee of US \$ 10 Mn each. The aggregate liability under the aforesaid two guarantees is capped at overall ceiling of US\$ 20Mn.

**34. Particulars of unhedged foreign currency exposure at the reporting date**

Particulars of un-hedged exposure	31 March 2014	31 March 2013
	Rupees	Rupees
Export Debtors	Rs. 22,87,504/- (US\$ 38,061.75 @ Closing rate of 1 USD = Rs.60.0998 )	Rs.71,26,887/- (US\$ 131,034.72 @ Closing rate of 1 USD = Rs.54.3893 )
Import Creditors	Rs 48,578,429 (US\$ 808,296 @ Closing rate of 1 USD = Rs.60.10	Rs.211,830,931 (US\$ 3,894,717 @ Closing rate of 1 USD = Rs.54.39
Advance Recoverable in cash or Kind	Rs.1,50,61,642/- (US\$ 2,50,610.52 @ Closing rate of 1 USD = Rs. 60.0998)	Rs.2,043,855/- (US\$ 37,578.26 @ Closing rate of 1 USD = Rs. 54.3893)
Import creditors - Advance remittance	Rs. 4,56,758.48 (US\$ 7,600 @ Closing rate of 1 US\$ = Rs. 60.0998)	Rs. 27,194 (US\$ 500 @ Closing rate of 1 USD = Rs. 54.3893)
Cash Balances	Rs. 142,838/- (Currency note 30,699 @ Closing rate for particular Currency)	Rs. 473,382 (Currency note 30,398.9 @ Closing rate for particular Currency)
Bank Balances	Rs.2,45,795 (US\$ 2444.65 @ Closing rate of 1 US\$ = Rs. 60.0998)(AED 6078.76 @ Closing rate of 1 AED = Rs.16.2651)	Rs 81,215 (US\$ 1493.22 @ Closing rate for particular Currency)(AED 22,649.77 @ Closing rate of 1 AED = Rs.14.7945. )
Financial guarantees given for subsidiary	Rs 75,124,750 (US\$1,250,000 @ Closing rate of 1 USD =Rs.60.0998)	Rs 67,986,625 (US\$1,250,000 @ Closing rate of 1 US\$ =Rs.54.3893)
Performance guarantees given for subsidiary	Rs 1,802,994,000 (US\$ 30,00,000 @ Closing rate of 1 US\$ =Rs.60.0998)	Rs 1,359,732,500 (US\$25,00,000 @ Closing rate of 1 US\$ =Rs.54.3893)

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

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

**36. Subsequent event after balance sheet date**

The parent company further acquired additional 9 % stake 386,895 equity shares in Southern Digital Screenz India Private Limited (SDS) from the minority shareholders for Rs.109,998,117. Out of above the company has paid Rs.74,500,000 to the existing shareholder of SDS and balance of Rs.35,498,117. is payable till June 30,2015. Post this investment the Company now holds 84.18% of equity share capital of SDS.



**Notes to financials statements for the year ended 31 March 2014**

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**37. Previous year figures**

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

As per our Report attached of even date

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

  
per Govind Ahuja  
Partner  
Membership No.: 48966

Place of signature: Mumbai  
Date: August 5, 2014



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

  
Sanjay Gaikwad  
Managing Director

  
Kapil Agarwal  
Joint Managing Director

  
Sameer Chavan  
Group Secretary

  
Ashish Malushte  
Chief Financial Officer