

UTV COMMUNICATIONS (USA) LLC

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

FOR THE YEARS ENDED MARCH 31, 2016 AND MARCH 31, 2015

UTV COMMUNICATIONS (USA) LLC

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The CPA. Never Underestimate The Value.®

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INDEPENDENT AUDITORS' REPORT

To
The Member
UTV Communications (USA) LLC

We have audited the accompanying balance sheet of UTV Communications (USA) LLC as of March 31, 2016 and March 31, 2015, and the related statements of income and member's equity for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis of our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UTV Communications (USA) LLC as of March 31, 2016 and March 31, 2015, and the results of operations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, appearing to read "Rajeev Aggarwal", with a long horizontal flourish extending to the right.

RAJEEV AGGARWAL
Certified Public Accountant

June 18, 2016

UTV COMMUNICATIONS (USA) LLC

BALANCE SHEETS
FOR THE YEARS ENDED MARCH 31, 2016 AND MARCH 31, 2015

	31-Mar-16	31-Mar-15
ASSETS		
Current Assets		
Cash and cash equivalents	\$1,424,672	\$988,977
Accounts receivable	50,188	547,187
Unbilled receivables	199,949	947,004
Acquisition	0	540,285
Films in progress	<u>7,362</u>	<u>4,546</u>
Total current assets	<u>1,682,170</u>	<u>3,027,999</u>
Other Assets		
Security deposits	22,785	14,135
Prepayment & advances	<u>161,924</u>	<u>126,945</u>
Total other assets	<u>184,709</u>	<u>141,080</u>
Property and equipment, net of depreciation	<u>2,033</u>	<u>0</u>
Investments:		
Redeemable Pref Shares	<u>9,515,000</u>	<u>9,515,000</u>
Total Investments	<u>9,515,000</u>	<u>9,515,000</u>
TOTAL ASSETS	<u>\$11,383,912</u>	<u>\$12,684,079</u>
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Accounts payable	\$ 823,983	\$577,881
Accrued expenses and taxes	1,032	1,032
Due to related party	<u>11,611,287</u>	<u>17,663,487</u>
Total current liabilities	<u>12,436,302</u>	<u>18,242,400</u>
Member's Common Equity	<u>(1,052,390)</u>	<u>(8,396,349)</u>
Accumulated other Comprehensive Income (Loss)	0	2,838,028
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$11,383,912</u>	<u>\$12,684,079</u>

The accompanying notes and auditors' report should be read with financial statements.

UTV COMMUNICATIONS (USA) LLC

STATEMENT OF INCOME AND MEMBER'S EQUITY
FOR THE YEARS ENDED MARCH 31, 2016 AND MARCH 31, 2015

	31-Mar-16	31-Mar-15
Net revenue	\$4,481,643	\$8,087,071
Cost of operations	5,301,236	6,103,793
Gross profit	<u>(819,593)</u>	<u>1,983,277</u>
Selling, general and administrative expenses	742,071	662,147
Income from operations	<u>(1,561,664)</u>	<u>1,321,130</u>
Interest income	0	6,527
Foreign Exchange Gains / (Loss)	3,105,622	664,880
Impairment of Inter-company receivables	0	(2,927,660)
Income before income taxes	<u>1,543,959</u>	<u>(935,123)</u>
Provision for income taxes	0	0
Net income	<u>1,543,959</u>	<u>(935,123)</u>
Member's equity -beginning	(8,396,349)	(7,461,225)
Add: Contribution during the year	5,800,000	0
Member's equity -end	<u>(\$1,052,390)</u>	<u>(\$8,396,349)</u>

The accompanying notes and auditors' report should be read with financial statements.

UTV COMMUNICATIONS (USA) LLC

Summary of Significant Accounting Policies & Notes on Accounts:

Nature of Business

UTV Communications (USA) LLC ("the Company") was formed on April 26, 2004, under the laws of the State of Delaware. The Company engages in distribution, marketing and sale of cinematographic films, including producing, sale, and distribution of films in video cassettes, video discs, video compact discs and DVD format throughout the United States and other countries. The Company's sole member is UTV Software Communications Ltd. Mumbai, India.

