



**CREST ANIMATION STUDIOS LTD**  
ANNUAL REPORT 2009-10

**BOARD OF DIRECTORS**

- Mr. Shyam Ramanna – Chairman
- Mrs. Seemha Ramanna – Managing Director
- Mr. T. N. V. Ayyar – Director
- Mr. Divya Shah – Director
- Mr. Shyam Benegal – Director
- Mr. Gurcharan Das – Director
- Mr. Anil Chawla – Director  
(Nominee Director)
- Mr. Randhir S. Kochhar – Director  
(Nominee Director)

**COMPANY SECRETARY**

Mr. Madhav Oak

**REGISTERED OFFICE**

401 & 501, Raheja Plaza - 1  
L.B.S. Marg, Ghatkopar (West),  
Mumbai-400 086.  
Website: www.crestindia.com

**BANKERS**

State Bank of India  
IDBI Bank Limited  
ICICI Bank Limited  
The Hongkong and Shanghai Banking Corp. Ltd.

**AUDITORS**

M/s. S.R. Batliboi & Associates  
Chartered Accountants  
and  
M/s. Chaturvedi & Shah  
Chartered Accountants

**REGISTRARS AND SHARE TRANSFER AGENTS**

M/s. SHAREPRO SERVICES (INDIA) PRIVATE LIMITED  
(Unit-Crest Animation Studios Ltd.)  
13AB, Samhita Warehousing Complex,  
Second Floor, Sakinaka Telephone Exchange Lane,  
Off Andheri Kurla Road, Sakinaka, Andheri (E),  
Mumbai – 400 072.  
Email: sharepro@vsnl.com

