

UTV COMMUNICATIONS (USA) LLC

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED MARCH 31, 2007

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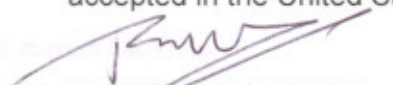
INDEPENDENT AUDITORS' REPORT

The Member
UTV Communications (USA) LLC

We have audited the accompanying balance sheet of UTV Communications (USA) LLC as of March 31, 2007, and the related statements of income and member's equity, and cash flows for the year ended March 31, 2007. 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, 2007 and the results of operations and its cash flows for the year ended March 31, 2007 in conformity with accounting principles generally accepted in the United States of America.


RAJEEV AGGARWAL
Certified Public Accountant

April 30, 2007

UTV COMMUNICATIONS (USA) LLC

BALANCE SHEET
March 31, 2007

ASSETS	31-Mar-07	31-Mar-06
Current Assets		
Cash and cash equivalents	77,429	93,361
Accounts receivable	204,792	236,324
Unbilled receivables	396,618	638,875
Inventories	90,719	121,131
Acquisitions	1,214,899	642,081
Acquisitions for related parties	11,310,391	350,608
Less: Due to related parties	<u>(10,937,282)</u>	<u>(340,408)</u>
	373,109	10,200
Other current assets	<u>137,471</u>	<u>26,924</u>
Total current assets	<u>2,495,037</u>	<u>1,768,896</u>
Property and equipment, net of depreciation	<u>8,321</u>	<u>11,142</u>
Other Assets		
Film in progress	30,199	350,608
Security deposits	<u>14,932</u>	<u>4,450</u>
Foreign Current Translation	<u>93,995</u>	<u>(2,706)</u>
Total other assets	<u>139,127</u>	<u>352,352</u>
Total assets	<u>2,642,485</u>	<u>2,132,390</u>
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Accounts payable	86,930	84,538
Advances from customers	383,727	151,267
Accrued expenses and taxes	68,435	381,760
Due to related party	1,886,008	899,807
Total current liabilities	2,425,101	1,517,372
Member's Equity	<u>217,385</u>	<u>207,101</u>
Short Term Liabilities		
Banker's Line	0	407,917
Total liabilities and member's equity	<u>2,642,485</u>	<u>2,132,390</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 year ended March 31, 2007

	31-Mar-07	31-Mar-06
Net revenue	2,124,161	3,710,268
Cost of operations	1,820,639	3,034,632
Gross profit	303,522	675,636
Selling, general and administrative expenses	290,901	476,616
Income from operations	12,621	199,020
Interest income	58	2,309
Income before income taxes	12,679	201,329
Provision for income taxes	2,394	82,871
Net income	10,285	118,458
Member's equity -beginning	207,101	88,643
Member's equity -end	217,386	207,101

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

UTV COMMUNICATIONS (USA) LLC

STATEMENT OF CASH FLOWS

For the year ended March 31, 2007

	31-Mar-07	31-Mar-06
<i>Operating Activities</i>		
Net income	10,285	118,458
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	3,122	2,132
Changes in operating assets and liabilities		
Accounts receivable	31,532	(156,562)
Unbilled receivables	242,257	(496,268)
Advances to supplier	0	145,000
Inventories	30,412	(69,165)
Acquisition costs	(572,818)	(666,184)
Other current assets	(110,547)	9,769
Accounts payable	2,392	75,943
Advances from customers	232,458	79,157
Foreign Exchange Translation	(96,701)	2,607
Accrued expenses and taxes	(313,325)	365,424
Acquisition (net) - related party	(362,909)	(10,200)
Due to related party	<u>986,201</u>	<u>(97,259)</u>
Net cash provided by operating activities	<u>82,359</u>	<u>(697,148)</u>
<i>Investing Activities</i>		
Film in progress	320,409	(38,422)
Purchase of property and equipment	(301)	(6,895)
Payment for security deposits	<u>(10,482)</u>	<u>(1,500)</u>
Net cash used in investing activities	<u>309,625</u>	<u>(46,817)</u>
<i>Financing Activities</i>		
Proceeds from member's contribution	0	0
Net cash provided / used by Line of Credit	(407,917)	407,917
Net cash provided / used by financing activities	<u>(407,917)</u>	<u>407,917</u>
Net increase in cash and cash equivalents	<u>(15,932)</u>	<u>(336,048)</u>
Cash and cash equivalents—beginning	<u>93,361</u>	<u>429,409</u>
Cash and cash equivalents—end	<u>77,429</u>	<u>93,361</u>

UTV COMMUNICATIONS (USA) LLC

Summary of Significant Accounting Policies

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.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

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. At March 31, 2007, the Company has not provided any provision for doubtful accounts.

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.

Inventories

Inventories consist of DVDs and are stated at the lower of average cost or market.

Amortization of Acquisition and Deferred Costs and Revenue Recognition

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.

UTV COMMUNICATIONS (USA) LLC

Summary of Significant Accounting Policies *(Continued)*

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.

Income Taxes

The Company has elected to be taxed as a corporation for income tax purposes. Consequently, provision has been made for federal, state and local income taxes.

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Shipping Costs

Shipping costs are included in cost of operations.

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.

UTV COMMUNICATIONS (USA) LLC

Summary of Significant Accounting Policies *(Continued)*

Foreign Exchange Transaction:

As of March 31, 2007 the foreign exchange translation liability has been stated using the last 180 days average parity rate of 1\$ = INR 44.59. This liability may fluctuate depending on the exchange rate prevalent at the respective settlement dates.

Related Party Transaction:

During the period ended March 31, 2007, the Company purchased & sold film distribution rights from / to related parties.

Commitment and Contingency

Operating Lease

The Company has rented office facilities in New Jersey with one year lease expiring in February 2008 and the company has rented office facility in California with one year lease expiring in March 2008.

Cash and Cash Equivalents

During the period ended March 31, 2007, the bank balances does not exceed FDIC insured limit of \$100,000 per bank from time to time.

Line of Credit

The Company repaid the \$640,000 Line of Credit from Union Bank of California which expired on August 1, 2006. The present outstanding balance is \$NIL.

UTV COMMUNICATIONS (USA) LLC

SUPPLEMENTARY INFORMATION

COST OF OPERATIONS
For the year ended March 31, 2007

	31-Mar-07	31-Mar-06
Inventories – Beginning	121,131	51,966
Purchases – Film rights & prints	1,246,043	2,310,649
Shipping & Freight & Logistics Cost	164,893	279,588
Theatre Checking	15,000	43,750
DVD cost	164,801	181,622
Advertisement & Promotion Cost	199,490	288,188
	<u>1,911,358</u>	<u>3,155,763</u>
Less: Inventories – End	90,719	121,131
Cost of Operations	<u>1,820,639</u>	<u>3,034,632</u>

UTV COMMUNICATIONS (USA) LLC

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
For the year ended March 31, 2007

	31-Mar-07	31-Mar-06
Payroll	96,000	165,308
Payroll Taxes	7,765	13,879
Wefare	14,565	16,869
Bank Charges	1,745	1,714
Box Office Service	6,500	6,000
Depreciation	3,122	2,132
Dues & Subscription	100	665
Marketing Services	19,000	63,000
Office	3,852	5,173
Professional Fees	72,400	73,000
Rent	35,510	47,057
Telephone	11,190	17,232
Travel & Entertainment	11,586	48,768
Other Expenses	7,566	15,819
	290,901	476,616