

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 MARCH 2016

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**COMPANY INFORMATION**

		Date of appointment	Date of resignation
DIRECTORS	:		
		Amit Gupta	26 September 2011
		Kapil Agarwal	04 January 2012
		Sachidananda Govinda	05 September 2012
		Devananda Naraïdoo	06 April 2015
			-
			-
			-
ADMINISTRATOR & SECRETARY	:	Abax Corporate Services Ltd 6th Floor, Tower A 1 CyberCity Ebene Republic of Mauritius	
REGISTERED OFFICE	:	Abax Corporate Services Ltd 6th Floor, Tower A 1 CyberCity Ebene Republic of Mauritius	
AUDITORS	:	UHY Heeralall 4th Floor, TN Tower 13, St Georges Street Port Louis Republic of Mauritius	
BANKERS	:	Hongkong and Shanghai Banking Corporation 4th Floor, HSBC Centre 18, CyberCity Ebene	

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

COMMENTARY OF THE DIRECTORS

The directors present their commentary and the audited financial statements of Scrabble Entertainment (Mauritius) Ltd (the "Company") for year ended 31 March 2016.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Company's profit for the year ended 31 March 2016 is USD 2,804,654 (2015: USD 2,023,281).

During the year, the Company paid a dividend of USD 1,890,000 (2015: USD Nil).

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards as modified by the exemption provided by the Mauritian Companies Act 2001 have been followed and complied with, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

AUDITORS

The auditors, UHY Heeralall have indicated their willingness to continue in office and will be automatically reappointed at the next Annual Meeting.

By Order of the Board

ISABELLE ADRIEN
For
Adrienne Corporate Services Ltd

SECRETARY

Date: 13 May 2016

ABAX

www.abaxservices.com

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SECRETARY'S CERTIFICATE

TO THE MEMBER OF SCRABBLE ENTERTAINMENT (MAURITIUS) LTD
UNDER SECTION 166 (d) OF THE MAURITIUS COMPANIES ACT 2001

We confirm, as secretary of the Company, that based on records and information made available to us by the directors and shareholder of the Company, the Company has filed with the Registrar of Companies for year ended 31 March 2016, all such returns as are required of the Company under the Mauritius Companies Act 2001.

MAURITIUS



ABAX CORPORATE SERVICES LTD
COMPANY SECRETARY

Date: 13 May 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

Report on the Financial Statements

1. We have audited the financial statements of Scrabble Entertainment (Mauritius) Ltd (the "Company") on pages 6 to 26 which comprise the statement of financial position at 31 March 2016 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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.
4. 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 judgement, 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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

Report on the Financial Statements (continued)

Opinion

6. In our opinion, the financial statements on pages 6 to 26 give a true and fair view of the financial position of the Company at 31 March 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as modified by the exemption from consolidation in the Companies Act 2001 for companies holding a category 1 Global Business Licence and comply with the Companies Act 2001.

Report on Other Legal and Regulatory Requirements

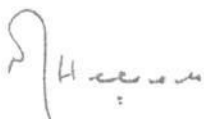
7. The Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:
- (a) we have no relationship with or interests in the Company other than in our capacity as auditors;
 - (b) we have obtained all the information and explanations we have required; and
 - (c) in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Other matters

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

UHY Heeralall

UHY Heeralall



Nirmal Heeralall, licensed by FRC
Signing partner

Date: 13 MAY 2016

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	NOTES	2016 USD	2015 USD
INCOME			
Revenue from operations	5	1,283,224	1,447,699
Dividend income		2,942,759	2,317,419
Exchange gain		33,296	-
		<u>4,259,279</u>	<u>3,765,118</u>
EXPENSES			
Costs associated with operations	6	682,177	775,811
Administrative expenses		42,134	51,670
Depreciation expense of property, plant and equipment	8	533,284	562,745
Rental expense		11,124	11,133
Legal and professional fees		17,600	24,369
Exchange loss		-	209,903
		<u>1,286,319</u>	<u>1,635,631</u>
OPERATING PROFIT		2,972,960	2,129,487
Finance expense	7	(67,015)	(121,902)
PROFIT BEFORE TAX		2,905,945	2,007,585
Income tax (expense) / credit	13	(101,291)	15,696
PROFIT AFTER TAX		2,804,654	2,023,281
OTHER COMPREHENSIVE INCOME THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS			
Exchange difference on translation of foreign operations		94,326	(162,334)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,898,980 =====	1,860,947 =====

