

## AUDITORS' REPORT

**To the members of K SERA SERA DIGITAL CINEMA PRIVATE LIMITED**

**Report on the Financial Statements.**

We have audited the accompanying financial statements of K Sera Sera Digital Cinema Office Private Limited which comprise the Balance Sheet as at March 31, 2014 and statement of Profit and Loss and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

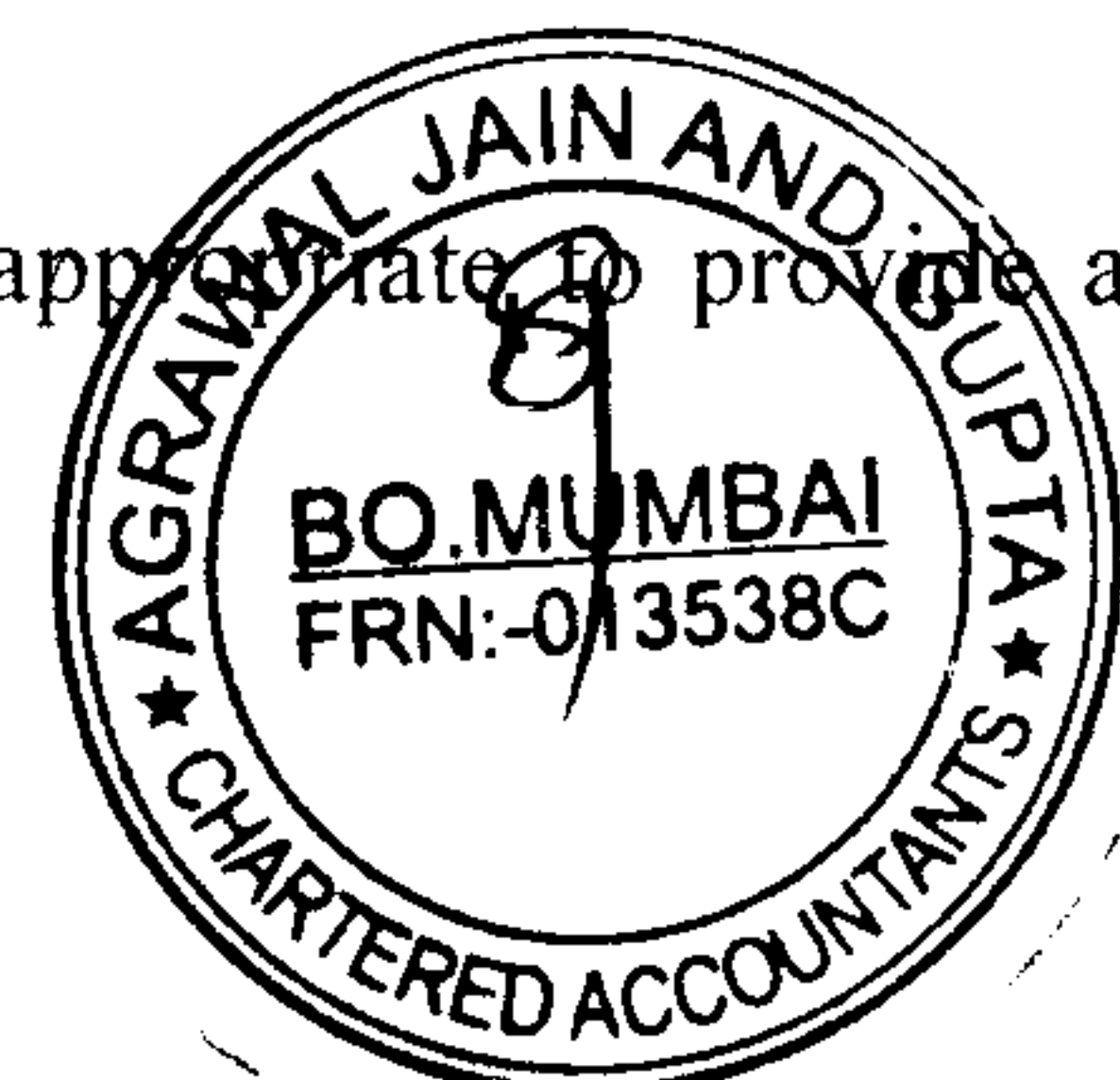
Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud and error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with the ethical requirements plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of entity's internal control. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the 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, 2014;
- (b) in the case of the Profit and Loss Account, of the Profit/Loss for the year ended on that date; and
- (c) in the case of Cash Flow Statement, of the cash flow for the year ended on that date;

## Report on other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003("the Order") issued by the Central Government of India in term of sub section (4A) of the section 227 of the Act, we give in the annexure a statement on the matters specified in paragraphs 4 and 5 of the order:
2. Required by section 227(3) of the act, we report that :
  - (i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of these books.
  - (iii) The Balance Sheet and Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of account.
  - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and cash flow statements comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (v) On the basis of written representation received from the Directors as on March 31, 2014 and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31,2014 from being appointed as a Director in terms of Section 274 (1)(g) of the Companies Act 1956.

For **Agrawal Jain & Gupta**

Chartered Accountants

FRN - 013538C



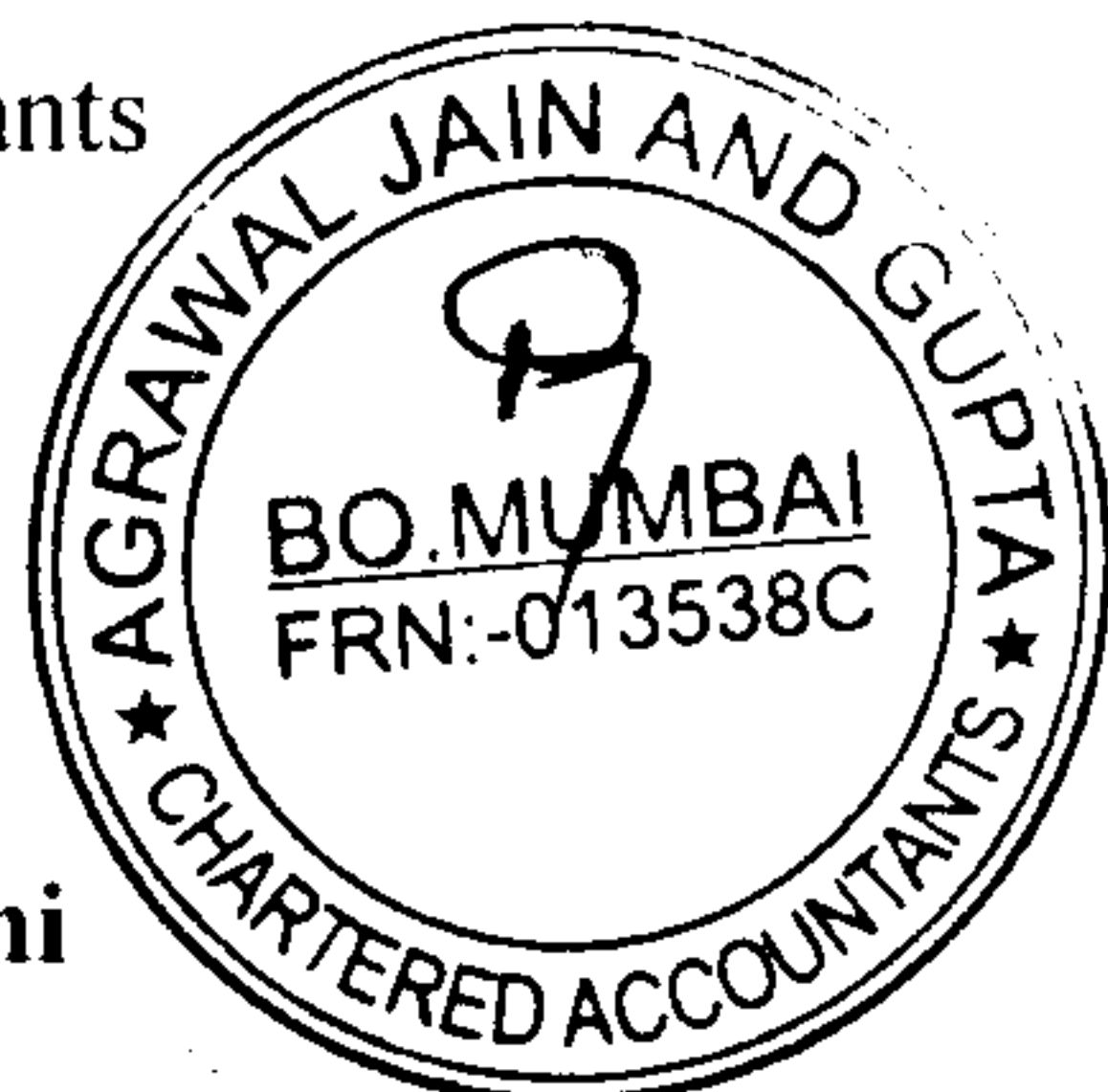
**CA Narayan Swami**

Partner

M. No – 409759

Mumbai,

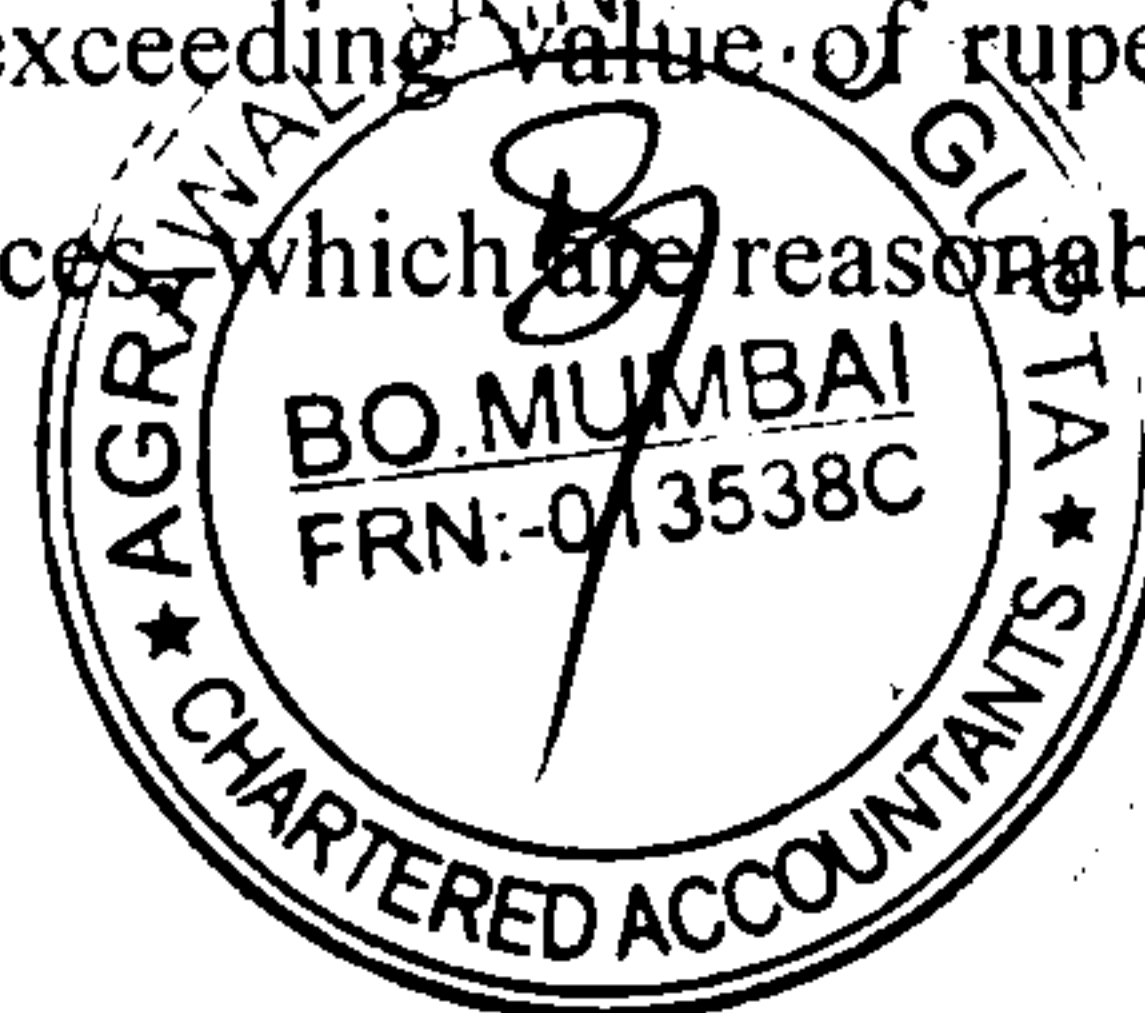
30<sup>th</sup> May, 2014.



