

INDEPENDENT AUDITOR'S REPORT

To the Members of Scrabble Entertainment Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Scrabble Entertainment Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.



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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, of the state of affairs of the Company as at March 31, 2017, its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016;
 - (e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of section 164 (2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;




S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

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- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 31 to the financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
 - iv. The Company has provided requisite disclosures in Note 41 to these financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Company and as produced to us by the Management.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004


per Govind Ahuja
Partner
Membership Number: 48966



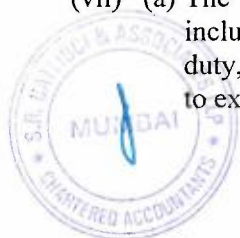
Place of Signature: Mumbai
Date: May 17, 2017

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Annexure 1 to the Independent Auditors' Report
Re: Scrabble Entertainment Limited ('the Company')

Referred to in Paragraph 1 under the heading "Report on Other Legal & Regulatory Requirement" of our report of even date

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) According to the information and explanations given by the management, there are no immovable properties, included in property, plant and equipment of the Company and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company.
- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.
- (iii) (a) The Company has granted a loan that is re-payable on demand, to a company covered in the register maintained under section 189 of the Companies Act, 2013 ("the Act"). In our opinion and according to the information and explanations given to us, the terms and conditions of the grant of such loan is not prejudicial to the Company's interest.
- (b) The Company has granted a loan that is re-payable on demand, to a company covered in the register maintained under section 189 of the Act. We are informed that the Company has not demanded repayment of such loan and interest during the year, and thus, there has been no default on the part of the party to whom the money has been lent.
- (c) There are no amount of loans granted to companies, firms or other parties listed in the register maintained under section 189 of the Act, which are overdue for more than ninety days.
- (iv) In our opinion and according to the information and explanations given to us, provisions of section 186 of the Act in respect of loans and advances given, investments made and guarantees given, have been complied with by the Company. The provision of section 185 of the Act, in respect of loans to directors including entities in which they are interested and provisions of section 186 of the Act with respect to securities given are not applicable to the Company and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under clause 148(1) of the Act, for the products/services of the Company.
- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employee's state insurance, income-tax, sales-tax, service tax, custom duty, value added tax, cess and other material statutory dues applicable to it. The provisions relating to excise duty are not applicable to the Company.

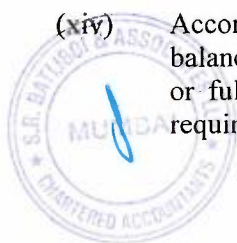


- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to excise duty are not applicable to the Company.
- (c) According to the records of the Company, the dues outstanding of income-tax on account of any dispute, are as follows:

| Nature of Statute | Nature of Dues | Amount (Rs.) | Period to which the Amount Relates | Forum where the dispute is pending |
|----------------------|----------------|--------------|------------------------------------|------------------------------------|
| Income Tax Act, 1961 | Income Tax | 2,020,890 | Assessment Year 2011-12 | Income Tax Appellate Tribunal |
| Income Tax Act, 1961 | Income Tax | 66,661,050 | Assessment Year 2012-13 | Income Tax Appellate Tribunal |

The provisions relating to excise duty are not applicable to the Company.

- (viii) In our opinion and according to the information and explanations given by management, the Company has not defaulted in repayment of dues to banks. The Company does not have any dues to a financial institutions or debenture holders or government.
- (ix) According to the information and explanations given by the management, the Company has not raised any money way of initial public offer or further public offer (including debt instruments) and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.



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Chartered Accountants

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- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Act.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm's Registration Number: 101049W/E300004


per Govind Ahuja

Partner

Membership Number: 48966



Place: Mumbai

Date: May 17, 2017

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Annexure 2 to the Independent Auditor's Report of even date on the Financial Statements of Scrabble Entertainment Limited**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

To the Members of Scrabble Entertainment Limited

We have audited the internal financial controls over financial reporting of Scrabble Entertainment Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ("the Act").

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.



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Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004


per **Govind Ahuja**

Partner

Membership Number: 48966



Place of Signature: Mumbai

Date: May 17, 2017

Scrabble Entertainment Limited
Balance sheet for the period ended 31 March 2017

| Particulars | Notes | 31 March 2017 Rupees | 31 March 2016 Rupees |
|---|-------|-------------------------|-------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholder's funds | | | |
| Share capital | 3 | 7,683,870 | 7,683,870 |
| Reserves and surplus | 4 | 747,095,431 | 604,955,410 |
| | | 754,779,301 | 612,639,280 |
| Non-current liabilities | | | |
| Long-term borrowings | 5 | - | 29,738,592 |
| Other long-term liabilities | 6 | 129,807,337 | 226,228,091 |
| Long-term provisions | 7 | 678,846 | 1,748,749 |
| | | 130,486,183 | 257,715,432 |
| Current liabilities | | | |
| Trade payables | 6 | 416,913,452 | 286,698,984 |
| Other current liabilities | 6 | 213,372,035 | 214,642,937 |
| Short-term provisions | 7 | 4,034,808 | 4,028,217 |
| | | 634,320,295 | 505,370,138 |
| TOTAL | | 1,519,585,779 | 1,375,724,850 |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Property, Plant and Equipment | 8 | 309,160,083 | 403,552,555 |
| Non-current investments | 9 | 119,023,650 | 119,023,650 |
| Deferred tax assets (net) | 10 | 58,335,102 | 43,922,022 |
| Long-term loans and advances | 11 | 113,117,766 | 208,600,865 |
| Other non current assets | 12 | 2,988,368 | 49,716,100 |
| | | 602,624,969 | 824,815,192 |
| Current Assets | | | |
| Current investments | 13 | 249,633,578 | 130,638,309 |
| Inventories | 14 | 20,145,128 | 11,705,554 |
| Trade receivables | 15 | 157,661,566 | 140,567,455 |
| Cash and bank balances | 16 | 107,571,148 | 51,166,442 |
| Short-term loans and advances | 11 | 307,808,150 | 163,348,397 |
| Other current assets | 12 | 74,141,240 | 53,483,501 |
| | | 916,960,810 | 550,909,658 |
| TOTAL | | 1,519,585,779 | 1,375,724,850 |
| Summary of significant accounting policies | 2.1 | | |

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No:101049W/E300004
Chartered Accountants

per Govind Ahuja
Partner
Membership no.: 48966
Place of Signature : Mumbai
Date: May 17, 2017



For and on behalf of the board of directors of
Scrabble Entertainment Limited

Dr. Sunil Patil
Whole Time Director
DIN No.: 00350283
Place of Signature : Mumbai
Date: May 17, 2017

Urmi Shah
Company Secretary
Place of Signature : Mumbai
Date: May 17, 2017

Sushil Agrawal
Director
DIN No.: 00003163
Place of Signature : Mumbai
Date: May 17, 2017

Scrabble Entertainment Limited
Statement of Profit and Loss Account for the period ended 31 March 2017

| Particulars | Notes | 31 March 2017 Rupees | 31 March 2016 Rupees |
|---|-------|-------------------------|-------------------------|
| Revenues | | | |
| Revenue from operations | 17 | 1,135,060,241 | 1,163,829,248 |
| Other operating income | 18 | 13,273,330 | 33,647,626 |
| Other income | 19 | 3,579,724 | 3,676,882 |
| Total Revenue (I) | | 1,151,913,295 | 1,201,153,756 |
| Expenses | | | |
| Operating direct costs | 20 | 693,443,006 | 767,915,509 |
| Employee benefits expense | 21 | 58,603,335 | 63,209,618 |
| Other expenses | 22 | 91,061,211 | 113,504,125 |
| Total Expenses (II) | | 843,107,552 | 944,629,252 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) (I - II) | | 308,805,743 | 256,524,504 |
| Depreciation and amortization expense | 8 | 112,696,206 | 111,596,754 |
| Finance cost | 23 | 10,154,356 | 23,278,662 |
| Finance income | 24 | (196,018,194) | (184,734,258) |
| Profit before tax | | 381,973,375 | 306,383,346 |
| Tax expense: | | | |
| Current tax - Pertaining to the profit for the current year | | 114,400,000 | 89,500,000 |
| Deferred tax | | (14,413,080) | (10,726,503) |
| Total tax expense | | 99,986,920 | 78,773,497 |
| Profit for the year | | 281,986,455 | 227,609,849 |
| Earnings per equity share | 25 | | |
| [nominal value of share Rs. 10 (31 March 2016 : Rs. 10)] | | | |
| Basic | | 366.98 | 296.22 |
| Diluted | | 366.37 | 295.23 |
| Summary of significant accounting policies | 2.1 | | |

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No:101049W/E300004
Chartered Accountants

per Govind Ahuja
Partner
Membership no.: 48966
Place of Signature : Mumbai
Date: May 17, 2017



For and on behalf of the board of directors of
Scrabble Entertainment Limited

Dr. Sunil
Whole Time Director
DIN No.: 00350283
Place of Signature : Mumbai
Date: May 17, 2017

Sushil Agrawal
Director
DIN No.: 00003163
Place of Signature : Mumbai
Date: May 17, 2017

