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**Southern Digital Screenz India Private Limited**  
**Financial Statements Along With The Auditors' Report**  
**For The Year Ended March 31, 2016**

**INDEPENDENT AUDITOR'S REPORT**

To the Members of Southern Digital Screenz India Private Limited

**Report on the Financial Statements**

We have audited the accompanying financial statements of Southern Digital Screenz India Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

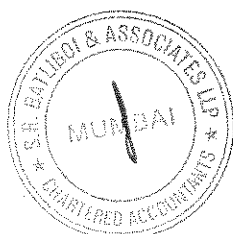
**Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the 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 financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

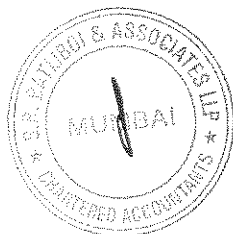


**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, its profit, and its cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of section 164 (2) of the Act;
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report; and
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 28 to the financial statements;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;



# **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

*Southern Digital Screenz India Private Limited*

*Auditors Report – March 31, 2016*

*Page 3 of 8*

- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

**For S.R. Batliboi & Associates LLP**

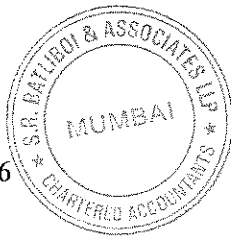
Chartered Accountants

ICAI Firm Registration Number: **101049W/E300004**

  
**per Govind Ahuja**

Partner

Membership Number: 48966



Place of Signature: Mumbai

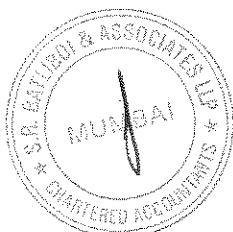
Date: May 26, 2016

**Annexure 1 to the Independent Auditors' Report**

**Re: Southern Digital Screenz India Private Limited ('the Company')**

**Referred to in Paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) According to the information and explanations given by the management, there are no immovable properties, included in fixed assets of the Company and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 3(ii) of the Order are not applicable to the Company.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order, are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees and securities granted in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits from the public.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Act, for the services of the Company.
- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, sales tax, value added tax, cess and other material statutory dues applicable to it. The provisions relating to custom duty and excise duty are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to custom duty and excise duty are not applicable to the Company.



# **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

*Southern Digital Screenz India Private Limited*

*Auditors Report – March 31, 2016*

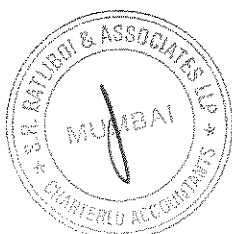
*Page 5 of 8*

- (c) According to the information and explanation given to us, there are no dues of income tax, service tax, sales tax and cess which have not been deposited on account of any dispute. According to the records of the Company, the dues of value added tax outstanding on account of any dispute are as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Kerala VAT Act, 2003	Value Added Tax	984,323	2011-12	Deputy Commissioner (Appeals)

The provisions relating to custom duty and excise duty are not applicable to the Company.

- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to a bank. The Company did not have any dues to debenture holders, financial institution or to government during the year.
- (ix) According to the information and explanations given by the management, the Company has not raised any money way of initial public offer / further public offer (including debt instruments) and term loans. Accordingly, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act, where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him.



# **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

*Southern Digital Screenz India Private Limited*  
*Auditors Report – March 31, 2016*  
*Page 6 of 8*

- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

**For S.R. Batliboi & Associates LLP**

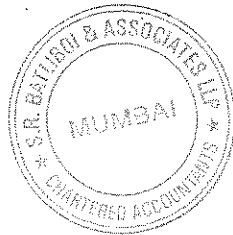
Chartered Accountants

ICAI Firm's Registration Number: 101049W/E300004

  
**per Govind Ahuja**

Partner

Membership Number: 48966



Place: Mumbai

Date: May 26, 2016

**ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF SOUTHERN DIGITAL SCREEN INDIA PRIVATE LIMITED**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

To the Members of Southern Digital Screenz India Private Limited

We have audited the internal financial controls over financial reporting of Southern Digital Screenz India Private Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.





# **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

*Southern Digital Screenz India Private Limited*

*Auditors Report – March 31, 2016*

*Page 8 of 8*

## **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

## **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & Associates LLP**

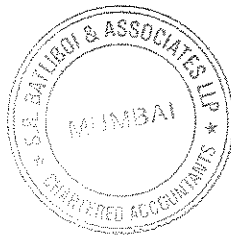
Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

  
per **Govind Ahuja**

Partner

Membership Number: 48966



Place of Signature: Mumbai

Date: May 26, 2016

# Southern Digital Screenz India Private Limited

## Balance sheet as at 31st March 2016

	Notes	March 31, 2016 Rs.	March 31, 2015 Rs.
<b>Equity and liabilities</b>			
<b>Shareholder's fund</b>			
Share capital	3	215,488,330	215,488,330
Reserves and surplus	4	36,477,935	(46,710,578)
		<b>251,966,265</b>	<b>168,777,752</b>
<b>Non-current liabilities</b>			
Long-term provisions	5	1,128,767	1,095,111
		<b>1,128,767</b>	<b>1,095,111</b>
<b>Current liabilities</b>			
Trade payables	6	35,926,804	40,321,479
Other liabilities	6	22,443,680	25,717,141
Short-term provisions	5	2,422,304	2,145,926
		<b>60,792,788</b>	<b>68,184,546</b>
<b>TOTAL</b>		<b>313,887,820</b>	<b>238,057,409</b>
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Fixed Assets</b>			
Tangible assets	7	6,791,822	7,154,682
Intangible assets	7	21,341,365	25,349,029
Deferred tax asset (net)	8	13,175,262	10,371,083
Long-term loans and advances	9	82,423,700	97,525,729
		<b>123,732,149</b>	<b>140,400,523</b>
<b>Current assets</b>			
Current investments	10	120,000,000	-
Trade receivables	11	15,371,411	4,601,198
Cash and bank balances	12	35,001,696	58,271,514
Short-term loans and advances	9	19,260,795	19,106,923
Other current assets	13	521,769	15,677,251
		<b>190,155,671</b>	<b>97,656,886</b>
<b>TOTAL</b>		<b>313,887,820</b>	<b>238,057,409</b>