Foreign Currency Translation:

According to SFAS 52, "Foreign Currency Translation", gain or loss is realized on the settlement of functional currency. The company's related party dues are designated at the local currency of such related party. The company has not recognized additional appreciation or depreciation on foreign currency translations during the year as it is considered by the parent company. The foreign currency translation adjustments are recorded as foreign currency translation reserve, a separate component of stockholder's equity.

Amortization of Acquisition and Deferred Costs and Revenue Recognition

In accordance with Statement of Position ("SOP") No. 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2"), the Company capitalizes, and amortizes acquisition and deferred costs and accrues (expenses) related costs using the individual-film-forecast-computation method, which amortizes or accrues (expenses) such costs in the same ratio that current period actual revenue (numerator) bears to estimated remaining unrecognized ultimate revenue as of the beginning of the current fiscal year (denominator).

The Company begins amortization of such capitalized costs when a film is released and begins to recognize the revenue from that film. The film cost is stated at the lower of unamortized cost or estimated fair value on an individual film.

Revenue forecasts for the films are continually reviewed by management and revised when warranted by changing conditions. When estimates of total revenues and other events or changes in circumstances indicate that a film has a fair value that is less than unamortized cost, a loss is recognized currently for the amount by which the unamortized cost exceeds the film fair value.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"). No provision for Income tax is required for the current financial year ending March 31, 2016, in view of tax amortization which is in excess of the book amortization.

UTV COMMUNICATIONS (USA) LLC

Accounts Receivable

The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Company's estimate is based on historical collection experience and a review of the current status of trade accounts receivable. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change. The company has not provided any provision for doubtful accounts as of March 31, 2016 and 2015, since all debtors are considered collectible.

Unbilled Receivables

The Company distributes films to movie theatres. When the share of revenue is not guaranteed to the Company, the Company records estimated share of revenue based as per industry practice, and historical experience. The balance of the revenue is recorded when received.

Property, Equipment and Depreciation

Property and equipment is stated at cost. Major expenditures for property and expenditures that substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation is removed from the accounts and resulting gains or losses are included in operations. Depreciation is computed by using straight-line methods over the estimated useful lives of the related assets.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Advertising and Promotion Costs

Advertising and promotion costs are expensed as incurred and included in cost of operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Related Party Transaction

During the current year ended March 31, 2015, the company made purchases for \$2,927,241 (previous year \$3,985,184) from related parties. As of March 31, 2015, the due to related parties are \$11,611,287 (previous year \$17,663,487).

UTV COMMUNICATIONS (USA) LLC

Cash and Cash Equivalents

For the years ended March 31, 2016 and 2015, the bank balance exceeded the FDIC insured limit of \$250,000 per bank.

Operating Lease

The Company has rented office facilities in New Jersey and in California with one year lease commitments.

UTV COMMUNICATIONS (USA) LLC

SUPPLEMENTARY INFORMATION

COST OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2016 AND MARCH 31, 2015

COST OF OPERATIONS		
	Year Ending 31-Mar-16	Year Ending 31-Mar-15
Inventories – Beginning	\$0	\$0
Purchases – Film rights & prints	3,854,516	4,663,201
Film cost amortization expensed	540,285	648,342
Shipping & Freight & Logistics Cost	277,656	249,525
Advertisement & Promotion Cost	628,778	542,725
	<u>5,301,236</u>	<u>6,103,793</u>
Less: Inventories – End	0	0
Cost of Operations	<u>\$5,301,236</u>	<u>\$6,103,793</u>

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED MARCH 31, 2016 AND MARCH 31, 2015

	Year Ending 31-Mar-16	Year Ending 31-Mar-15
Personnel	\$459,741	\$416,224
Bonus & Performance Incentives	\$106,756	\$30,053
Welfare	\$28,966	24,687
Bank Charges	\$4,354	4,430
Box Office & Distribution support service	\$6,450	6,000
Dues & Subscription	\$249	714
Office Supplies	\$1,531	2,955
Professional Fee	\$15,000	15,000
Rent	\$69,026	71,977
Communications	\$12,193	13,710
Travel, Entertainment & Conferences	\$16,297	61,480
E&O Insurance	\$14,942	14,916
Other Expenses	\$5,550	0
Depreciation	1,016	0
	<u>\$742,071</u>	<u>\$662,147</u>