Urmi Shah
Company Secretary
Place of Signature : Mumbai
Date: May 17, 2017

Scrabble Entertainment Limited
Cashflow Statement for the year ended 31 March 2017

| Particulars | 31 March 2017 Rupees | 31 March 2016 Rupees |
|---|-------------------------|-------------------------|
| Cash flow from / (used in) operating activities | | |
| Profit before tax | 381,973,375 | 306,383,346 |
| Adjustment to reconcile profit before tax to net cash flows | | |
| Depreciation and amortization expense | 112,696,206 | 111,596,754 |
| Gratuity provision | 636,454 | 579,564 |
| Compensated absences provision | 625,150 | 537,520 |
| Provision for doubtful debts | 9,840,388 | 13,416,320 |
| Unrealised foreign exchange gain (net) | - | (74,890) |
| Profit on sale of fixed assets | (815,110) | (900,630) |
| Sundry balance write back | (12,513,923) | - |
| Interest expense | 10,154,356 | 23,278,662 |
| Interest income | (24,268,000) | (20,666,531) |
| Dividend income | (171,750,194) | (164,067,727) |
| Operating profit before working capital changes | 306,578,702 | 270,784,317 |
| Movements in working capital : | | |
| Increase / (decrease) in trade payables | 130,214,468 | 7,500,624 |
| Increase / (decrease) in provisions | (2,324,916) | (5,423,856) |
| Increase / (decrease) in long term liabilities | (96,420,754) | 7,800,612 |
| Increase / (decrease) in other current liabilities | 89,193,234 | 2,617,858 |
| Decrease / (increase) in trade receivables | (26,934,499) | (30,975,960) |
| Decrease / (increase) in inventories | (8,439,574) | 4,074,587 |
| Decrease / (increase) in long-term loans and advances | 107,810,227 | 21,117,159 |
| Decrease / (increase) in short-term loans and advances | (84,459,753) | (25,535,304) |
| Decrease / (increase) in other non current assets | - | (100,001) |
| Decrease / (increase) in other current assets | 9,446,141 | (20,917,743) |
| Cash generated from operations | 424,663,275 | 230,942,292 |
| Direct taxes paid (net of refunds) | (126,727,128) | (76,696,692) |
| Foreign exchange fluctuation (net) | - | (374,882) |
| Net cash flow from operating activities (A) | 297,936,147 | 153,870,718 |
| Cash flows from / (used in) investing activities | | |
| Purchase of fixed assets, including capital work in progress and capital advances | (20,592,198) | (5,307,561) |
| Proceeds from sale of fixed assets / capital work in progress | 3,103,564 | 3,569,119 |
| Purchase of current investments (including dividend reinvestment) | (722,995,274) | (498,545,948) |
| Sale / redemption of current investments | 604,000,004 | 435,000,006 |
| Investments in bank deposits (having original maturity of more than 3 months) | - | (822,730) |
| Maturity from bank deposits (having original maturity of more than 3 months) | (15,717,117) | 80,000,000 |
| Loan advanced to related party | (60,000,000) | (70,000,000) |
| Interest received | 3,001,422 | 13,463,206 |
| Dividends received | 171,750,194 | 164,067,727 |
| Net cash flow from / (used in) investing activities (B) | (37,449,405) | 121,423,819 |



Scrabble Entertainment Limited
Cashflow Statement for the year ended 31 March 2017

| Particulars | 31 March 2017 Rupees | 31 March 2016 Rupees |
|---|-------------------------|-------------------------|
| Cash flows from / (used in) financing activities | | |
| Payment of interim dividend | (139,846,421) | (120,828,856) |
| Repayment of long-term borrowings | (106,602,884) | (106,857,635) |
| Interest paid | (11,240,277) | (24,488,896) |
| Net cash flow (used in) in financing activities (C) | (257,689,582) | (252,175,387) |
| Net increase/(decrease) in cash and cash equivalents (A + B + C) | 2,797,160 | 23,119,150 |
| Effects of exchange difference on cash & cash equivalent held in foreign currency | - | 374,881 |
| Cash and cash equivalents at the beginning of the period | 40,343,711 | 16,849,680 |
| Cash and cash equivalents at the end of the period | 43,140,871 | 40,343,711 |
| Components of cash and cash equivalents | | |
| Cash on hand | 160,753 | 96,002 |
| Balance with banks: | | |
| - on current accounts | 42,980,118 | 38,874,618 |
| - on EEFC accounts | - | 1,373,091 |
| Total cash and cash equivalents (note 16) | 43,140,871 | 40,343,711 |

Notes:

1. The above cash flow statement has been prepared under the "Indirect Method" set out in Accounting standard (AS -3) "Cash Flow Statements"

Summary of significant accounting policies

2.1

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No:101049W/E300004
Chartered Accountants

per Govind Ahuja
Partner
Membership no.: 48966
Place of Signature : Mumbai
Date: May 17, 2017



For and on behalf of the board of directors of
Scrabble Entertainment Limited

Dr. Sunil Patil
Whole Time Director
DIN No.: 00350283
Place of Signature : Mumbai
Date: May 17, 2017

Urmi Shah
Company Secretary
Place of Signature : Mumbai
Date: May 17, 2017

Sushil Agrawal
Director
DIN No.: 00003163
Place of Signature : Mumbai
Date: May 17, 2017

1. Corporate information

Scrabble Entertainment Limited ("the Company") is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on 1 February, 2008. The Company is into the business of providing digital cinema services. The Company is a subsidiary of UFO Moviez India Limited.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with accounting standards notified under Section 133 of the Companies Act, 2013 ("the Act"), read together with paragraph 7 of the Companies (Accounts) Rules 2014 and Companies (Accounting Standards) Amendments Rules, 2016. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

2.1 Summary of significant accounting policies

(a) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the end of the reporting period. Although these estimates are based upon management's best knowledge of the current events and actions, actual results could differ from these estimates.

(b) Property, Plant and Equipment

Property, Plant and Equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises the purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use. Items of stores and spares that meet the definition of property, plant and equipment are capitalized at cost and depreciated over their useful life. Otherwise, such items are classified as inventories.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

The Company identifies and determines cost of each component separately, if the component has a cost which is significant to the total cost of the asset and has useful life that is materially different from that of the remaining asset

(c) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight line basis over the estimated useful economic life.



Scrabble Entertainment Limited

Notes to financial statements as at and for year ended 31 March 2017

(d) Depreciation on property, plant and equipment & amortization of intangible assets

Depreciation on property plant and equipment is calculated on a Straight Line Method (SLM) as per the useful lives of the assets estimated by the management.

The Company has used the following useful lives to provide depreciation on its property, plant and equipment

| | Useful lives (in years) |
|---|----------------------------|
| Plant & Machinery comprising of Exhibition Equipment and Other Equipments | 6 – 7 |
| Computer | 3 |
| Furniture and Fixtures | 3 |
| Office Equipments | 5 |
| Vehicles | 5 |

Except computer, useful life of above fixed assets are different from those prescribed under schedule II. These rates are based on evaluation of useful life by internal technical expert.

Leasehold improvements are written off over the period of lease or over a period of 4 years whichever is lower.

Intangible assets are amortised over their estimated useful life as follows:

| | Useful lives (in years) |
|-------------------|-------------------------|
| Computer Software | 2– 3 |

(e) Impairment of property, plant and equipment and intangible assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

(f) Leases

Where the Company is the lessee

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Where the Company is the lessor

Assets subject to operating leases are included in property plant and equipment. Lease income on an operating lease is recognised in the statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the statement of profit and loss.



(g) Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, 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 recognise a decline 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.

(h) Inventories

Inventories comprise of traded goods, stores and spares and are valued at lower of cost and net realisable value. Cost is determined on weighted average cost basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(i) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Income from services

- Virtual print fee income received from distributors of the films is recognised in the period in which the services are rendered.
- Rental income for the equipment is recognised in the period during which the equipment is given on lease to the exhibitor /customer from the date of installation.
- Maintenance service fee for the equipment is recognised on time proportion basis for the period falling in the reporting period.
- Revenue from delivery distribution is recognized when the content is delivered to the exhibitors.
- Advertisement income is recognised in the period during which advertisement is displayed.
- Registration fees income is recognized in the period in which the installation is completed.
- Commission income and technical service income is recognised in period in which services are rendered.
- The Company collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the Company. Hence, it is excluded from revenue.

Sale of goods

Revenue from sale of goods and spares is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer. Sales are recorded net of returns, trade discounts, and value added tax.

The Company recognizes revenue from sales of equipment and spares as and when these are dispatched/issued to customers.



The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from revenue.

Interest income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the interest rate applicable.

Dividends

Dividend income is recognised when the Company's right to receive dividend is established by the balance sheet date.

(j) Foreign currency translation

Foreign currency transactions and balances

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting such monetary items of Company at rates different from those at which they were initially recorded during the year or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(k) Retirement and other benefits

Retirement benefits in the form of provident fund is a defined contribution scheme and the contributions are charged to the statement of profit and loss in the year when the employees renders the related services. There are no other obligations other than the contribution payable to the respective trusts.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation. The Company has an Employees' Gratuity Fund managed by the Life Insurance Corporation of India.

Actuarial gains/losses are immediately taken to statement of profit and loss and are not deferred.

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation at the year end. The actuarial valuation is done as per projected unit credit method. The Company presents the compensated absences as a current liability in the balance sheet since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.



(l) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is "virtual certainty" (as defined in Accounting Standard 22) supported by convincing evidence that they can be realised against future taxable profits.

At each reporting date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set – off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

(m) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends, if any and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.