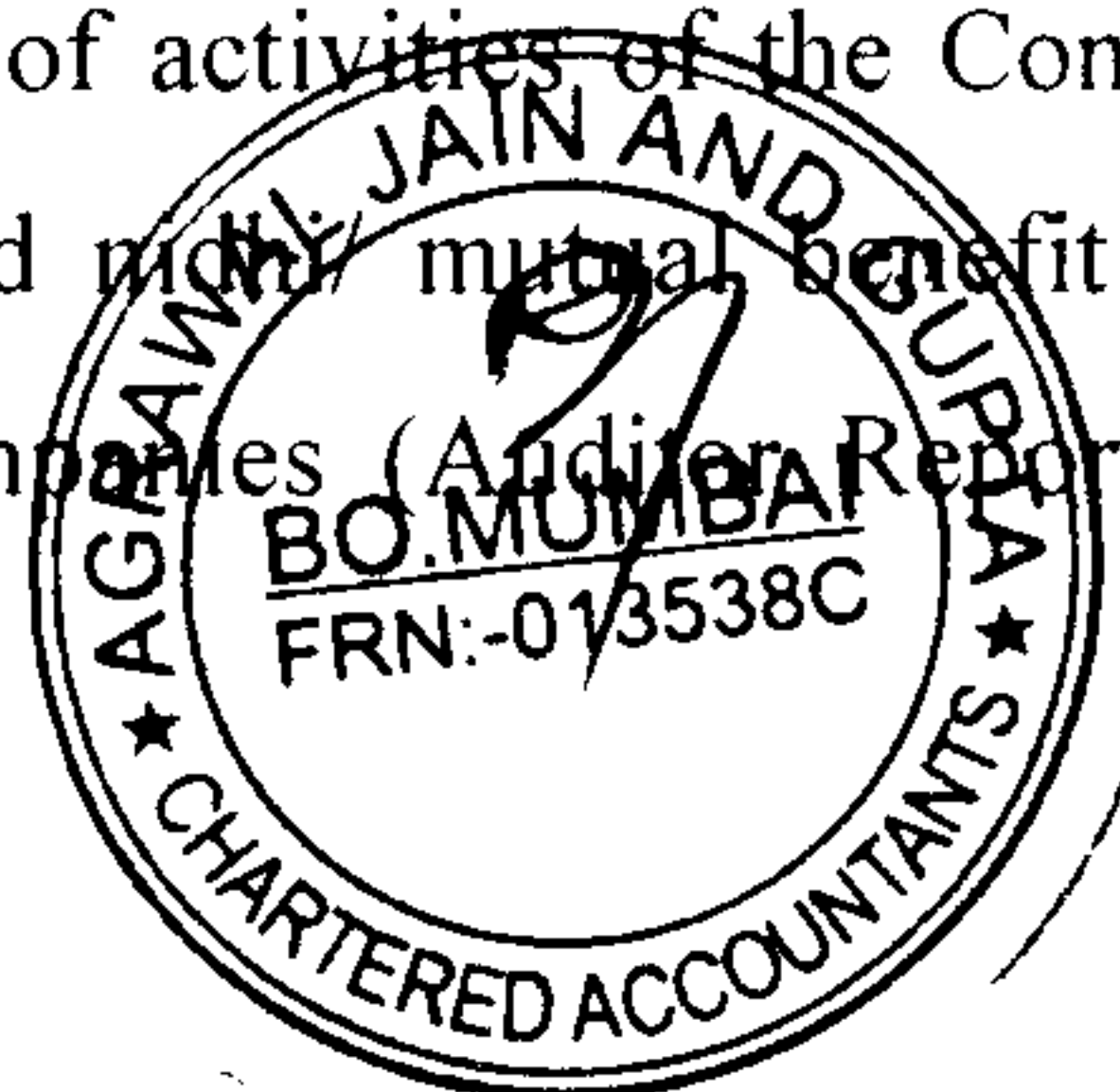
**Annexure referred to in paragraph (c) of our report of even date**

**K Sera Sera Digital Cinema Private Limited**

1. The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. As explained to us, all fixed assets were physically verified by the management in the year before last year in accordance with a planned programme of verifying these once in three years, which in our opinion is reasonable, having regard to the size of the Company and the nature of its assets and no material discrepancies were found on such verification. There was no substantial disposal of fixed assets during the year.
2. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.  
  
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.  
  
(c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. No discrepancies were noticed on verification between the physical stocks and the book records
3. The Company has given loan of Rs 1,045,352/- to KSS Limited covered under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. Accordingly, the issue of continuing failure to correct major weakness in the internal control in these areas does not apply.
5. Based on the audit procedures applied by us and according to information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered. In our opinion and According to the information and explanations given to us, the transactions with parties with whom transactions exceeding value of rupees five lakhs have been entered into during the financial year are at prices which are reasonable having regard to the prevailing market price at the relevant time.



6. In our opinion to the information and explanation given to us The Company has complied with the provision of section 58A, 58AA or any other applicable provision of the Companies Act, 1956 and the Companies (Acceptance and Deposit) Rules 1975, with regard to the deposit accepted from public. No order has been passed by the Company Law Board, National Company Law Tribunal or Reserve bank of India or any court or any other Tribunal.
7. In our opinion, the Company has an own internal audit system commensurate with the size and nature of its business.
8. To the best of our knowledge and as explained to us, the Central Government has not prescribed maintenance of cost records under Clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for the products of the Company.
9. According to the information and explanation given to us and records of the company examined by us in our opinion prima-facie the Company is regular in depositing undisputed statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, at the yearend for a period of more than six months from the date they became payable.
10. After considering the effect of quantified qualification, in our opinion and according to the information and explanations given to us, the accumulated losses of the Company at the end of the financial year does not exceed fifty percent of its net worth. The Company has not incurred cash losses during the current financial year and also in the immediately preceding financial year.
11. Based on our audit procedures and on the basis of information and explanations given by the management, we are of opinion that the Company has not defaulted in repayment of dues to banks and financial institution. The Company did not have any outstanding debentures during the year.
12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the nature of activities of the Company does not attract any special statute applicable to chit fund and ~~mutual benefit fund/ societies~~ mutual benefit fund/ societies. Therefore, provisions of clause 4 (xiii) of the Companies (Auditor Report) Order, 2003 are not applicable to the Company.



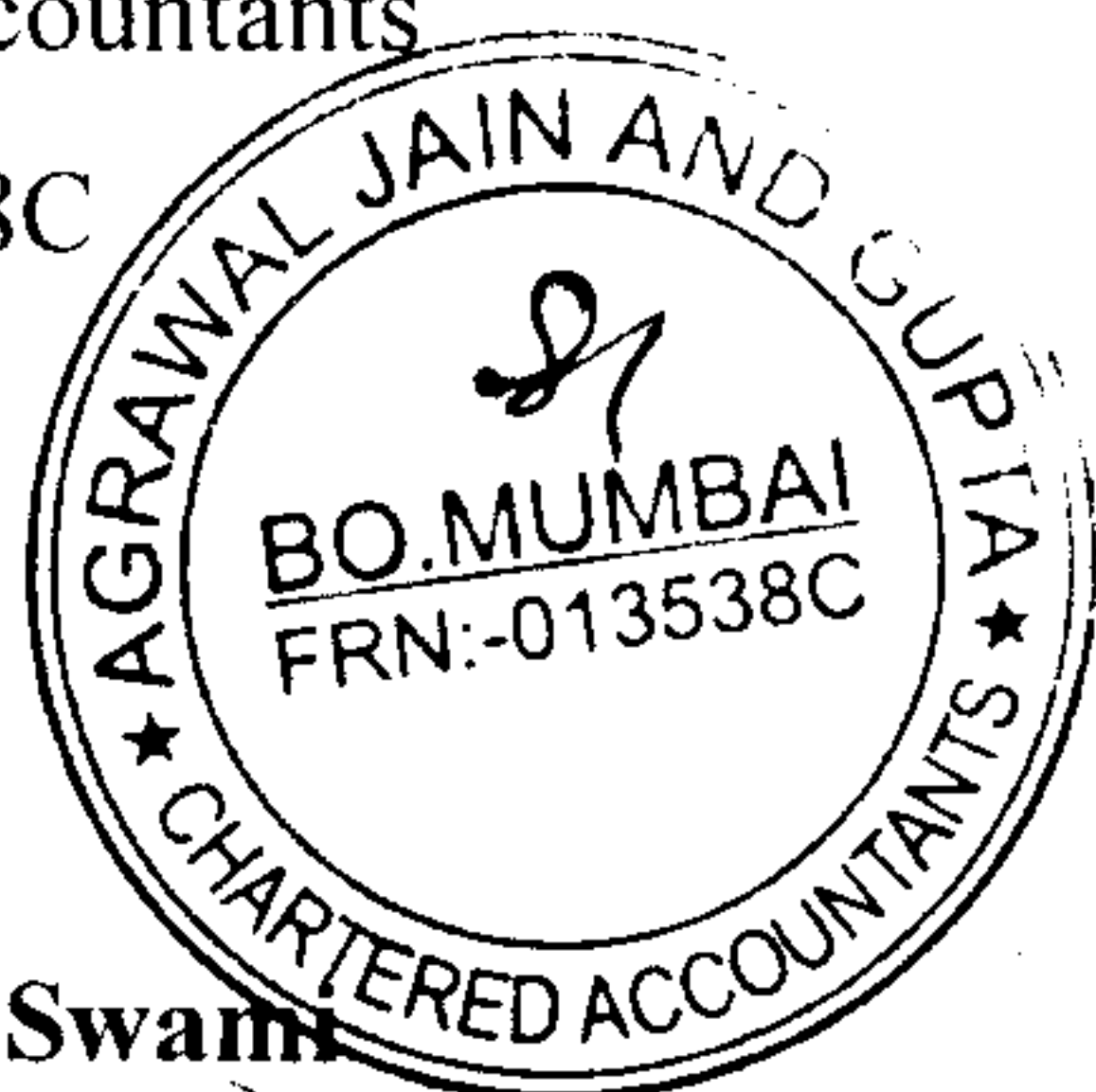
14. In our opinion, the Company does not deal or trade in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor Report) Order, 2003 are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. Based on the information and explanations given to us by the management, the term loan raised by the company has been used for the purpose for which term loan has been raised.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investments. No long-term funds have been used to finance short-term assets except permanent working capital.
18. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company did not have any outstanding debentures during the year.
20. The Company has not raised any money through a public issue during the year.
21. Based upon the audit procedures performed by us for expressing our opinion on these financial statements and the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during of our audit.

**For Agrawal Jain & Gupta**

Chartered Accountants

FRN - 013538C

*Narayan*



**CA Narayan Swami**

Partner

M. No – 409759

Mumbai,

30<sup>th</sup> May, 2014.

**K SERA SERA DIGITAL CINEMA PRIVATE LIMITED**  
**BALANCE SHEET AS AT 31ST MARCH, 2014**

Particulars	Note No.	31st March, 2014	31st March, 2013
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	3.1	300,000,000	300,000,000
(b) Reserves and Surplus	3.2	(36,515,957)	(38,641,872)
<b>(2) Current Liabilities</b>			
(a) Short-Term Borrowings	3.3	4,250,000	9,490,273
(b) Trade Payables	3.4	20,203,360	42,748,242
(c) Other Current Liabilities	3.5	9,648,738	5,897,929
(d) Short-Term Provisions	3.6	2,715,898	513,700
<b>Total Equity &amp; Liabilities</b>		<b>300,302,039</b>	<b>320,008,274</b>
<b>II. ASSETS</b>			
<b>(1) Non-Current Assets</b>			
(a) Fixed Assets	3.7		
(i) Tangible Assets		87,201,818	75,700,385
(ii) Intangible Assets		16,706,351	16,706,351
(iii) Capital WIP		10,497,332	-
<b>Gross Block</b>		<b>114,405,501</b>	<b>92,406,736</b>
Depreciation		36,215,748	21,710,869
<b>Net Block</b>		<b>78,189,753</b>	<b>70,695,867</b>
(b) Non-current investments	3.8	145,100,000	145,100,000
(c) Deferred tax assets (net)	3.9	12,634,087	17,711,449
(d) Long term loans and advances	3.10	1,776,390	20,492,780
<b>(2) Current Assets</b>			
(a) Inventories	3.11	1,001,850	249,600
(b) Trade receivables	3.12	21,634,339	16,945,485
(c) Cash and cash equivalents	3.13	13,521,085	4,777,184
(d) Short-term loans and advances	3.14	25,199,680	41,925,453
(e) Other current assets	3.15	1,244,855	2,110,455
<b>Total Assets</b>		<b>300,302,039</b>	<b>320,008,274</b>

The accompanying notes are an integral part of the financial statements

This is the Balance Sheet referred to in our Report of even date.

