Annexure 3

UFO
CINE MEDIA NETWORK

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE OF UFO MOVIEZ INDIA LIMITED AT ITS MEETING HELD ON JUNE 3, 2024, IN RELATION TO THE SCHEME OF ARRANGEMENT AMONGNST SCRABBLE.DIGITAL LIMITED AND UFO SOFTWARE TECHONOLOGIES PRIVATE LIMITED AND UFO MOVIEZ INDIA LIMITED AND THEIR RESPECTIVE SHAREHOLDERS

Members Present:

I.	Mr. Rajiv Batra	Chairman
2.	Mr. Kanwar Bir Singh Anand	Member
3.	Ms. Swati Mohan	Member

In **Attendance:**

Ms. Kavita Thadeshwar	Company Secretary

Invitees:

I.	Mr. Sanjay Gaikwad	Managing Director
2.	Mr. Rajesh Mishra	Executive Director & Group CEO
3.	Mr. Anand Trivedi	Non - Executive Director
4.	Mr. Gautam Trivedi	Non - Executive Director
5.	Mr. Ashish Malushte	Chief Financial Officer
6.	Mr. Sushil Agrawal	Chief Strategy Officer
7.	Mr. Jinesh Shah	Partner – Ernst & Young LLP
8.	Ms. Soniya Sankhesaria	Senior Manager - Ernst and Young LLP

1. Background:

1.1. The Audit and Risk Management Committee at its meeting held on June 3, 2024, was requested to consider and recommend to the Board of Directors, a draft of the proposed Scheme of Arrangement amongst Scrabble Digital Limited ("SOL" or "Transferor Company I") and UFO Software Technologies Private Limited ("USTPL" or "Transferor Company 2") (together known as "Transferor Companies") and UFO Moviez India Limited ("UFO" or "Transferee Company") and their respective shareholders, followed by reduction of securities premium of UFO ("Scheme"), to be implemented under Sections 230 to 232 read with Section 66 and Section 52 of the Companies Act, 2013 and the rules made thereunder ("Act") and other applicable provisions, if any, of the Act, any other law for the time being in force (including any statutory modifications(s) or re-enactment(s) thereof), and such other applicable rules, regulations, guidelines, and circulars issued by any regulatory authorities from time to time including the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 ("SEBI Circular") (as amended from time to time)

1.2. This report of the Audit and Risk Management Committee is made to comply with the requirement of the SEBI Circular.

2. While deliberating on the Scheme, the Audit and Risk Management Committee had, inter-alia, considered and has taken on record the following documents:

2.1. A draft of the proposed Scheme; and

2.2. Draft Auditor's Certificate issued by M/s. B S R & Co. LLP, Statutory Auditors of the Company ("Accounting Treatment Certificate"), to the effect that the scheme is in compliance with applicable Accounting Standards specified by the Central Government in Section 133 of the Act.

3. Proposed Scheme

3.1. The Audit Committee noted the need and the rationale of the Scheme, which inter-alia is as follows:

Amalgamation of Transferor Companies into Transferee Company

a. The Transferor Companies are wholly owned subsidiaries of the Transferee Company.

b. The proposed amalgamation of Transferor Company 1 will assist the Transferee Company to serve existing customer with all products and services within digital cinema industry's needs, giving customers a one-stop shopping experience with credible services.

c. Transferor Company 2 is not of the significant size and therefore consolidation will result into decrease in the administration cost associated with day-to-day operations.

d. The amalgamation of the Transferor Companies with the Transferee Company will lead to better business synergies, improved overall operational efficiencies and cost savings.

e. The amalgamation will also result in reduction in legal and regulatory compliances that are currently carried out by multiple entities.

f. The proposed amalgamation will reduce managerial overlaps, which are necessarily involved in running multiple entities.

Utilisation of Securities Premium Account

g. Due to COVID 19 pandemic, the Transferee Company has incurred losses from FY 2020-21 to FY 2022-23. As per audited financial results as on March 31, 2024, the Transferee Company had (i) Profit and Loss Account (debit balance) of about INR 130.82 crores (Indian Rupees One Hundred and Thirty Crores and Eighty Two Lakhs only); (ii) Securities Premium Account of about INR 388.57 crores (Indian Rupees Three Hundred and Eighty Eight Crores and Fifty Seven Lakhs only); (iii) Amalgamation Deficit Reserve Account (debit balance) of about INR 67.46 crores (Indian Rupees Sixty Seven Crores and Forty Six Lakhs only). All these balances are part of "Other Equity".

h. The Transferee Company believes that utilization of the Securities Premium Account to set off the debit balances in (i) Profit and Loss Account and (ii) Amalgamation Deficit Reserve Account would result in a true and fair reflection of the "Other Equity" in the balance sheet.

i. The right-sizing of the balance sheet is also likely to facilitate the efforts of the Transferee Company while raising funds in future.

j. The proposed adjustment / set off, of the Securities Premium Account would not have any impact on the shareholding pattern, and the capital structure of the Transferee Company.

k. The Scheme does not involve any financial outlay / outgo and therefore, would not affect the ability or liquidity of the Transferee Company to meet its obligations/ commitments in

the normal course of business. Further, this Scheme would also not in any way adversely affect the ordinary operations of the Transferee Company.