The notes on pages 10 to 26 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	NOTES	2016 USD	2015 USD
ASSETS			
Non-current assets			
Property, plant and equipment	8	1,531,101	1,978,977
Investments in subsidiaries	9	735,495	735,495
Total non-current assets		2,266,596	2,714,472
Current assets			
Accounts receivable	10	1,435,832	1,380,970
Cash and cash equivalents		2,910,188	1,585,393
Total current assets		4,346,020	2,966,363
TOTAL ASSETS		6,612,616	5,680,835
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	11	750,001	750,001
Retained earnings		3,310,498	2,455,262
Translation reserve		74,756	(78,988)
Total equity		4,135,255	3,126,275
Current liabilities			
Loan payable	14(ii)	1,389,951	1,754,007
Accounts payable	12	1,015,227	667,163
Income tax	13	72,183	133,390
Total current liabilities		2,477,361	2,554,560
TOTAL EQUITY AND LIABILITIES		6,612,616	5,680,835

Approved by the Board on 13 MAY 2016 and signed on its behalf by:



Director



Director

The notes on pages 10 to 26 form an integral part of these financial statements.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016**

	Stated capital USD	Retained earnings USD	Translation reserve USD	Total USD
At 01 April 2014	750,001	500,310	15,017	1,265,328
Profit for the year	-	2,023,281	-	2,023,281
Transfer from retained earnings		(68,329)	68,329	-
Exchange differences on translation of foreign operations	-	-	(162,334)	(162,334)
Total comprehensive income for the year	-	1,954,952	(94,005)	1,860,947
At 31 March 2015	750,001	2,455,262	(78,988)	3,126,275
Profit for the year	-	2,804,654	-	2,804,654
Dividend paid during the year	-	(1,890,000)	-	(1,890,000)
Transfer from retained earnings	-	(59,418)	59,418	-
Exchange differences on translation of foreign operations	-	-	94,326	94,326
Total comprehensive income for the year	-	855,236	153,744	1,008,980
At 31 March 2016	750,001	3,310,498	74,756	4,135,255
	=====	=====	=====	=====

The notes on pages 10 to 26 form an integral part of these financial statements.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016

	NOTES	2016 USD	2015 USD
<i>Cash flows from operating activities</i>			
Profit for the year		2,905,945	2,007,585
<i>Adjustments for:</i>			
Interest expense		58,384	112,721
Depreciation of property, plant and equipment	8	533,284	562,745
Dividend income		(2,942,759)	(2,317,419)
Exchange difference		(33,296)	117,432
Operating profit before working capital changes		521,558	483,064
<i>Changes in working capital:</i>			
Increase in accounts receivable		(54,862)	(213,925)
Increase / (decrease) in accounts payable		348,064	(1,024,254)
Cash flows generated from / (used in) operating activities		814,760	(755,115)
Tax paid		(164,149)	(36,995)
Net cash generated from / (used in) operating activities		650,611	(792,110)
<i>Cash flows from investing activities</i>			
Loan repaid to subsidiary		(420,000)	-
Dividend received		2,942,759	2,317,419
Net cash generated from investing activities		2,522,759	2,317,419
<i>Cash flows from financing activities</i>			
Interest paid		-	(45,221)
Dividend paid		(1,890,000)	-
Net cash used in financing activities		(1,890,000)	(45,221)
Net increase in cash and cash equivalents		1,283,370	1,480,088
Cash and cash equivalents at beginning of year		1,585,393	164,767
Effects of exchange difference		41,425	(59,462)
Cash and cash equivalents at end of year		2,910,188	1,585,393
		= = = = =	= = = = =

The notes on pages 10 to 26 form an integral part of these financial statements.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016

1 GENERAL INFORMATION

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of presentation

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

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

Changes in accounting policy and disclosures

(i) New standards and amended standards and interpretations adopted by the Company

The Company adopted the amendments to IAS 24 Related Party Disclosures during the year ended 31 March 2016. The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The adoption of amendments to IAS 24 Related Party Disclosures resulted in additional disclosures in the financial statements.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policy and disclosures (continued)

- (iii) *New standards and amended standards and interpretations in issue but not yet adopted by the Company*

