

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 MARCH 2020**

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

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FOR THE YEAR ENDED 31 MARCH 2020**

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SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**COMMENTARY OF THE DIRECTORS**

The directors are pleased to present their commentary together with the audited financial statements of **Scrabble Entertainment (Mauritius) Ltd** (the "Company") for year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the deployment of digital cinema equipment for distribution across all cinema theatres through its branch, Scrabble Entertainment (Mauritius) Ltd, in Israel.

RESULTS AND DIVIDENDS

The Company's profit for the year ended 31 March 2020 is **USD 3,805,255** (2019: USD 86,555).

The directors have recommended a dividend payment of **USD 3,800,953** for the year under review (2019: USD Nil).

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been followed and complied with, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors have confirmed that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

AUDITORS

The auditors, UHY & Co, have indicated their willingness to continue in office. They will be automatically re-appointed at the next Annual Meeting.

BY ORDER OF THE BOARD

DocuSigned by:

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SECRETARY

Asnath Sultunti
 For
 Ocorian Corporate Services
 (Mauritius) Limited

Date: 17 June 2020

OCORIAN CORPORATE SERVICES (MAURITIUS) LIMITED
6th Floor, Tower A
1, CyberCity
Ebène
Republic of Mauritius

SECRETARY'S CERTIFICATE

TO THE MEMBER OF SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

UNDER SECTION 166 (d) OF THE COMPANIES ACT 2001

We certify, as secretary of Scrabble Entertainment (Mauritius) Ltd (the "Company"), that based on records and information made available to us by the directors and shareholder of the Company, the Company has filed with the Registrar of Companies for year ended 31 March 2020, all such returns as are required of the Mauritian Company under the Companies Act 2001.

DocuSigned by:

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Asnath Sultunti
For
Ocorian Corporate Services
(Mauritius) Limited

OCORIAN CORPORATE SERVICES (MAURITIUS) LIMITED
COMPANY SECRETARY

Date: 17 June 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Scrabble Entertainment (Mauritius) Ltd (the "Company") on pages 8 to 27 which comprise the statement of financial position at 31 March 2020 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company at 31 March 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as modified by the exemption from consolidation in the Mauritian Companies Act 2001 for companies holding a Category 1 Global Business Licence and comply with the Mauritian Companies Act 2001.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other Information

The directors are responsible for the other information. The other information comprises the Commentary of the Directors and the Secretary's Certificate, but does not include the financial statements and our auditor's report thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF**SCRABBLE ENTERTAINMENT (MAURITIUS) LTD****Report on the Audit of the Financial Statements (continued)***Other Information (continued)*

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF**SCRABBLE ENTERTAINMENT (MAURITIUS) LTD****Report on Other Legal and Regulatory Requirements**

The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- (a) we have no relationship with or interests in the Company other than in our capacity as auditor;
- (b) we have obtained all the information and explanations we have required; and
- (c) in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's member, as a body, in accordance with Section 205 of the Mauritian Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**UHY & Co**

Nirmal Heeralall, licensed by FRC
Signing partner

Date: 17 June 2020

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	NOTE	2020 USD	2019 USD
INCOME			
Revenue from operations	5	275,568	1,557,005
Profit on disposal of property, plant and equipment		396,480	-
Dividend income		3,800,953	-
Bank interest		22,479	54
		<u>4,495,480</u>	<u>1,557,059</u>
EXPENSES			
Costs associated with operations	6	269,611	678,406
Administrative expenses		52,912	66,137
Depreciation of property, plant and equipment		-	450,636
Rental expenses		6,117	11,874
Legal and professional fees		39,509	13,743
Exchange loss		1,533	27,209
Provision for impairment of trade receivables		116,391	112,695
		<u>486,073</u>	<u>1,360,700</u>
OPERATING PROFIT		4,009,407	196,359
Finance expense	7	(30,502)	(30,899)
PROFIT BEFORE INCOME TAX		3,978,905	165,460
Income tax	13	(173,650)	(78,905)
PROFIT FOR THE YEAR		3,805,255	86,555
OTHER COMPREHENSIVE INCOME THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS			
Exchange difference on translation of foreign operations		19,750	(58,826)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>3,825,005</u>	<u>27,729</u>

The notes on pages 12 to 27 form an integral part of these financial statements.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