### Summary of significant accounting policies

2.1

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

As per our report of even date

For S.R. Batliboi & Associates LLP

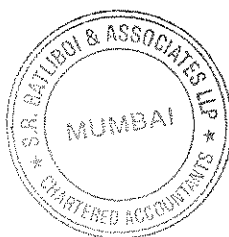
Chartered Accountants

ICAI Firm Registration Number: 101049W/ E 300004

per Govind Ahuja  
Partner

Membership No.: 48966

Place of signature: Mumbai  
Date: May 26, 2016



For and on behalf of the board of directors of  
Southern Digital Screenz India Private Limited

Usman Fayaz  
Whole time Director

Place of signature: Mumbai  
Date: May 26, 2016

Lavanya Nandakumar

CFO & Company Secretary

Place of signature: Mumbai  
Date: May 26, 2016

Ashish Malushte  
Director

Place of signature: Mumbai  
Date: May 26, 2016

# Southern Digital Screenz India Private Limited

## Statement of profit and loss for the year ended March 31, 2016

	Notes	March 31, 2016 Rs.	March 31, 2015 Rs.
<b>Income</b>			
Revenue from operations	14	623,856,083	512,317,816
Other operating income	15	4,989,947	6,626,040
Other income	16	1,298,464	919,200
<b>Total revenue (I)</b>		<b>630,144,494</b>	<b>519,863,056</b>
<b>Expenses</b>			
Employee benefits expenses	17	27,307,098	24,454,750
Operating and other expenses	18	474,330,502	437,573,948
<b>Total expenses (II)</b>		<b>501,637,600</b>	<b>462,028,698</b>
Earnings before interest, tax, depreciation and amortization (EBITDA) (I) - (II)		128,506,894	57,834,358
Depreciation and amortisation expenses	7	7,329,322	8,721,324
Finance cost	19	28,997	170,249
Finance income	20	(7,935,759)	(976,341)
<b>Profit before tax</b>		<b>129,084,334</b>	<b>49,919,126</b>
<b>Tax expense</b>			
Current tax		48,700,000	2,650,000
Deferred tax		(2,804,179)	(10,371,083)
<b>Tax expense</b>		<b>45,895,821</b>	<b>(7,721,083)</b>
<b>Profit for the year</b>		<b>83,188,513</b>	<b>57,640,209</b>
<b>Earnings per equity share [nominal value of share Rs.10 (March 31, 2015 : Rs.10)]</b>	21		
Basic		19.35	13.41
Diluted		16.96	11.75

Summary of significant accounting policies 2.1

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

As per our report of even date

For S.R. Batliboi & Associates LLP  
Chartered Accountants  
ICAI Firm Registration Number: 101049W/ E 300004

per Govind Ahuja  
Partner  
Membership No.: 48966

Place of signature: Mumbai  
Date: May 26, 2016



For and on behalf of the board of directors of  
Southern Digital Screenz India Private Limited

Usman Fayaz  
Whole time Director  
Place of signature: Mumbai  
Date: May 26, 2016

Lavanya Nandakumar  
CFO & Company Secretary  
Place of signature: Mumbai  
Date: May 26, 2016

Ashish Malushte  
Director  
Place of signature: Mumbai  
Date: May 26, 2016

# Southern Digital Screenz India Private Limited

## Cash flow statement for the year ended March 31, 2016

	March 31, 2016 Rs.	March 31, 2015 Rs.
<b>Cash flow from / (used in) operating activities</b>		
Profit before tax	129,084,334	49,919,124
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation and amortisation	7,329,322	8,721,324
Loss on sale of fixed assets	-	1,545
Provision for bad debts	-	221,341
Provision for doubtful debts reversed	(288,944)	-
Provision for input tax credit	5,885,106	5,963,716
Provision for gratuity	772,110	814,577
Provision for compensated absence	319,933	838,375
Liabilities written back	(4,701,003)	(6,626,040)
Bad debt write off	383,718	723,998
Interest expense	28,997	170,252
Interest income	(7,935,759)	(976,341)
<b>Operating profit before working capital changes</b>	<b>130,877,814</b>	<b>59,771,870</b>
Movements in working capital:		
Increase/ (decrease) in trade payables	(4,394,675)	(2,316,201)
Increase/ (decrease) in long-term provisions	(738,454)	(752,449)
Increase/ (decrease) in short-term provisions	4,657,448	4,604,106
Increase/ (decrease) in other current liabilities	(2,934,742)	(3,556,351)
Decrease/ (increase) in trade receivables	(10,864,987)	3,726,554
Decrease/ (increase) in long-term loans and advances	15,296,621	21,857,633
Decrease/ (increase) in short-term loans and advances	(6,038,979)	(6,233,007)
Decrease/ (increase) in other current assets	14,804,041	(7,488,947)
Cash generated from operations	140,664,088	69,613,209
Direct taxes paid (net of refunds)	(45,412,115)	(12,352,888)
<b>Net cash flow from operating activities (A)</b>	<b>95,251,973</b>	<b>57,260,321</b>
<b>Cash flow from/ (used in) investing activities</b>		
Purchase of fixed assets, including capital work-in- progress and capital advances	(6,441,275)	(2,695,291)
Proceeds from sale of fixed assets	-	1,474,859
Bank deposits placed (having remaining maturity of more than 3 months)	(101,269,657)	(54,056,759)
Redemption/ maturity of bank deposits ( having remaining maturity of more than 3 months)	129,813,716	-
Investment in mutual funds	(120,000,000)	-
Interest received	8,287,200	154,405
<b>Net cash flow used in investing activities (B)</b>	<b>(89,610,016)</b>	<b>(55,122,786)</b>
<b>Cash flow from/ (used in) financing activities</b>		
Repayment of borrowings	(338,719)	(1,694,202)
Interest paid	(28,997)	(170,252)
<b>Net cash flow used in financing activities (C)</b>	<b>(367,716)</b>	<b>(1,864,454)</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>5,274,241</b>	<b>273,081</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3,551,395</b>	<b>3,278,314</b>
<b>Cash and cash equivalents at the end of the period (Refer note 12)</b>	<b>8,825,636</b>	<b>3,551,395</b>

### Summary of significant accounting policies

2.1

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

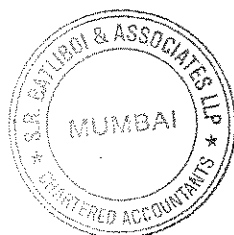
As per our report of even date

For S.R. Batliboi & Associates LLP  
Chartered Accountants

ICAI Firm Registration Number: 101049W/ E 300004

per Govind Chauhan  
Partner  
Membership No.: 48966

Place of signature: Mumbai  
Date: May 26, 2016



For and on behalf of the board of directors of  
Southern Digital Screenz India Private Limited

Usman Fayaz  
Whole time Director  
Place of signature: Mumbai  
Date: May 26, 2016

Lavanya Nandakumar  
CFO & Company Secretary  
Place of signature: Mumbai  
Date: May 26, 2016

Ashish Malushte  
Director  
Place of signature: Mumbai  
Date: May 26, 2016

**Southern Digital Screens India Private Limited**  
**Notes to financial statements for the year ended 31 March, 2016**

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**1. Corporate information**

Southern Digital Screenz India Private Limited ('the Company') is a company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is engaged in the business of providing digital cinema services. The Company is subsidiary of UFO Moviez India Limited.

