

**UTV COMMUNICATIONS (USA) LLC**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED MARCH 31, 2018 AND MARCH 31, 2017**

UTV COMMUNICATIONS (USA) LLC

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**RAJEEV AGGARWAL**  
**CERTIFIED PUBLIC ACCOUNTANT**  
38 WEST 32 STREET, SUITE#1511, NEW YORK, NY 10001  
TEL: 212-537-6110 / FAX: 732-396-9675

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, 2018 and March 31, 2017, 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, 2018 and March 31, 2017, 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

July 16, 2018

UTV COMMUNICATIONS (USA) LLC

**BALANCE SHEETS**  
**FOR THE YEARS ENDED MARCH 31, 2018 AND MARCH 31, 2017**

	31-Mar-18	31-Mar-17
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$2,078,345	\$2,463,317
Accounts receivable less provisions	0	0
Unbilled receivables	0	221,885
Films in progress	<u>0</u>	<u>1,405</u>
<b>Total current assets</b>	<u>2,078,345</u>	<u>2,686,607</u>
Other Assets		
Security deposits	9,216	12,436
Prepayment & advances	<u>20,153</u>	<u>12,748</u>
<b>Total other assets</b>	<u>29,369</u>	<u>25,184</u>
<b>Property and equipment, net of depreciation</b>	<u>523</u>	<u>1,958</u>
<b>Investments:</b>		
Redeemable Pref Shares	<u>9,515,000</u>	<u>9,515,000</u>
<b>Total Investments</b>	<u>9,515,000</u>	<u>9,515,000</u>
<b>TOTAL ASSETS</b>	<u><b>\$11,623,238</b></u>	<u><b>\$12,228,749</b></u>
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
Current Liabilities		
Advance from Customers	\$200,000	\$-
Accounts payable	551,463	459,382
Due to related party	<u>11,258,408</u>	<u>11,296,813</u>
<b>Total current liabilities</b>	<u>12,009,870</u>	<u>11,756,195</u>
<b>Member's Common Equity</b>	<u>(386,633)</u>	<u>472,555</u>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<u><b>\$11,623,238</b></u>	<u><b>\$12,228,749</b></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, 2018 AND MARCH 31, 2017

	31-Mar-18	31-Mar-17
<b>Net revenue</b>	\$841,271	\$6,789,818
Cost of operations	1,005,765	4,511,233
<b>Gross profit</b>	<u>(164,494)</u>	<u>2,278,585</u>
Selling, general and administrative expenses	694,693	753,640
<b>Income from operations</b>	<u>(859,187)</u>	<u>1,524,945</u>
<b>Income before income taxes</b>	<u>(859,187)</u>	<u>1,524,945</u>
Provision for income taxes	0	0
<b>Net income</b>	<u>(859,187)</u>	<u>1,524,945</u>
Member's equity -beginning	472,555	<u>(1,052,390)</u>
<b>Member's equity -end</b>	<u>(\$386,633)</u>	<u>\$472,555</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 adopted ASC 740 (formerly known as FAS 109) "Accounting for Income Taxes". No provision for Income tax is required for the current financial year ending March 31, 2018, in view of current year loss and tax amortization which is in excess of the book amortization.

#### *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 provided \$73,593 as provision for doubtful accounts as of March 31, 2018 (previous year: NIL).

## UTV COMMUNICATIONS (USA) LLC

### *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.

### *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, 2018, the company made purchases for \$516,350 (previous year \$3,701,342) from related parties. As of March 31, 2018, the due to related parties are \$11,258,408 (previous year \$11,296,813).

### *Cash and Cash Equivalents*

For the years ended March 31, 2018 and 2017, the bank balance exceeded the FDIC insured limit of \$250,000 per bank.

UTV COMMUNICATIONS (USA) LLC

SUPPLEMENTARY INFORMATION

**COST OF OPERATIONS**  
FOR THE YEARS ENDED MARCH 31, 2018 AND MARCH 31, 2017

	Year Ending 31-Mar-18	Year Ending 31-Mar-17
Inventories – Beginning	\$-	\$-
Purchases – Film rights & prints	747,463	4,022,508
Film cost amortization expensed	0	0
Shipping & Freight & Logistics Cost	58,700	179,883
Advertisement & Promotion Cost	199,602	308,842
	<u>1,005,765</u>	<u>4,511,233</u>
Less: Inventories – End	0	0
Cost of Operations\	<u>\$1,005,765</u>	<u>\$4,511,233</u>

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**  
FOR THE YEARS ENDED MARCH 31, 2018 AND MARCH 31, 2017

	Year Ending 31-Mar-18	Year Ending 31-Mar-17
Personnel	\$359,503	\$468,809
Bonus & Performance Incentives	22,988	94,878
Consulting Fee	171,020	0
Welfare	25,572	28,761
Bank Charges	3,445	4,527
Box Office & Distribution support service	6,600	6,600
Dues & Subscription	309	160
Office Supplies	1,357	3,911
Professional Fee	15,000	15,000
Rent	64,243	82,289
Communications	9,115	11,500
Travel, Entertainment & Conferences	10,102	23,675
E&O Insurance	0	9,325
Other Expenses	4,005	2,876
Depreciation	<u>1,435</u>	<u>1,330</u>
	<u>\$694,693</u>	<u>\$753,640</u>