**FOR AGRAWAL JAIN & GUPTA**  
**CHARTERED ACCOUNTANTS**

*(Signature)*

(CA Narayan Swami)

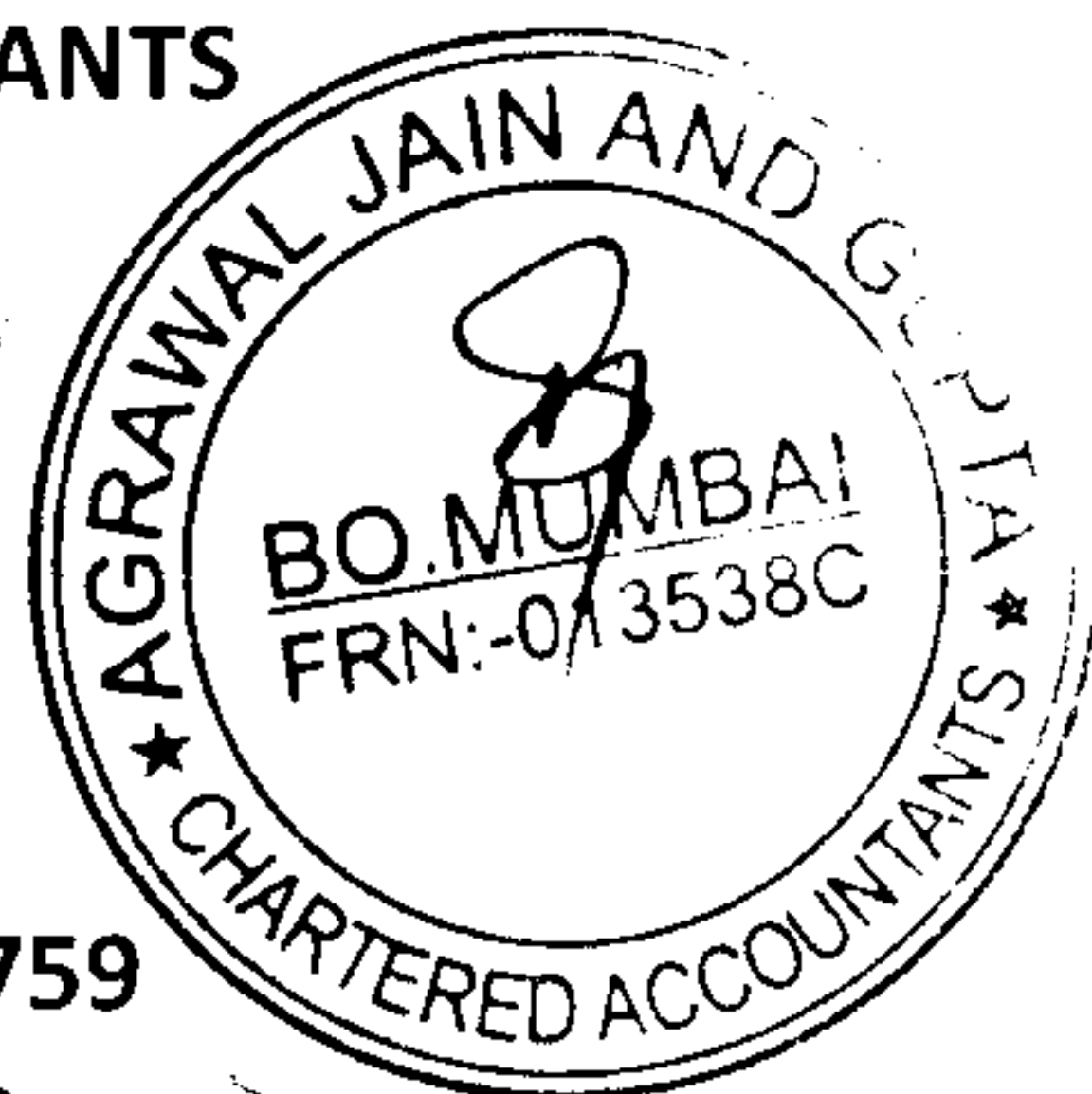
Partner

Membership No. : 409759

Firm Reg. No.: 013538C

Mumbai

Date: 30.05.2014



For K Sera Sera Digital Cinema Private Limited

*(Signature)*

Director

*(Signature)*

Director

**K SERA SERA DIGITAL CINEMA PRIVATE LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED March 31, 2014**

(Amount in Rupees)

	Particulars	31st March, 2014	31st March, 2013
<b>A.</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	Net Profit Before Tax	7,203,277	(13,560,288)
	Adjustments For:		
	Depreciation/Amortisation	14,504,879	14,289,010
	Interest Cost	52,073	39,072
	Miscellaneous Expenditure Written Off	865,600	865,600
		15,422,552	15,193,682
	Operating Cash Flow Before Changes In Working Capital	<b>22,625,829</b>	<b>1,633,394</b>
	Adjustments For:		
	(Increase)/Decrease In Stock	(752,250)	(249,598)
	(Increase)/Decrease In Sundry Debtors	(4,688,854)	(12,534,914)
	(Increase)/Decrease In Loans And Advances	16,725,774	10,161,286
	Increase/(Decrease) In Current Liabilities And Provisions	(21,832,148)	38,449,686
	Net Changes In Working Capital	12,078,351	37,459,854
	Taxes Paid	-	-
	Extraordinary Items	-	-
	<b>Cash Generated From/(Used In) Operations</b>	<b>12,078,351</b>	<b>37,459,854</b>
<b>B.</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
	Purchase Of Fixed Assets	(21,998,765)	(28,425,250)
	Sale/Surrender Of Fixed Assets	-	-
	<b>Cash Generated /(Used In) From Investing Activities</b>	<b>(21,998,765)</b>	<b>(28,425,250)</b>
<b>C.</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
	Interest Paid	(52,073)	(39,072)
	Proceeds From Issue Of Equity Share Capital	-	-
	Proceeds From Borrowings	-	-
	Repayment Of Borrowings	18,716,390	(5,330,033)
	<b>Cash Generated /(Used In) From Financing Activities</b>	<b>18,664,317</b>	<b>(5,369,105)</b>
	<b>Net Increase/(Decrease) In Cash And Cash Equivalents (A+B+C)</b>	<b>8,743,903</b>	<b>3,665,499</b>
	Cash And Cash Equivalents At The Beginning Of The Year	4,777,184	1,111,685
	Cash And Cash Equivalents At The End Of The Year	13,521,086	4,777,184
	<b>Note:</b>		
1	<b>Cash and cash equivalents at the year end comprise:</b>		
	Cash On Hand	1,141,700	264,454
	Balance With Scheduled Banks In		
	- Current Accounts	12,379,385	4,512,730
	- Deposit Accounts		
		<b>13,521,085</b>	<b>4,777,184</b>
2	The Cash Flow Statement Has Been Prepared Under Indirect Method As Set Out In Accounting Standard 3, 'Cash Flow Statement' Issued By The Institute Of Chartered Accountants Of India		

As per our report of even date attached

**For Agrawal, Jain and Gupta**

Chartered Accountants

Firm Registration No. 013538C

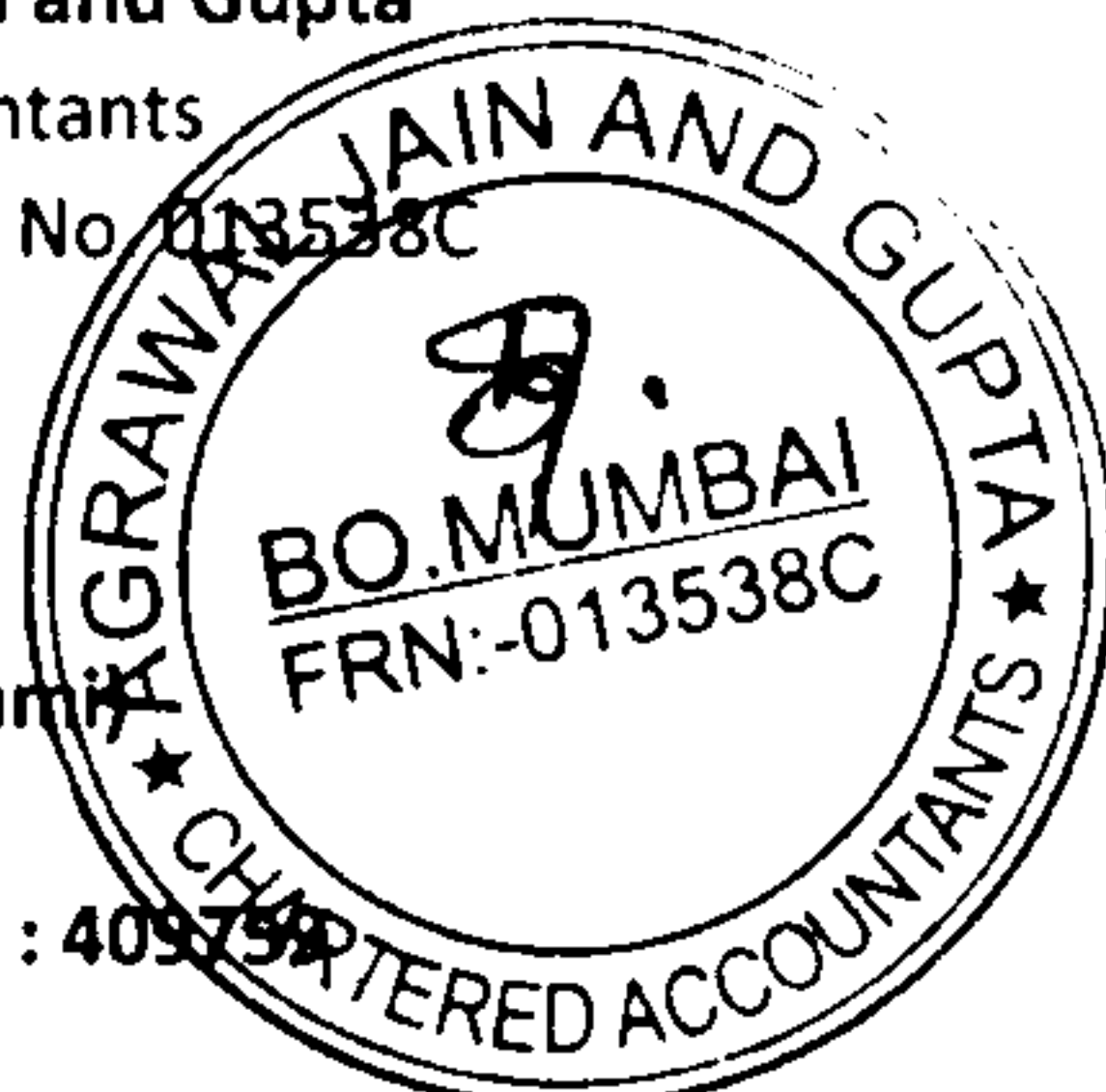
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(CA Narayan Swami)  
Partner

Membership No. : 409759P

PLACE: MUMBAI

Date : 30.05.2014



**For K Sera Sera Digital Cinema Private Limited**

*(Signature)*

Director

Mumbai

Date : 30.05.2014

*(Signature)*

Director

**K SERA SERA DIGITAL CINEMA PRIVATE LIMITED**  
**PROFIT & LOSS STATEMENT FOR THE PERIOD ENDED ON 31ST MARCH, 2014**

(Amount in rupees)

Particulars	Note No.	31-Mar-14	31-Mar-13
Revenue from operations	3.16	146,793,959	89,504,923
Foreign exchange gain	3.17	23,772	80,203
<b>Total Revenue</b>		<b>146,817,731</b>	<b>89,585,126</b>
<b>Expenses:</b>			
Cost of Operations	3.18	43,861,859	28,854,775
Employee Benefit Expense	3.19	27,166,758	18,538,421
Financial Costs	3.20	52,073	39,072
Depreciation and Amortization Expense	3.21	43,486,313	40,352,851
Other Administrative Expenses	3.22	25,047,450	15,360,294
<b>Total Expenses</b>		<b>139,614,454</b>	<b>103,145,414</b>
<b>Profit before exceptional and extraordinary items and tax</b>		<b>7,203,277</b>	<b>(13,560,288)</b>
<b>Profit before extraordinary items and tax</b>		<b>7,203,277</b>	<b>(13,560,288)</b>
Extraordinary Items		-	-
<b>Profit before tax</b>		<b>7,203,277</b>	<b>(13,560,288)</b>
<b>Tax expense:</b>			
(1) Current tax		-	-
(2) Deferred tax		5,077,362	(8,099,619)
<b>Profit(Loss) from the period from continuing operations</b>		<b>2,125,914</b>	<b>(5,460,668)</b>
<b>Profit/(Loss) for the period (XI + XIV)</b>		<b>2,125,914</b>	<b>(5,460,668)</b>
<b>Earning per equity share:</b>			
(1) Basic		0.07	(0.18)
(2) Diluted		0.07	(0.18)