**2. Basis of preparation**

The financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standard 25 notified under Section 133 of the Companies Act 2013 ('the Act'), read together with paragraph 7 of the Companies (Accounts) Rules 2014. The financial statements have been prepared under the historical cost convention on an accrual basis.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

**2.1 Statement of Significant Accounting Policies**

**(a) Use of estimates**

The preparation of financial statements in conformity with the Indian GAAP requires management to make judgment, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the end of the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material change in the adjustment to the accounting amounts of assets or liabilities in the future periods.

**(b) Tangible fixed assets**

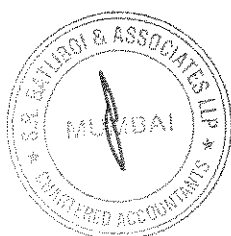
Fixed assets are stated at cost, net of accumulated depreciation and impairment losses if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use.

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 a during which such expenses are incurred.

Gains or losses arising from de-recognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized

**(c) Depreciation on tangible fixed assets**

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule II of the Act,



**Southern Digital Screens India Private Limited**  
**Notes to financial statements for the year ended 31 March, 2016**

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whichever is lower. The management's estimate of useful lives for various fixed assets which is lower than the useful lives prescribed under schedule II of the Companies Act, 2013 is as under:

	Years of useful life
Plant & Machinery	6
Computer	3
Furniture and Fixtures	6
Office Equipments	5
Vehicles	5

Except computer and office equipments, useful lives of above fixed assets are different from those prescribed under schedule II. These rates are based on evaluation of useful life by internal technical expert.

Lease hold improvements are written off over the period of lease or over a period of 4 years, whichever is less.

**(d) Intangible assets**

Non compete fee paid is amortised using the straight line method over a period of 10 years. Non compete fee is carried at cost less accumulated amortization and accumulated impairment loss, if any.

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

The carrying amounts of assets are reviewed at each reporting 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.

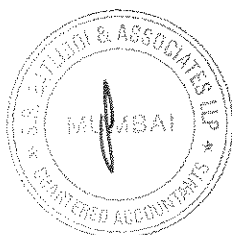
**(f) Leases**

**Where the Company is the lessee**

Leases in which the Company does not transfer intentionally all the risks and benefits of the ownership of the asset are classified as operating leases. 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 on an operating lease is recognized in the statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation, are recognized as an expense in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of profit and loss



**(g) Investments**

Investments which are readily realizable and intended to be held 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 individual investment basis. Long-term investments are carried at cost. However, provision for diminution is made to recognize 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 account.

**(h) Borrowing cost**

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings extent they are regarded as an adjustment to the interest cost.

**(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.

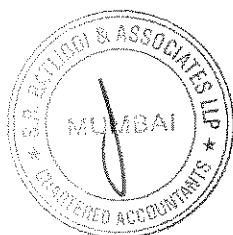
**Income from Services**

- Virtual print fee received from distributors of the films are recognized in the period in which the services are rendered.
- Advertisement income is recognized in the period during which advertisement is displayed.
- Registration fee is recognized in the period in which it is received.
- Lease income towards leasing of digital cinema equipments is recognized as per the terms of the agreement on straight line basis over the lease term.

The Company collects service tax and value added taxes (VAT) on behalf of the Government and therefore these are not economic benefits raising to the company. Hence they are excluded from revenue.

**Interest income**

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "Other income" in the statement of profit and loss.



**(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 retranslated using the exchange rate prevailing at the reporting date. Non-monetary items which are measured in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

**(iii) Exchange differences**

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

**(k) Retirement and other benefits**

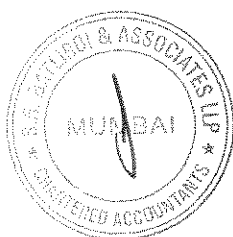
Retirement benefits in the form of provident fund is a defined contribution scheme and the contributions are charged to the statement of profit and loss of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective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

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. Actuarial gains/ losses are immediately taken to the 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. The Company presents the compensated absences as a current liability in the balance sheet to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

**(l) Income taxes**

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





**Southern Digital Screens India Private Limited**  
**Notes to financial statements for the year ended 31 March, 2016**

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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 recognized 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 realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is "virtual certainty" ( as defined in Accounting Standard 22 ) supported by convincing evidence that they can be realized against future taxable profits.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized 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 realized.

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 realized. 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.

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.

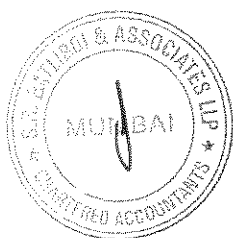
**(m) Earnings Per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**(n) Cash and cash equivalents**

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



B

**(o) Provisions**

A provision is recognized when the Company has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits 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 reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

**(p) Contingent liability**

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 possible 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.

**(q) Measurement of EBITDA**

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act 1956, which is equally applicable to schedule III of the Companies Act, 2013, 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.