4. The Audit Committee noted the salient features of the Scheme, which inter-alia areas under:

4.1. A consolidation of the Transferor Companies and the Transferee Company by way of amalgamation of Transferor Companies with Transferee Company.

4.2. Pursuant to the approval of the Securities Exchange Board of India ("SEBI"), BSE Limited ("BSE"), National Stock Exchange of India Limited ("NSE") and sanction of jurisdictional Hon'ble National Company Law Tribunal(s) ("NCLT") the Scheme shall become effective from the Appointed Date. The Appointed Date for the Scheme is April 1, 2024.

4.3. With effect from the Appointed Date, whole of the undertaking of the Transferor Companies, as a going concern, including all its assets, all liabilities, employees, all statutory licences, permissions, approvals or consents to carry on the operations of the Transferor Companies shall stand vested in or transferred to the Transferee Company without any further act or deed and shall be appropriately mutated by the statutory authorities concerned in favour of the Transferee Company upon the vesting and transfer of the undertaking of the Transferor Companies pursuant to this Scheme.

4.4. The Transferor Companies are a wholly owned subsidiaries of the Transferee Company and therefore there would be no issue of shares by the Transferee Company to the shareholders of the Transferor Companies in this regard. Upon the Scheme becoming effective, the entire paid up share capital in the Transferor Companies fully held by the Transferee Company either in its own name or in the name of its nominee(s) shall be cancelled and shall be deemed to be cancelled on the Effective Date without any further application, act or deed.

4.5. Immediately after Part II of the Scheme becoming effective, the debit balance in Profit and Loss Account and debit balance in Amalgamation Deficit Reserve Account in the books of Transferee Company, including any debit balance in Amalgamation Deficit Reserve Account (arising on amalgamation) as on the Appointed Date, pursuant to Clause 7, shall be set off against the Securities Premium Account of the Transferee Company.

4.6. The reduction of debit balance in Profit and Loss Account and debit balance in Amalgamation Deficit Reserve Account in the books of Transferee Company, including any debit balance in Amalgamation Deficit Reserve Account (arising on amalgamation) as on the Appointed Date by way of the adjustment set out in Clause 15.1 of the Scheme against the amounts held in the Securities Premium Account of the Transferee Company and it does not involve the reduction of the issued, subscribed and paid-up share capital of the Transferee Company. Further, the reduction does not envisage the transfer or vesting of any of the properties and/or liabilities of the Transferee Company to any person or entity.

5. The Audit and Risk Management Committee noted the synergies of business of the entities involved in the Scheme, which inter-alia are as under:

5.1. As stated in the rationale of the Scheme, amalgamation will result in administrative and operational rationalization, organizational efficiencies, reduction in overheads and other expenses, and optimal utilization of various resources. It will prevent cost duplication that can erode financial efficiencies of the holding structure and the resultant operations would be substantially cost-efficient. The

synergies created by the amalgamation would increase operational efficiency and integrate business functions.

5.2. The amalgamation shall result in more efficient utilization of capital and create a consolidated base for future growth of the Transferee Company.

5.3. The reduction of Securities Premium account would not have any impact on the shareholding pattern, and the capital structure of the Transferee Company and would help in presenting true and fair view of the financial position of the Transferee Company.

6. The Audit and Risk Management Committee noted the impact of the Scheme on the shareholders of the Transferee Company, which inter-alia is as under:

As far as the equity shareholders of the Transferee Company are concerned (promoter shareholders as well as non-promoter shareholders), the amalgamation of the Transferor Companies with the Transferee Company will not result in any dilution of holding of promoter shareholders or non-promoters' shareholders in the Transferee Company. The Transferor Companies are wholly owned subsidiaries of Transferee Company and therefore there would be no issue of shares by the Transferee Company in this regard. Proposed utilization of securities amount would not result in any change in current capital structure of Transferee Company.

7. The Audit and Risk Management Committee noted the cost benefit analysis of the Scheme, which inter-alia is as under:

As stated in the rationale, the benefits of the Scheme would far outweigh the cost of implementation of the Scheme.

8. Recommendation of the Audit and Risk Management Committee:

The Audit and Risk Management Committee has considered and noted the aforementioned draft Scheme and inter alia taking into consideration the rationale and benefits of the draft Scheme recommends the draft Scheme to the Board of Directors of the Transferee Company for their favorable consideration and approval.

For **UFO Moviez India Limited**

Mr. Rajiv Batra
Chairman of the Audit and Risk Management Committee

Dated: June 3, 2024
Place: Mumbai