The accompanying notes are an integral part of the financial statements

As per our Report of even date attached

FOR AGRAWAL JAIN & GUPTA

Firm Reg. No.: 013538C

CHARTERED ACCOUNTANTS

*ASmi*

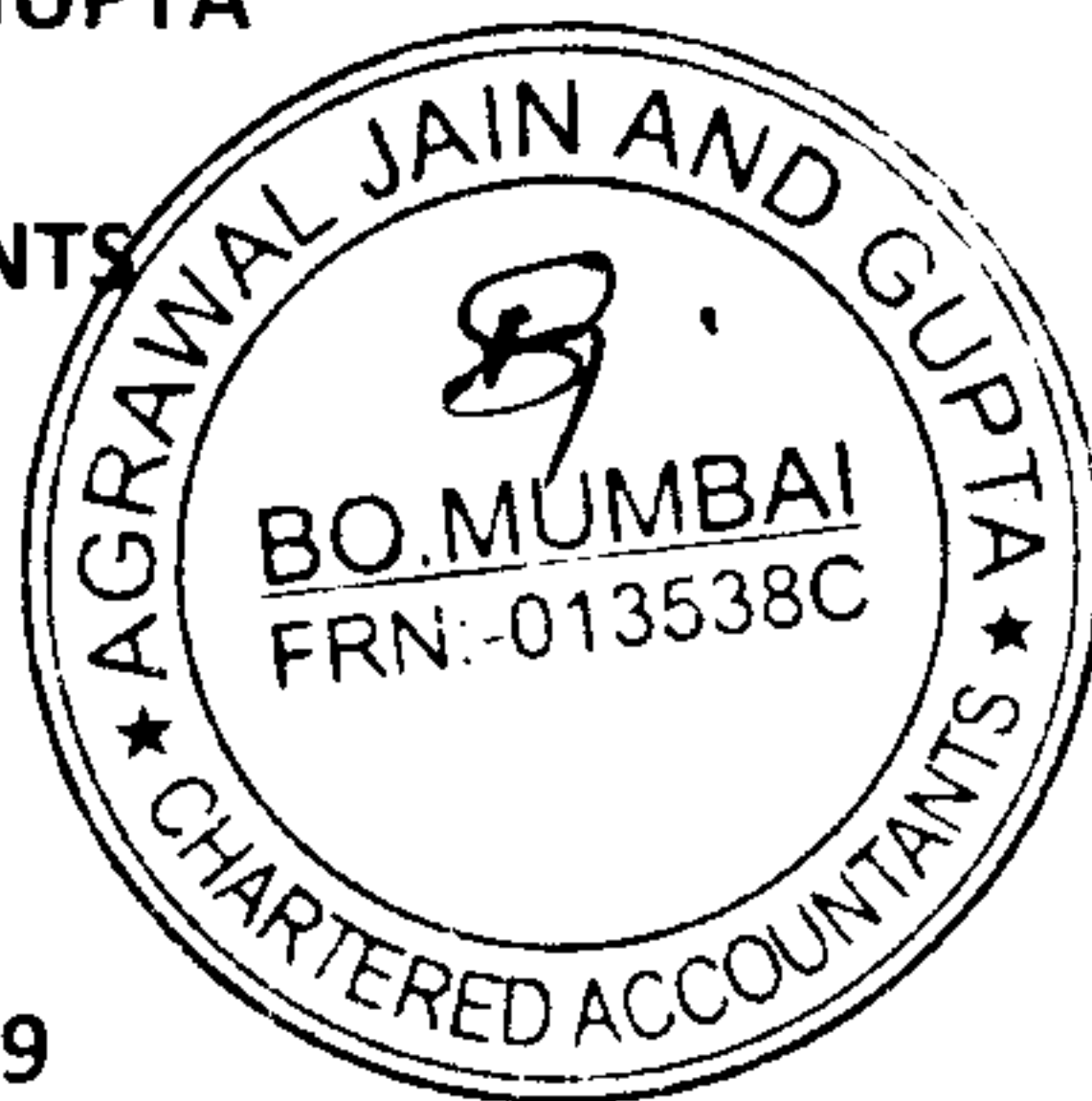
(CA Narayan Swami)

Partner

Membership No. : 409759

PLACE: MUMBAI

DATED: 30.05.2014



For K Sera Sera Digital Cinema Private Limited

*[Signature]*

Director

*Satish Pancharia*

Director



**K SERA SERA DIGITAL CINEMA PRIVATE LIMITED**  
**Notes Forming Integral Part of the Balance Sheet as at 31st March, 2014**

**Note: 3.1 Share Capital**

Particulars	March, 2014	March, 2013
<b>AUTHORIZED CAPITAL</b> 30,00,000 Equity Shares of Rs. 10/- each.	300,000,000	300,000,000
	<b>300,000,000</b>	<b>300,000,000</b>
<b>ISSUED , SUBSCRIBED &amp; PAID UP CAPITAL</b>		
To the Subscribers of the Memorandum		
To the Subscribers of the Memorandum 1,54,89,999 Equity Shares of Rs. 10/- each, Fully Paid up Share capital allotment to K sera sera limited	154,899,990	154,899,990
1 Equity Shares of Rs. 10/- each, Fully Paid up Share capital allotment Director <i>issued otherthen cash</i>	10	10
1,45,10,000 Equity Shares of Rs. 10/- each, Fully Paid up Share capital allotment to K sera sera limited	145,100,000	145,100,000
Total	<b>300,000,000</b>	<b>300,000,000</b>

**(a) Terms/ rights attached to equity shares**

The company has only one class of equity shares having par value of `10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held.

**Note: 3.2 Reserve & Surplus**

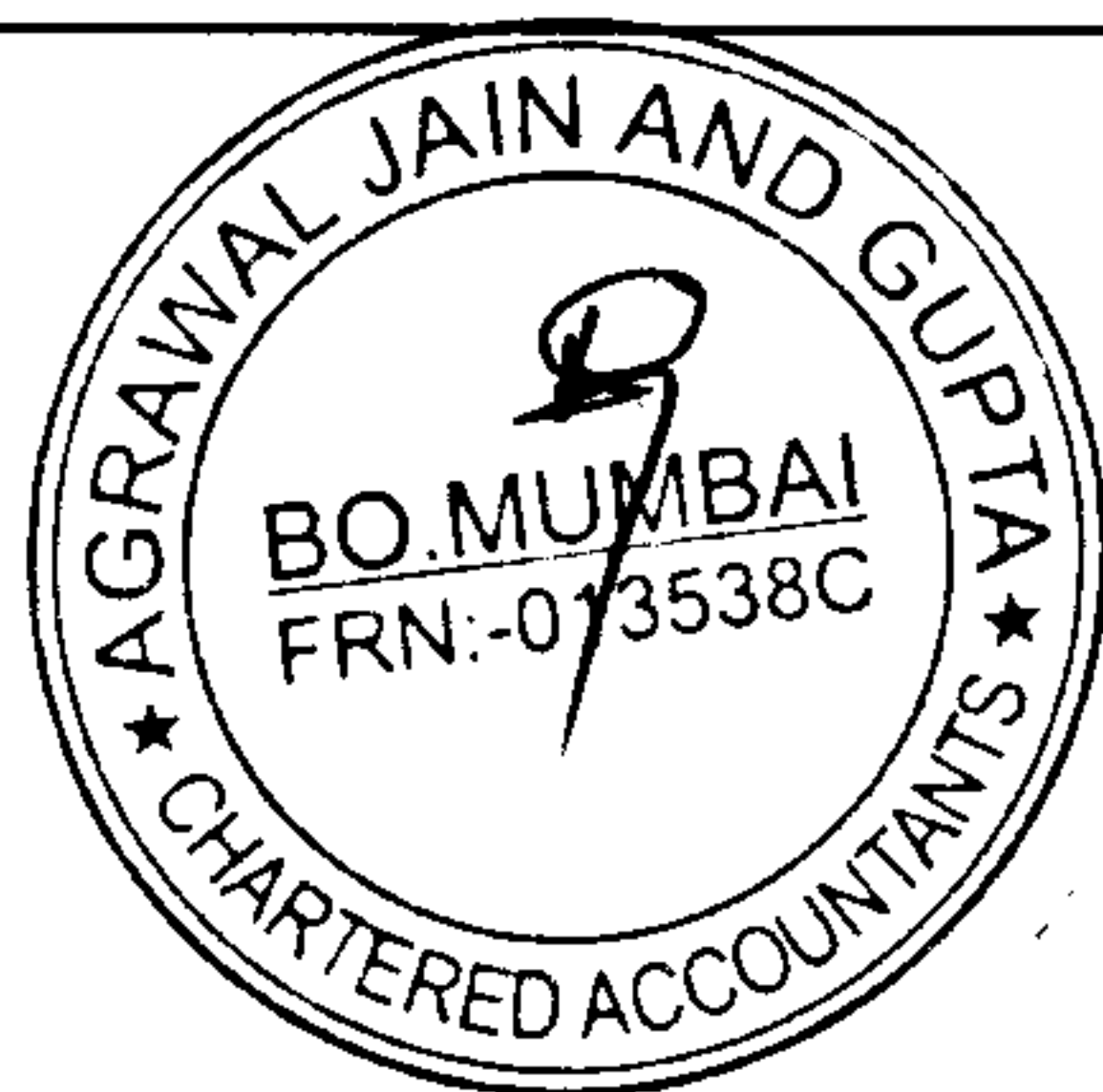
Particulars	March, 2014	March, 2013
Surplus (Profit & Loss Account)		
Balance brought forward from previous year	(38,641,872)	(33,181,203)
Less: Tax on Regular Assessment Paid	-	0
Add: Profit for the period	2,125,914	(5,460,668)
Total	<b>(36,515,957)</b>	<b>(38,641,872)</b>

**Note: 3.3 Short Term Borrowings**

Particulars	March, 2014	March, 2013
Interest free Borrowing	4,250,000	9,490,273
Total	<b>4,250,000</b>	<b>9,490,273</b>

**Note: 3.4 Sundry payables**

Particulars	March, 2014	31-Mar-12
Sundry Creditors	19,232,542	42,342,642
Sundry Creditors-More than 1 year	970,818	405,600
Total	<b>20,203,360</b>	<b>42,748,242</b>



**K SERA SERA DIGITAL CINEMA PRIVATE LIMITED**  
**Notes Forming Integral Part of the Balance Sheet as at 31st March, 2014**

**Note: 3.5 Other Current Liabilities**

	Particulars	March, 2014	March, 2013
	TDS Payable	1,167,469	1,109,869
	Advance from customer	5,417,927	2,359,494
	Deposits from theaters	392,303	<b>225,000</b>
	Other Payables	121,881	196,872
	Salary Payable	2,549,159	2,006,694
	<b>Total</b>	<b>9,648,738</b>	<b>5,897,929</b>

**Note: 3.6 Short Term Provisions**

	Particulars	March, 2014	March, 2013
	Provision for Expenses	4,152,558	1,282,347
	Provision for Income	(1,436,660)	(768,647)
	<b>Total</b>	<b>2,715,898</b>	<b>513,700</b>

**Note: 3.8 Non Current Investment**

	Particulars	March, 2014	March, 2013
	Investment in Equity Instrument	145,100,000	145,100,000
	<b>Total</b>	<b>145,100,000</b>	<b>145,100,000</b>

Long-term investments are carried at cost. However, provision for diminution in value is not recognize other than temporary in the value of the investments. On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

**Note: 3.9 Deferred tax liability/(asset) (net)**

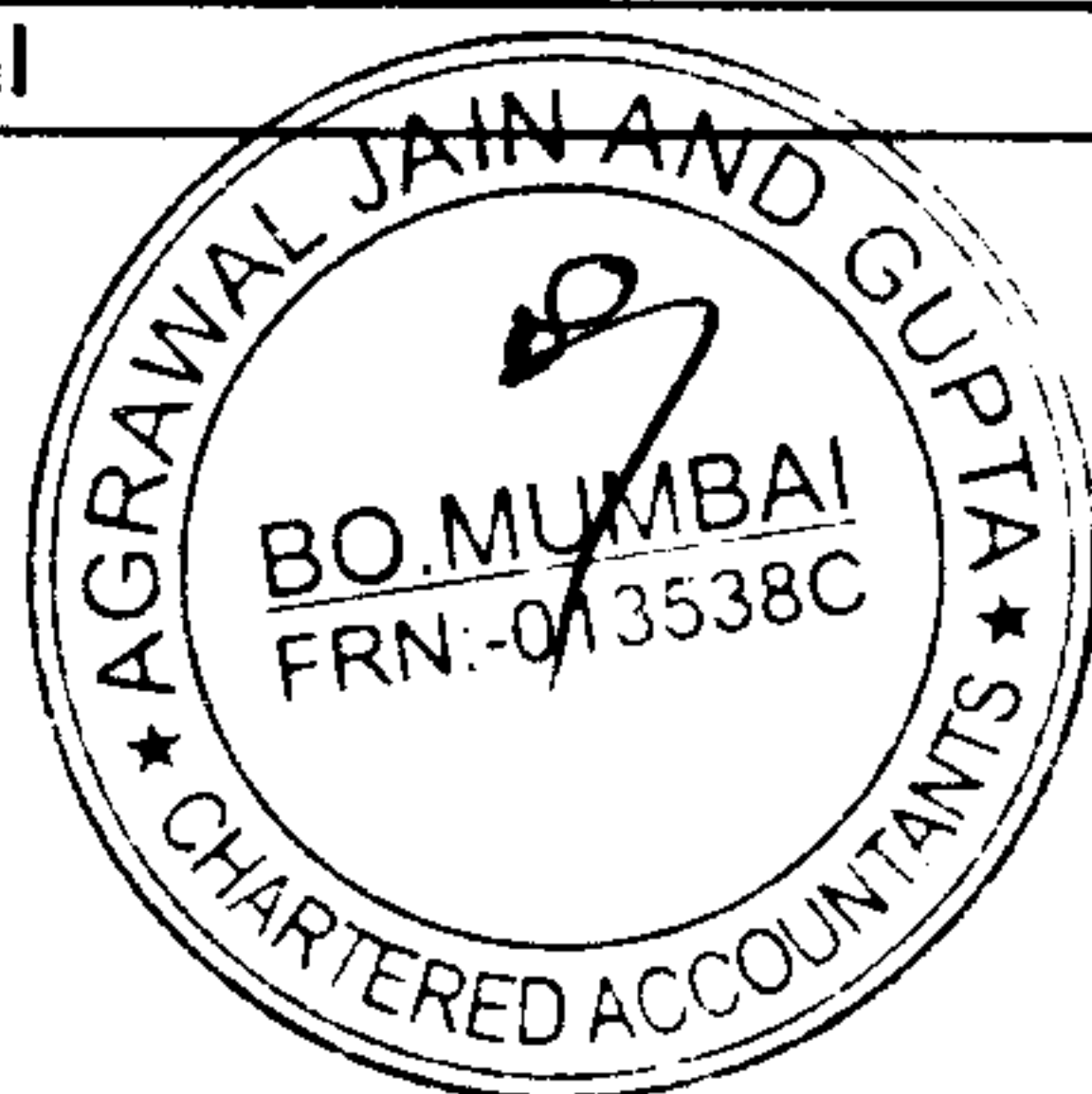
	Particulars	March, 2014	March, 2013
	Fixed assets: Impact of difference between tax depreciation and	6,633,400	(4,086,389)
	<b>Gross deferred tax liability</b>	<b>6,633,400</b>	<b>(4,086,389)</b>
	Impact of expenditure charged to the statement of profit and loss in		
	Deferred tax asset on carried forward losses	6,000,687	(13,625,060)
		<b>6,000,687</b>	<b>(13,625,060)</b>
	<b>Net deferred tax liability/ (asset)</b>	<b>12,634,087</b>	<b>(17,711,449)</b>