## Southern Digital Screenz India Private Limited

### Notes to financial statements for the year ended March 31, 2016

#### 3. Share Capital

	March 31, 2016 Rs.	March 31, 2015 Rs.
<b>Authorised shares</b>		
8,000,000 (March 31, 2015 : 8,000,000) equity shares of Rs 10/- each	80,000,000	80,000,000
1,800,000 (March 31, 2015: 1,800,000) 10% optionally convertible preference shares of Rs 100/- each	180,000,000	180,000,000
	<b>260,000,000</b>	<b>260,000,000</b>
<b>Issued, subscribed and fully paid up shares</b>		
4,298,833 (March 31, 2015 : 4,298,833) equity shares of Rs. 10/- each	42,988,330	42,988,330
1,725,000 (March 31, 2015: 1,725,000) 10% optionally convertible preference shares of Rs 100/- each	172,500,000	172,500,000
<b>Total issued, subscribed and fully paid up share capital</b>	<b>215,488,330</b>	<b>215,488,330</b>

#### (a) Reconciliation of the shares outstanding at the beginning and at the end of the year

	March 31, 2016		March 31, 2015	
	Number	Rs.	Number	Rs.
At the beginning of the year	4,298,833	42,988,330	4,298,833	42,988,330
Shares issued during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>4,298,833</b>	<b>42,988,330</b>	<b>4,298,833</b>	<b>42,988,330</b>

#### 10% Optionally convertible preference shares

	March 31, 2016		March 31, 2015	
	Number	Rs.	Number	Rs.
At the beginning of the year	1,725,000	172,500,000	1,725,000	172,500,000
<b>Outstanding at the end of the year</b>	<b>1,725,000</b>	<b>172,500,000</b>	<b>1,725,000</b>	<b>172,500,000</b>

#### (b) Shares held by holding Company

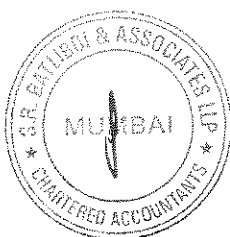
Out of equity and preference shares issued by the Company, shares held by its holding company are as below:

	March 31, 2016 Rs.	March 31, 2015 Rs.
UFO Moviez India Limited - the holding company		
3,618,716 (March 31, 2015: 3,618,716) equity shares of Rs.10/- each fully paid	36,187,160	36,187,160
1,725,000 (March 31, 2015: 1,725,000) 10% Optionally convertible preference shares of Rs.100/- each fully paid	172,500,000	172,500,000

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

Name of the shareholder	As at March 31, 2016		As at March 31, 2015	
	No. of shares held	% holding in the class	No. of shares held	% holding in the class
<b>Equity shares of Rs.10 each fully paid</b>				
Usman Faheed	405,000	9.42	405,000	9.42
UFO Moviez India Limited	3,618,716	84.18	3,618,716	84.18
<b>10% Optionally convertible preference shares of Rs.100 each fully paid</b>				
UFO Moviez India Limited	1,725,000	100.00	1,725,000	100.00

As per records of the Company the above shareholding represents both legal and beneficial ownership of shares.



## Southern Digital Screenz India Private Limited

### Notes to financial statements for the year ended March 31, 2016

#### (d) Terms/ rights attached to equity shares

##### Voting Rights:

The Company has only one class of equity shares having par value of Rs.10 per share. Each holder of equity shares 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 ensuing Annual General Meeting

##### Repayment of Capital:

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders

##### Pre-emptive Right:

In the event the Company proposes to issue securities of any type or class to any Person (the "Proposed Recipient"), then UFO Moviez India Limited (Investor) have a right to subscribe to the issue on a pro-rata basis on the same terms in proportion to their shareholding in the Company such that their shareholding is maintained at the same level prior to such issue

##### Further Issue and Right to Renounce

In the event the Company issues any further securities, each shareholder has the right to subscribe to such issue in their pro-rata shareholding on terms as determined by the Board and terms as specified in the Articles of Association. In the event a shareholder does not subscribe to its relevant proportion of shares, then the other shareholders have a right to subscribe to all or a portion of the unsubscribed shares. Each shareholder has the right to renounce the securities offered above in favour of their affiliates as defined in the AOA

##### Promoter's Option

Upon the occurrence option trigger as described in the AOA, Mr. Usman Fayaz, Mr. Usman Faheed and Ms. Zubetha Begam (collectively known as 'the Promoters') have an option to stock options as specified in the AOA.

##### Right of First Offer, Tag Along Rights and Transfer to Third Party

In the event the Promoters propose to transfer any securities to a third person shall first offer, by written notice, to the Investors. The Investors shall have the right to exercise certain tag along rights in case the Promoters propose to transfer securities to any third party subject to certain specified conditions as described in the AOA.

##### Termination of Rights:

The right of the Investors shall terminate as to a Shareholder (together with its Affiliates) in the event of certain conditions specified in the AOA of the Company.

##### Other Rights:

The Investor and the Promoters have a right to appoint their representatives on the Board of Directors of the Company. The Investor directors are entitled to be appointed to all committees and sub-committees subject to certain specified terms and conditions as mentioned in the AOA. The Investors are entitled to certain specified information and access rights as mentioned in the AOA.

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.

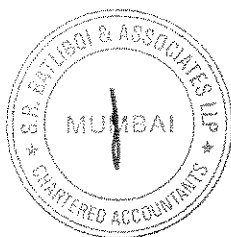
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Certain specified reserved matters such as change in the share capital of the Company, material related party transactions, raising of debt, declaration of dividends, change in senior management including key business matters requires the consent of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

#### (e) Terms of conversion/ redemption of 10% Optionally Convertible Preference Shares

Each holder of preference shares is entitled to one vote per share only on resolutions placed before the Company which directly affect the rights attached to the preference shares.

Investor can convert Optionally Convertible Preference Share into such number of Equity shares of Rs.10 each based on the then prevailing fair market price and/or redemption of Optionally Convertible Preference Share from commencement of 5th year till the end of the 7th year at the terms and conditions as may be decided by the Investor.