(n) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

(o) Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(p) Employee Stock Compensation Cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortized over the vesting period of the option on a straight line basis.

(q) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each reporting date and adjusted to reflect the current best estimates.

Warranty Provisions

Provisions for warranty related costs are recognized when the product is sold or service is provided. Provision is based on the historical experience. The estimate related to such warranty costs is revised annually.

(r) Borrowing Cost

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

(s) Measurement of EBITDA

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956 which is equally applicable to schedule III of Companies Act, 2013, the Company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit from continuing operations. In its measurement, the Company does not include depreciation and amortization expense, finance costs, finance income and tax expense.



Scrabble Entertainment Limited
Notes to financial statements for the period ended 31 March 2017
3. Share capital

| | 31 March 2017 Rupees | 31 March 2016 Rupees |
|---|-------------------------|-------------------------|
| Authorized share capital | | |
| 1,000,000 (31 March 2016: 1,000,000) equity shares of Rs.10 each | 10,000,000 | 10,000,000 |
| 104,300 (31 March 2016: 104,300) 6% Optionally Convertible Redeemable Preference Shares (OCRPS) of Rs.1,150 each | 119,945,000 | 119,945,000 |
| Issued, subscribed and fully paid-up shares | | |
| 768,387 (31 March 2016: 768,387) equity shares of Rs. 10 each fully paid up | 7,683,870 | 7,683,870 |
| Total issued, subscribed and fully paid-up share capital | 7,683,870 | 7,683,870 |

(a) Reconciliation of the shares outstanding at the beginning and at the end of the year
Equity shares

| | 31 March 2017 | | 31 March 2016 | |
|------------------------------------|----------------|------------------|----------------|------------------|
| | No. | Rupees | No. | Rupees |
| At the beginning of the year | 768,387 | 7,683,870 | 768,387 | 7,683,870 |
| Outstanding at the end of the year | 768,387 | 7,683,870 | 768,387 | 7,683,870 |

(b) Details of shareholders holding more than 5% shares in the Company

| Name of the shareholder | 31 March 2017 | | 31 March 2016 | |
|--|---------------|------------------------|---------------|------------------------|
| | No. | % holding in the class | No. | % holding in the class |
| Equity shares of Rs.10 each fully paid | | | | |
| UFO Moviez India Limited | 701,778 | 91.33% | 701,778 | 91.33% |
| Dr. Sunil Patil | 66,609 | 8.67% | 66,609 | 8.67% |

As per records of the Company, including its register of shareholders/members, the above shareholding represents both legal and beneficial ownerships of shares.

(c) Shares held by holding company

Out of equity shares issued by the Company, shares held by its holding company are as below :

| | 31 March 2017 Rupees | 31 March 2016 Rupees |
|--|-------------------------|-------------------------|
| UFO Moviez India Limited, the holding company | | |
| 701,778 (31 March 2016: 701,708) equity shares of Rs. 10 each fully paid | 7,017,780 | 7,017,080 |



(d) Terms/ rights attached to equity shares

Voting Rights

Each holder of equity shares having a par value of Rs.10 per equity share is entitled to one vote per equity share.

Rights pertaining to repayment of capital

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 by the shareholders.

Rights as to Dividend

The equity shareholders have right to receive dividend when declared by the Board of Directors subject to approval in the General Meeting. During the year ended March 31 2017, the amount of per share dividend recognised as distribution to equity shareholders was Rs.182 (31 March, 2016 : Rs.157.25)

Pre-emption Rights:

In the event the Company proposes to issue any fresh equity shares or convertible securities to any person, then UFO Moviez India Limited (Investor) and Dr. Sunil Patil (Promoter) have a right to subscribe to such issue on a pro rata basis in proportion to their respective shareholding in the Company on the same terms, as the issue is proposed.

Right of First Offer, Right of Sale and Tag Along Rights:

In the event the Promoter propose to transfer any of its securities to any person (Proposed Transfer) then, the Investor shall have the right to purchase such shares at specified consideration. The Investor shall have the right to exercise the Right of First Refusal within the specified period.

Investor shall have the right to exercise certain specified tag along rights in case the Promoter proposes to transfer any securities to any person in certain cases as defined in Articles of Association (AOA).

Call Option of the investor

In the event the Promotor proposes to transfer any securities held by them to any competitor as specified in the Share Subscription and Shareholders' Agreement, the Investor shall have the right to exercise Call Option as defined in the AOA.

Other Rights:

Investor and the Promoter have right to have their representatives on the Board of Directors of the Company.

Certain specified reserved matters such as change in the share capital of the Company, material related party transactions, raising of debt, declaration of dividends, change in senior management including key business matters requires the consent of the Investor.

Restrictions

Securities held by Promoter are locked-in for 3 years and they cannot transfer any securities held by them without the Investor's consent. The Promoter shall not engage in any competing activities as mentioned in the AOA.

(e) Shares reserved for issue under options

For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, please refer note 27



Scrabble Entertainment Limited
Notes to financial statements for the period ended 31 March 2017
4. Reserves and surplus

| | 31 March 2017 Rupees | 31 March 2016 Rupees |
|---|-------------------------|-------------------------|
| Capital redemption reserve | | |
| Balance as per the last financial statements | 39,999,300 | 39,999,300 |
| Closing Balance | 39,999,300 | 39,999,300 |
| Securities premium account | | |
| Balance as per the last financial statements | 337,056,130 | 337,056,130 |
| Closing Balance | 337,056,130 | 337,056,130 |
| Employee stock options outstanding | | |
| Balance as per the last financial statements | 64,426 | 64,426 |
| Less: Transfer to reserve & surplus on expiring of options | (32,213) | - |
| Closing Balance | 32,213 | 64,426 |
| Surplus in the statement of profit and loss | | |
| Balance as per last financial statements | 227,835,554 | 121,054,561 |
| Add: Transfer from employee stock option outstanding | 32,213 | - |
| | 227,867,767 | 121,054,561 |
| Profit for the year | 281,986,455 | 227,609,849 |
| Profit available for appropriation | 509,854,222 | 348,664,410 |
| Less: Appropriation | | |
| Interim equity dividend [amount per share Rs.182 (31 March 2016: Rs. 157.25)] | (139,846,434) | (120,828,856) |
| Net Surplus in the statement of profit and loss | 370,007,788 | 227,835,554 |
| Total reserves and surplus | 747,095,431 | 604,955,410 |

5. Long-term borrowings (Secured)

| | Non-current portion | | Current maturities | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | 31 March 2017 Rupees | 31 March 2016 Rupees | 31 March 2017 Rupees | 31 March 2016 Rupees |
| Term loans | | | | |
| Rupee loan from banks | | | | |
| Term loan from Yes Bank Limited (YBL) (refer note a) | - | 14,285,714 | 14,285,714 | 85,714,286 |
| Term loan from HDFC Bank (refer note b) | - | 15,214,247 | 15,214,247 | 20,285,613 |
| Vehicle Loan | | | | |
| From Banks (refer note c) | - | 238,631 | 251,074 | 615,428 |
| | - | 29,738,592 | 29,751,035 | 106,615,327 |
| Amount disclosed under the head "Other Current Liabilities" (refer note 6) | - | - | (29,751,035) | (106,615,327) |
| Net amount | - | 29,738,592 | - | - |

Terms of Borrowings :

a) The term loan from Yes Bank Limited (YBL) is secured against the first pari passu charge with HDFC Bank over entire current and fixed assets both present and future.

The loan carries a floating interest rate of YBL Base Rate plus 3.00 p.a. [31 March 2017 :10.25% p.a. (31 March 2016 : 11.75% p.a.)] and is repayable in 42 monthly installments along with interest after 7 months from disbursement.

b) The term loan from HDFC Bank Limited is secured against the First pari passu charge with YBL on all fixed assets and Second pari passu charge with YBL on all the current assets of the Company both present and future.

The loan carries a floating interest rate of HDFC Base Rate plus 2.50 p.a. [31 March 2017 :11.50% p.a. (31 March 2016 : 11.80% p.a.)] and is repayable in 42 monthly installments along with interest from July 31, 2014.

UFO Moviez India Limited, the holding company has provided a letter of comfort for term loan from YBL & HDFC Bank.

c) Vehicle loans are secured against hypothecation of specific motor vehicles and it carries an interest of 10.80% p.a. and is repayable in 48 Installments.