	NOTE	2020 USD	2019 USD
ASSETS			
Non-current assets			
Investments in subsidiaries	9	735,495	735,495
Current assets			
Accounts receivable	10	980	458,933
Cash and cash equivalents		617,424	2,115,991
Income tax receivable	13	56,144	-
		674,548	2,574,924
TOTAL ASSETS		1,410,043	3,310,419
EQUITY AND LIABILITIES			
Equity			
Stated capital	11	750,001	750,001
Retained earnings		388,376	399,555
Translation reserve		2,195	(33,036)
		1,140,572	1,116,520
Current liabilities			
Loan payable	14(i)	-	1,477,895
Accounts payable	12	102,808	665,358
Income tax payable	13	166,663	50,646
		269,471	2,193,899
TOTAL EQUITY AND LIABILITIES		1,410,043	3,310,419

Approved by the Board on 17 June 2020 and signed on its behalf by:

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Director

DocuSigned by:



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Director

The notes on pages 12 to 27 form an integral part of these financial statements.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

	Stated capital USD	Retained earnings USD	Translation reserve USD	Total USD
At 01 April 2018	750,001	332,532	6,258	1,088,791
Profit for the year	-	86,555	-	86,555
Exchange differences on translation of foreign operations	-	-	(58,826)	(58,826)
Total comprehensive income for the year	-	86,555	(58,826)	27,729
Transfer to retained earnings	-	(19,532)	19,532	-
At 31 March 2019	750,001	399,555	(33,036)	1,116,520
Profit for the year	-	3,805,255	-	3,805,255
Exchange differences on translation of foreign operations	-	-	19,750	19,750
Total comprehensive income for the year	-	3,805,255	19,750	3,825,005
Dividend paid during the year	-	(3,800,953)	-	(3,800,953)
Transfer to retained earnings	-	(15,481)	15,481	-
At 31 March 2020	750,001	388,376	2,195	1,140,572

The notes on pages 12 to 27 form an integral part of these financial statements.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

	2020 USD	2019 USD
<i>Cash flows from operating activities</i>		
Profit before income tax	3,978,905	165,460
<i>Adjustments for:</i>		
Interest income	(22,479)	(54)
Interest expense	28,653	29,980
Depreciation of property, plant and equipment	-	450,636
Dividend income	(3,800,953)	-
Provision for impairment of trade receivables	116,391	112,694
Profit on disposal of property, plant and equipment	(396,480)	-
Exchange difference	26,779	(43,986)
Operating (loss) / profit before working capital changes	(69,184)	714,730
<i>Changes in working capital:</i>		
Movement in accounts receivable	341,562	127,704
Movement in accounts payable	(562,552)	114,274
Cash (used in) / generated from operations	(290,174)	956,708
Income tax paid	(115,389)	(183,131)
Net cash (used in) / generated from operating activities	(405,563)	773,577
<i>Cash flows from investing activities</i>		
Dividend received	3,800,953	-
Interest received	22,479	54
Disposal of property, plant and equipment	396,480	-
Net cash generated from investing activities	4,219,912	54
<i>Cash flows from financing activities</i>		
Dividend paid	(3,800,953)	-
Repayment of loans and amount due to related party	(1,483,310)	-
Interest paid	(28,653)	-
Net cash used in financing activities	(5,312,916)	-
Net (decrease) / increase in cash and cash equivalents	(1,498,567)	773,631
Cash and cash equivalents at beginning of the year	2,115,991	1,342,360
Cash and cash equivalents at end of the year	617,424	2,115,991

The notes on pages 12 to 27 form an integral part of these financial statements.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020**

1 GENERAL INFORMATION

Scrabble Entertainment (Mauritius) Ltd (the “Company”) is a limited company which was incorporated on 26 September 2011. It holds a Category 1 Global Business Licence under the Financial Services Act 2007 and is regulated by Financial Services Commission. The Company’s registered office is c/o Ocorian Corporate Services (Mauritius) Limited, 6th Floor, Tower A, 1, CyberCity, Ebène, Republic of Mauritius.

On 12 March 2013, the Company set up a branch in Israel named Scrabble Entertainment (Mauritius) Ltd. The principal activities of the Company are investment holding and the deployment of digital cinema equipment for distribution across all cinema theatres in Israel through its branch in Israel.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(i) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as modified by the exemption from consolidation in the Companies Act 2001 for companies holding a Category 1 Global Business Licence (“IFRS as modified by Companies Act 2001”). The financial statements have been prepared under the historical cost basis.

