

TRUE GAMES INTERACTIVE, INC
(A DEVELOPMENT-STAGE COMPANY)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED MARCH 31, 2011 AND MARCH 31, 2010

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RAJEEV AGGARWAL
CERTIFIED PUBLIC ACCOUNTANT
38 WEST 32 STREET, SUITE#1511, NEW YORK, NY 10001
TEL: 212-481-4900 / FAX: 732-396-9675

INDEPENDENT AUDITORS' REPORT

To
The Stockholders
TRUE GAMES INTERACTIVE, INC
USA

We have audited the accompanying balance sheet of TRUE GAMES INTERACTIVE, INC, as of March 31, 2011 and 2010, and the related statements of operations and retained earnings for the years ending March 31, 2011 and March 31, 2010. 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 provides 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 TRUE GAMES INTERACTIVE, INC, as of March 31, 2011 and March 31, 2010, and the results of its operations for the years ending March 31, 2011 and March 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Rajeev Aggarwal", written over a horizontal line.

RAJEEV AGGARWAL
Certified Public Accountant

May 5, 2011

TRUE GAMES INTERACTIVE, INC
(A DEVELOPMENT-STAGE COMPANY)

BALANCE SHEETS
FOR THE YEARS ENDED MARCH 31, 2011 AND MARCH 31, 2010

	31-Mar-11	31-Mar-10
ASSETS		
Current assets		
Cash and cash equivalents	10,703	384,662
Accounts Receivable, net	48,444	3,542
Prepaid expenses	<u>1,650,974</u>	<u>434,006</u>
Total Current Assets	<u>1,710,121</u>	<u>822,210</u>
Property and equipment, net of accumulated depreciation	365,190	425,349
Capitalized software development costs	22,954,810	13,745,188
Other Assets		
Deposits	91,070	86,620
Foreign tax credit	<u>20,000</u>	<u>20,000</u>
Total Other Assets	<u>111,070</u>	<u>106,620</u>
TOTAL ASSETS	<u>\$ 25,141,191</u>	<u>\$ 15,099,367</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accrued liabilities & Deferred Expenses	1,444,623	995,356
Advance on Royalties	597,000	497,000
Deferred licensing fees	77,970	0
Deferred Rent	24,628	74,407
Total current liabilities	<u>2,144,221</u>	<u>1,566,763</u>
Long Term Liabilities:		
Loan from related party	<u>12,560,141</u>	<u>2,736,000</u>
Stockholders' Equity:		
Preferred stock, \$0.01 par value, 3,000,000 shares authorized, 1,200,000 shares issued and outstanding	12,000,000	12,000,000
Common stock, no par value, 1,000,000 shares authorized, 300,000 shares issued and outstanding	10,000	10,000
Capitalized Cost of Issuance of Preference Shares	(67,928)	(67,928)
Deficit accumulated during the development-stage	<u>(1,505,243)</u>	<u>(1,145,468)</u>
Total stockholders' Equity	<u>10,436,829</u>	<u>10,796,604</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u>\$ 25,141,191</u>	<u>\$ 15,099,367</u>

The accompanying notes to financial statements are an integral part of this statement.

TRUE GAMES INTERACTIVE, INC
(A DEVELOPMENT-STAGE COMPANY)

**STATEMENT OF OPERATIONS
DURING THE DEVELOPMENT STAGE**

FOR THE YEARS ENDED MARCH 31, 2011 AND MARCH 31, 2010

	31-Mar-11	31-Mar-10
Sales	\$ -	\$ -
Cost of sales	-	-
Gross profit / (Loss)	<u>-</u>	<u>-</u>
Operating expenses:		
Selling, General and Administrative expenses	359,775	490,108
Total operating expenses	<u>359,775</u>	<u>490,108</u>
Operating Income (loss)	<u>(359,775)</u>	<u>(490,108)</u>
Other income / (expense):		
Interest income (expense) (net)	-	6,790
Foreign Exchange Gain / (Loss)	-	(3,264)
State & Local Taxes	<u>-</u>	<u>(855)</u>
Total other income (expense)	<u>-</u>	<u>2,671</u>
Net Income / (loss)	<u>(359,775)</u>	<u>(487,437)</u>
Deficit accumulated during the development-stage, beginning of period	<u>(1,145,468)</u>	<u>(658,031)</u>
Deficit accumulated during the development-stage, end of period	<u>\$ (1,505,243)</u>	<u>\$ (1,145,468)</u>

The accompanying notes to financial statements are an integral part of this statement.

Summary of Significant Accounting Policies

TRUE GAMES INTERACTIVE, INC
(A DEVELOPMENT-STAGE COMPANY)

Nature of Business:

True Games Interactive, Inc, a development-stage company, was incorporated on December 28, 2007 in the state of California as an S Corporation and subsequently as of September 11, 2008, converted into a C-Corporation status upon issuance of majority of company shares to UTV Games Ltd, Mauritius. The company has authority to do business in the State of Texas. The company has no revenue and is being funded by UTV Games Ltd, Mauritius.