Scrabble Entertainment Limited
Notes to financial statements for the period ended 31 March 2017
6. Trade Payables & Other liabilities

| | Non Current | | Current | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 |
| | Rupees | Rupees | Rupees | Rupees |
| Trade payables (refer note 33 for details of dues to Micro and Small Enterprises) | - | - | 416,913,452 | 286,698,984 |
| Other liabilities | | | | |
| Current maturities of long-term borrowings (refer note 5) | - | - | 29,751,035 | 106,615,327 |
| Deposits from customers | 129,807,337 | 226,228,091 | 138,649,063 | 56,557,023 |
| Payable for purchase of fixed assets | | | 2,041,346 | 2,219,896 |
| Advance from customers | - | - | 22,564,075 | 19,007,111 |
| Deferred revenue on AMC services | - | - | 6,349,026 | 6,854,324 |
| Interest accrued but not due on borrowings | - | - | 3,096,485 | 4,182,406 |
| Other statutory dues | | | | |
| TDS payable | - | - | 9,622,763 | 17,447,761 |
| Sales tax payable | - | - | 999,773 | 1,452,366 |
| Employee related liabilities | - | - | 298,469 | 306,723 |
| | 129,807,337 | 226,228,091 | 213,372,035 | 214,642,937 |
| | 129,807,337 | 226,228,091 | 630,285,487 | 501,341,921 |

7. Provisions

| | Long-term | | Short-term | |
|--|----------------|------------------|------------------|------------------|
| | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 |
| | Rupees | Rupees | Rupees | Rupees |
| Provision for employee benefits | | | | |
| Provision for compensated absences | - | - | 2,743,699 | 2,800,921 |
| Provision - Others: | | | | |
| Provision for Warranties | 678,846 | 1,748,749 | 1,291,109 | 1,227,296 |
| | 678,846 | 1,748,749 | 4,034,808 | 4,028,217 |

Provision for Warranty

A provision is recognized for expected warranty claims on products sold during the year, based on past experience of the level of repairs and returns. The table below gives information about movement in warranty provisions.

| | 31 March 2017 | 31 March 2016 |
|-------------------------------|------------------|------------------|
| | Rupees | Rupees |
| At the beginning of the year | 2,976,045 | 5,994,323 |
| Arising during the year | 300,000 | 50,000 |
| Utilized during the year | (1,306,092) | (3,068,278) |
| At the end of the year | 1,969,955 | 2,976,045 |
| Current portion | 1,291,109 | 1,227,296 |
| Non-current portion | 678,846 | 1,748,749 |



Scrabble Entertainment Limited

Notes to financials statements for the period ended 31 March 2017

8. Property, Plant and Equipment and Intangible Assets

| | Leasehold improvements | Plant and equipment | Furniture and fixtures | Office Equipment | Computer & Printers | Vehicle | Total | Intangible Assets | Total |
|---------------------|---------------------------|---------------------|---------------------------|---------------------|------------------------|-----------|-------------|-------------------|-------------|
| Cost | | | | | | | | | |
| At 1 April 2015 | 1,652,778 | 714,703,299 | 1,097,649 | 2,456,021 | 11,748,378 | 8,523,572 | 740,181,697 | 1,585,146 | 741,766,843 |
| Additions | - | 19,997,244 | 30,600 | 585,178 | 625,800 | - | 21,238,822 | - | 21,238,822 |
| Disposals | - | (1,841,153) | - | - | - | (365,124) | (2,206,277) | - | (2,206,277) |
| At 31 March 2016 | 1,652,778 | 732,859,390 | 1,128,249 | 3,041,199 | 12,374,178 | 8,158,448 | 759,214,242 | 1,585,146 | 760,799,388 |
| Additions | 18,545,366 | 609,251 | 181,432 | 572,856 | 441,501 | - | 20,350,406 | - | 20,350,406 |
| Disposals | - | (6,925,478) | (359,828) | (449,620) | (495,651) | - | (8,230,577) | - | (8,230,577) |
| At 31 March 2017 | 20,198,144 | 726,543,163 | 949,853 | 3,164,435 | 12,320,028 | 8,158,448 | 771,334,071 | 1,585,146 | 772,919,217 |
| Depreciation | | | | | | | | | |
| At 1 April 2015 | 817,906 | 230,229,251 | 332,738 | 1,068,952 | 10,261,485 | 2,362,011 | 245,072,343 | 1,472,249 | 246,544,592 |
| Charge for the year | 552,436 | 107,426,110 | 183,988 | 537,554 | 1,085,788 | 1,697,981 | 111,483,857 | 112,897 | 111,596,754 |
| Disposals | - | (759,456) | - | - | - | (135,046) | (894,502) | - | (894,502) |
| At 31 March 2016 | 1,370,342 | 336,895,905 | 516,726 | 1,606,506 | 11,347,273 | 3,924,946 | 355,661,697 | 1,585,146 | 357,246,843 |
| Charge for the year | 3,688,266 | 105,928,144 | 196,939 | 592,235 | 658,933 | 1,631,689 | 112,696,206 | - | 112,696,206 |
| Disposals | - | (5,190,176) | (218,331) | (331,186) | (444,222) | - | (6,183,915) | - | (6,183,915) |
| At 31 March 2017 | 5,058,608 | 437,633,873 | 495,334 | 1,867,555 | 11,561,984 | 5,556,635 | 462,173,988 | 1,585,146 | 463,759,134 |
| Net Block | | | | | | | | | |
| At 31 March 2016 | 282,436 | 395,963,485 | 611,523 | 1,434,693 | 1,026,905 | 4,233,502 | 403,552,555 | - | 403,552,555 |
| At 31 March 2017 | 15,139,536 | 288,909,291 | 454,519 | 1,296,880 | 758,044 | 2,601,813 | 309,160,083 | - | 309,160,083 |



Scrabble Entertainment Limited

Notes to financial statements for the period ended 31 March 2017

9. Non-current investments

| | 31 March 2017 Rupees | 31 March 2016 Rupees |
|---|-------------------------|-------------------------|
| Trade investments (valued at cost, unless stated otherwise) | | |
| Unquoted equity instruments | | |
| Investment in subsidiaries | | |
| 750,000 (31 March 2016: 750,000) Ordinary Shares of USD 1 each at par fully paid up in Scrabble Entertainment (Mauritius) Limited | 40,008,750 | 40,008,750 |
| 5,000 (31 March 2016: 5,000) Equity Shares in Scrabble Digital Inc of no par value | 33,759,000 | 33,759,000 |
| Investment in step down subsidiary | | |
| 300 (31 March 2016: 300) Equity Shares of AED 1,000 each at par fully paid up in Scrabble Entertainment DMCC | 4,083,000 | 4,083,000 |
| Investment in associates | | |
| 197,714 (31 March 2016: 197,714) Equity Shares of Rs. 10 each fully paid up in Scrabble Digital Limited | 39,899,900 | 39,899,900 |
| 100 (31 March 2016: 100) Ordinary shares of AED 1000 each at par fully paid up in Scrabble Digital DMCC | 1,273,000 | 1,273,000 |
| | 119,023,650 | 119,023,650 |

10. Deferred tax assets (net)

| | 31 March 2017 Rupees | 31 March 2016 Rupees |
|---|-------------------------|-------------------------|
| Deferred Tax Assets | | |
| Fixed assets: Impact of difference between tax depreciation and depreciation / amortization charged for the financial reporting | 35,803,376 | 22,115,174 |
| Effect of expenditure debited to statement of profit and loss account in the current period but allowed for tax purposes in following years | 6,411,031 | 4,702,543 |
| Provision for doubtful debts and advances | 16,120,695 | 17,104,305 |
| | 58,335,102 | 43,922,022 |



Scrabble Entertainment Limited
Notes to financial statements for the period ended 31 March 2017
11. Loans and advances (Unsecured considered good unless stated otherwise)

| | Long-term | | Short-term | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 31 March 2017 Rupees | 31 March 2016 Rupees | 31 March 2017 Rupees | 31 March 2016 Rupees |
| Security deposit | | | | |
| Security deposit to related parties (refer note 30) | 27,924,286 | 135,917,678 | 97,883,340 | 35,556 |
| Security deposit to others | 5,517,342 | 58,500 | 577,981 | 9,958,500 |
| Loan and advances to related parties (refer note 30) | | | | |
| Loans to related parties (refer note 40) | - | - | 160,000,000 | 100,000,000 |
| Advances to related parties | - | - | - | 713,741 |
| Advances recoverable in cash or kind | | | | |
| Unsecured considered good | - | - | 5,127,094 | 4,609,729 |
| Unsecured considered doubtful | - | - | 2,396,394 | 2,396,394 |
| | - | - | 7,523,488 | 7,006,124 |
| Less: Provision for advance recoverable in cash or kind | - | - | (2,396,394) | (2,396,394) |
| | - | - | 5,127,094 | 4,609,729 |
| Other loans and advances | | | | |
| Advance income-tax (net of provision for taxation of Rs.326,836,844, (31 March 2016 Rs.212,436,844) | 77,844,093 | 65,516,965 | - | - |
| Prepaid gratuity (refer note 26) | - | - | 233,535 | 869,989 |
| Prepaid expenses | 1,832,045 | 7,107,722 | 8,678,108 | 22,741,348 |
| Loans to employees | - | - | 137,752 | 45,250 |
| Advances to supplier | - | - | 5,801,367 | 7,698,484 |
| Balances with statutory / government authorities | - | - | 29,368,973 | 16,675,799 |
| Total | 113,117,766 | 208,600,865 | 307,808,150 | 163,348,396 |

12. Other assets

| | Non-current | | Current | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 31 March 2017 Rupees | 31 March 2016 Rupees | 31 March 2017 Rupees | 31 March 2016 Rupees |
| Non current bank balances (refer note 16) | 2,685,000 | 40,575,430 | - | - |
| Interest accrued on fixed deposits | 303,368 | 9,140,670 | 13,300,248 | 107,410 |
| Interest accrued on loan to related party | - | - | 21,740,274 | 4,829,232 |
| Unbilled revenue | - | - | 39,100,718 | 45,837,695 |
| Dividend receivable on investment in associates | - | - | - | 2,709,164 |
| | 2,988,368 | 49,716,100 | 74,141,240 | 53,483,501 |