# Southern Digital Screenz India Private Limited

## Notes to financial statements for the year ended March 31, 2016

### 4. Reserves and surplus

	March 31, 2016	March 31, 2015
	Rs.	Rs.
<b>Securities premium account</b>		
Balance as per the last financial statements	142,274,145	142,274,145
Closing Balance	142,274,145	142,274,145
<b>Deficit in the statement of profit and loss</b>		
Balance as per last financial statements	(188,984,723)	(246,287,098)
Adjustment of depreciation (Refer note below)	-	(337,834)
Profit for the year	83,188,513	57,640,209
Net deficit in the statement of profit and loss	(105,796,210)	(188,984,723)
<b>Total reserves and surplus</b>	<b>36,477,935</b>	<b>(46,710,578)</b>

During the year ended March 31, 2015, the Company had revised the depreciation rates on certain tangible fixed assets as per the useful life specified in Part 'C' of Schedule II to the Act, depreciation of Rs. 337,834/- (net of deferred tax asset) has been adjusted against the opening reserves in accordance with the requirement of Schedule II of the Act

### 5. Provisions

	Long-term		Short-term	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	Rs.	Rs.	Rs.	Rs.
<b>Provision for employee benefits</b>				
Provision for gratuity (Refer note 22)	1,128,767	1,095,111	-	-
Provision for compensated absences	-	-	1,405,279	1,128,901
Others	-	-	1,017,025	1,017,025
Provision for indirect taxes	-	-	-	-
<b>Total provisions</b>	<b>1,128,767</b>	<b>1,095,111</b>	<b>2,422,304</b>	<b>2,145,926</b>

(i) The table below gives information about movement in provision for indirect taxes

	March 31, 2016	March 31, 2015
	Rs.	Rs.
At the beginning of the year	1,017,075	3,000,000
Arising during the year	-	-
Written back during the year	-	(1,982,925)
<b>At the end of the year</b>	<b>1,017,075</b>	<b>1,017,075</b>

### 6. Other liabilities

	Current	
	March 31, 2016	March 31, 2015
	Rs.	Rs.
<b>Trade payables (Refer note 29 for details of micro and small enterprises)</b>	<b>35,926,804</b>	<b>40,321,479</b>
<b>Others</b>		
Current maturities of long-term borrowings (secured) (refer note below)	-	338,719
Advance from customers	14,799,034	18,478,069
<b>Other payables</b>		
Employee related statutory dues	161,513	147,985
Tax deducted at source payable	2,089,576	1,811,342
Other taxes payable	89,648	100,646
Other creditors (other than trade)	4,440,737	4,229,600
Security deposit from related parties	739,513	188,588
Salary and reimbursements payable	123,659	422,192
<b>Total other current liabilities</b>	<b>22,443,680</b>	<b>25,717,141</b>
	<b>58,370,484</b>	<b>66,038,620</b>

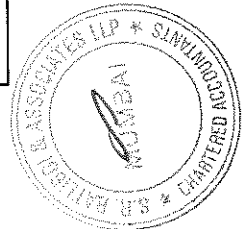
Current maturities of long term borrowings includes vehicle loan from financial institutions in respect of vehicle finance having interest rate at 16.489% payable over 60 monthly installments. This loans is secured against hypothecation of the respective vehicles.



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**Southern Digital Screenz India Private Limited**  
Notes to financial statements for the year ended March 31, 2016  
7. Tangible and intangible Assets

Particulars	Tangible assets						Intangible assets		Total
	Computers	Plant and equipment	Furniture and fixtures	Vehicles	Office Equipment	Leasehold	Total		
<b>Cost</b>									
At 1st April 2014	2,212,386	592,296	2,288,499	12,114,952	2,180,776	6,099,052	25,487,961	40,000,000	65,487,961
Additions	299,772	-	285,026	672,836	498,111	939,546	2,695,291	-	2,695,291
Disposals	-	-	-	(9,300,000)	(8,990)	-	(9,308,990)	-	(9,308,990)
At 31 March 2015	2,512,158	592,296	2,573,525	3,487,788	2,669,897	7,038,598	18,874,262	40,000,000	58,874,262
Additions	316,866	-	433,321	-	587,969	1,620,642	2,958,798	-	2,958,798
At 31 March 2016	2,829,024	592,296	3,006,846	3,487,788	3,257,866	8,659,240	21,833,060	40,000,000	61,833,060
<b>Accumulated Depreciation</b>									
At 1st April 2014	1,114,126	332,651	1,340,935	7,904,302	575,710	3,222,001	14,489,725	10,654,257	25,143,982
Adjustment [Refer note 4]	337,831	-	-	-	-	-	337,831	-	337,831
Charge for the year	538,815	259,645	397,144	1,813,335	544,083	1,171,588	4,724,610	3,996,714	8,721,324
Disposals	-	-	-	(7,832,000)	(586)	-	(7,832,586)	-	(7,832,586)
At 31 March 2015	1,990,772	592,296	1,738,079	1,885,637	1,119,207	4,393,589	11,719,580	14,650,971	26,370,551
Charge for the year	390,835	-	309,527	424,250	639,991	1,557,055	3,321,658	4,007,664	7,329,322
Disposals	-	-	-	-	-	-	-	-	-
At 31 March 2016	2,381,607	592,296	2,047,606	2,309,887	1,759,198	5,950,644	15,041,238	18,658,635	33,699,873
<b>Net Block</b>									
At 31 March 2015	521,386	-	835,446	1,602,151	1,550,690	2,645,009	7,154,682	25,349,029	32,503,711
At 31 March 2016	447,417	-	959,240	1,177,901	1,498,668	2,708,596	6,791,822	21,341,365	28,133,187



# Southern Digital Screenz India Private Limited

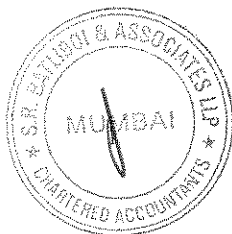
## Notes to financial statements for the year ended March 31, 2016

8. Deferred tax assets (net)		(In Rs.)	
	March 31, 2016	March 31, 2015	
<b>Deferred tax liabilities</b>			
Deferred revenue expenses/Other difference	-	(51,944)	
<b>Gross deferred tax liabilities (A)</b>	-	(51,944)	
<b>Deferred tax assets</b>			
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortisation for the financial reporting	3,344,851	2,906,582	
Effect of expenditure debited to statement of profit and loss account in the current year but allowed for tax purposes in following years	1,736,222	1,527,619	
Provision for doubtful debts and advances	8,094,189	5,988,826	
<b>Gross deferred tax assets (B)</b>	<b>13,175,262</b>	<b>10,423,027</b>	
<b>Net deferred tax assets (A+B)</b>	<b>13,175,262</b>	<b>10,371,083</b>	

## 9. Loans and advances

(Unsecured, considered good unless stated otherwise)