The company plans to develop its business into a global, multi-player / micro-transaction, interactive online game publisher. The company develops the original game concepts and ideas, scripts and preliminary designs for interactive online games and is working with world-class publishers to license existing online titles and developers to create fully developed software game-play content exclusively for online play through an internally developed game platform. The company plans to leverage micro-transaction revenue models.

Development Stage Activities:

As of March 31, 2011, the company continues to be a development-stage company and has incurred losses since inception. The company proposes to commence commercial operations from May 2011 which result will be reflected in the next fiscal year. The company has adopted FASB No.7, "Accounting and Reporting by Development Stage Enterprises" to present a statement of operations and deficit accumulated during the development stage for the years ended March 31, 2011 and 2010.

Investment:

As of March 31, 2011, the Company obtained proceeds of approximately \$12.00 million (previous year \$12.00 million) from the equity investment made by UTV Games Ltd, which are used to pay the costs of operations and software development costs of three separate interactive game titles.

Accounts Receivable and Accounts Payable

Two syndicators accounted for 100% of accounts receivable balance and a select number of vendors accounted for accounts payable as of March 31, 2011 and 2010. The company believes that the loss of one or more of its syndicators, for a short-term period until an alternate syndicator is secured or direct-play model implemented within impacted territory, could have a material impact on the Company's financial position, results of operations and cash flows.

TRUE GAMES INTERACTIVE, INC
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Capitalized Software Development Cost:

The Company accounts for software development costs in accordance with FASB No.86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed". Software development costs include development fees, in the form of milestone payments made to independent software developers, and direct payroll and overhead costs for internal development activities. Software development costs are capitalized once technological feasibility of a product is established and management expects such costs to be recoverable against future revenues.

Commencing upon the related product's release, capitalized software development are to be amortized to the cost of sales based upon the higher of the ratio of current revenue to total projected revenue. The amortization period is based on management's estimate of product life and revenue streams upon the initial release of the product. The recoverability of capitalized software development costs is evaluated based on the expected performance of the specific product for which the costs relate.

Income Taxes:

The company accounts for income taxes in accordance with FASB No.109, "Accounting for Income Taxes". Under the interpretation deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. The amount of the deferred tax asset or liability is based on the difference between the consolidated financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year and the differences are expected to reverse. As of March 31, 2011 and 2010, the company does not have any deferred taxes.

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.

Foreign Exchange Transaction:

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Realized foreign exchange gain / loss are recognized in profit and loss account. Unrealized foreign exchange gains / losses are reflected in balance sheet.

TRUE GAMES INTERACTIVE, INC
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Cash and Cash Equivalents:

During the year ended March 31, 2011, the bank balance did not exceed the FDIC insured limit of \$250,000 (in the previous year ended March 31, 2010 the bank balance exceeded the FDIC insured limit of \$250,000)..

Property & Equipment:

Property and equipment as of March 31, 2011 and 2010, consist of computer, equipment, software, and furniture and fixtures which are stated at cost, less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated lives of the related assets. The useful life of property and equipment ranges from three (3) to five (5) years.

Officers Contracts:

The company has entered into a severance agreement with its previous Chief Executive Officer as for a total amount of \$90,000 payable upto September 30, 2011.

Development Contracts:

The Company has entered into third party developer contracts for the development of its games and as of March 31, 2011 the value of such contract is \$1.3 million (previous year \$8.00 million) out of which the company has paid \$0.73 million previous year (\$4 million) and the balance \$0.57 million (previous year \$4 million) is outstanding till the completion of the project.

Operating Lease:

The company has non-cancelable operating lease agreements of its premises at Austin, Texas, expiring in March 2013.

Contingent Liabilities:

The company assures no events or transactions have occurred subsequent to the balance sheet date and through this that would require adjustment to, or disclosure in, the financial statements.

TRUE GAMES INTERACTIVE, INC
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SUPPLEMENTARY INFORMATION

GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEARS ENDED MARCH 31, 2011 AND MARCH 31, 2010

	31-Mar-11	31-Mar-10
Personnel Cost	52,775	119,387
Communications	54,657	50,978
Rent Expenses	39,700	39,759
Professional Fee	50,643	126,198
Travel & Entertainment	19,122	49,159
Game Testing	33,772	10,089
Insurance	33,151	18,670
Office Supplies	31,315	30,410
Postage & Delivery	6,538	11,163
Miscellaneous Expenses	7,956	12,926
Dues & Subscription	24,069	11,506
Bank Charges	5,270	4,667
Equipment Lease	807	2,599
Loss on Sale of Assets	-	2,597
	<u>\$ 359,775</u>	<u>\$ 490,108</u>

The accompanying notes to financial statements are an integral part of this statement.