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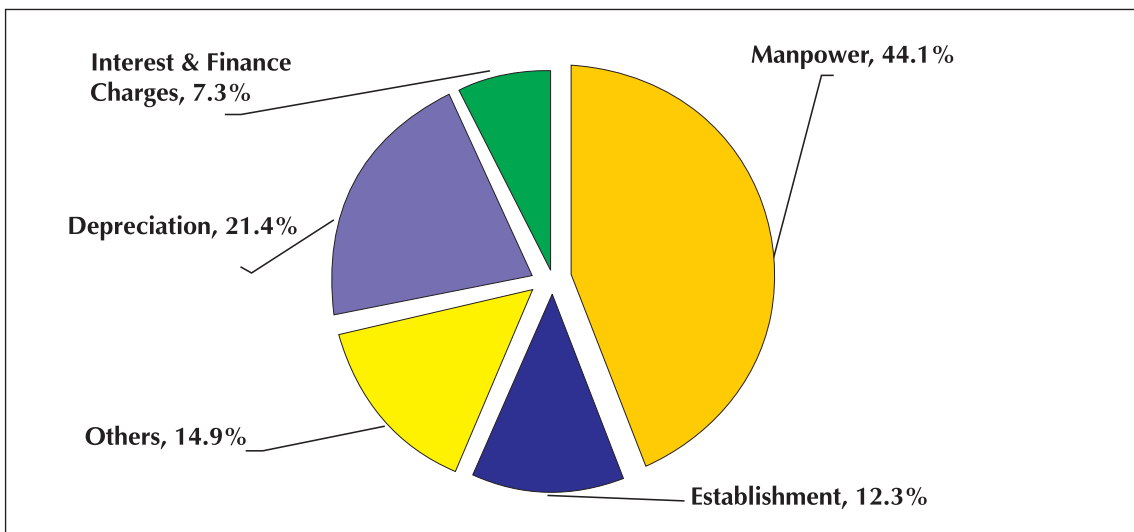
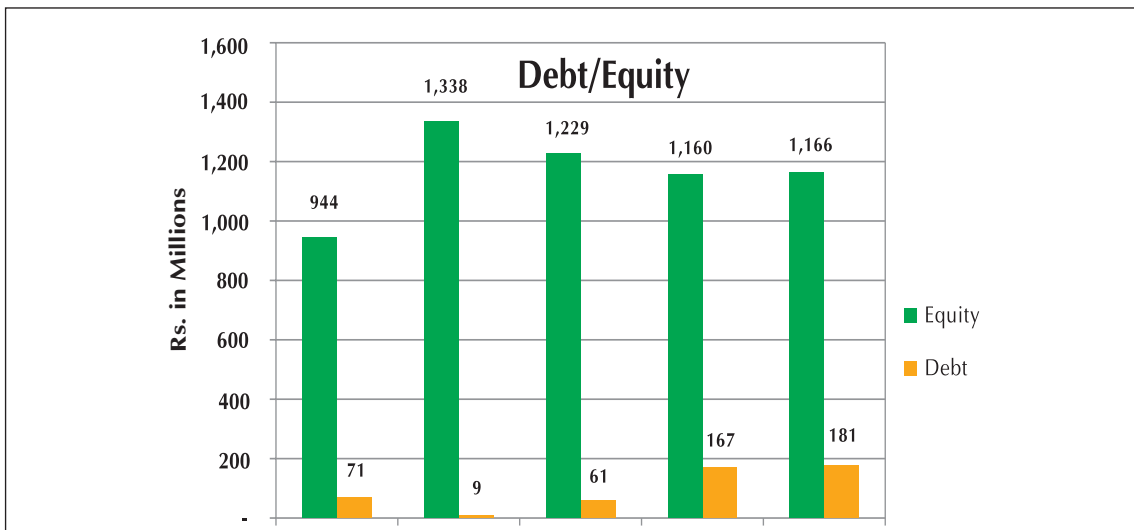
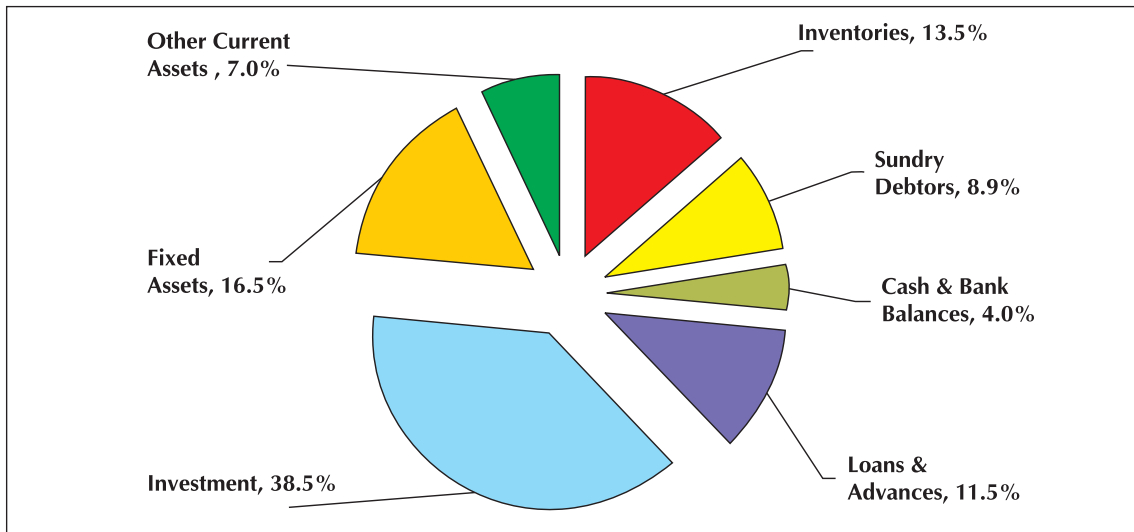
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FINANCIAL HIGHLIGHTS

KEY FINANCIALS FOR THE LAST FIVE YEARS

Rs. In Millions

Particulars	FY 2009-10	FY 2008-09	FY 2007-08	FY 2006-07	FY 2005-06
Operating Revenue	<b>445.37</b>	403.12	253.30	337.65	288.52
Total Income	<b>475.28</b>	412.15	262.81	388.39	298.68
PBDIT	<b>139.52</b>	67.19	31.13	117.82	103.96
Depreciation	<b>100.89</b>	104.99	104.38	80.98	65.51
Fixed Assets written off / written down	—	—	—	1.64	6.53
Interest & Finance Charges	<b>34.31</b>	29.71	31.78	24.61	16.19
PBT	<b>4.32</b>	(67.52)	(105.03)	10.58	15.73
Prior Period Income/ (Expenses)	<b>2.01</b>	—	—	—	44.96
Profit After Tax	<b>6.44</b>	(68.69)	(106.60)	9.59	59.59
Equity Share Capital	<b>225.85</b>	225.85	225.85	225.85	192.00
Reserves & Surplus	<b>940.46</b>	934.05	1,002.77	1,112.43	751.68
Net Worth	<b>1,166.31</b>	1,159.90	1,228.62	1,338.28	943.68
Gross Fixed Assets	<b>869.83</b>	830.16	823.36	733.08	696.85
Net Fixed Assets	<b>238.74</b>	299.24	396.57	410.69	359.66
Total Assets	<b>1,449.49</b>	1,458.79	1,474.88	1,491.85	1,071.79
Market Capitalisation	<b>1,982.98</b>	367.01	1,338.17	2,160.72	2,368.27
PBDIT / Total Income (%)	<b>29.36%</b>	16.30%	11.84%	30.33%	34.81%
EPS	<b>0.29</b>	(3.04)	(4.72)	0.46	3.10
Market Price at year end	<b>87.80</b>	16.25	59.25	95.67	123.35
Book Value	<b>51.64</b>	51.36	54.40	59.25	49.15