The preparation of financial statements in conformity with IFRS as modified by Companies Act 2001 requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are described in Note 3.

(ii) Changes in accounting policies and disclosures***Standards, Amendments to published Standards and Interpretations effective during the current year***

During the year, the Company adopted the Standards and Interpretations which are effective in the current year and relevant to its operations. The adoption of these Standards and Interpretations did not result in substantial changes to the Company’s accounting policies and did not have a significant impact on the financial statements for the financial year ended 31 March 2020.

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain new accounting Standards and Interpretations have been published that are not mandatory for 31 March 2020 reporting periods and have not been early adopted by the Company. The adoption of these Standards and Interpretations is not expected to have an impact on the financial statements of the Company.

(iii) Summary of significant accounting policies***Foreign currency translation******(a) Functional and presentation currency***

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The financial statements are presented in United States Dollar (“USD”), which is the Company’s functional and presentation currency. The USD is the currency that most faithfully reflects the underlying transactions, events and conditions that are relevant to the Company.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(iii) Summary of significant accounting policies (continued)*****Foreign currency translation (continued)*****(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of their fair value gain or loss. Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transactions.

For the purpose of presenting the figures of the branch together with that of the Company, the assets and liabilities of the branch have been translated in USD using exchange rates prevailing at the reporting date. The results of the statement of comprehensive income of the branch have been translated at an average exchange rate prevailing during the year. The exchange differences arising from the translation of the results of the branch are taken to translation reserve.

Taxation

The tax expense for the year comprises of current and deferred tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements at the reporting date. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets on accumulated tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and losses can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Property, plant and equipment (PPE)

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*(iii) Summary of significant accounting policies (continued)****Property, plant and equipment (PPE) (continued)***

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The estimated useful life of the PPE, which includes cinema equipment only, as determined by the management is 5 years.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Investment in subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Investment in subsidiaries is shown at cost. Where the carrying amount of the investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is transferred to the statement of comprehensive income. On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

Consolidated financial statements

The Company has taken advantage of the exemption provided by the Companies Act 2001 allowing a wholly owned or virtually owned subsidiary of any company holding a Category 1 Global Business Licence not to present consolidated financial statements. The financial statements are for the Company only and do not consolidate the results of its subsidiaries. The Company is a wholly owned subsidiary of Scrabble Entertainment Limited which in turn is a wholly owned subsidiary company of UFO Moviez India Limited, a company incorporated in India which prepares consolidated financial statements in accordance with Indian GAAP. These consolidated financial statements are obtainable at Valuable Techno Park, Plot #53/1, Road #7, MIDC, Marol, Andheri (E), Mumbai.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(iii) Summary of significant accounting policies (continued)*****Financial instruments (continued)******Financial assets******(a) Classification and initial measurement***

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and;
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The entity's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the statement of comprehensive income.

(b) Subsequent measurement

The Company has only one type of financial assets which it classifies as financial assets at amortised cost.

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the statement of comprehensive income and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

The Company's financial assets at amortised cost includes accounts receivable and cash and cash equivalents which are subsequently measured as follows:

Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(iii) Summary of significant accounting policies (continued)*****Financial instruments (continued)******Financial assets (continued)*****(b) Subsequent measurement (continued)*****Cash and cash equivalents***

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. The Company's cash and cash equivalents comprise of cash at bank.

(c) Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company has only one financial asset which is classified as financial asset at amortised costs that is subject to the expected credit loss model.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses ("ECLs") which uses a lifetime expected loss allowance for trade receivables.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

(d) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***(iii) Summary of significant accounting policies (continued)******Financial instruments (continued)******Financial assets (continued)******(d) Derecognition (continued)***

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities***(a) Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include amount due to third party and accruals.

(b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Amount due to third party and accruals

Amount due to third party and accruals are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

(c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(iii) Summary of significant accounting policies (continued)*****Impairment of non-financial assets***

The carrying amount of assets is assessed at each reporting date to determine whether there are any indications of impairment. If any such indication exists, the Company estimates the recoverable amount of the asset being the higher of the asset's value in use and its fair value less costs to sell, in order to determine the extent of the impairment loss (if any). An impairment loss is recognised for any excess of the asset's carrying amount over its recoverable amount and is taken directly to the statement of comprehensive income.