	Non-current		Current	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	Rs.	Rs.	Rs.	Rs.
Capital advances	3,482,477	-	-	-
Security Deposit	2,659,238	1,988,692	-	-
<b>Advances recoverable in cash or kind for value to be received</b>				
Considered good	-	-	241,105	91,884
Considered doubtful	22,079,008	16,193,902	-	-
	22,079,008	16,193,902	241,105	91,884
Provision for doubtful advances.	(22,079,008)	(16,193,902)	-	-
	-	-	241,105	91,884
Security deposit to related party	1,137,610	484,896	-	-
Unamortised upfront and lease rental charges	32,022,911	50,898,227	18,823,682	18,823,682
<b>Other loans and advances</b>				
Advance income-tax [net of provision for taxation Rs. 51,350,000 (March 31, 2015: Rs 2,650,000)]	38,660,586	41,948,471	-	-
Prepaid expenses	-	-	169,008	166,137
Loans to employees	-	-	27,000	25,220
Balances with statutory / government authorities				
Considered good	4,460,878	2,205,443	-	-
Considered doubtful	1,465,752	1,465,752	-	-
Less: Provision for doubtful balances	(1,465,752)	(1,465,752)	-	-
Net of provisions	4,460,878	2,205,443	-	-
<b>Total loans and advances</b>	<b>82,423,700</b>	<b>97,525,729</b>	<b>19,260,795</b>	<b>19,106,923</b>



# Southern Digital Screenz India Private Limited

## Notes to financial statements for the year ended March 31, 2016

10. Current investments		March 31, 2016	March 31, 2015
		Rs.	Rs.
Current investments (valued at lower of cost or fair value, unless stated otherwise)			
Unquoted mutual funds			
6,530,985.44 (31 March 2015 : Nil) units of HDFC corporate debt opportunities fund growth option		80,000,000	-
1,936,961.59 (31 March 2015: Nil) units of Reliance regular savings debt fund growth option		40,000,000	-
Total current investments		120,000,000	-

Aggregate market value of investment in unquoted mutual funds units held by Company based on NAV declared on the balance sheet date by mutual fund is Rs 120,146,947 (March 31, 2015: Nil).

11. Trade receivables (Unsecured)		March 31, 2016	March 31, 2015
		Rs.	Rs.
Outstanding for a period exceeding six months from the date they are due for payment			
Considered good		158,240	763,558
Considered doubtful		1,309,194	2,264,494
		1,467,434	3,028,052
Provision for doubtful receivables		(1,309,194)	(2,264,494)
(A)		158,240	763,558
Other receivables			
Considered good		15,213,172	3,837,640
(B)		15,213,172	3,837,640
Total trade receivables	(A+B)	15,371,411	4,601,198

12. Cash and bank balances		Current	
		March 31, 2016	March 31, 2015
		Rs.	Rs.
Cash and cash equivalents			
Balances with banks:			
- on current accounts		8,637,200	3,449,849
- cash on hand		188,436	101,546
		8,825,636	3,551,395
Other bank balances			
- Deposits with remaining maturity for less than 12 months		26,176,060	54,720,119
		26,176,060	54,720,119
Total cash and bank balances		35,001,696	58,271,514

13. Other assets		Non-current		Current	
		March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
		Rs.	Rs.	Rs.	Rs.
Interest accrued but not due on fixed deposits		-	-	521,769	873,210
Unbilled revenue		-	-	-	14,804,041
Total other assets		-	-	521,769	15,677,251





# Southern Digital Screenz India Private Limited

## Notes to financial statements for the year ended March 31, 2016

### 14. Revenue from operations

	March 31, 2016	March 31, 2015
	Rs.	Rs.
Virtual print fee		
Virtual Print Fee (E-Cinema)	394,068,609	367,148,053
Virtual Print Fee (D-Cinema)	28,416,652	-
Advertisement revenue	199,991,657	143,479,596
Sub-lease rental income	661,909	699,906
Registration fee income	717,256	990,261
	<b>623,856,083</b>	<b>512,317,816</b>

### 15. Other operating income

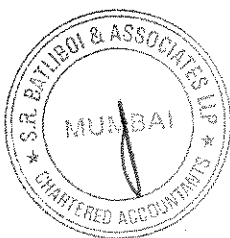
	March 31, 2016	March 31, 2015
	Rs.	Rs.
Liabilities written back	4,701,003	6,626,040
Provision for doubtful debts reversed	288,944	-
	<b>4,989,947</b>	<b>6,626,040</b>

### 16. Other income

	March 31, 2016	March 31, 2015
	Rs.	Rs.
Sublease of premises	1,298,464	919,200
	<b>1,298,464</b>	<b>919,200</b>

### 17. Employee benefit expenses

	March 31, 2016	March 31, 2015
	Rs.	Rs.
Salaries and bonus	23,460,940	21,472,347
Contribution to provident and other funds	998,105	739,421
Gratuity expense (refer note 22)	772,110	814,577
Staff welfare expenses	2,075,943	1,428,405
	<b>27,307,098</b>	<b>24,454,750</b>

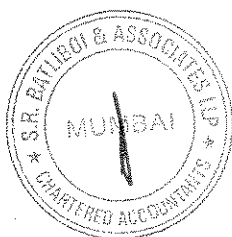


# Southern Digital Screenz India Private Limited

## Notes to financial statements for the year ended March 31, 2016

### 18. Other expenses

	March 31, 2016	March 31, 2015
	Rs.	Rs.
Virtual print fee sharing	140,828,419	122,406,509
Lease rental - digital cinema equipment	224,204,040	224,970,219
Repair and maintenance - exhibition equipments	24,785,728	23,080,310
Advertisement revenue share	46,494,918	34,112,140
Power and Fuel	1,101,923	800,924
Rent	6,826,098	5,042,381
Rates & taxes	1,370,396	433,791
Insurance	92,179	120,493
Repairs and maintenance		
Building	205,406	166,022
Others	258,847	165,202
Advertisement and sales promotion	1,831,381	787,672
Travelling & conveyance	3,637,217	2,462,637
Communication cost	1,678,231	1,457,641
Legal & professional fees	1,267,617	1,627,023
Transportation charges	7,053,389	8,016,250
Manpower service charges	3,490,084	3,078,657
Director's sitting fee	500,000	-
Bank charges	179,328	265,809
Loss on discarding / sale of fixed assets	-	1,545
VAT receivable written off	-	12,547,116
Less: Adjusted against provision for doubtful advances	-	(12,547,116)
Provision for doubtful advances	5,885,106	5,963,716
Provision for doubtful debts	-	221,341
Advances written off	-	10,828
Bad debts written off	1,050,074	
Less : Adjusted against provision for bad debts	(666,356)	
Auditor's remuneration (please refer (i) below)	729,104	600,000
Miscellaneous expenses	1,527,373	1,058,840
	<b>474,330,502</b>	<b>437,573,948</b>