*"ALPHA & OMEGA"*



*From Joe Drake President Motion Picture Group Lionsgate and Co-Chief Operating Officer Lionsgate.*

*"The movie is funny, big heart and looks fantastic.*

*Congrats on the great job".*

*Few words by Mr. Brian Gardner "3D Guru" about Alpha and Omega :*

*I saw the 3-D trailer for Alpha & Omega. The 3-D looked great!*

*You did a wonderful job with it.*

*I see that my faith in you was well deserved.*

*In fact, the stereoscopic work that I saw in the trailer by the whole Crest India team made me feel proud to have been a mentor there.*

*Please tell everyone there that they all did wonderful work,*

*and that I was very impressed with their mastery of the 3-D.*



*The Dove Foundation:*

*"Charming tale of overcoming diversity" - Edwin Carpenter, The Dove Foundation*

*"Delightful tale of overcoming adversity."- Edwin Carpenter, The Dove Foundation*



# LIONSGATE

2700 Colorado Avenue, Suite 200 Santa Monica, CA 90404 T 310.449.9200

February 3, 2010

Seemha Ramanna, Noah Fogelson, Max Madhavan, Richard Rich  
Crest Animation Studios Ltd.  
501 Raheja Plaza 1  
L.B.S. Marg, Ghatkopar (W)  
Mumbai 400 086  
India

**Re: NORM OF THE NORTH**

Seemha, Noah, Max, Richard and the entire Crest crew:

Ken and I are very excited that Lionsgate and Crest will be collaborating on another major project together. Although I couldn't join you in India, I want to express my enthusiasm for our upcoming co-production NORM OF THE NORTH. Crest has delivered outstanding theatrical quality on our first movie that is truly a revelation. Lionsgate was the first major studio in the U.S. to commit to an animated theatrical production with an Indian animation studio, now of course all the others are following suit. Animation continues to be among the highest performing genres in the movie business and we feel we have just the right alchemy of high caliber story telling and animation combined with a timely and prudent business model. We look forward to a long and vibrant relationship with Crest.