**Note: 3.10 Long Term Loans and Advances**

	Particulars	March, 2014	March, 2013
	<b>Security Deposit</b>		
	a) Secured, Considered Good :		
	Earnest Money Deposit	-	492,780
	Other Deposit	1,776,390	
	b) Unsecured, Considered Good :	-	20,000,000
	c) Doubtful	-	-
	<b>Total</b>	<b>1,776,390</b>	<b>20,492,780</b>

**Note: 3.11 Inventories**

	Particulars	March, 2014	March, 2013
	Closing Stock of Finished Goods	1,001,850	249,600
	<b>Total</b>	<b>1,001,850</b>	<b>249,600</b>



**K SERA SERA DIGITAL CINEMA PRIVATE LIMITED**  
**Notes Forming Integral Part of the Balance Sheet as at 31st March, 2014**

**Note: 3.12 Trade Receivables**

	Particulars	March, 2014	March, 2013
	<b>Others</b>		
	a) Unsecured, Considered Good : More than six months	6,133,853	1,843,543
	b) Unsecured, Considered Good : others	15,500,486	15,101,942
	<b>Total</b>	<b>21,634,339</b>	<b>16,945,485</b>

**Note: 3.13 Cash & Cash Equivalents**

	Particulars	March, 2014	March, 2013
	<b>Cash-in-Hand</b>		
	Cash Balance	1,101,324	256,530
	Petty Cash Balance	40,376	7,924
	<b>Sub Total (A)</b>	<b>1,141,700</b>	<b>264,454</b>
	<b>Bank Balance</b>		
	In current accounts with bank In India with Noted banks	12,379,385	4,512,730
	<b>Sub Total (B)</b>	<b>12,379,385</b>	<b>4,512,730</b>
	<b>Total [ A + B ]</b>	<b>13,521,085</b>	<b>4,777,184</b>

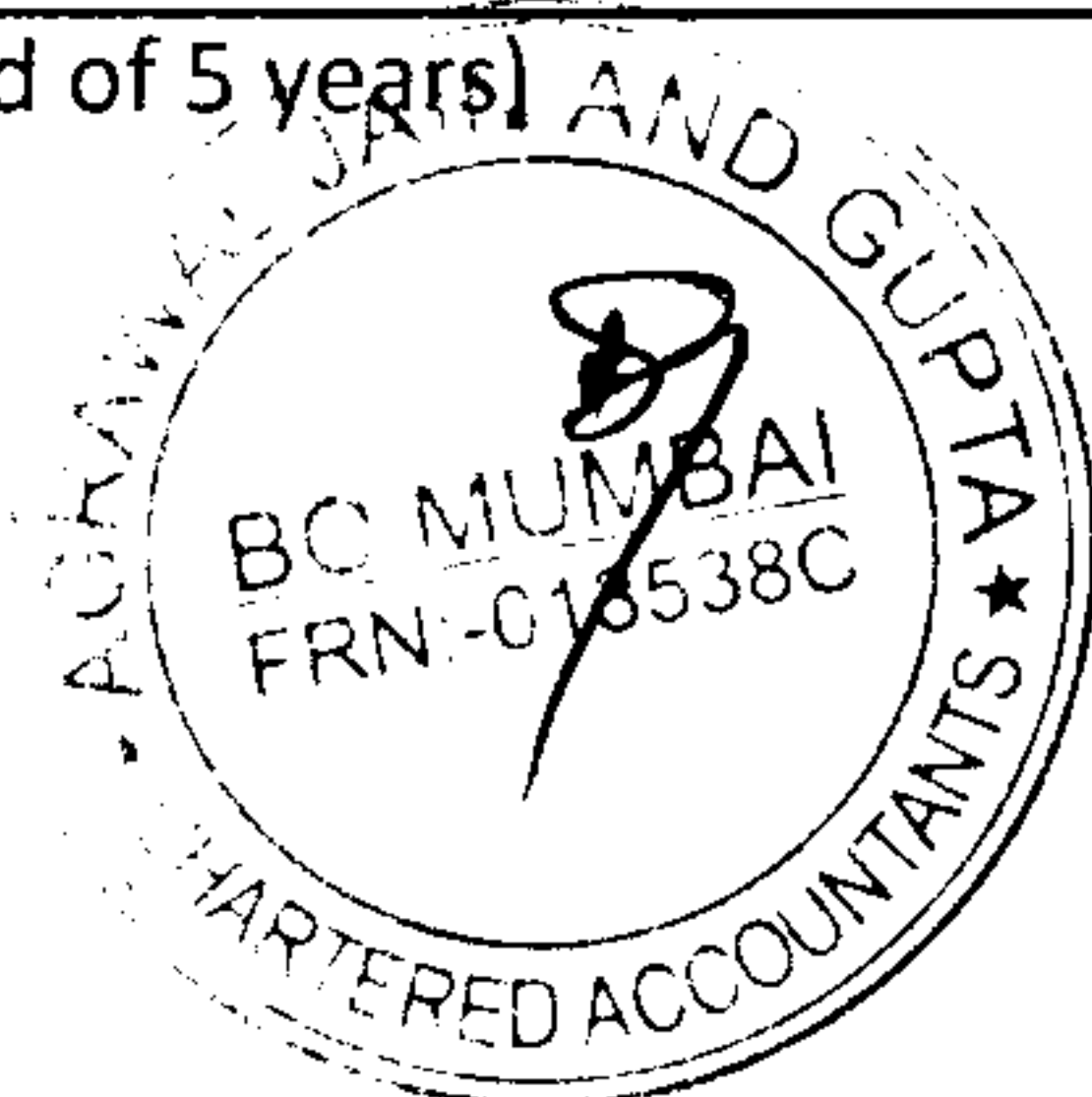
**Note: 3.14 Short Terms Loans and Advances**

	Particulars	March, 2014	March, 2013
	Loans & Advances from related parties		
	a) <u>Secured, Considered Good :</u>		
	Advance to Associate Concerns	1,045,352	30,604,479
	b) <u>Unsecured, Considered Good :</u>		
	Advance Recoverable in cash or in kind or for value to be considered	8,974,352	2,987,004
	c) <u>Doubtful</u>		
	<b>Others</b>		
	Advance Recoverable in cash or in kind or for value to be considered		
	Balance with Govt. Authority	-	285,942
	Advance to staff	1,462,939	904,183
	Advance to Suppliers	1,201,640	1,437,150
	Advance Income Tax/Refund Due	12,074,800	5,332,688
	Prepaid Expenses	440,597	374,007
	<b>Total</b>	<b>25,199,680</b>	<b>41,925,453</b>

**Note: 3.15 Other Current assets**

	Particulars	March, 2014	March, 2013
	Preliminary Expenses	1,244,855	2,110,455
	<b>Total</b>	<b>1,244,855</b>	<b>2,110,455</b>

(Misc. expenses are written off over a period of 5 years)



**K SERA SERA DIGITAL CINEMA PRIVATE LIMITED**  
**Notes Forming Integral Part of the Balance Sheet as at 31st March, 2014**

**Note: 3.16 Revenue from Operations**

	Particulars	March, 2014	March, 2013
	Income From Conversion & Mastering	5,612,500	4,762,481
	SEDC- Content Distributions Charges	81,357,151	49,723,728
	Income for Installation & Technology	2,568,542	12,067,792
	Income From Advertisements	50,666,452	22,567,894
	Sales of Lamp @12.5% VAT	5,662,290	160,002
	Monthly Fixed Rental	927,024	223,026
	<b>Total</b>	<b>146,793,959</b>	<b>89,504,923</b>

**Note: 3.17 Other Income**

	Particulars	March, 2014	March, 2013
	Foreign Exchange Revaluation Gain	-	13,244
	Insurance Claim Refund	-	65,459
	Misc Income	-	1,500
	Interest on income tax refund	23,772	-
	<b>Total</b>	<b>23,772</b>	<b>80,203</b>

**Note: 3.18 Cost of Operation**

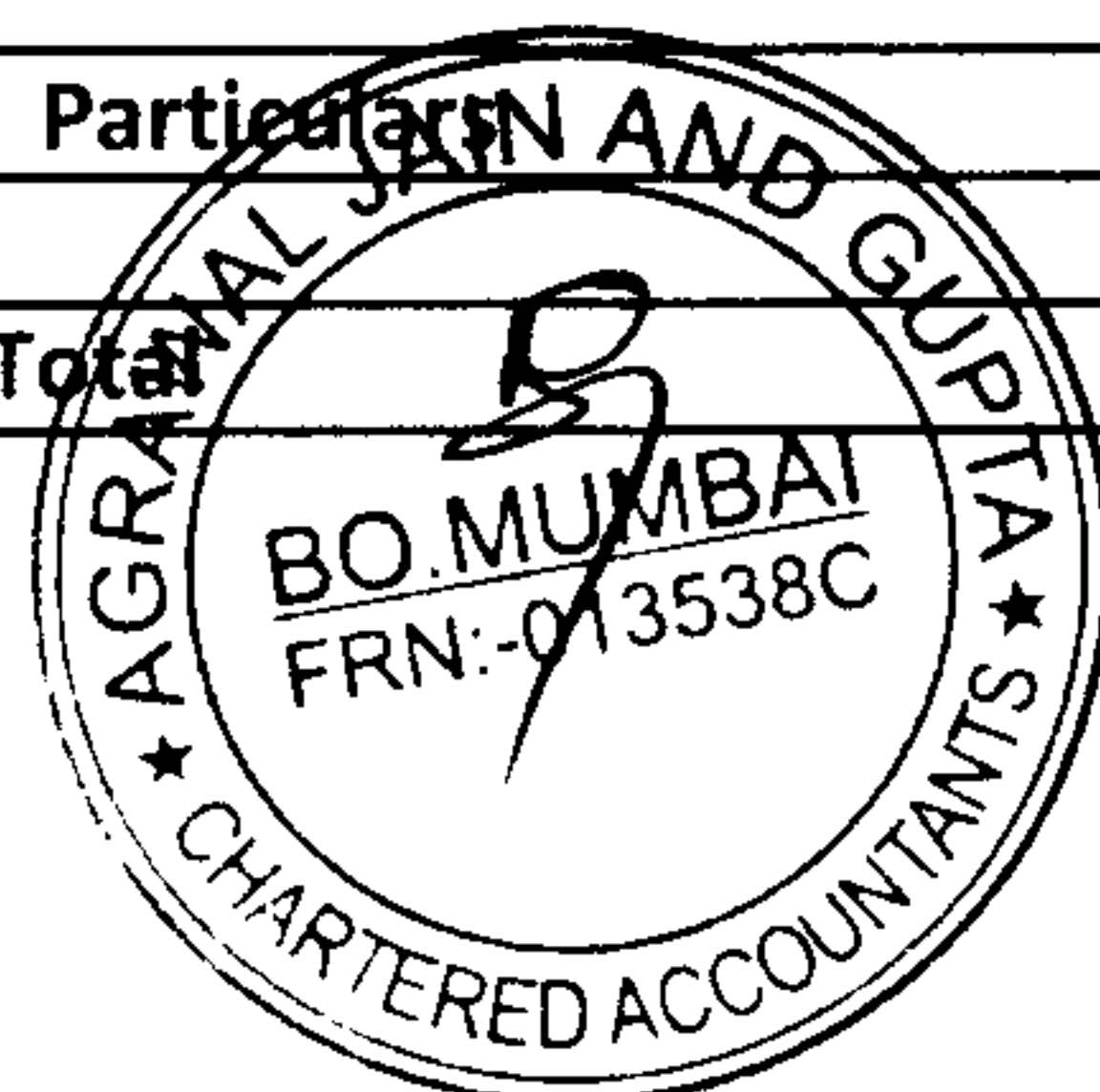
	Particulars	March, 2014	March, 2013
	Opening Stock	249,600	-
	Add:- Purchases @ 12.5% VAT	4,993,098	307,200
	Less:- Closing Stock	(1,001,850)	(249,600)
	<b>Sub-total (a)</b>	<b>4,240,848</b>	<b>57,600</b>
	<b><u>DIRECT/PRODUCTIONS EXPENSES</u></b>		
	Content Delivery Exp.	2,916,877	1,787,759
	Installation & Survey Expenses	1,512,273	1,672,759
	Material Delivery Exp.	1,250,592	1,036,760
	Packing Expense	142,953	581,700
	Transportation & Octroi Charges	1,760,708	1,360,085
	Technical Support	766,127	452,070
	VSAT Transmission	21,218,440	21,145,440
	Clearing & Forwarding Charges	719,864	121,008
	Consumables	6,195,521	556,994
	Commission on Advertisement	2,948,407	-
	Mastering Charges	189,250	82,600
	<b>Sub-total (b)</b>	<b>39,621,011</b>	<b>28,797,175</b>
	<b>Total</b>	<b>43,861,859</b>	<b>28,854,775</b>