# Southern Digital Screenz India Private Limited

## Notes to financial statements for the year ended March 31, 2016

### (i) Payment to auditor comprises

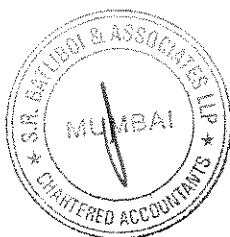
	March 31, 2016	March 31, 2015
	Rs.	Rs.
<b>As Auditor</b>		
Audit fee	700,000	1,150,000
Reimbursement of expenses	29,104	44,967
Less: Reimbursed by parent company in connection with audit for IPO	-	(594,967)
	<b>729,104</b>	<b>600,000</b>

### 19. Finance cost

	March 31, 2016	March 31, 2015
	Rs.	Rs.
<b>Interest on</b>		
-Vehicle loan	28,997	170,249
	<b>28,997</b>	<b>170,249</b>

### 20. Finance income

	March 31, 2016	March 31, 2015
	Rs.	Rs.
Interest income on bank deposit	7,935,759	976,341
	<b>7,935,759</b>	<b>976,341</b>



# Southern Digital Screenz India Private Limited

## Notes to financial statements for the year ended March 31, 2016

### 21. Earnings per share (EPS)

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

	March 31, 2016	March 31, 2015
	Rs.	Rs.
<b>Basic</b>		
Profit after tax as per statement of profit and loss	83,188,513	57,640,209
	<u>83,188,513</u>	<u>57,640,209</u>
Weighted average number of equity shares in calculating basic EPS	4,298,833	4,298,833
Earning per share	19.35	13.41
<b>Diluted</b>		
Net profit for calculation of diluted EPS	83,188,513	57,640,209
Weighted average number of equity shares in calculating basic EPS	4,298,833	4,298,833
Weighted average number of convertible preference share	606,732	606,732
Weighted average no of shares outstanding (including dilution)	4,905,565	4,905,565
Earning per share	16.96	11.75

### 22. Gratuity-employment benefit plans

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

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

#### Statement of profit and loss

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

	March 31, 2016	March 31, 2015
Current service cost	497,950	358,863
Interest cost on benefit obligation	147,182	82,639
Expected return on plan assets	(60,593)	(13,890)
Net actuarial loss recognized in the year	187,571	386,965
Net benefit expense	<u>772,110</u>	<u>814,577</u>

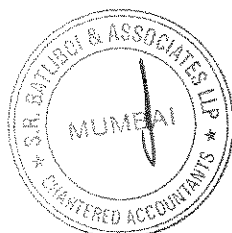
#### Balance sheet

##### Benefit asset/ liability

	Gratuity	
	March 31, 2016	March 31, 2015
	Rs.	Rs.
Present value of defined benefit obligation	2,685,678	1,861,450
Fair value of plan assets	(1,578,156)	766,339
Plan liability	<u>1,107,522</u>	<u>1,095,111</u>

#### Changes in the present value of the defined benefit obligation are

	Gratuity	
	March 31, 2016	March 31, 2015
	Rs.	Rs.
Opening defined benefit obligation	1,861,450	1,032,983
Current service cost	497,950	358,863
Interest cost	147,182	82,639
Actuarial (gains) / losses on obligation	226,865	386,965
Benefit paid	(47,769)	
Closing defined benefit obligation	<u>2,685,678</u>	<u>1,861,450</u>



8

# Southern Digital Screenz India Private Limited

## Notes to financial statements for the year ended March 31, 2016

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

	Gratuity	
	March 31, 2016	March 31, 2015
	Rs.	Rs.
Opening fair value of plan assets	766,339	
Contributions by employer	727,930	752,449
Expected returns on plan assets	131,656	
Actuarial gain/(loss) on the plan assets		13,890
Benefits paid	(47,769)	-
Closing fair value of plan assets	1,578,156	766,339
Actual return on plan assets	131,656	13,890

### The major categories of plan assets as a percentage of the fair value of total plan assets are as follows

	Gratuity	
	March 31, 2016	March 31, 2015
Investment with insurer	100%	100%

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

	Gratuity	
	March 31, 2016	March 31, 2015
Discount rate	7.75%	7.89%
Employee turnover	15%	15%
Expected returns on plan assets	8.00%	7.89%
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 expected return on assets over the accounting period is based on an assumed rate of return. The same is determined by considering the yield earned in past as well as current prevailing yield.

### Amounts for the current and previous four periods are as follows:

	31-Mar-16	31-Mar-15	31-Mar-14	31-Mar-13
Gratuity	772,110	814,577	297,111	217,995
Defined benefit obligation	2,685,678	1,861,450	1,032,983	735,872
Plan assets	1,578,156	766,339	-	-
Surplus/(deficit)	(1,107,522)	(1,095,111)	(1,032,983)	(735,872)
Experience adjustments on plan liabilities Gain/(Loss)	206,910	383,177.00	-	-
Experience adjustments on plan assets Gain/(Loss)	39,294	13,890.00	-	-

The Company expect to be pay Rs. 782,317/- (31 March 2015: Rs.727,930) to gratuity fund in the next year

### 23. Stock option in parent company - UFO Moviez India Limited

Certain employees of the Company have been granted stock options in the holding company, UFO Moviez India Limited. Since the grant of such shares is at the fair value of the shares on the date of the grant, no cost has been recorded in the books of the holding company

### 24. Leases

#### Operating lease: Company as lessee

The Company has entered into commercial leases of Digital Cinema Equipments from parent company. These leases have been entered for a term of ten years and are mutually renewable. There are no restrictions placed upon the Company by entering into these leases. The Company has sub-leased the equipments to exhibitors.

There are also leasing arrangement in respect of operating leases taken for office premises. 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 lease are generally for 11 months.

#### a. Future minimum rentals payable under non-cancellable operating leases are as follows:

	Office Premises		Digital Cinema Equipment	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Within one year	2,187,700	-	-	-
After one year but not more than five years	7,430,525	-	-	-
More than five years	1,701,776	-	-	-

b. Lease payment recognised in the statement of profit and loss	6,826,098	5,042,381	224,204,040	224,970,219
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#### Operating lease commitments -- Company as lessor

Company has leased out Digital Cinema Equipment to theatres on operating lease arrangement. The lease term is generally for ten years. The Company as well as the theatres have an option of terminating this lease arrangement any time during the tenure of the lease as per the provisions of the lease agreement.