13. Current investments

| | 31 March 2017 Rupees | 31 March 2016 Rupees |
|--|-------------------------|-------------------------|
| Current investments (valued at lower of cost and fair value, unless stated otherwise) | | |
| Unquoted mutual funds | | |
| 99,343 (31 March 2016: 10,549) units of Axis Liquid Fund | 99,408,153 | 10,548,908 |
| 300,415 (31 March 2016: Nil) units of Birla sun life saving Fund | 30,130,830 | - |
| 6,530,985 (31 March 2016 : 6,530,985) units of HDFC Corporate Debt Opportunities Reg-G | 80,000,000 | 80,000,000 |
| 1,936,961 (31 March 2016: 1,936,961) units of Reliance Regular Saving Debt - G | 40,000,000 | 40,000,000 |
| 9,326 (31 March 2016: 9,326) units of HDFC Cash Management Fund | 94,595 | 89,400 |
| | 249,633,578 | 130,638,308 |

Aggregate amount of unquoted investments [Market value based on NAV declared by mutual fund: Rs.262,066,000 (31 March 2016 : Rs. 130,638,308)]



Scrabble Entertainment Limited
Notes to financial statements for the period ended 31 March 2017
14. Inventories (valued at lower of cost and net realizable value)

| | 31 March 2017 Rupees | 31 March 2016 Rupees |
|---------------------------|-------------------------|-------------------------|
| Digital cinema equipments | 696,984 | 1,347,288 |
| Traded goods (Lamps) | 13,978,218 | 4,537,795 |
| Consumables and spares | 5,469,926 | 5,820,471 |
| | 20,145,128 | 11,705,554 |

15. Trade receivables

| | 31 March 2017 Rupees | 31 March 2016 Rupees |
|---|-------------------------|-------------------------|
| Unsecured, considered good unless stated otherwise | | |
| Outstanding for a period exceeding six months from the date they are due for payment | | |
| Considered good | 17,188,896 | 23,758,314 |
| Considered doubtful | 44,184,441 | 47,026,587 |
| | 61,373,337 | 70,784,901 |
| Provision for doubtful receivables | (44,184,441) | (47,026,587) |
| (A) | 17,188,896 | 23,758,314 |
| Other receivables | | |
| Considered good | 140,472,670 | 116,809,140 |
| (B) | 140,472,670 | 116,809,140 |
| (A+B) | 157,661,566 | 140,567,454 |

16. Cash and bank balances

| | Non-current | | Current | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | 31 March 2017 Rupees | 31 March 2016 Rupees | 31 March 2017 Rupees | 31 March 2016 Rupees |
| Cash and Cash Equivalents | | | | |
| Balances with banks: | | | | |
| – On current accounts | - | - | 42,980,118 | 38,874,618 |
| – On EEFC accounts | - | - | - | 1,373,091 |
| Cash on hand | - | - | 160,753 | 96,002 |
| | - | - | 43,140,871 | 40,343,711 |
| Other bank balances | | | | |
| – Deposits with remaining maturity for less than 12 months | - | - | 26,599,848 | 10,822,730 |
| – Margin money deposit with remaining maturity for less than 12 months | - | - | 37,830,430 | - |
| – Margin money deposit with remaining maturity for more than 12 months | 2,685,000 | 40,575,430 | - | - |
| | 2,685,000 | 40,575,430 | 64,430,277 | 10,822,730 |
| Amount disclosed under non-current assets (refer note 12) | (2,685,000) | (40,575,430) | - | - |
| Net Amount | - | - | 107,571,148 | 51,166,441 |

Margin money deposits are kept under lien with bank for opening letter of credit, margin towards term loan and for issuing bank guarantees to various State Governments to comply with the Sales Tax / VAT Registration formalities.



Scrabble Entertainment Limited
Notes to financial statements for the period ended 31 March 2017

17. Revenue from operations

| | 31 March 2017 Rupees YTD | 31 March 2016 Rupees YTD |
|----------------------------------|-----------------------------|-----------------------------|
| Revenue from operations | | |
| Sale of services | | |
| Virtual Print Fee - D-Cinema | 805,200,937 | 859,467,591 |
| Lease Rental Income - E-Cinema | 3,210,000 | 3,354,828 |
| Lease Rental Income - D-Cinema | 100,145,757 | 108,453,876 |
| Lease Rental Income - 3D | 12,577,688 | 16,546,542 |
| Registration fees income | - | 170,000 |
| Maintenance service fee | 41,289,056 | 37,860,211 |
| Commission income | 72,291,981 | 14,537,035 |
| Technical service income | 4,463,600 | 5,732,136 |
| Delivery distribution income | - | 28,152,711 |
| | 1,039,179,019 | 1,074,274,930 |
| Sale of products | | |
| Lamp sale | 56,458,677 | 58,768,984 |
| Sale of Digital Cinema Equipment | 20,323,583 | 13,821,688 |
| Sale of spares | 19,098,961 | 16,963,646 |
| | 95,881,221 | 89,554,318 |
| | 1,135,060,241 | 1,163,829,248 |

18. Other operating income

| | 31 March 2017 Rupees | 31 March 2016 Rupees |
|-----------------------------|-------------------------|-------------------------|
| Sundry balance written back | 12,513,923 | 28,836,281 |
| License income | 241,127 | 4,385,306 |
| Freight income | 518,280 | 426,039 |
| | 13,273,330 | 33,647,626 |

19. Other income

| | 31 March 2017 Rupees | 31 March 2016 Rupees |
|--------------------------------|-------------------------|-------------------------|
| Profit on sale of fixed assets | 1,056,902 | 900,630 |
| Miscellaneous income | 2,522,822 | 1,781,195 |
| Foreign exchange gain (net) | - | 995,057 |
| | 3,579,724 | 3,676,882 |



Scrabble Entertainment Limited
Notes to financials statements for the period ended 31 March 2017

20. Operating direct costs

| | | 31 March 2017 | 31 March 2016 |
|--|---------------|----------------------|----------------------|
| | | Rupees | Rupees |
| Repairs & maintainance exhibition equipments | | 47,182,974 | 48,675,353 |
| Delivery and distribution charges | | - | 42,651,410 |
| Content processing charges | | 28,400,276 | 21,349,212 |
| Installation charges | | 3,340,600 | 2,644,000 |
| Virtual print fee sharing | | 447,147,576 | 473,074,063 |
| Rent on equipments | | 91,541,389 | 101,859,534 |
| | A | 617,612,815 | 690,253,572 |
| Consumables and spares | | | |
| Inventories at the beginning of the year | | - | 820,404 |
| Add : Purchases | | 14,165,628 | 4,538,121 |
| Less : Inventories at the end of the year | | (5,469,926) | - |
| | B | 8,695,702 | 5,358,525 |
| Purchase of Digital cinema equipments | C | 12,464,797 | 12,662,969 |
| Purchase of Lamps | D | 57,639,341 | 56,386,260 |
| (Increase)/decrease in inventories of digital cinema equipments | | | |
| Inventories at the beginning of the year | | 1,347,288 | 309,854 |
| Inventories at the end of the year | | (696,984) | (1,347,288) |
| | E | 650,304 | (1,037,434) |
| (Increase)/decrease in inventories of lamps and spares | | | |
| Inventories at the beginning of the year | | 10,358,266 | 14,649,883 |
| Inventories at the end of the year | | (13,978,218) | (10,358,266) |
| | F | (3,619,952) | 4,291,617 |
| Operating direct costs | A to F | 693,443,006 | 767,915,510 |

21. Employee benefits expense

| | 31 March 2017 | 31 March 2016 |
|---|----------------------|----------------------|
| | Rupees | Rupees |
| Salaries, wages and bonus | 51,090,561 | 55,181,733 |
| Contribution to provident and other funds | 1,994,432 | 2,219,144 |
| Gratuity expense (refer Note 26) | 636,454 | 579,564 |
| Compensated absences | 625,150 | 537,520 |
| Staff welfare expenses | 4,256,738 | 4,691,657 |
| | 58,603,335 | 63,209,618 |



Scrabble Entertainment Limited
Notes to financials statements for the period ended 31 March 2017

22. Other expenses

| | 31 March 2017 Rupees | 31 March 2016 Rupees |
|---|-------------------------|-------------------------|
| Electricity charges | 2,572,875 | 3,457,287 |
| Freight and forwarding charges | 7,202,064 | 7,462,114 |
| Rent | 16,562,759 | 18,858,974 |
| Rates and taxes | 7,462,864 | 7,432,895 |
| Insurance | 2,753,340 | 3,477,651 |
| Repairs and maintenance | 2,592,857 | 2,239,287 |
| Advertising and sales promotion | 325,344 | 1,026,546 |
| Commission & brokerage | 7,041,262 | 5,706,536 |
| Travelling and conveyance | 9,080,481 | 9,427,503 |
| Communication costs | 2,334,964 | 3,044,065 |
| Printing and stationery | 744,968 | 755,922 |
| Legal, professional & consultancy charges | 15,360,757 | 28,921,994 |
| Payment to auditor (refer details below) | 1,907,631 | 2,977,891 |
| Foreign exchange loss (net) | 572,347 | - |
| Bad debts / advances written off | 12,682,533 | - |
| Less: Provision utilised | (12,682,533) | - |
| Bank charges | 167,836 | 110,592 |
| Write off / discarded of Fixed Assets | 241,792 | - |
| Provision for doubtful debts and advances | 9,840,388 | 13,416,320 |
| Miscellaneous expenses | 4,296,683 | 4,486,620 |
| Provision for diminution in value of fixed assets | - | 701,928 |
| | 91,061,211 | 113,504,125 |

