



P.R. MEHRA & CO.

CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF V.N. FILMS PRIVATE LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **V.N. FILMS PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2015, the Statement of Profit and Loss and the 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 standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the 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 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 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these Standalone 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 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 the 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, but not for the purpose of expressing an opinion on whether the company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the 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 standalone financial statements.



Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2015;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to note no. 21 of the financial statements, which indicate that in spite of erosion of net worth, the accounts of the company has been prepared on a going concern basis primarily due to the financial support of the holding company.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

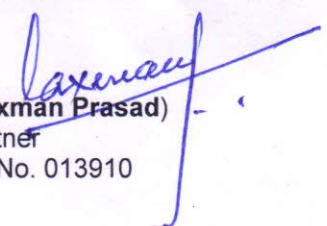
As required by Section 143 (3) of the Act, we report that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid standalone 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 the written representations received from the directors as on 31st March, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) 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 does not have any pending litigations which would impact its financial position.
 - (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

Place: New Delhi
Date: 21-07-2015



For P. R. Mehra & Co.
Chartered Accountants
(Registration No. 000051N)


(Laxman Prasad)
Partner
M. No. 013910

V N Films Private Ltd

Balance Sheet as at 31st March 2015

	Notes	As At 31st March 2015 Rs .	As At 31st March 2014 Rs .
EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	3	100,000	100,000
Reserve and Surplus	4	(5,012,607)	(2,104,315)
		(4,912,607)	(2,004,315)
Non-Current Liabilities			
Long Term Provisions	5	44,642	56,884
		44,642	56,884
Current Liabilities			
Short Term Borrowing	6	38,598,063	4,500,000
Trade Payables	7	2,724,388	197,513
Other Current Liabilities	8	640,514	3,520,520
Short Term Provisions	9	130,000	130,000
		42,092,965	8,348,033
TOTAL		37,225,000	6,400,602
ASSETS			
Non - Current Assets			
Fixed Assets	10	-	-
Tangible Assets		-	-
Intangible Assets		-	-
Non-Current Investments	11	27,000,000	225,000
Other Non-Current Assets	12	6,025,000	25,000
Current Assets			
Trade Receivables	13	105,155	353,180
Cash and cash equivalents	14	2,305,551	319,778
Short Term Loans and advances	15	787	1,369,976
Other Current Assets	16	1,788,507	4,107,668
		4,200,000	6,150,602
TOTAL		37,225,000	6,400,602
Significant Accounting Policies	2		

See accompanying notes forming part of the financial statements
In terms of our report of even date attached.

For P. R. MEHRA & CO.
Chartered Accountants

(LAXMAN PRASAD)
Partner
M. No. 013910

Place : New Delhi
Date : 21st July 2015

For and on behalf of the Board of Directors

Ashish Malushte
Director

Ulhas Potnis
Director



Statement of Profit and Loss for Year Ended 31st March 2015

	Notes	For the year ended 31st March 2015 Rs.	For the year ended 31st March 2014 Rs.
Income			
Revenue from Operations (Gross)	17	3,606,881	2,743,926
Other Income	18	8,343,056	385,740
Total Revenue		11,949,937	3,129,666
Expenses			
Employee Benefit Expenses	19	1,005,013	664,400
Financial Cost	20	9,527,219	412,379
Depreciation	10	-	14,439
Other Expenses	21	4,325,997	3,031,481
Total Expenses		14,858,229	4,122,699
Profit /(Loss) before tax		(2,908,292)	(993,033)
Tax Expenses			
Provision for Income Tax (MAT)		-	-
Deferred Tax Expenses		-	289,603
Total Tax Expenses		-	289,603
Profit /(Loss) for the year from continuing operations		-	(1,282,636)
Profit /(Loss) for the year from discontinuing operations		(2,908,292)	
Basic / diluted earning per equity share of face value of Rs. 10/- each		(290.83)	(128.26)

Significant Accounting Policies. 2

See accompanying notes forming part of the financial statements

In terms of our report of even date attached.