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Standards	Effective dates
IFRS 9 Financial Instruments	Annual periods beginning on or after 1 January 2018
IFRS 14 Regulatory Deferral Accounts	Annual periods beginning on or after 1 January 2016
IFRS 15 Revenue from Contracts with Customers	Annual periods beginning on or after 1 January 2018
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	Annual periods beginning on or after 1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	Annual periods beginning on or after 1 January 2016
Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants	Annual periods beginning on or after 1 January 2016
Amendments to IAS 27: Equity Method in Separate Financial Statements	Annual periods beginning on or after 1 January 2016
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Annual periods beginning on or after 1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception	Annual periods beginning on or after 1 January 2016
Amendments to IAS 1: Disclosure Initiative	Annual periods beginning on or after 1 January 2016
Annual improvements to IFRSs 2012-2014 Cycle	Annual periods beginning on or after 1 January 2016

None of these standards and amendments is expected to have any material impact on the financial statements of the Company when they become effective, except for those listed below:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The Company is still evaluating the impact of this standard and shall adopt this standard when it becomes effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policy and disclosures (continued)

- (iii) *New standards and amended standards and interpretations in issue but on yet adopted by the Company (continued)*

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Company is still evaluating the impact of this standard and shall adopt this standard when it becomes effective.

Amendments to IAS 1 - Disclosure Initiative

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The impact on the financial statements of the Company has not yet been assessed.

Foreign currency translation

- (i) *Functional and presentation currency*

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

- (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

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

*SCRABBLE ENTERTAINMENT (MAURITIUS) LTD*NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Current and deferred income tax**

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

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

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

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

Property, plant and equipment (PPE)

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*Investment in subsidiaries*

A subsidiary is an entity (including special purpose entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are shown at cost. Where the carrying amount of the investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is transferred to profit or loss. On disposal of the investments, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

Consolidated financial statements

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

Financial instruments

Financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

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

Financial instruments carried on the statement of financial position include accounts receivable (excluding prepayments and VAT refundable), cash and cash equivalents, loan payable and accounts payable (excluding VAT payable). The particular recognition methods adopted are disclosed below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables comprise of loan receivable, accounts receivable (excluding prepayments and VAT refundable) and cash and cash equivalents.

Accounts receivable

Accounts receivable are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

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

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

Loans payable

Loans payable are recognised initially at fair value, net of transaction costs incurred. Loans payable are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the loans payable using the effective interest method. Loans payable are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date in which case they are presented as non-current liabilities.

Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Derecognition of financial assets and liabilities

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Stated capital

Ordinary shares are classified as equity.

Revenue recognition

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

Revenue from operations are recognised on the accrual basis in accordance with the substance of the relevant agreements.

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

Interest income is recognised using the effective interest method.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Comparatives

Previous period figures have been regrouped / reclassified wherever necessary to conform to current period classification.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016****3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

Functional currency

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

Useful life of property, plant and equipment

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

Income taxes

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

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

(i) Currency risk

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

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

	2016		2015	
	ILS	USD	ILS	USD
Financial assets				
Cash and cash equivalents	2,625,168	695,171	265,950	67,019
Accounts receivable	5,362,306	1,419,992	5,465,824	1,377,387
	<u>7,987,474</u>	<u>2,115,163</u>	<u>5,731,774</u>	<u>1,444,406</u>
	=====	=====	=====	=====
Financial liabilities				
Loan payables	8,057,782	2,133,781	3,574,748	900,836
Accounts payable	3,742,562	991,068	2,556,474	644,231
	<u>11,800,344</u>	<u>3,124,849</u>	<u>6,131,222</u>	<u>1,545,067</u>
	=====	=====	=====	=====

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

Sensitivity analysis

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

	Increase/(decrease) in foreign exchange rates	2016 USD	2015 USD
Depreciation of ILS	+ 5 %	50,484	5,033
Appreciation of ILS	- 5 %	50,484	5,033

(ii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The only significant interest bearing financial instrument held by the Company is loan payable to subsidiary. The Company is not exposed to interest rate risk as the loan payable to subsidiary bears fixed interest at the rate of 9% per annum.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

*(a) Market risk (continued)**(iii) Price risk*

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

(b) Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. With respect to credit risk arising from financial assets which comprise of accounts receivable (excluding prepayments and VAT refundable) and cash and cash equivalents, the Company's exposure arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets at the reporting date. Cash and cash equivalents are maintained with a reputable bank.