Stated capital

Stated capital is determined using the nominal values of shares that have been issued and is classified as equity.

Revenue recognition

The Company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below:

Revenue from operations are recognised at a point in time in accordance with the substance of the relevant agreements.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised using the effective interest method.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Expenses recognition

Expenses are accounted for in the statement of comprehensive income on the accrual basis.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and judgements that affect the reported amounts of assets and liabilities within the next year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Determination of functional currency

The Board of Directors considers the United States Dollar ("USD") as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The USD is the currency in which the Company measures its performance and reports its results, as well as the currency in which it receives subscriptions from its shareholder.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020**

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)*Useful life of property, plant and equipment*

In the process of assessing the Company's accounting policies, management estimates the useful life of property, plant and equipment and charges depreciation based on the estimated useful life. The existing assessment of assets, which reflects the management's intention in relation to financial statements presentation, is subject to different accounting treatments based on such estimation.

Income taxes

The Company is subject to income taxes in Mauritius and on its branch in Israel. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the current and deferred income tax assets and liabilities in the year in which such determination is made.

Going concern

The directors have made an assessment of the Company's ability to continue as a going concern taking into account all available information about the future including the analysis of the possible impacts in relation to COVID-19, which is at least, but is not limited to, twelve months from the date of approval of these financial statements and confirmed that they have not identified events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

4 FINANCIAL RISK MANAGEMENT**A. Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. This note presents information about the Company's exposure to each of the said risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate measures and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Company's activities.

The Company's exposure to the various types of risks associated to its activities and financial instruments is detailed below.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020****4 FINANCIAL RISK MANAGEMENT (CONTINUED)****A. Financial risk factors (continued)****(a) Market risk (continued)****(i) Currency risk**

Foreign exchange risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company has financial assets and liabilities denominated in Israeli New Shekel ("ILS"). Consequently, the Company is exposed to the risk that the exchange rate of the USD relative to ILS may change in a manner which has a material effect on the reported value of the Company's assets and liabilities denominated in ILS.

The currency profile of the Company's financial assets and liabilities is summarised as follows:

	2020 ILS	2020 USD	2019 ILS	2019 USD
Financial assets				
Cash and cash equivalents	1,491,405	419,383	4,212,816	1,158,861
Accounts receivable	-	-	1,664,677	457,919
	<u>1,491,405</u>	<u>419,383</u>	<u>5,877,493</u>	<u>1,616,780</u>
Financial liabilities				
Loan payables	-	-	3,267,479	898,818
Accounts payable	-	-	2,303,891	633,754
	<u>-</u>	<u>-</u>	<u>5,571,370</u>	<u>1,532,572</u>

The remaining financial assets and liabilities (excluding prepayments, VAT refundable and VAT payable) are denominated in USD and are thus not exposed to any foreign exchange risk.

Sensitivity analysis

The following table indicates the approximate change in the Company's post-tax profit and equity in response to reasonable possible changes in the foreign exchange rates to which the Company has significant exposure at the reporting date, with all other variables held constant.

	Increase/(decrease) in foreign exchange rates	2020 USD	2019 USD
Depreciation of ILS	5%	20,969	4,210
Appreciation of ILS	- 5%	(20,969)	(4,210)

(ii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company has no exposure to interest-rate risk as it has no interest-bearing financial assets and liabilities as at the end of the reporting date.

(iii) Price risk

Equity price risk is the risk of unfavorable changes in fair values of equities as a result of changes in the value of individual shares. The Company has no exposure to price risk at year end.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020****4 FINANCIAL RISK MANAGEMENT (CONTINUED)****A. Financial risk factors (continued)****(b) Credit risk**

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. With respect to credit risk arising from financial assets which comprise of accounts receivable (excluding prepayments and VAT refundable) and cash and cash equivalents, the Company's exposure arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets at the reporting date. There was no concentration of credit risk as at the reporting date.

Credit risk from balances with banks is managed by the Company by carrying out transactions with banks of good standing and reputation. The Company also limits its credit exposure by transacting with related parties.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company maintains adequate cash reserves to meet its obligations as they fall due and through financing from related parties.