**Note: 3.19 Employment Benefit Expenses**

	Particulars	March, 2014	March, 2013
	Salaries to staff	26,057,868	18,115,513
	Leave Encashment	44,258	-
	Staff Recruitment Expenses	133,480	360,273
	Incentive to staff	227,080	-
	Office Canteen Exp.	325,233	12,664
	Staff Welfare Expenses	378,839	49,971
	<b>Total</b>	<b>27,166,758</b>	<b>18,538,421</b>

**Note: 3.20 Financial Cost**

	Particulars	March, 2014	March, 2013
	Bank Charges	52,073	39,072
	<b>Total</b>	<b>52,073</b>	<b>39,072</b>



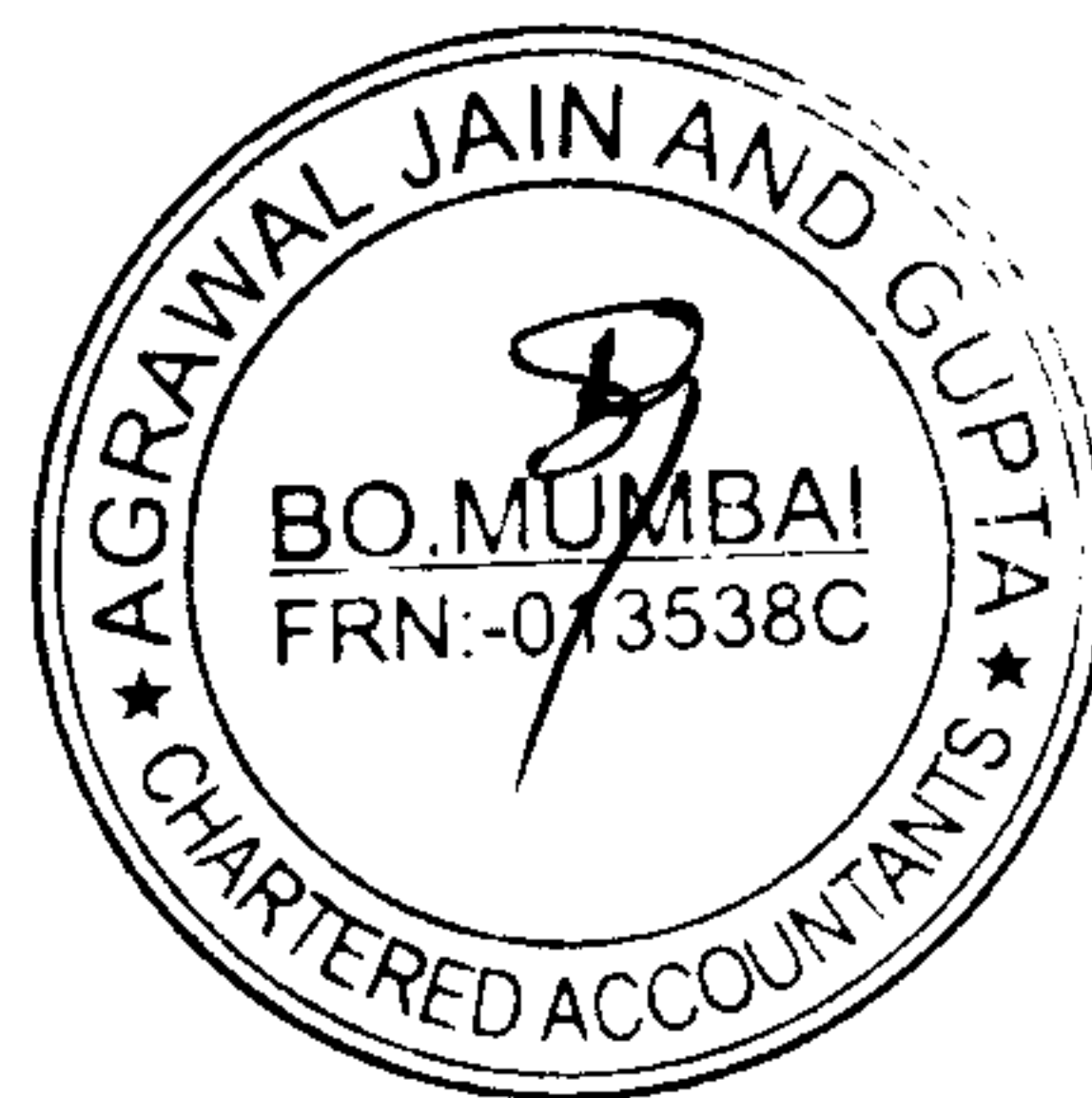
**K SERA SERA DIGITAL CINEMA PRIVATE LIMITED**  
**Notes Forming Integral Part of the Balance Sheet as at 31st March, 2014**

**Note: 3.21 Depreciation & Amortization Cost**

Particulars	March, 2014	March, 2013
Depreciation	14,504,879	14,289,010
Preliminary Expenses W/O	865,600	865,600
Reverse cost charge	28,115,834	25,198,241
<b>Total</b>	<b>43,486,313</b>	<b>40,352,851</b>

**Note: 3.22 Other Administrative Expenses**

Particulars	March, 2014	March, 2013
Telephone Expenses	388,190	331,298
Travelling Expenses (Including Foreign Travelling)	1,097,863	582,007
Internet & Website Expenses	349,240	245,825
Auditors Remuneration	150,000	84,270
Rent Rates & Taxes	3,521,719	2,291,236
Legal & Professional Fees	6,633,539	5,402,732
Books & Periodicals	17,859	1,705
Conveyance Expenses	674,642	369,067
Courier Charges	176,023	106,037
Electricity Charges	905,032	680,560
Filing Fees	23,237	16,639
Membership & Subscription	41,365	166,125
Office Expenses	937,399	188,456
Printing & Stationery	473,931	190,585
Repair & Maintenance/ Computers	2,013,677	909,094
Security Charges	582,201	643,357
Warehouse Expense	220,186	74,451
Commission & Brokerage	1,487,553	2,043,594
Insurance Charges	590,695	483,009
Interest & Penalties	182,557	70,371
Censor Charges	60,800	146,920
Discount & Rebate	904,509	111,179
Director's Sitting Fees	187,640	-
Foreign Exchange Revaluation Loss	6,830	-
Hotels and Hospitality Expenses	545,159	-
Software Maintenance Charges	517,327	-
Prior Period Expenses	2,358,278	221,777
<b>Total</b>	<b>25,047,450</b>	<b>15,360,294</b>



K SERA SERA DIGITAL CINEMA PRIVATE LIMITED  
Notes Forming an integral part of Balance sheet

Note: 3.7 Fixed assets

Particulars	As at April 1, 2013	Gross block		As at March, 2014	As at April 1, 2013	Depreciation/amortization		As at March, 2014	As at March, 2014	Net block	
		Additions	Deductions			For the period	Deletion/ Adjustments			As at March, 2014	As at April 1, 2013
<b>Tangible assets</b>											
Office equipment	520,001	2,730,684	-	3,250,685	115,609	95,415	-	211,024	3,039,661	404,392	
Furniture and fixtures	1,598,332	8,050,942	-	9,649,274	475,594	371,480	-	847,074	8,802,200	1,122,738	
Computers	6,232,881	1,418,763	-	7,651,644	3,534,902	1,440,825	-	4,975,727	2,675,917	2,697,979	
Motor Vehicle	-	275,000	-	275,000	-	25,748	-	25,748	249,252	-	
Demo theatre	5,187,495	286,779	-	5,474,274	1,593,152	935,292	-	2,528,444	2,945,830	3,594,343	
Digital lab	8,323,018	-	-	8,323,018	2,850,629	1,416,254	-	4,266,883	4,056,135	5,472,389	
Digital Technology assets	53,838,658	2,580,765	3,841,500	52,577,923	7,168,301	7,543,779	-	14,712,080	37,865,843	46,670,357	
<b>Total - A</b>	<b>75,700,385</b>	<b>15,342,933</b>	<b>3,841,500</b>	<b>87,201,818</b>	<b>15,738,187</b>	<b>11,828,794</b>	<b>-</b>	<b>27,566,981</b>	<b>59,634,837</b>	<b>59,962,198</b>	
<b>Intangible Assets</b>											
Research & Development	16,706,351	-	-	16,706,351	5,972,682	2,676,086	-	8,648,768	8,057,583	10,733,669	
Capital WIP	-	10,497,332	-	10,497,332	-	-	-	-	10,497,332	-	
<b>Total - B</b>	<b>16,706,351</b>	<b>10,497,332</b>	<b>-</b>	<b>27,203,683</b>	<b>5,972,682</b>	<b>2,676,086</b>	<b>-</b>	<b>8,648,768</b>	<b>18,554,915</b>	<b>10,733,669</b>	
<b>Total</b>	<b>92,406,736</b>	<b>25,840,265</b>	<b>3,841,500</b>	<b>114,405,501</b>	<b>21,710,869</b>	<b>14,504,879</b>	<b>-</b>	<b>36,215,748</b>	<b>78,189,753</b>	<b>70,695,867</b>	
Previous year	63,981,486	11,129,036	-	75,110,522	7,421,860	14,289,009	-	21,710,869	53,399,653	56,559,626	



**Notes to account**

**1. Summary of significant accounting policies**

**a. Basis of preparation of financial statements**

The financial statements are prepared under historical cost convention, on the accrual basis of accounting in accordance with the Companies Act, 1956 and the Accounting Principles generally accepted in India ('Indian GAAP') and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India ('ICAI') to the extent applicable.