At 31 March 2016, trade receivables of USD 1,420,310 (2015: USD 1,377,387) were neither past due nor impaired. The ageing analysis of trade receivables are as follows:

	2016 USD	2015 USD
Up to six months	1,420,310	1,377,387
	=====	=====

(c) Liquidity risk

The Company manages liquidity risk by maintaining adequate cash reserves to meet its obligations as they fall due and through financing from related parties.

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2016 and 2015 based on contractual undiscounted payments:

	Due on demand USD	Within 1 year USD	Total USD
2016			
Amount due to parent	10,759	-	10,759
Amount due to third party	1	-	1
Accruals	-	1,004,467	1,004,467
Loan payable	1,389,951	-	1,389,951
	-----	-----	-----
	1,400,711	1,004,467	2,405,178
	=====	=====	=====

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

	Due on demand USD	Within 1 year USD	Total USD
2015			
Amount due to parent	10,759	-	10,759
Amount due to third party	1	-	1
Accruals	-	656,403	656,403
Loan payable	1,754,007	-	1,754,007
	<u>1,764,767</u>	<u>656,403</u>	<u>2,421,170</u>
	=====	=====	=====

(d) Fair values

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

(e) Capital risk management

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

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

(f) Financial instruments by category

	Loans and receivables	
	2016 USD	2015 USD
Financial assets		
Accounts receivable	1,420,310	1,377,387
Cash and cash equivalents	2,910,188	1,585,393
	<u>4,330,498</u>	<u>2,962,780</u>
Total	=====	=====

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Financial instruments by category (continued)

	At amortised cost	
	2016	2015
	USD	USD
Financial liabilities		
Loan payable	1,389,951	1,754,007
Accounts payable	1,015,227	667,163
	-----	-----
Total	2,405,178	2,421,170
	=====	=====

5 REVENUE FROM OPERATIONS

	2016	2015
	USD	USD
Virtual Print Fee	1,068,824	1,154,382
Equipment rental income	122,275	127,958
Maintenance fee	92,125	165,359
	-----	-----
Total	1,283,224	1,447,699
	=====	=====

6 COSTS ASSOCIATED WITH OPERATIONS

	2016	2015
	USD	USD
Virtual Print Fee sharing expense	528,103	545,038
Management fee	61,794	65,208
Maintenance fee	92,124	165,359
Transport and commissions	47	187
Other expenses	109	19
	-----	-----
Total	682,177	775,811
	=====	=====

7 FINANCE EXPENSE

	2016	2015
	USD	USD
Interest paid on trade payables	1,159	45,221
Interest payable on loan from subsidiary (Note 14(ii))	57,225	67,500
Bank charges	8,631	9,181
	-----	-----
Total	67,015	121,902
	=====	=====

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016

8 PROPERTY, PLANT AND EQUIPMENT

	Cinema Equipment 2016 USD	Total 2016 USD	Total 2015 USD
<u>Cost:</u>			
At start and end of the year	2,964,861	2,964,861	2,964,861
<u>Depreciation</u>			
At start of the year	(684,225)	(684,225)	(121,480)
Charge for the year	(533,284)	(533,284)	(562,745)
At end of the year	(1,217,509)	(1,217,509)	(684,225)
Exchange difference	(216,251)	(216,251)	(301,659)
<u>Net book value</u>			
At 31 March	1,531,101	1,531,101	1,978,977
	=====	=====	=====

9 INVESTMENTS IN SUBSIDIARIES

	2016 USD	2015 USD
<u>At cost:</u>		
At start and end of the year	735,495	735,495
	=====	=====

Details of the investments in subsidiaries are given below:

Name of investees	Country of incorporation	Type of shares held	% Holdings	Cost of investment	
				2016 USD	2015 USD
Scrabble Entertainment DMCC	Dubai	Ordinary	90%	735,494	735,494
Scrabble Entertainment Israel Ltd	Israel	Ordinary	100%	1	1
				735,495	735,495
				=====	=====

At 31 March 2016, the directors have reviewed the financial performance and the future projects to be undertaken by the investees and are of the opinion that no provision for impairment is required.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016

10 ACCOUNTS RECEIVABLE

	2016 USD	2015 USD
Trade receivables	1,420,310	1,377,387
Prepayments	5,163	3,413
VAT refundable	10,359	170
	<u>1,435,832</u>	<u>1,380,970</u>
	=====	=====

11 STATED CAPITAL

	Number of shares		2016 USD	2015 USD
	2016	2015		
<i>Issued and paid up</i>				
At start and end of the year	750,001	750,001	750,001	750,001
	=====	=====	=====	=====

The par value of each ordinary share is USD 1.