For P. R. MEHRA & CO.

Chartered Accountants



(LAXMAN PRASAD)

Partner

M. No. 013910

Place : New Delhi

Date : 21st July 2015

For and on behalf of the Board of Directors

Ashish Malushte

Director

Ulhas Potnis

Director

V N Films Private Ltd

Cash Flow Statement For The Year Ended 31st March 2015

Sr. No	Description	For the year ended 31st March 2015 Rs.	For the year ended 31st March 2014 Rs.
A	Cash Flow From Operating Activities		
	Net Profit / (Loss) After Tax	(2,908,292)	(1,282,636)
	Add:		
	Depreciation from Continuing Operations	-	14,439
	Provision for Income Tax (MAT)	-	-
	Deferred Tax	-	289,603
	Loss/(profit) on sale of fixed assets	-	-
	Interest Expenses	9,518,116	410,983
	Operating Profit before Working Capital Changes	6,609,824	(567,611)
	Increase/ (Decrease) in Non Current Liabilities	(12,242)	17,134
	Increase/ (Decrease) in Trade Payable	2,526,875	10,285
	Increase/ (Decrease) in Other Current Liabilities	(2,880,006)	1,044,382
	Increase/ (Decrease) in Short Term Provision	-	-
	(Increase) / Decrease in Trade Receivable	248,025	(305,943)
	(Increase) / Decrease in Loans and Advances	1,369,189	(32,411)
	(Increase) / Decrease in Other Current Assets	2,319,160	(855,372)
	(Increase) / Decrease in Other Non Current Assets	(6,000,000)	-
	Net Cash Inflow / Outflow from Operating activities (a)	4,180,826	(689,536)
B	Cash flow from Investing Activities		
	Investment in Joint Venture	(26,775,000)	(225,000)
	Net Cash Inflow / Outflow from Investing activities (b)	(26,775,000)	-
C	Cash Flow from Financing Activities		
	Loan Secured From Bank	-	-
	Increase / (Decrease) in Unsecured Loan	34,098,063	1,500,000
	Interest Paid	(9,518,116)	(410,983)
	Net Cash Inflow / Outflow from Financing activities (c)	24,579,947	1,089,017
	Net increase/Decrease in Cash & Cash Equivalent (a + b + c)	1,985,773	174,481
	Cash & Cash Equivalents as on 31.03.2014	319,778	145,297
	Cash & Cash Equivalents as on 31.03.2015	2,305,551	319,778

Note: (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"

As per our report of even date attached.

For P. R. MEHRA & CO.
Chartered Accountants

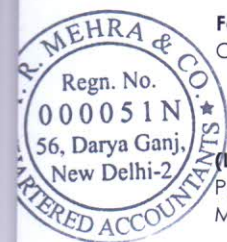
(LAXMAN PRASAD)
Partner
M. No. 013910

Place : New Delhi
Date : 21st July 2015

For and on behalf of the Board of Directors

Ashish Malushte
Director

Ulhas Potnis
Director



V N Films Private Ltd

Notes to Financial Statements for the Year Ending on 31st March 2015

1. GENERAL INFORMATION: The Company was incorporated as Private Limited Company on 22nd February, 2007 under the provisions of Companies Act, 1956. The Company is mainly engaged in the business of providing services with respect to Exhibition & Distribution of Movies. The company is a wholly owned subsidiary of UFO Moviez India Limited.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. BASIS OF ACCOUNTING

The accounts are prepared on Historical Cost Convention based on accrual method of Accounting, and in accordance with applicable mandatory Accounting Standards except where otherwise stated.

2.2 RECOGNITION OF INCOME: "Substance over form" is the basis for revenue booking.

Programming

The Company enters into contracts with theatre owners for programming the theatres for a contracted period.

The Programming revenue comprises of the service charges / commission is recognised on the date of exhibition of the films.

Distribution

The company enters into weekly/periodical arrangements with cinemas for Exhibition / Exploitation of films, taken from Producer / Distributors on terms of service charges or on commission basis.