**b. Use of estimates**

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

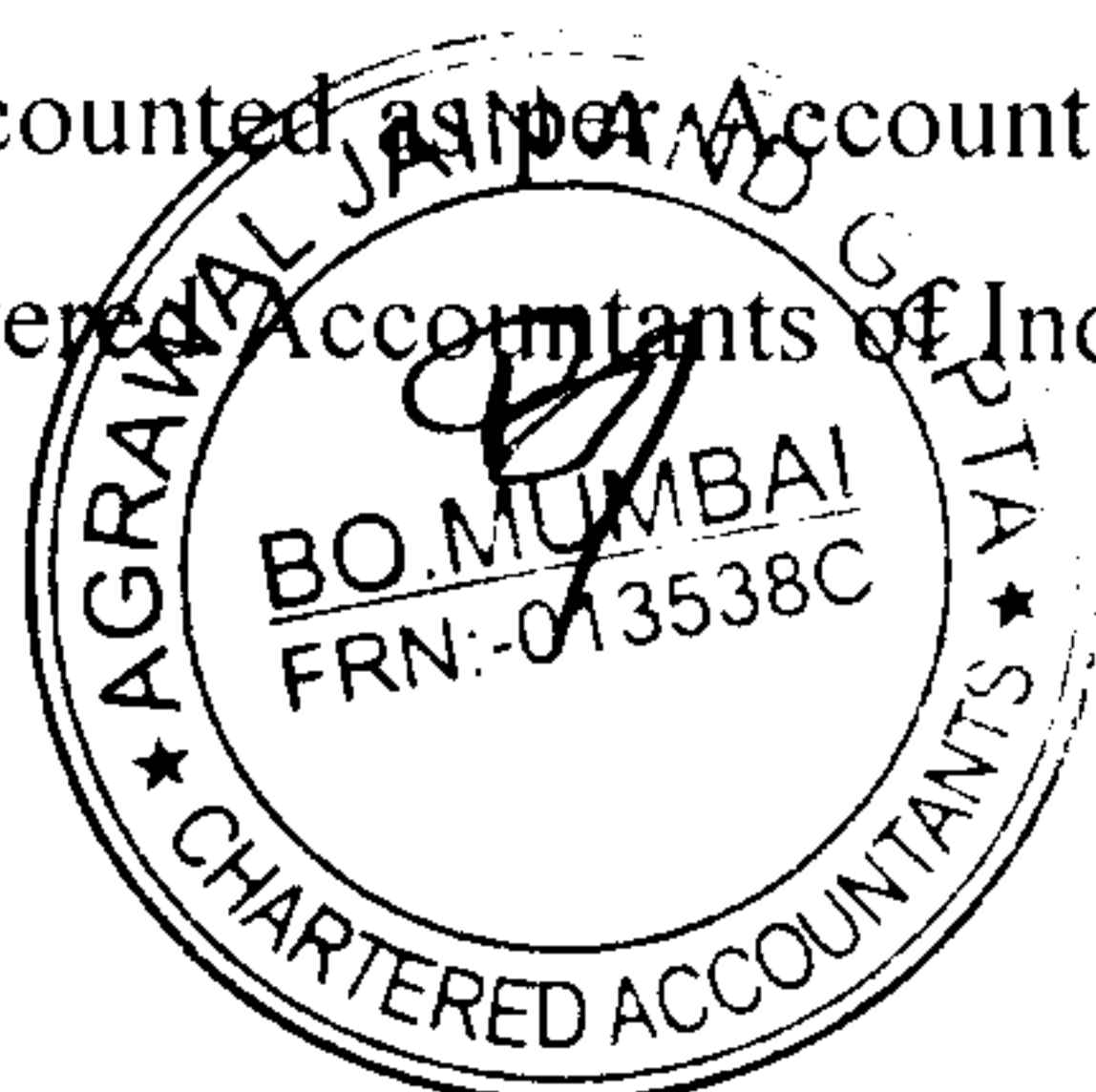
**c. Fixed assets**

Tangible assets

Fixed assets are stated at historical cost less accumulated depreciation. Cost includes purchase price and all other attributable cost to bring the assets to its working condition for the intended use. Further expenses incurred include the research and development expenditure which will be held as capital work in progress since the asset is not ready for intended use.

Intangible assets

The Company recognizes developments for digital technology as an intangible asset. The same is in consideration of the future economic benefits and availability of the aforesaid rights for after the expiry of initial period of development. The recognition creation of Intangible assets is made. At actual expenses incurred for the said development on the project. The said recognition of intangible assets is, however, subject to the management assessment of future economic benefits from exploitation of these rights having regards to the success of research and development of new technology and other relevant factors. In the event, the said recognition criteria are not met, the entire cost of development is charged to the profit and loss account as is accounted as per Accounting Standard 26 on 'Intangible Assets' issued by The Institute of Chartered Accountants of India and stated at cost of acquisition.



**d. Depreciation/amortization**

Tangible assets

Depreciation on fixed assets is provided on written down value method at the rates and the manner prescribed under Schedule XIV of the Companies Act, 1956 or based on management estimates of useful lives of the fixed assets, whichever is higher.

Intangible assets

Depreciation on Intangible assets is provided on the method at the rates and the manner prescribed under Schedule XIV of the Companies Act, 1956 or based on management estimates of useful lives of the fixed assets, whichever is higher.

**e. Borrowing costs**

Borrowing cost that is directly attributable to the acquisition or construction of a qualifying asset is considered as part of the cost of the asset. All other borrowing costs are treated as period cost and charged to the profit and loss account in the year in which it is incurred.

**f. Impairment of assets**

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the assets belong is less than its carrying amount, the carrying amounts is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account.

**g. Investments**

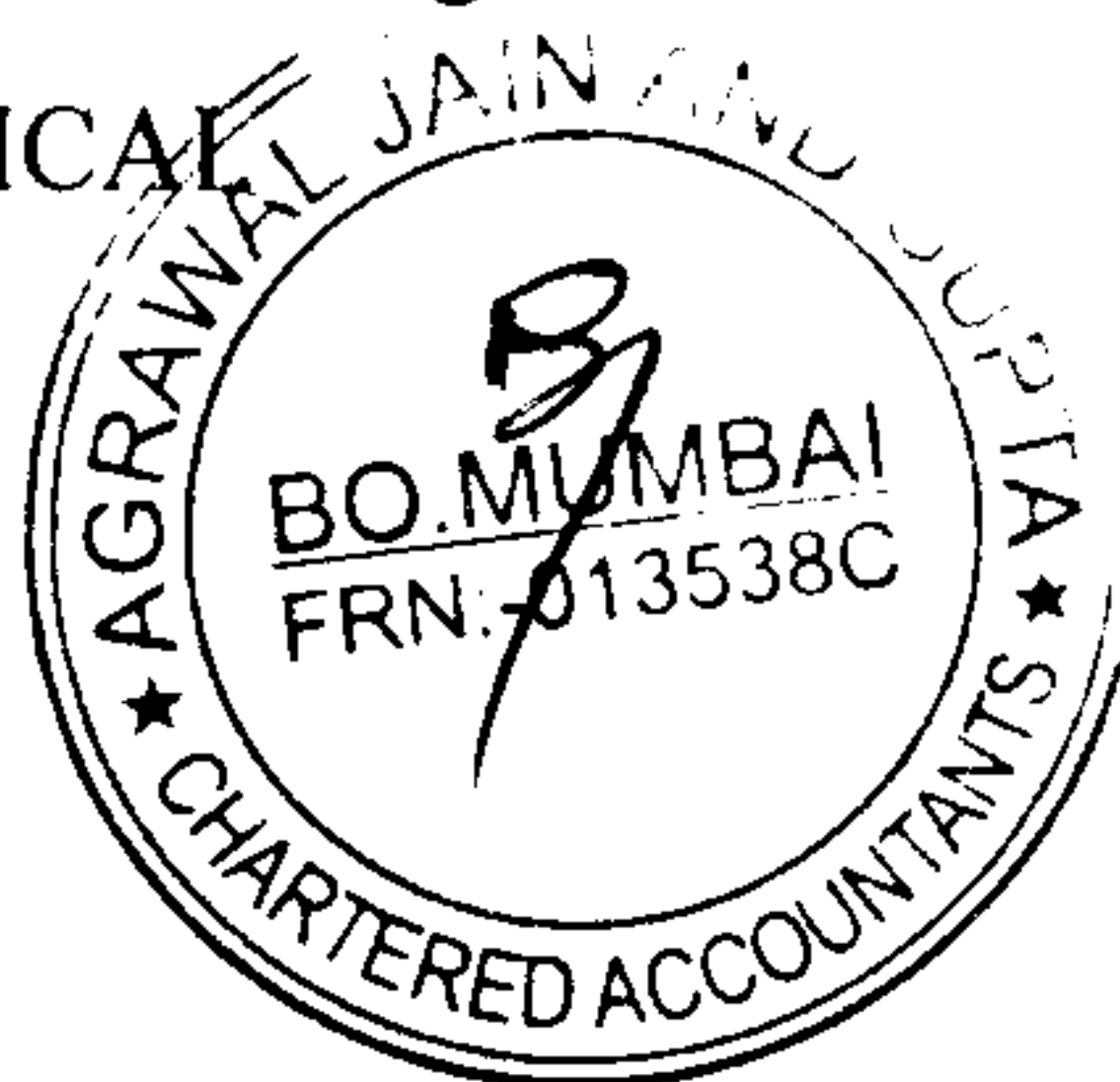
Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

**h. Revenue recognition**

Income from SEDC, Conversion and Mastering, Advertisement and Rental Income.

Revenue from SEDC and Service charges are booked on accrual basis. As per AS -9

Revenue Recognition issued by ICAI





**i. Accounting for taxes on income**

- i. Provision for current tax is made, based on the tax payable under the Income Tax Act, 1961.
- ii. Deferred tax on timing differences between taxable and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets on unabsorbed tax losses and unabsorbed depreciation are recognized only when there is a virtual certainty of their realization. Other items are recognized only when there is a reasonable certainty of their realization.

**j. Retirement benefits**

- i. If any Contributions payable by the Company to the concerned government authorities in respect of provident fund, family pension fund and employee state insurance are charged to the profit and loss account.
- ii. Provision for gratuity is not made by the company because none of the employee are completed five year in the company.

**k. Foreign currency transactions**

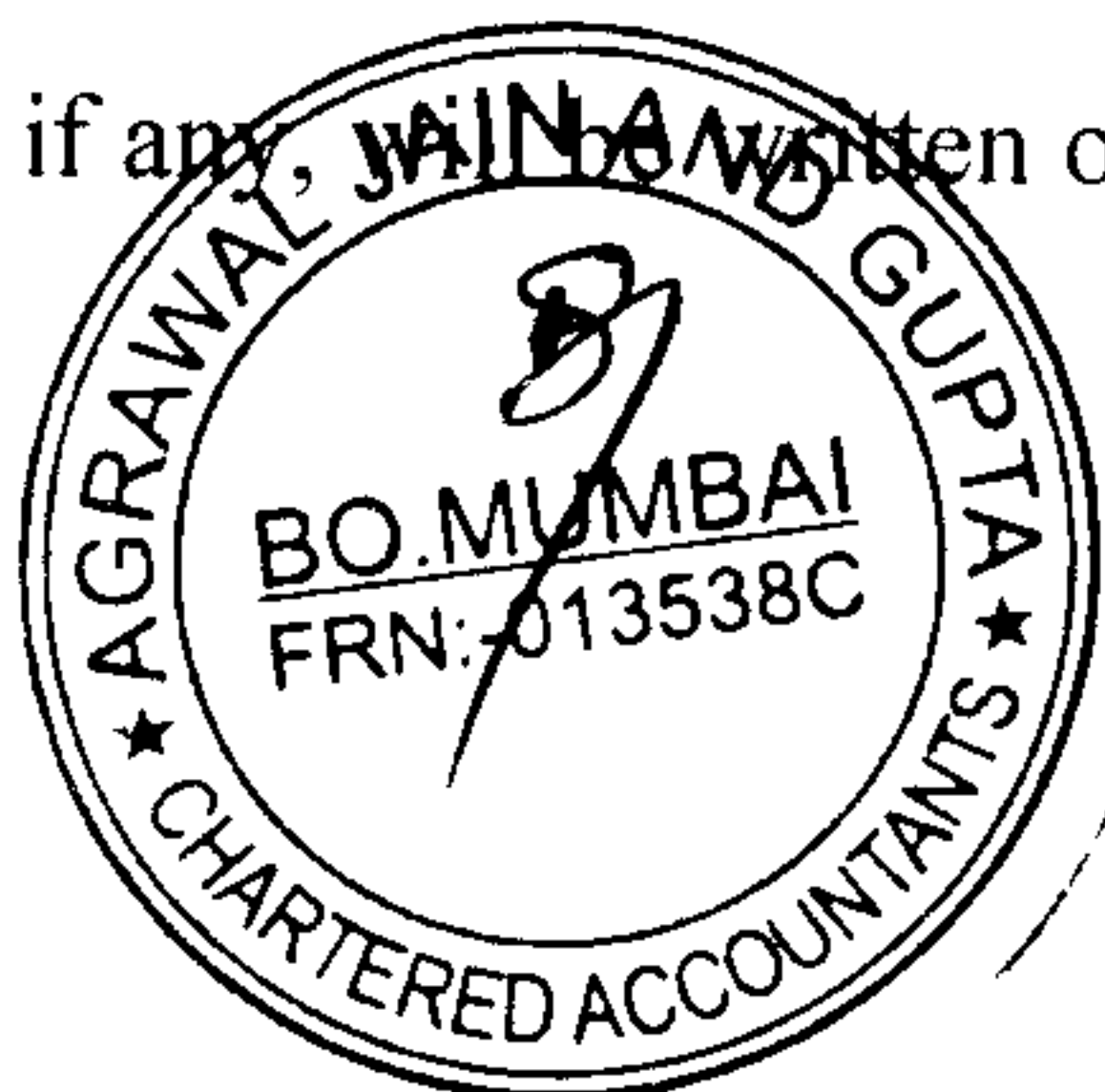
- i. Foreign currency transactions are recorded at exchange rates prevailing on the date of respective transactions.
- ii. Current assets and current liabilities in foreign currencies existing at balance sheet date are translated at year-end rates.
- iii. Foreign currency translation differences related to acquisition of imported fixed assets, if any are adjusted in the carrying amount of the related fixed assets. All other foreign currency gains and losses are recognized in the profit and loss account.

**l. Provision and contingent liabilities**

Provisions are recognized when the Company has present legal or constructive obligation, a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. Contingent liabilities, if any, are disclosed by way of notes to the Balance Sheet.

**m. Preliminary Expenses**

Preliminary expenses, if any, are written off over a period of Ten years.