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2020 and 31 March 2019 based on contractual undiscounted payments:

	Due on demand USD	Within 1 year USD	Total USD
2020			
Accounts payable	1	25,943	25,944
	=====	=====	=====
	Due on demand USD	Within 1 year USD	Total USD
2019			
Accounts payable	1	658,717	658,718
Loan payable	1,477,895	-	1,477,895
	-----	-----	-----
	1,477,896	658,717	2,136,613
	=====	=====	=====

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020****4 FINANCIAL RISK MANAGEMENT (CONTINUED)****B. Financial instruments****(a) Categories of financial instruments**

	At amortised cost	
	2020	2019
	USD	USD
Financial assets		
Accounts receivable	-	456,859
Cash and cash equivalents	617,424	2,115,991
	=====	=====
Total assets	617,424	2,572,850
	=====	=====
	Loans and borrowings	Other financial liabilities
	USD	at amortised cost
		USD
		Total
		USD
Financial liabilities		
2020		
Accounts payables	-	25,944
	=====	=====
	Loans and borrowings	Other financial liabilities
	USD	at amortised cost
		USD
		Total
		USD
2019		
Accounts payables	-	658,718
Loan payable	1,477,895	-
	=====	=====
Total liabilities	1,477,895	658,718
	=====	=====

(b) Fair values of financial instruments

The carrying amounts of accounts receivable (excluding prepayments and VAT refundable), cash and cash equivalents and accounts payable (excluding VAT payable) approximate their fair values.

C. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to the shareholder, return capital to the shareholder or issue new shares.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020****5 REVENUE FROM OPERATIONS**

	2020 USD	2019 USD
Virtual Print Fee	247,179	1,220,016
Equipment rental income	4,853	244,753
Maintenance fee	23,536	92,236
	-----	-----
Total	275,568	1,557,005
	=====	=====

6 COSTS ASSOCIATED WITH OPERATIONS

	2020 USD	2019 USD
Virtual Print Fee sharing expense	117,660	510,604
Management fee	37,382	72,564
Maintenance fee	114,509	95,238
Other expenses	60	-
	-----	-----
Total	269,611	678,406
	=====	=====

7 FINANCE EXPENSE

	2020 USD	2019 USD
Interest payable on loan from subsidiary	28,653	29,980
Bank charges	1,849	919
	-----	-----
Total	30,502	30,899
	=====	=====

8 PROPERTY, PLANT AND EQUIPMENT

During the year, the Company disposed its property, plant and equipment for a consideration of **USD 396,480** which resulted in a profit of an equivalent amount.

9 INVESTMENT IN SUBSIDIARIES

	2020 USD	2019 USD
<i>At cost:</i>		
At start and end of the year	735,495	735,495
	=====	=====

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020****9 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

Details of the investments in subsidiaries are given below:

Name of investees	Country of incorporation	Type of shares held	% Holdings	Cost of investment	
				2020 USD	2019 USD
Scrabble Entertainment DMCC	Dubai	Ordinary	90%	735,494	735,494
Scrabble Entertainment Israel Ltd	Israel	Ordinary	100%	1	1
				-----	-----
				735,495	735,495
				=====	=====

At 31 March 2020, the directors have reviewed the financial performance and the future projects to be undertaken by the investees and are of the opinion that no provision for impairment is required.

10 ACCOUNTS RECEIVABLE

	2020 USD	2019 USD
Trade receivables	116,391	569,554
Provision for impairment	(116,391)	(112,695)
	-----	-----
	-	456,859
Prepayments	980	2,074
	-----	-----
	980	458,933
	=====	=====

11 STATED CAPITAL

	Number of shares		2020 USD	2019 USD
	2020	2019		
<i>Issued and paid up</i>				
At start and end of the year	750,001	750,001	750,001	750,001
	=====	=====	=====	=====

The par value of each ordinary share is **USD 1**.

The holder of an ordinary share in the Company shall confer on the holder:

- (a) the right to one vote on a poll at a meeting of the Company on any resolution;
- (b) the right to an equal share in dividends authorised by the Board; and
- (c) the right to an equal share in the distribution of the surplus assets of the Company.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020****12 ACCOUNTS PAYABLE**

	2020	2019
	USD	USD
Amount due to third party	1	1
Accruals	25,943	658,717
VAT payable	76,864	6,640
	-----	-----
At end of year	102,808	665,358
	=====	=====

The amount due to third party refers to consideration payable on the acquisition of shares in Scrabble Entertainment Israel Ltd.