Revenue from Distribution is recognised on the date of exhibition of the films.

2.3 RECOGNITION OF EXPENSES

Expenses are accounted on the accrual basis and provisions are made for all known losses and liabilities

2.4 MISCELLANEOUS EXPENDITURE

The expenses incurred prior to the incorporation are recognized as Preliminary Expenses. The company has charged off such expenses in the first financial accounts and has not carried forward any such expenses, being intangible in nature.

2.5 FIXED ASSETS

Fixed assets are stated at cost less depreciation. All costs relating to acquisition and installation of fixed assets are capitalized.

2.6 DEPRECIATION & AMORTIZATION

Depreciation is provided at the rates & manner specified in Schedule II of the Companies Act-2013.

V N Films Private Ltd

Notes to Financial Statements for the Year Ending on 31st March 2015

2.7 RETIREMENT BENEFITS

Contribution to defined Contribution Schemes such as Provident Fund and Pension Fund are not applicable to the Company presently.

Liabilities towards gratuity to employees and for leave encashment, determined on the basis of actual period of services rendered by employees calculated manually on Balance Sheet date, is provided for in the Books of Accounts.

2.8 TAXATION

Current Tax: Provision for current taxes on income is made on the basis of the actual liability for the period.

Deferred Tax: Deferred tax is recognized, subject to consideration of prudence, on timing differences.

V N Films Private Ltd

Notes to Financial Statements for Year Ended 31st March 2015

	As At 31st March 2015 Rs.	As At 31st March 2014 Rs.
3 Share Capital		
Authorised		
50,000 Equity Shares of Rs. 10/- Each (P.Y. 10,000 Equity Shares of Rs. 10/- Each)	500,000	100,000
	500,000	100,000
Issued, Subscribed and Paid-Up		
10,000 Equity Shares of Rs. 10/- Each, Fully Paid-Up (All the above shares are held by UFO Moviez India Limited, the Holding Company)	100,000	100,000
	100,000	100,000
Reconciliation of the number of shares outstanding:		
	As At 31st March 2015 Rs.	As At 31st March 2014 Rs.
Outstanding at the beginning of the year	10,000	10,000
Issued during the year	-	-
Outstanding at the end of the year	10,000	10,000
Details of shareholders holding more than 5% of shares		
	As At 31st March 2015 Rs. (No. of shares & %)	As At 31st March 2014 Rs. (No. of shares & %)
UFO Moviez India Limited- Holding Company	10,000 {100%}	10,000 {100%}
4 Surplus/(Deficit)		
Balance at the beginning of the year	(2,104,315)	(821,679)
Surplus during the year	(2,908,292)	(1,282,636)
Balance at the end of the year	(5,012,607)	(2,104,315)
5 Long Term Provisions		
Provision For Gratuity	25,269	29,192
Provision For Leave Encashment	19,373	27,692
	44,642	56,884
6 Short - Term Borrowings		
From Related Party		
Unsecured Loan from UFO Moviez India Limited (The above loan is repayable on demand)	36,250,000	4,500,000
Interest Accrued and due	2,348,063	-
	38,598,063	4,500,000
7 Trade Payables		
Trade Creditors	2,724,388	197,513
	2,724,388	197,513