## 3.9 Deferred tax liability / Asset

(Amount in Rupees)

Particulars	As at April 1, 2013	Current year (charge) / credit	As at March 31, 2014
Difference between book base and tax base of fixed assets	(4,086,389)	10,719,789	6,633,400
Liabilities that are deducted for tax purposes when paid	-	-	-
Carried forward losses	(13,625,060)	19,625,747	6,000,687
<b>Deferred tax Assets</b>	<b>(17,711,449)</b>	<b>30,345,536</b>	<b>12,634,087</b>

## 3.22 Earnings per share

(Amount in Rupees)

Particulars	March 31, 2014
<b>Net profit / (loss) after tax for the year</b>	<b>2,125,914</b>
Equity shares outstanding as at the year end	3,00,00,000
Nominal value per share (Rs.)	10
<b>Earnings per share</b>	
- Basic	0.07
- Diluted	0.07

## 3.23 Auditor's remuneration (excluding service tax)

(Amount in Rupees)

Particulars	March 31, 2014
Statutory audit	150,000
<b>Total</b>	<b>150,000</b>

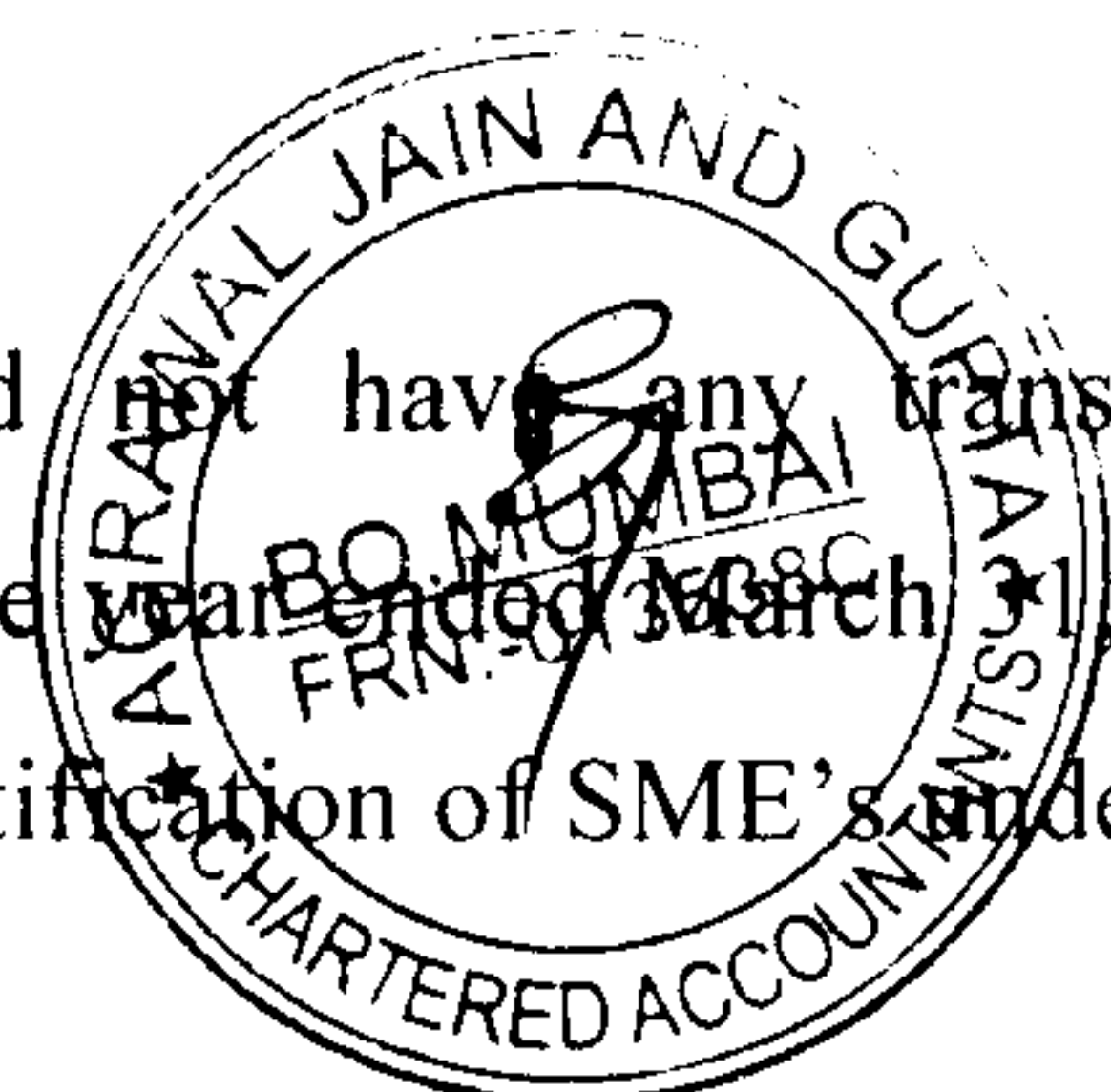
## 3.24 Related Party Disclosures

Related parties are classified as:

I	Company:
1.	KSS Limited
2.	Hussain Shattaf

Nature of transactions	Holding	Amount
Loans / Advances(given)	KSS Limited	1,045,352
Director Sitting Fees	Hussain Shattaf	187,640

3.25 The Company did not have any transactions with Small Scale Industrial ('SME's') Undertakings during the year ended March 31, 2014 and hence there are no amounts due to such undertakings. The identification of SME's undertakings is based on the management's knowledge

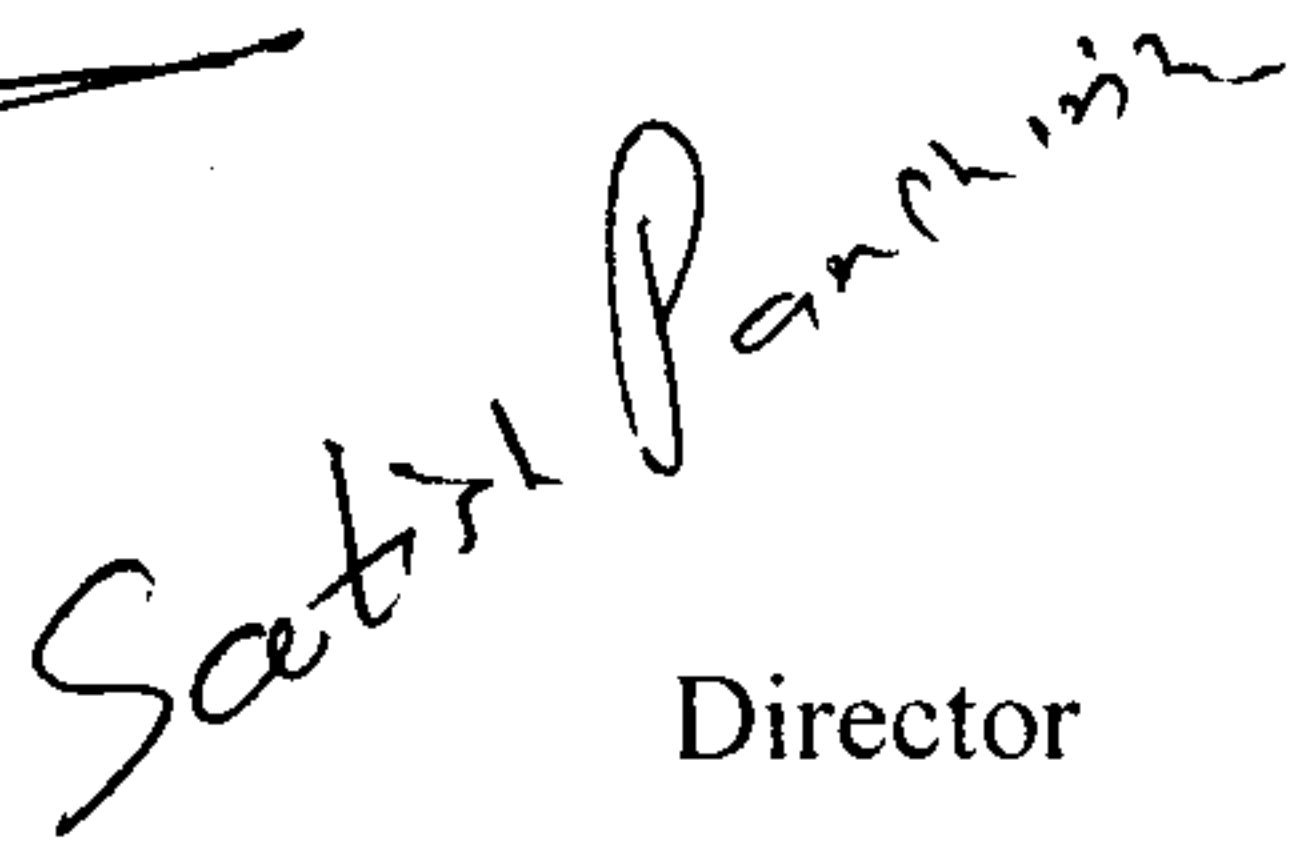


of their status. The Company has not received any information from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amount unpaid as at the year end together with interest paid / payable as required under the said Act have not been furnished.

**For and on behalf of the board of directors**



Director



Director

**For Agrawal Jain & Gupta**

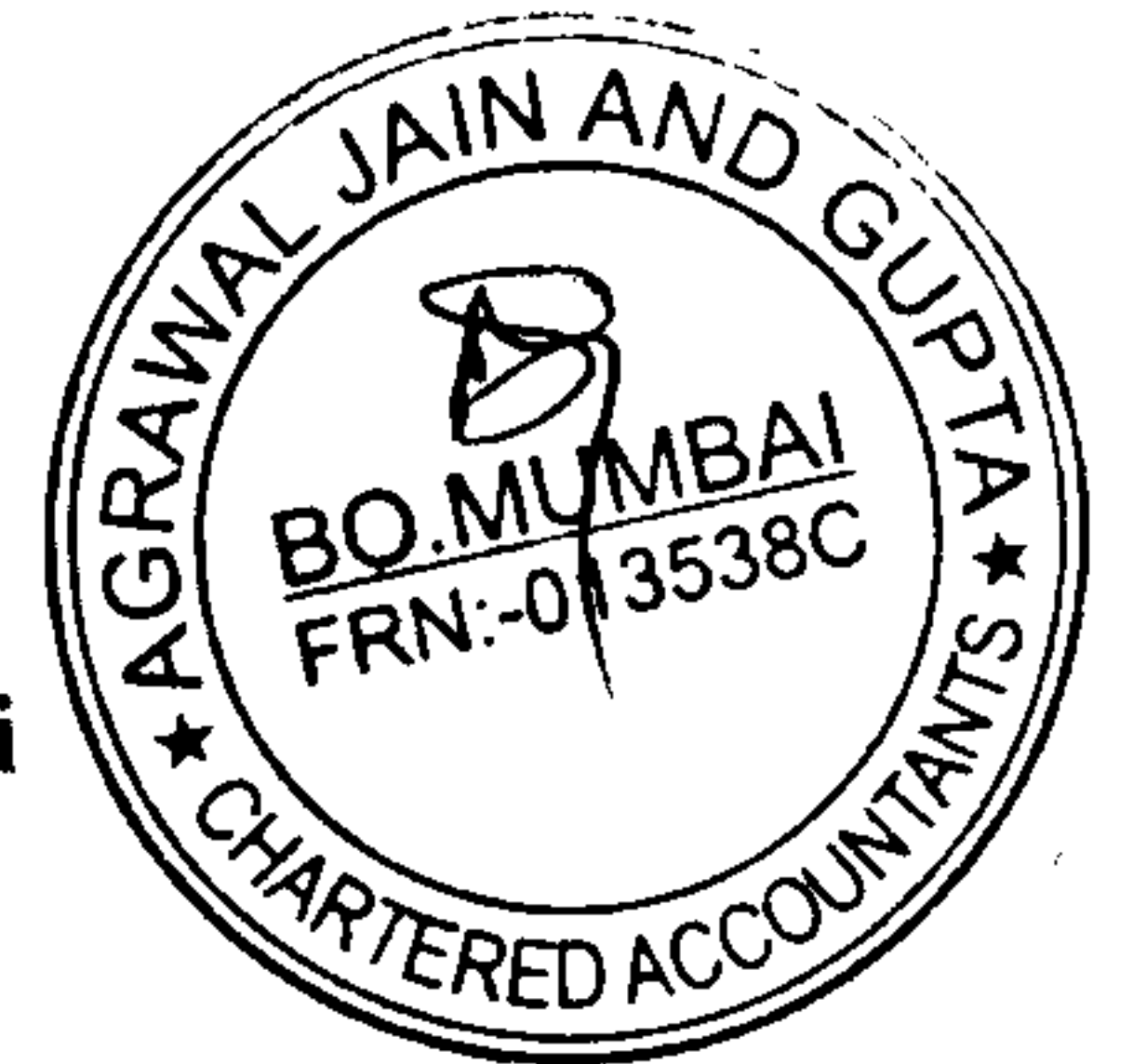
Chartered Accountants



**CA Narayan Swami**

Partner

**M. No - 409759**



**Place:** Mumbai

**Date:** May 30<sup>th</sup>, 2014