Payment to auditor

| | 31 March 2017 Rupees | 31 March 2016 Rupees |
|-------------------------------------|-------------------------|-------------------------|
| As auditor: | | |
| Audit fee | 1,100,000 | 1,900,000 |
| Tax audit fee | 150,000 | 150,000 |
| In other capacity: | | |
| Other services (certification fees) | 450,000 | 800,000 |
| Out of pocket expenses | 207,631 | 127,891 |
| | 1,907,631 | 2,977,891 |

23. Finance cost

| | 31 March 2017 Rupees | 31 March 2016 Rupees |
|------------|-------------------------|-------------------------|
| Interest | | |
| Term loans | 10,154,356 | 23,273,113 |
| Other | - | 5,549 |
| | 10,154,356 | 23,278,662 |

24. Finance Income

| | 31 March 2017 Rupees | 31 March 2016 Rupees |
|--------------------------------------|-------------------------|-------------------------|
| Interest income on | | |
| Bank deposits | 5,468,821 | 12,110,878 |
| Others | 18,799,179 | 8,555,653 |
| Dividend income | | |
| from current investments | 4,495,270 | 3,045,943 |
| from associate | 26,044,624 | 18,526,284 |
| from subsidiary/step down subsidiary | 141,210,300 | 142,495,500 |
| | 196,018,194 | 184,734,258 |



Scrabble Entertainment Limited
Notes to financial statements as at and for the year ended 31 March 2017
25. Earnings per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

| | 31 March 2017 | 31 March 2016 |
|--|--------------------|--------------------|
| | Rupees | Rupees |
| Basic | | |
| Net profit after tax as per statement of profit and loss | 281,986,455 | 227,609,849 |
| Weighted average number of equity shares in calculating basic EPS | 768,387 | 768,387 |
| Earning per share | 366.98 | 296.22 |
| Diluted | | |
| Net profit for calculation of basic EPS | 281,986,455 | 227,609,849 |
| Net profit for calculation of diluted EPS | 281,986,455 | 227,609,849 |
| Weighted average number of equity shares in calculating basic EPS | 768,387 | 768,387 |
| Equity shares arising on grant of stock options under ESOP | 1,289 | 2,577 |
| Total no of shares outstanding (weighted average) (including dilution) | 769,676 | 770,964 |
| Earning per share | 366.37 | 295.23 |

26. Gratuity and other post-employment benefit plans

Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summaries the components of net benefit expense recognised in the statement of profit and loss account and the funded status and amounts recognised in the balance sheet for gratuity.

Net employee benefit expense recognized in the employee cost

| | 31 March 2017 | 31 March 2016 |
|--|----------------|----------------|
| | Rupees | Rupees |
| Current service cost | 591,162 | 648,488 |
| Interest cost | 173,527 | 122,168 |
| Expected return on plan assets | (247,526) | (167,574) |
| Net actuarial (gain) / loss recognized in the year | 119,291 | (23,518) |
| Net benefit expense | 636,454 | 579,564 |

Balance sheet

| | 31 March 2017 | 31 March 2016 |
|---|----------------|----------------|
| | Rupees | Rupees |
| Present value of defined benefit obligation | 2,574,951 | 2,226,282 |
| Fair value of plan assets | 2,808,485 | 3,096,271 |
| Plan asset | 233,534 | 869,989 |

Changes in the present value of the defined benefit obligation are as follows:

| | 31 March 2017 | 31 March 2016 |
|---|------------------|------------------|
| | Rupees | Rupees |
| Opening defined benefit obligation | 2,226,282 | 2,545,098 |
| Current service cost | 591,162 | 648,488 |
| Interest cost | 173,527 | 122,168 |
| Benefits paid | (353,075) | (1,096,923) |
| Actuarial (gains) / losses on obligation | (62,945) | 7,451 |
| Closing defined benefit obligation | 2,574,951 | 2,226,282 |

Changes in the fair value of plan assets are as follows:

| | 31 March 2017 | 31 March 2016 |
|--|------------------|------------------|
| | Rupees | Rupees |
| Opening fair value of plan assets | 3,096,271 | 2,119,359 |
| Contributions by employer | - | 778,369 |
| Benefits paid | (353,075) | - |
| Actuarial gains / (losses) on obligation | (182,236) | 30,969 |
| Expected return on plan assets | 247,526 | 167,574 |
| Closing fair value of plan assets | 2,808,485 | 3,096,271 |
| Actual return on plan assets | | |



Scrabble Entertainment Limited

Notes to financials statements as at and for the year ended 31 March 2017

The major categories of plan assets as a percentage of the fair value of total plan assets as follows.:

| | Gratuity | |
|-------------------------|---------------|---------------|
| | 31 March 2017 | 31 March 2016 |
| Investment with insurer | 100.00% | 100.00% |

The principal assumptions used in determining gratuity as shown below:

| | Gratuity | |
|--------------------------|---------------|---------------|
| | 31 March 2017 | 31 March 2016 |
| Discount rate | 6.70% | 8.00% |
| Employee turnover | 15% | 15% |
| Rate of return on assets | 8.00% | 8.75% |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. There has been significant change in expected rate of return on assets due to change in the market scenario.

Amounts for the current year and four years are as follows:

| Gratuity | 31 March 2017 | 31 March 2016 | 31 March 2015 | 31 March 2014 | 31 March 2013 |
|--|---------------|---------------|---------------|---------------|---------------|
| Defined benefit obligation | 2,574,951 | 2,226,282 | 2,545,098 | 2,545,098 | 1,376,824 |
| Plan assets | 2,808,486 | 3,096,271 | 2,119,359 | - | - |
| Surplus/(deficit) | 233,535 | 869,989 | (425,739) | (2,545,098) | (1,376,824) |
| Experience adjustments on plan liabilities | - | - | - | - | - |
| Experience adjustments on plan assets | - | - | - | - | - |

The Company expects to contribute Rs Nil (31 March 2016: Nil) to gratuity in the next year.

27. Employee stock option plans

Employee Stock Option Plan 2010 :

The Company has share-based payments schemes for its employees. During the year ended 31 March 2017, an employee stock option plan (ESOP) was in existence for the partial period upto October 7, 2016. The relevant details of the plan is as below.

On March 01, 2010, the Board of Directors constituted a Compensation Committee and granted it the necessary authority to implement the ESOP Plan. The Compensation committee amongst other things, shall determine the employees eligible for participation in the Plan, the number of options to be granted and vesting period for the options. On October 7, 2016, exercise period for all the options issued under the Employee Stock Option Plan 2010 was elapsed and the Company forfeited all outstanding options. The other relevant terms are as below :

| | |
|----------------------|--|
| Date of Grant | April 8, 2010 |
| Vesting Period : 50% | 3.5 years |
| Vesting Period : 50% | 4.5 years |
| Exercise Period | 3 Years from vesting date or 5 years from grant date whichever is later. |
| Exercise Price | Rs. 400 |

The details of activity under the Plan are summarised below:

| | 31 March 2017 | | 31 March 2016 | |
|--|-------------------|--------------------------------------|-------------------|--------------------------------------|
| | Number of Options | Weighted Average Exercise Price(Rs.) | Number of Options | Weighted Average Exercise Price(Rs.) |
| Outstanding at the beginning of the year | 2,577 | 400 | 2,577 | 400 |
| Granted during the year | - | - | - | - |
| Exercised during the year | - | - | - | - |
| Expired / Lapsed during the year | 1,289 | - | - | - |
| Outstanding at the end of the year | 1,289 | 400 | 2,577 | 400 |
| Exercisable at the end of the year | 1,289 | 400 | 2,577 | 400 |
| Weighted average remaining contractual life (months) | 6 | | 12 | |



Scrabble Entertainment Limited**Notes to financials statements as at and for the year ended 31 March 2017****Stock Options granted during the year**

The Company has not granted any options during the year

There is no effect of the employee share-based payment plans on the profit and loss account and on its financial position.

Had the compensation cost been determined in a manner consistent with fair value approach, the Company's Net Income and Earning Per Share as reported would have changed to amount indicated below.

| | 31 March 2017 | 31 March 2016 |
|--|--------------------|--------------------|
| | Rupees | Rupees |
| Profit attributable to equity shareholders as reported | 281,986,455 | 227,609,849 |
| Add : Employee stock expenses under Intrinsic Value Method | - | - |
| Less: Employee stock compensation under fair value method | - | - |
| Proforma profit / (loss) | 281,986,455 | 227,609,849 |

Earnings Per Share**Basic**

| | | |
|---------------|--------|--------|
| - As reported | 366.98 | 296.22 |
| - Proforma | 366.98 | 296.22 |

Diluted

| | | |
|---------------|--------|--------|
| - As reported | 366.37 | 295.23 |
| - Proforma | 366.37 | 295.23 |

Certain employees of the Company have been granted stock options in the holding company, UFO Moviez India Limited. Since the grant of such shares is at fair value of the shares on the date of the grant, no cost has been recorded in the books of the holding company.