13 INCOME TAX

The Company, being resident in Mauritius, is liable to income tax in Mauritius on its chargeable income at the rate of 15%. The Company has received its Category 1 Global Business Licence ("GBL1") before 16th October 2017 and is grandfathered under the provisions of the Finance (Miscellaneous Provisions) Act 2018 ("FA 2018"). As from 1st July 2021, the Company's GBL1 licence will be automatically converted to a Global Business Licence ("GBL"). The Company will therefore operate under the current tax regime up to 30th June 2021.

Until 30th June 2021, the Company's foreign sourced income is eligible for a foreign tax credit which is computed as the higher of the Mauritian tax and the foreign tax on the respective foreign sourced income. The foreign tax for a GBL1 company is based on either the actual foreign tax charged by the foreign jurisdiction or a deemed foreign tax. The deemed amount of foreign tax is based on 80% of the Mauritian tax on the relevant foreign sourced income. In computing its total actual foreign tax credit, the Company is allowed to pool all of its foreign sourced income.

Under the new regime, the Company will be able to claim an 80% partial exemption on specific types of income (including foreign dividends and interest), subject to meeting pre-defined substance conditions. Other types of income not falling within the categories of income benefitting from the partial exemption will be taxed at 15%. As an alternative to the partial exemption, the Company can claim a tax credit against its Mauritius tax liability based on the foreign tax charged on the income in the foreign jurisdiction.

The Company operates through its branch in Israel. The tax rate in Israel is 23% (2019: 23%).

The tax expense for the year comprises of:

	2020	2019
	USD	USD
Current tax expense	155,823	78,905
Underprovision in previous years	17,827	-
	-----	-----
Actual tax	173,650	78,905
	=====	=====

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020****13 INCOME TAX (CONTINUED)**

A reconciliation between the accounting profit and the actual income tax expense is presented below:

	2020 USD	2019 USD
Profit before income tax	3,978,905	165,460
Applicable income tax at tax rate of 15%	596,836	24,819
<i>Impact of:</i>		
Temporary differences	(33,541)	49,535
Foreign tax credit	(450,636)	(59,483)
Effect of branch being taxed at different rate	43,164	64,034
Actual income tax expense	155,823	78,905
<i>Income tax payable</i>		
	2020 USD	2019 USD
At start of the year	50,646	157,524
Charge for the year	155,823	78,905
Paid during the year	(115,389)	(183,131)
Underprovision in previous years	17,827	-
Exchange difference during the year	1,612	(2,652)
At end of the year	110,519	50,646
Income tax payable	166,663	
Income tax receivable	(56,144)	-
Net income tax payable	110,519	50,646

14 RELATED PARTY TRANSACTIONS

During the year under review, the Company had the following transactions with related entities. The nature, volume of transactions and the balances with the entities are as follows:

	2020 USD	2019 USD
<i>(i) Loan from subsidiary – Scrabble Entertainment DMCC</i>		
At start of the year	1,477,895	1,449,104
Interest payable during the year	28,653	29,700
Repayments	(1,511,963)	-
Exchange difference	5,415	(909)
At end of the year	-	1,477,895

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020****14 RELATED PARTY TRANSACTIONS (CONTINUED)***(i) Loan from subsidiary – Scrabble Entertainment DMCC (continued)*

Details of the above loans are given below:

- (a) Loan amounting to **USD 330,000** (2019: USD 330,000) carried interest at the rate of 9% per annum and has been repaid during the year under review.
- (b) Loan amounting to **USD 899,275** (2019: USD 899,275) was interest-free and has been repaid during the year under review.

	2020	2019
	USD	USD
<i>(ii) Fees to management entity of the Company – Ocorian Corporate Services (Mauritius) Limited</i>		
Fees charged for the year	38,299	45,525
	=====	=====
Fees accrued at end of the year	16,858	13,000
	=====	=====

The above services from Ocorian Corporate Services (Mauritius) Limited have been provided on commercial terms and conditions.

15 PARENT AND ULTIMATE PARENT

The directors consider Scrabble Entertainment Limited, a company incorporated in India, as the Company's parent and UFO Moviez India Limited, a company incorporated in India, as the Company's ultimate parent.

16 EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date which would require disclosure in or adjustments to the financial statements for the year ended 31 March 2020.