V N Films Private Ltd

Notes to Financial Statements for the Nine Months Ending 31st March 2015

	As At 31st March 2015 Rs.	As At 31st March 2014 Rs.
8 Other Current Liabilities		
Other Liabilities	100,000	74,991
TDS on Interest	501,514	-
TDS on Profession	10,000	-
Advance From Customers	29,000	3,445,529
	640,514	3,520,520
9 Short-Term Provisions		
Provisions for taxes	130,000	130,000
	130,000	130,000
11 Non Current Investments (Trade)		
Investment in Equity Shares (unquoted)		
Mukta VN Films Limited	27,000,000	225,000
Subscription of 27,00,000 Equity Shares of Rs.10/- (P.Y 22,500 Equity Shares of Rs.10/-)		
	27,000,000	225,000
12 Other Non Current Assets		
Deposits		
(Under Lien with Sales Tax)	25,000	25,000
Share Warrants	6,000,000	-
(Refer note no.29)		
	6,025,000	25,000
13 Trade Receivables		
(Unsecured - Considered Good)		
Debts outstanding for a period exceeding six months		
Other Debts	105,155	353,180
	105,155	353,180
14 Cash and Cash Equivalents		
Cash In Hand	3,832	4,857
In Current Account with Scheduled Banks	2,301,719	314,921
	2,305,551	319,778
15 Short Term Loans and advances		
(Unsecured - Considered Good)		
Other Advances	787	1,369,976
	787	1,369,976
16 Other Current Assets:		
Service Tax Input	324,430	775
Advance Tax	250,000	130,460
Tax Deducted at Source	1,214,077	709
Amount recoverable	-	3,975,724
	1,788,507	4,107,668

V N Films Private Ltd

Notes to Financial Statements for the Nine Months Ending 31st March 2015

	As At 31st March 2015 Rs.	As At 31st March 2014 Rs.
17 Revenue From Operations		
Theatrical Exhibition	1,475	17,735
Programming Revenue	3,605,406	2,726,191
	3,606,881	2,743,926
18 Other Income		
Miscellaneous Income	12,242	384,241
Bad Debts Recovery	31,399	1,499
Interest Income	8,297,781	-
Interest received on Refund	1,602	-
Sundry Balance Write back	32	-
	8,343,056	385,740
19 Employee Benefit Expense		
Salaries, Wages & Bonus	1,005,013	607,516
Gratuity	-	29,192
Leave Encashment	-	27,692
	1,005,013	664,400
20 Financial Cost		
Bank Charges	1,793	1,396
Interest on Loan	9,518,116	410,983
Interest on TDS	7,310	-
	9,527,219	412,379
21 Other Expenses		
Repairs & Maintenance - Others	-	10,575
Rent, Rates & Taxes	5,010	446,610
Legal & Professional	22,936	12,500
Business Development Charges	120,000	1,800,000
Audit Fees	300,000	25,000
Travelling & Conveyance	30,402	112,749
Commission	3,384,739	168,929
CDC Charges	8,000	10,000
Communication Charges	96,714	-
Postage, Telephone & Stationary	18,623	123,178
Advertisement & Marketing	24,261	48,790
Miscellaneous Expenses	87,809	927
Manpower Consultancy Charges	155,768	225,647
Bad Debts Written off	-	46,576
Theatre Expenses	66,224	-
Lodging & Boarding Charges	5,511	-
	4,325,997	3,031,481

10 Fixed Assets

V N Films Private Ltd

SR. NO.	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		AS AT 01/04/2014	ADDITION DURING THE PERIOD	DELETION DURING THE PERIOD	AS AT 31/03/2015	AS AT 01/04/2014	FOR THE PERIOD	IMPAIRMENT LOSS, If Any	ON DELETION	AS AT 31/03/2015	AS AT 31/03/2014
1	Tangible Assets COMPUTER EQUIPMENT	-	-	-	-	-	-	-	-	-	-
2	Intangible Assets COMPUTER SOFTWARE	-	-	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-	-	-
	Previous year	250.025	-	-	250.025	235.586	14.439	-	-	250.025	14.439

V N Films Private Ltd

Notes to Financial Statements for the Year Ending on 31st March 2015

21. (a) The accumulated loss of the Company at the year-end exceeds paid up capital of the company. However, the accounts of the Company have been made on a going concern basis primarily due to the financial support of the holding Company.

(b) During the year, the company has entered into a joint venture agreement with M/s Mukta Arts Limited, whereby the company has agreed to discontinuing the film programming services which had been the main source of Income of the company thereby impacting the going concern concept, However no adjustments to assets / liabilities are contemplated considering events subsequent to Balance Sheet and business model.