Best,



Mike Paseornek  
President, Motion Picture Production & Development  
LIONSGATE

**Press reactions on Alpha & Omega**

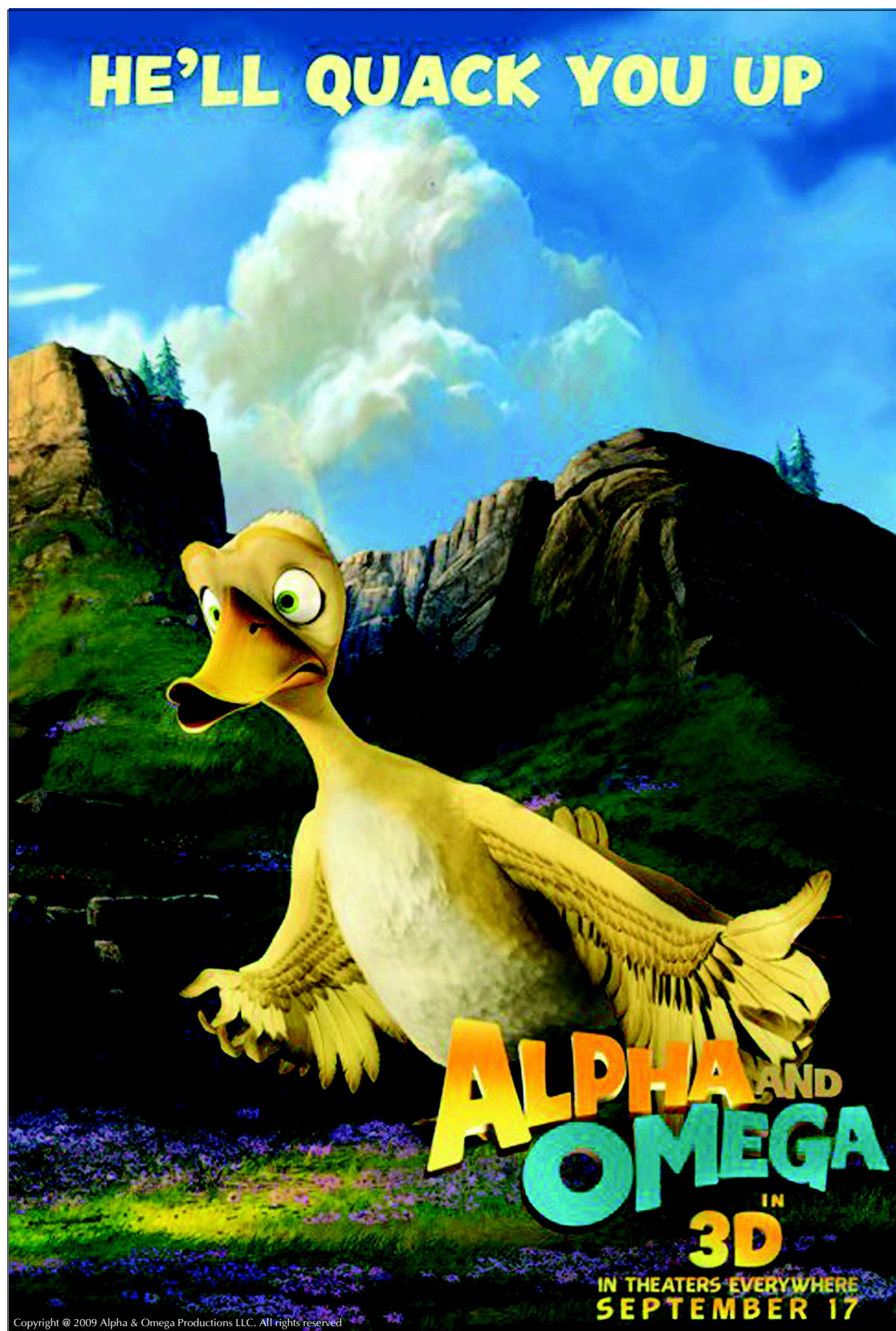
Sr. No.	OUTLET	JOURNALIST	REACTION
1	ITV News	Callum Watkinson	The kids loved it – their favourite characters where the Mummy wolf, Kate, Humphrey and Garth. There were lots of comedy scenes which they loved - especially Garth who sang/howled so badly the birds dropped out of the sky and the action scenes; especially sledding/bear chase. The 3D effects were good but they wanted more! The romance side of the movie was a little over their heads and it was slightly too long for the youngest but overall a thumbs up.
2	The Crack	David Willoughby	I thought it was okay. The animation was nice. The eagle and duck were quite sweet in old school Disney sort of way.
3	First News	Emma Robson	It was really good, the kids absolutely loved it, especially my 5 year old! They were very worried at the end when they thought Kate was dead, but were then very happy with the ending.
4	London Greek Weekly, Film Review Annual	George Savvides	Charming film for little children.
5	Freelance	Janie Lawrence	Fast-paced, good family fun.
6	Freelance (Conde Nast Traveller)	Karin Mueller	We all enjoyed the film very much. The film was so well made - great effects! The 3-D effects really were stunning. It was funny, entertaining, the characters were superb. We've had a great time! My girls Ella and Katie (8 and 6 years old) are still talking about the film all the time and have now decided that wolves are definitely their most favourite animals.
7	Easy Living	Rita Gormley	I really liked the film - the 3D effect was great and the new 3D glasses are much less flimsy than the old ones.
8	Girl Talk	Alison Horsfall	It was fab! A real feel-good, family film!
9	Psychologies	Andrea Lynch	My girls loved the film and we had a great morning. Not sure whether the highlight was meeting real wolf cubs, being filmed howling like a wolf or the film itself.
10	BBC 5 Live	Dave Aldridge	Thought the film was fine. Nothing startling but nicely done. Younger kids should, erm, wolf it down. For grown-ups, pleasantly watchable - and, at 80mins or so, it didn't outstay its welcome.