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

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

Translation reserve

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

12 ACCOUNTS PAYABLE

	2016 USD	2015 USD
Amount due to parent (Note 14(ii))	10,759	10,759
Amount due to third party	1	1
Accruals	1,004,467	656,403
	<u>1,015,227</u>	<u>667,163</u>
At end of year	=====	=====

The amounts due to parent and third party are unsecured, interest free and repayable on demand.

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

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016

13 INCOME TAX

The Company is subject to income tax in Mauritius on its net income at 15% (2015: 15%). However, the Company is entitled to a tax credit equivalent to the higher of the actual foreign tax suffered 80% (2015: 80%) of the Mauritius tax on its foreign source income, thereby giving an effective tax rate of 3% (2015: 3%). Gains or profits from the sale of units of securities by a Company holding a category 1 Global Business License under the Financial Services Act 2007 are exempt in Mauritius. The Company operates through its branch in Israel. The tax rate in Israel is 26.5% (2015: 26.5%).

The foregoing is based on current interpretation and practice and is subject to any future changes in the Mauritian tax laws.

The tax expense for the year comprise of:

	2016 USD	2015 USD
Current tax expense	151,953	51,556
Overprovision in previous years	(50,662)	(67,252)
	-----	-----
Actual tax	101,291	(15,696)
	=====	=====

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

	2016 USD	2015 USD
Profit before taxation	2,905,945	2,007,585
	=====	=====
Applicable income tax at tax rate of 15%	435,892	301,138
Impact of:		
Expenses not deductible for tax purposes	80,645	84,412
Income not subject to tax	(65,764)	(101,176)
Utilised tax losses	-	(26,592)
Foreign tax credit	(360,618)	(206,226)
Overprovision in previous years	(50,662)	(67,252)
Effect of branch being taxed at different rate	61,798	-
	-----	-----
Actual income tax expense / (income)	101,291	(15,696)
	=====	=====

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016

13 INCOME TAX (CONTINUED)

Income tax liability

	2016 USD	2015 USD
At start of the year	133,390	213,393
Charge for the year	151,953	51,556
Paid during the year	(164,149)	(57,376)
Overprovision in previous years	(50,662)	(67,252)
Exchange difference during the year	6,494	6,880
Tax receivable set off during the year	(4,843)	(13,811)
	-----	-----
At end of the year	72,183	133,390
	=====	=====

14 RELATED PARTY TRANSACTIONS

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

	2016 USD	2015 USD
(i) <i>Amount due to parent – Scrabble Entertainment Limited</i>		
At start and end of the year (Note 12)	10,759	10,759
	=====	=====

The amount due to parent is unsecured, interest free and repayable on demand.

	2016 USD	2015 USD
(ii) <i>Loan from subsidiary – Scrabble Entertainment DMCC</i>		
At start of the year	1,754,007	1,684,227
Repaid during the year	(420,000)	-
Interest payable during the year (Note 7)	57,225	67,500
Exchange difference	(1,281)	2,280
	-----	-----
At end of the year	1,389,951	1,754,007
	=====	=====

Details of the above loans are given below:

- (a) Loan amounting to **USD 330,000** (2015: USD 750,000) carries interest at the rate of 9% per annum and is repayable on demand.
- (b) Loan amounting to **USD 899,275** (2015: USD 899,275) is interest free and is repayable on demand.

SCRABBLE ENTERTAINMENT (MAURITIUS) LTD

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016

14 RELATED PARTY TRANSACTIONS (CONTINUED)

	2016	2015
	USD	USD
(iii) <i>Fees to management entity of the Company – Abax Corporate Services Ltd</i>		
Fees paid during the year	32,400	33,600
	=====	=====
Fees accrued at end of the year	8,237	4,250
	=====	=====

The above services from Abax Corporate Services Ltd have been provided on commercial terms and conditions.

15 PARENT AND ULTIMATE PARENT

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

16 EVENTS AFTER REPORTING DATE

There are no material events after the reporting date which would require disclosure or adjustment to the financial statements for the year ended 31 March 2016.