28. Leases**Operating lease: Company as lessee**

The Company's significant leasing arrangements are in respect of operating leases taken for office premises & digital equipments. The lease in respect of the digital equipment are for tenure of 60 months and are cancellable at the option of both the parties. The lease in respect of the office premises are renewable on a periodic basis at the option of both the lessor and the lessee. The initial tenure of the office lease generally is for 36 months. The Company has subleased the Digital Equipment on lease to the exhibitors :

| | (In Rupees) | |
|-----------------------------|--|---------------|
| | Office Premises and Digital Cinema Equipment | |
| | 31 March 2017 | 31 March 2016 |
| | Rupees | Rupees |
| Lease payments for the year | 108,104,148 | 120,718,508 |

Operating lease commitments – Company as lessor

The Company has leased Digital Cinema Equipment / 3D Equipments to theaters on operating lease arrangement. The lease term for the equipments is generally for 5 to 10 years. The lease rental are payable as fixed rentals in some cases and as per titles based in certain cases. The Company as well as the theaters have an option of terminating this lease arrangement any time during the tenure of the lease as per the provisions of the lease agreement. Based on the management assumptions there is a reasonable certainty that the lease will continue for the lease term of 5 to 10 years.

| | (In Rupees) | |
|---|--------------------------|---------------|
| | Digital Cinema Equipment | |
| | 31 March 2017 | 31 March 2016 |
| | Rupees | Rupees |
| Gross carrying amount | 650,028,233 | 656,296,100 |
| Accumulated depreciation | 389,430,925 | 298,423,050 |
| Depreciation recognized in the statement of profit and loss | 96,188,395 | 96,928,321 |
| For assets leased under operating lease arrangements | | |
| Contingent rent for the year | 4,148,148 | 6,640,850 |
| Lease receipts for the year | 48,269,963 | 48,057,364 |
| For assets sub-leased under operating lease arrangements | | |
| Contingent rent for the year | 5,441,446 | 9,280,240 |
| Lease receipts for the year | 58,073,880 | 64,376,781 |

29. Segment reporting

The Company is engaged in the business of Digital Cinema Services and sale of digital cinema equipments ancillary to sale of services, which are subject to same risk and rewards and the financial statements reflect the result of this business segment, which is the primary segment in accordance with the requirement of Accounting Standard 17 on Segment Reporting. The Company's operations primarily are based in same geographical segment, i.e. India.



Scrabble Entertainment Limited**Notes to financials statements as at and for the year ended 31 March 2017****30. Related party disclosures****Names of related parties where control exists irrespective of whether transactions have occurred or not**

| | | |
|---|----------------------|--|
| 1 | Holding Company | UFO Moviez India Limited |
| 2 | Subsidiaries | Scrabble Entertainment (Mauritius) Limited Scrabble Digital Inc |
| 3 | Step Down Subsidiary | Scrabble Entertainment DMCC Scrabble Entertainment Lebanon Sarl Scrabble Entertainment (Israel) Limited* |

Names of other related parties with whom transactions have taken place during the year

| | | |
|---|--|--|
| 1 | Associate of the Company | Scrabble Digital Limited Scrabble Digital DMCC |
| 2 | Associate of a Subsidiary Company | Scrabble Ventures LLC , USA Scrabble Ventures, S. de R.L. de C.V, Mexico |
| 3 | Key management personnel | Dr. Sunil Patil - Whole Time Director |
| 4 | Enterprises owned or significantly influenced by director or their relatives | Valuable Media Limited |
| 5 | Fellow Subsidiaries | Southern Digital Screenz India Private Limited Valuable Digital Screens Private Limited |

* Under liquidation



Scrabble Entertainment Limited
Notes to financials statements as at and for the year ended 31 March 2017

| Sr. No | Particulars Nature of Income & Expenses / Name of the Parties | 31 March 2017 Rupees | 31 March 2016 Rupees |
|----------|--|----------------------|----------------------|
| 1 | <u>Holding Company</u> | | |
| | UFO Moviez India Limited | | |
| A | Income | | |
| | i) Virtual print fee (D-Cinema) | 27,943,881 | 30,653,558 |
| | ii) Rental income | 9,016,250 | 5,365,920 |
| | iii) Reimbursement of expenses | 553,000 | 62,211 |
| | iv) Miscellaneous Income - Rent (Warehouse) | 1,516,858 | 687,520 |
| B | Expenses | | |
| | i) Rent on equipments | 91,541,389 | 101,859,534 |
| | ii) Virtual print fee sharing | 219,093,322 | 237,363,791 |
| | iii) Rent | 444,391 | 467,527 |
| | iv) Travelling and conveyance | - | 10,513 |
| | v) Office expenses | - | 403,323 |
| C | Others | | |
| | i) Security deposit received back (theatre deposit) | 10,300,000 | 14,350,000 |
| | ii) Security deposit repaid (office rent) | - | 200,000 |
| | iii) Security deposit received | 156,181 | 207,817 |
| | iv) Security deposit given | 154,392 | - |
| | v) Dividend paid | 127,723,596 | 110,354,591 |
| D | Purchase of Product | 9,593 | - |
| 2 | <u>Subsidiary of the Company (including step down subsidiaries)</u> | | |
| A | Dividend income | | |
| | i) Scrabble Entertainment DMCC | - | 21,630,000 |
| B | Sale of products | | |
| | i) Scrabble Entertainment DMCC | 876,946 | - |
| C | Dividend income | | |
| | i) Scrabble Entertainment (Mauritius) Ltd | 141,210,300 | 120,865,500 |
| 3 | <u>Associate of the Company</u> | | |
| A | Sale of products | | |
| | i) Scrabble Digital Limited | 352,800 | 991,352 |
| B | Content processing charges | | |
| | i) Scrabble Digital Limited | 28,385,276 | 21,349,212 |
| C | Delivery distribution income | | |
| | i) Scrabble Digital Limited | - | 26,947,000 |
| D | Miscellaneous expenses | | |
| | i) Scrabble Digital Limited | 157,000 | - |
| E | Rent | | |
| | i) Scrabble Digital Limited | 375,000 | 732,338 |
| F | Miscellaneous Income | | |
| | i) Scrabble Digital Ltd | 14,504 | 449,075 |
| G | Sale of Fixed Asset | | |
| | i) Scrabble Digital Ltd | 83,457 | - |
| H | AMC Income | | |
| | i) Scrabble Digital Ltd | 200,000 | 300,000 |
| I | Dividend income | | |
| | i) Scrabble Digital Limited | 16,607,976 | 15,817,120 |
| | ii) Scrabble Digital DMCC | 9,436,648 | 2,709,164 |
| 4 | Key Management Personnel: | | |
| A | Dr. Sunil Patil | | |
| | i) Reimbursement of expenses | 831,039 | 144,915 |
| | ii) Dividend paid | 12,122,838 | 10,474,265 |
| | iii) Remuneration | 6,000,000 | 6,000,000 |



Scrabble Entertainment Limited
Notes to financials statements as at and for the year ended 31 March 2017

| | | | |
|----------|--|------------|------------|
| 5 | <u>Fellow Subsidiaries</u> | | |
| A | Rent (expense) | | |
| | i) Southern Digital Screenz India Private Limited | 106,795 | 134,824 |
| B | Security deposit given | | |
| | i) Southern Digital Screenz India Private Limited | - | 53,234 |
| C | Loan given | | |
| | i) Valuable Digital Screens Private Limited | 60,000,000 | 70,000,000 |
| D | Interest income | | |
| | i) Valuable Digital Screens Private Limited | 18,799,179 | 8,555,653 |
| 6 | <u>Enterprises owned or significantly influenced by director or their relatives</u> | | |
| A | Sale of products | | |
| | i) Valuable Media Limited | - | 857,140 |

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole.

Balance outstanding at the year end

| Sr.No | Particulars | 31 March 2017 Rupees | 31 March 2016 Rupees |
|----------|---|-------------------------|-------------------------|
| 1 | <u>Holding Company</u> | | |
| A | Amount payable | | |
| | i) UFO Moviez India Limited | 58,225,543 | 42,662,422 |
| B | Security deposit given | | |
| | i) UFO Moviez India Limited | 125,754,392 | 135,900,000 |
| C | Security deposit received | | |
| | i) UFO Moviez India Limited | 363,998 | 207,817 |
| 2 | <u>Subsidiaries Companies</u> | | |
| A | Advance given | | |
| | i) Scrabble Entertainment (Mauritius) Limited (Including interest receivable) | - | 713,741 |
| B | Performance guarantee given on behalf of subsidiaries (refer note 31) | | |
| | i) Scrabble Entertainment (Mauritius) Limited | 324,193,000 | 331,664,500 |
| | ii) Scrabble Entertainment DMCC (erstwhile known as Scrabble Entertainment JLT) | 324,193,000 | 331,664,500 |
| | iii) Scrabble Entertainment (Mauritius) Ltd & Scrabble Entertainment DMCC (erstwhile known as Scrabble Entertainment JLT) | 1,296,772,000 | 1,326,658,000 |
| 3 | <u>Associate of the Company</u> | | |
| A | Amount receivable | | |
| | i) Scrabble Digital Limited | 2,656,389 | 8,838,271 |
| B | Amount Payable | | |
| | i) Scrabble Digital Limited | 15,910 | - |
| C | Guarantee given | | |
| | a) Performance guarantee given on behalf of associate (refer note 31) | | |
| | i) Scrabble Ventures LLC | 324,193,000 | 331,664,500 |
| 4 | <u>Fellow subsidiaries</u> | | |
| A | Loan given | | |
| | i) Valuable Digital Screens Private Limited | 160,000,000 | 100,000,000 |
| | ii) Interest receivable | 21,740,275 | 4,829,232 |
| B | Security deposit given | | |
| | i) Southern Digital Screenz India Private Limited | 53,234 | 53,234 |