"LITTLE ENGINE"







**NOTICE**

**NOTICE IS HEREBY GIVEN THAT THE TWENTIETH ANNUAL GENERAL MEETING OF THE MEMBERS OF CREST ANIMATION STUDIOS LIMITED WILL BE HELD ON MONDAY, 27<sup>TH</sup> DAY OF SEPTEMBER 2010 AT 12.30 P. M. AT EMPEROR HALL, HOTEL KOHINOOR PARK, VEER SAVARKAR MARG, PRABHADEVI, MUMBAI – 400 025, MUMBAI TO TRANSACT THE FOLLOWING BUSINESS:**

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31<sup>st</sup> March 2010, the Balance Sheet as at that date together with notes thereon and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Shyam Ramanna, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. Divya Shah, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Gurucharan Das, who retires by rotation and is eligible for re-appointment.
5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT subject to the provisions of section 224, 225 and other applicable provisions, if any of the Companies Act, 1956, M/s. S. R. Batliboi & Associates and M/s. Chaturvedi and Shah, Chartered Accountants, who have consented to act as Statutory Auditors of the Company, be and are hereby re-appointed jointly as Statutory Auditors of the Company till the conclusion of next Annual General Meeting on such remuneration as may be mutually agreed upon with them and the Company.”

**SPECIAL BUSINESS**

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT Mr. S. Balasubramanian who was appointed as an Additional Director by the Board of Directors of the Company on 23<sup>rd</sup> August, 2010 and who, in terms of section 260 of the Companies Act, 1956, holds office upto the date of forthcoming Annual General Meeting of the Company but who is eligible for appointment and in respect of whom the Company has received a notice in writing under section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT Mr. Rajen J. Damani who was appointed as an Additional Director by the Board of Directors of the Company on 23<sup>rd</sup> August, 2010 and who, in terms of section 260 of the Companies Act, 1956, holds office upto the date of forthcoming Annual General Meeting of the Company but who is eligible for appointment and in respect of whom the Company has received a notice in writing under section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

8. To consider and, if thought fit, to pass, with or without modification(s) the following resolution as a Special Resolution:

“RESOLVED THAT subject to the approval of the Central Government under Section 314(1B) of the Companies Act, 1956 and subject to such modifications as the Central Government in according approval may make, the Company be and is hereby accorded consent to Mr. Varun Ramanna, Son of Mr. Shyam Ramanna, Chairman and Mrs. Seemha Ramanna, Managing Director of the Company, to continue to hold an office of profit in the Company as “Technical Lead”, for a further period of three years with effect from 1<sup>st</sup> October 2010 or from such date as the Central Government may approve, on the following terms and conditions:

1	Designation	Technical Lead
2	Basic Salary	Rs. 50,000 p.m. in the scale of Rs. 50,000 to 1,25,000 with a provision for increase in salary of not more than 25% per annum over the previous year last gross salary drawn.
3	Leave Benefits	Leave in accordance with the leave rules of the Company from time to time.
4	Performance based Bonus	Not more than 50% every year of last gross salary drawn for whole year

RESOLVED FURTHER that the Board of Directors be and are hereby authorized to take all such steps as may be deemed expedient or desirable to give effect to this resolution.”

9. To consider and, if thought fit, to pass, with or without modification(s) the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 & 310 read with Schedule XIII and other

applicable provisions, if any, of the Companies Act, 1956 (the Act) (including any statutory modification or re-enactments thereof for the time being in force) and subject to the approval of the Central Government, if required, consent of the Members of the Company be and is hereby accorded to the re-appointment of Mrs. Seemha Ramanna, as Managing Director of the Company for a period of three years with effect from 1<sup>st</sup> October, 2010 on the terms of payment of remuneration, benefits and amenities as per the terms and conditions set out below :-

**SALARY**

Basic Pay - Rs. 4,25,000/- per month

**PERQUISITES & ALLOWANCE**

In addition to the salary Mrs. Seemha Ramanna shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance together with the reimbursement of expenses or allowance for utilities such as gas, electricity, water, furnishing and repairs; medical reimbursement; leave travel concession for her and her family; personal accident insurance and such other perquisites and allowances as per the rule of the Company or as may be agreed to by the Board of Directors and Mrs. Seemha Ramanna, such perquisites and allowances will be subject to a maximum of Rs.4,00,000/- per month.