There are also subleasing arrangement in respect of office premises with parent company and fellow subsidiary company. 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 lease are generally for 11 months.



## Southern Digital Screenz India Private Limited

### Notes to financial statements for the year ended March 31, 2016

#### 25. Segment information

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

#### 26. Related party disclosures

##### Names of related parties and related party relationship

Related parties where control exists

Holding company

UFO Moviez India Limited

##### Related parties with whom transactions have taken place during the year

Fellow subsidiary company

Key management personnel

Relatives of key management personnel

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

Scrabble Entertainment Limited

Mr Usman Fayaz

Ms. Lavanya Nandakumar, company secretary

Ms. Amrin Rizwan

Mr. Usman Faheed

Gayathri Auto Services

Clemet Ventures Private Ltd (Ufx Ventures Private Limited)

UF Media Private Limited

GI Technology Private Limited

Associate of fellow subsidiary company

Scrabble Digital Limited

##### Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

##### a. Sale/purchase of services

##### UFO Moviez India Limited - Holding company

Transactions	March 31, 2016 Rs.	March 31, 2015 Rs.
Sale of services - Advertisement revenue	199,991,657	143,479,596
Lease Rental- paid	224,429,882	224,850,219
Lease Rental- Received from sublease of premises	1,163,640	871,000
Virtual print fee sharing	140,828,419	122,370,768
Recovery of expenses	1,833,733	2,886,347
Security deposit paid- Sub lease	652,714	-
Security deposit received - Sub lease	497,692	-

##### Scrabble Entertainment Limited - Fellow subsidiary company

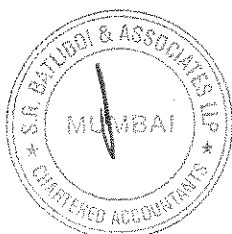
Transactions	March 31, 2016 Rs.	March 31, 2015 Rs.
Lease Rental - Received	134,824	48,200
Security deposit received - Sub lease	53,233	-

##### Scrabble Digital Limited - Associate of Fellow subsidiary company

Transactions	March 31, 2016 Rs.	March 31, 2015 Rs.
Recovery of expenses	480,058	578,380

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

Transactions	March 31, 2016 Rs.	March 31, 2015 Rs.
Repairs and Maintenance		
Gayathri Auto Services	177,356	46,766
Lease rental expense		
Mrs. Amrin Rizwana	1,892,994	1,895,437
Recovery of expenses		
-Mrs. Amrin Rizwana	-	156,217
Mr. Usman Fayaz	-	56,795
Sale of Vehicle		
Mr. Usman Faheed	-	1,541,401



# Southern Digital Screenz India Private Limited

## Notes to financial statements for the year ended March 31, 2016

### b. Balance Outstanding at the year end

	March 31, 2016 Rs.	March 31, 2015 Rs.
<b>Balances Payable</b>		
- Mrs. Amrin Rizwana	166,834	155,636
- Gayathri Auto Services	-	21,591
- UFO Moviez India Limited		8,954,678
<b>Security deposit received :</b>		
- UFO Moviez India Limited	497,692	
- Scrabble Entertainment Limited	53,233	
<b>Balance receivable</b>	March 31, 2016 Rs.	March 31, 2015 Rs.
- UFO Moviez India Limited	10,310,848	-
<b>Security deposit given :</b>		
- Gayathri Auto Services	20,000	20,000
- Mrs. Amrin Rizwana	464,896	464,896
- UFO Moviez India Limited	652,714	-

### c. Remuneration to key managerial personnel

	March 31, 2016 Rs.	March 31, 2015 Rs.
Ms. Lavanya Nandakumar		
Salary, bonus and contribution to provident fund	2,940,235	2,633,676
	<b>2,940,235</b>	<b>2,633,676</b>

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole.

### 27. Capital commitments

	March 31, 2016 Rs.	March 31, 2015 Rs.
Capital commitments	7,489,415	-
(estimated amount of contract remaining to be executed on capital account and not provided for (net of advances))		
	<b>7,489,415</b>	<b>-</b>

### 28. Pending litigations

	March 31, 2016 Rs.	March 31, 2015 Rs.
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#### a. Contingent liabilities

In respect of income tax matters, where the Company has preferred an appeal

The Company has received assessment order u/s 143(3) of income tax for the assessment year 2013-14, in which the advertisement charges of Rs. 60,00,000/- paid to related party is disallowed u/s 42(2) a of the income tax act.

2,076,480

The Company is contesting the demand for income tax matters and the management, including its tax advisors, believe that its position will likely be upheld in the appellate process. No tax provision 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 Company's financial position and results of operations

#### b. Provision for indirect taxes

As at March 31, 2016, the Company continues to provide towards probable indirect taxes as below:

Statue	Relevant financial year	March 31, 2016 Rs.	March 31, 2015 Rs.
i. Andhra Pradesh VAT act - Refund of caution deposit paid on appeal	2011-12	1,465,752	1,465,752
ii. Kerala VAT act - Disallowance of claim of input tax credit	2011-12	1,017,025	1,017,025



## Southern Digital Screenz India Private Limited

### Notes to financial statements for the year ended March 31, 2016

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

The Company does not have suppliers who are registered as micro, small or medium enterprise under the micro, small and medium enterprises Development Act, 2006 as at March 31, 2016. The information regarding micro, small and medium enterprises has been determined on the basis of information available with the management.

#### 30. Previous year figures

Previous year figures are regrouped and reclassified where ever necessary, to confirm to this year's classification.

As per our report of even date

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W/ E 300004

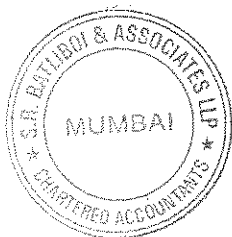
per Govind Khuja

Partner

Membership No.: 48966

Place of signature: Mumbai

Date: May 26, 2016



For and on behalf of the board of directors of  
Southern Digital Screenz India Private Limited

Usman Fayaz

Whole time Director

Place of signature: Mumbai

Date: May 26, 2016

Lavanya Nandakumar

CFO & Company Secretary

Place of signature: Mumbai

Date: May 26, 2016

Ashish Malushte

Director

Place of signature: Mumbai

Date: May 26, 2016