Scrabble Entertainment Limited
Notes to financial statements as at and for the year ended 31 March 2017
31. Contingent liabilities

| | 31 March 2017 Rupees | 31 March 2016 Rupees |
|--|----------------------|----------------------|
| Performance guarantees issued by the Company on behalf of Subsidiaries and associates to two studios for the performance of obligation relating to distribution of their digital content by its subsidiaries, step down subsidiaries and associates of subsidiary in certain overseas market. (USD 35,000,000 (31 March 2016: USD 35,000,000) (refer note i below) | 2,269,351,000 | 2,321,651,500 |
| Pending litigations | | |
| 1) In respect of Income Tax matters (refer note ii below) | | |
| In respect of the demand on the Company by the Income Tax Department for Assessment Year 2011-12 & 2012-13. | 68,681,940 | 68,681,940 |
| | 2,338,032,940 | 2,390,333,440 |

Note :

i) The following performance guarantees are outstanding at 31 March 2017 and 31 March 2016:

- US\$ 20 Mn each to a studio on behalf of Scrabble Entertainment Mauritius Ltd and Scrabble Entertainment DMCC
The aggregate liability under the aforesaid two guarantees has been capped at an overall ceiling of USD 20 Mn.
- US\$ 5 Mn to a studio on behalf of Scrabble Entertainment DMCC
- US\$ 5 Mn to a studio on behalf of Scrabble Entertainment Mauritius Ltd
- US\$ 5 Mn to a studio on behalf an associate of a subsidiary

ii) The Company is contesting the demand on income tax matters and the management, including its tax advisors, believe that its position will likely be upheld in the appellate process. No tax provision has been accrued in the financial statements for the tax demand raised. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the Company's financial position and results of operations.

32. Derivative Instruments and unhedged foreign currency exposure

- Derivatives outstanding as at the balance sheet date Nil
- Particulars of unhedged foreign currency exposure as at the Balance Sheet date :

| Particulars of un-hedged exposure | 31 March 2017 | 31 March 2016 |
|--|---|--|
| | Rupees | Rupees |
| Export Debtors | Rs.344,010/- (US\$ 5305.64 @ Closing rate of 1 USD = Rs.64.8386) | Rs.1,288,781/- (US\$ 19,428.98 @ Closing rate of 1 USD = Rs.66.3329) |
| Import Creditors | Rs.14,819,367/- (US\$ 228557.79 /- @ Closing rate of 1 USD = Rs. 64.8386) | Rs.20,464,973/- (US\$ 308,519.19 @ Closing rate of 1 USD = Rs.66.3329) |
| Advance Recoverable in Cash or Kind | Rs.30,091,534/- (US\$ 464099.07/- @ Closing rate of 1 USD = Rs. 64.8386) | Rs.23,110,901/- (US\$ 348,407.82 @ Closing rate of 1 USD = Rs.66.3329) |
| Import Creditors (Debit balance) | Rs. 5,938,892/- (US\$ 91595 @ Closing rate of 1 USD = Rs.64.8386) | Rs.887,136/- (US\$ 13,374 @ Closing rate of 1 USD = Rs.66.3329) |
| Cash Balances | Rs.59,562.6 /- (Currency notes 5718.4 @ Closing rate for particular Currency) | Rs. 60,551/- (Currency notes 5718.40 @ Closing rate for particular Currency) |
| Bank Balances | NIL | Rs.2,051,219/- (US\$ 23103.94@Closing rate of 1 USD = Rs.66.3329 & AED 28809.76 @ Closing rate of 1 AED = Rs.18.0032) |
| Advance given to subsidiary / associate | NIL | Rs.713,742/- (US\$ 10,760 @ closing rate of 1 US\$ = Rs. 66.3329) |
| Performance guarantees given on behalf of subsidiary / associate | Rs 2,269,351,000/- (US\$ 35,000,000 @ Closing rate of 1 US\$ = Rs.64.8386) | Rs 2,321,651,500/- (US\$ 35,000,000 @ Closing rate of 1 US\$ = Rs.66.3329) |



33. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

Based on information available with the management, there is no amount due to Micro, small scale and Medium Enterprises as per the Micro, Small and Medium Enterprises Development Act, 2006.

34. Value of imports calculated on CIF basis

| | 31 March 2017 Rupees | 31 March 2016 Rupees |
|---|-------------------------|-------------------------|
| Capital goods | - | 3,752,318 |
| Purchase of trading equipment, lamps and spares | 84,269,766 | 72,605,695 |
| | 84,269,766 | 76,358,013 |

35. Expenditure in foreign currency (accrual basis)

| | 31 March 2017 Rupees | 31 March 2016 Rupees |
|----------------------------|-------------------------|-------------------------|
| Foreign travelling | 2,499,817 | 2,991,856 |
| Annual maintenance charges | 24,991,776 | 28,455,768 |
| | 27,491,593 | 31,447,624 |

36. Imported and indigenous raw materials, components and spare parts consumed

| | % of total consumption 31 March 2017 | Value (In Rupees) 31 March 2017 | % of total consumption 31 March 2016 | Value (In Rupees) 31 March 2016 |
|-----------------------|--|---------------------------------------|--|---------------------------------------|
| Components | | | | |
| Imported | 100.0 | 75,830,187 | 98.2 | 76,228,648 |
| Indigenously obtained | 0.0 | 0 | 1.8 | 1,433,321 |
| | 100.0 | 75,830,187 | 100.0 | 77,661,969 |

37. Earnings in foreign currency (accrual basis)

| | 31 March 2017 Rupees | 31 March 2016 Rupees |
|------------------------------|-------------------------|-------------------------|
| Virtual Print Fee (D-Cinema) | 20,120,000 | 25,935,993 |
| Commission income | 72,291,981 | 14,537,035 |
| Technical service income | 4,463,600 | 5,732,136 |
| Dividend income | 150,646,948 | 142,495,500 |
| | 247,522,529 | 188,700,664 |

38. Capital and other commitments

| | 31 March 2017 Rupees | 31 March 2016 Rupees |
|-------------------|-------------------------|-------------------------|
| Other commitments | 951,360 | 9,275,801 |
| | 951,360 | 9,275,801 |

39. Corporate social responsibility

As per section 135 of the Companies Act, 2013 and rules therein, the Company is required to spend at least 2% of average net profit of past three years towards Corporate Social Responsibility (CSR). Details of corporate social responsibility expenditures are as follows:

| Paticulars | 31 March 2017 Rupees | 31 March 2016 Rupees |
|-----------------------------------|-------------------------|-------------------------|
| Gross amount required to be spent | 3,275,775 | 1,780,387 |
| Spent during the year in cash | - | - |
| Balance unspent during the year | 3,275,775 | 1,780,387 |



Scrabble Entertainment Limited**Notes to financial statements as at and for the year ended 31 March 2017****40. Loans and advances in the nature of loans given to subsidiaries and associates and firms/ companies in which directors are interested**

| Name of loanee | Purpose | Rate of Interest | Terms | 30 June 2016 Rupees | 31 March 2016 Rupees |
|--|--|------------------|---------------------|------------------------|-------------------------|
| Valuable Digital Screens Private Limited | Operational expenditure and to meet working capital requirements | 12.25% - 12.5% | Repayable on demand | 160,000,000 | 100,000,000 |
| | | | | 160,000,000 | 100,000,000 |

The above loan is repayable on demand. Maximum amount outstanding during the year Rs. 160 million, (31 March 2016: 100 million)

41. Disclosure on Specified Bank Notes (SBNs)

During the year, the Company had Specified Bank Notes or other denomination notes as defined in the MCA notification G.S.R. 308(E) Dated March 31, 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from November 8, 2016 to December 30, 2016, the denomination wise SBNs and other notes as per the notification given below:

| Particulars | SBNs | Other denomination notes | Total |
|--|-----------|--------------------------|-----------|
| Closing cash in hand as on November 8, 2016 | 173,000 | 20,366 | 193,366 |
| (+) Permitted receipts | - | 170,848 | 170,848 |
| (-) Permitted payments | - | (97,038) | (97,038) |
| (-) Amount deposited in banks | (173,000) | - | (173,000) |
| Closing cash in hand as on December 30, 2016 | - | 94,176 | 94,176 |

42. Previous year figures

Previous year figures have been regrouped / reclassified, where necessary, to conform to this year's classification.

As per our report attached of even date

For S.R. Batliboi & Associates LLP
ICAI Firm Registration No:101049W/E300004
Chartered Accountants

per Govind Ahuja
Partner
Membership no.: 48966
Place of Signature : Mumbai
Date: May 17, 2017



For and on behalf of the Board of Directors of
Scrabble Entertainment Limited

Dr. Sunil Patil
Whole Time Director
DIN No.: 00350283
Place of Signature : Mumbai
Date: May 17, 2017

Urmi Shah
Company Secretary
Place of Signature : Mumbai
Date: May 17, 2017

Sushil Agrawal
Director
DIN No.: 00003163
Place of Signature : Mumbai
Date: May 17, 2017