22. The Company is mainly engaged in the business of Exhibition & Distribution of Movies. All activities of the Company revolve around this main business. As such, there are no separate reportable segments in accordance with the requirement of Accounting Standard 17 on Segment Reporting, issued by The Institute of Chartered Accountants of India.

	As at 31 st March 2015	(Rs in lacs) As at 31 st March 2014
23. Contingent Liabilities	Nil	Nil
24. Capital Expenditure Commitments	Nil	Nil
25. Earnings in Foreign Exchange	Nil	Nil
26. Expenditure in Foreign Exchange	Nil	Nil
27. Provision for Income Tax is based on the assessable profit of the Company computed in accordance with the Income Tax Act, 1961. In view of loss, during the current period no provision for Income Tax/ deferred tax has been made in the Accounts.		
28. The Company during the year in accordance with tripartite agreement with entered with debtors/ creditors adjusted the outstanding mutually.		
Debtors/ Creditors are subject to confirmation.		
29. The company during the year has invested Rs. 60,00,000/- (previous year NIL) in 6,00,000/- warrants in joint venture company Mukta V N Films Ltd with an option to convert them into 6,00,000/- fully paid up equity shares of Rs. 10/- each in Mukta V N Films Ltd on occurrence of any of three events as per terms of issues of warrants.		
With the consent of company on 17th July' 2015, 3,60,000 warrants (Rs. 36,00,000/-) have been converted into 3,60,000 numbers of Compulsorily Convertible Preference Share (CCPS), face value of Rs. 10/- each, which would be converted into 3,60,000 fully paid equity shares as per terms of issue of CCPS.		
30. The Company does not owe any amount outstanding for a period of more than 30 days to Small Scale Industrial undertaking at the Balance Sheet date. This is based on the information available with the management.		

No Enterprises have been identified as "Supplier" under the Micro, Small and Medium Enterprises Development Act, 2006.

V N Films Private Ltd

Notes to Financial Statements for the Year Ending on 31st March 2015

31. Payment to Auditors

Particulars	Current Year	Previous Year
As Audit fees	1,00,000	25,000
Other service (certification of financial statement)	2,24,720	NIL

32. Earnings Per Share (EPS)

Particular	Year ended 31/03/2015	Period ended 31/03/2014
Profit / (Loss) after tax	Rs. (29,08,292)	Rs. (12,82,636)
The weighted average number of Ordinary Equity Shares for EPS	No. 10,000	No. 10,000
The nominal value of per Ordinary Equity Shares	Rs. 10/-	Rs. 10/-
Earnings Per Share	Rs. (290.83)	Rs. (128.26)

V N Films Private Ltd

Notes to Financial Statements for the Year Ending on 31st March 2015

33. RELATED PARTY

Disclosure of Related Party transaction in accordance with Accounting Standard (AS) 18

"Related Party Disclosures" issued by the Institute of Chartered Accountants in India:
List of Related Party with transaction have taken place and relationship

Transaction during the period ended 31st March 2015 with related party:

Nature of Related Party Transaction	Relationship	Nature of transactions	Amount of transactions during the year	Balance as at 31st March 2015
UFO MOVIEZ INDIA LIMITED	HOLDING COMPANY	CDC Charges	2,246	NIL
		Unsecured Loan Taken	7,45,00,000	3,62,50,000
		Interest	95,18,116	26,08,959
MUKTA V N FILMS LIMITED	JOINT VENTURE COMPANY	Investments	26,775,000	27,000,000
		Share Warrants	60,00,000	60,00,000
		Unsecured Loan Given	7,45,00,000	NIL
		Interest	82,97,781	NIL
		Deposit	1,00,000	NIL
		Charges	20,76,904	27,05,607

34. Previous year's figures have been regrouped/rearranged wherever necessary for the purposes of comparison.

In terms of our report of even date attached

For P. R. MEHRA & CO.
Chartered Accountants

For and on behalf of the Board of Directors



(LAXMAN PRASAD)
Partner
M. No. 013910

Ashish Malushte
Director

Uthas Potnis
Director

Place : New Delhi
Date : 21st July 2015