Perquisites and allowances shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rules, perquisites and allowances shall be evaluated at actual cost.

Provisions for use of Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

**PROVIDENT FUND, SUPERANNUATION/ANNUITY FUND**

The Managing Director shall also be entitled to Company's contribution to the Provident Fund, Superannuation Fund and Gratuity Fund as per Company's Rules.

Company's contribution to Provident Fund and Superannuation or Annuity Fund to the extent these either singly or together are not taxable under the Income Tax Act, Gratuity payable as per the Rules of the Company and encashment of leave at the end of her tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

**MINIMUM REMUNEARION**

Notwithstanding anything contained herein, where in any financial year during the currency of tenure of the

Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified above subject to the requisite approvals being obtained.

The terms and conditions of Mrs. Seemha Ramanna's re-appointment as Managing Director may be varied, altered, increased, enhanced or widened from time to time by the Board as it may in its discretion deem fit, within the maximum amounts payable in accordance with the provisions of the Companies Act, 1956 or any amendments made thereafter in this regard.

Mrs. Seemha Ramanna shall not be paid any sitting fees for attending meetings of the Board of Directors or any committee thereof.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board of Directors of the Company (including sub-committee of the Board) be and are hereby severally authorized to do all such acts, deeds, matters and things as they may required in their absolute discretion deem necessary, expedient and proper in the best interest of the Company."

**By Order of the Board**

**For CREST ANIMATION STUDIOS LIMITED**

Sd/-

**Madhav Oak**

**Company Secretary**

Place : Mumbai

Date : 23rd August, 2010

**NOTES :**

**A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF, AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time fixed for the Meeting.

The relative explanatory statements pursuant to Section 173 of the Companies Act, 1956, in respect of business under Item No. 6 to 9 above, are annexed hereto. The relevant details as required under Clause 49 of the Listing Agreements entered into with the Stock Exchanges, of persons seeking appointment/ re-appointment as Directors under Item No. 2, 3, 4, 6, 7 & 9 of the notice are also enclosed.

The Register of Members and the Share Transfer Books of the Company will remain closed from 17<sup>th</sup> September, 2010 to 24<sup>th</sup> September, 2010 (both days inclusive).

Members are requested to notify any change in their address to the Company's Registrars & Share Transfer Agents, quoting their Folio Numbers so as to ensure that all communications/ reports reach to the Members promptly.



**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No.6**

The Board of Directors at their meeting held on 23<sup>rd</sup> August, 2010 appointed Mr. S. Balasubramanian as an Additional Director of the Company. In accordance with the provisions of Section 260 of the Companies Act, 1956, Mr. S. Balasubramanian will hold office as a Director upto the date of the ensuing Annual General Meeting. The Company has received notice under Section 257 of the Companies Act, 1956, from a member proposing his candidature for the office of Director of the Company.

Mr. S. Balasubramanian is a practicing advisor in corporate matters. He is an associate member of the Institute of Chartered Accountants of India, the Institute of Company Secretaries of India and the Institute of Cost & Works Accountants of India. He is a graduate in Commerce and Law. He is also a holder of diploma in Project Management from University of Bradford (UK). He is also a member of the Delhi High Court Bar Council. He was a member of the Company Law Board for more than 18 years and held various positions including Chairman of the Company Law Board for 12 years and retired on November 2009. He is having a rich experience in Corporate Law matters and during his tenure as a member of the Company Law Board, he dealt with more than 3000 cases. He also worked as a Director/Joint Secretary in Ministry of Programme Implementation. He also acted as a Director in charge of Public Grievances and Pension section of Department of Post. Mr. S. Balasubramanian presently serves as Director on the Boards of various Indian Companies.

Mr. Balasubramanian was also consulted by the Governments of Malawi and Brunei Darussalam for costing and fixation of tariff for various kinds of Postal Services. He was a Central Government nominee on the Central Council of the Institute of Chartered Accountants of India. He is a Chairman of the Editorial Advisory Board of Chartered Secretary, the Journal for corporate professionals of ICSI.

Your Directors are of the view that the Company would be immensely benefited by the wealth of experience and expert advice of Mr. S. Balasubramanian and therefore, recommends the resolution for the approval of the members.

None of the Directors of the Company are in any way concerned or interested in the said resolution except Mr. S. Balasubramanian.

**Item No.7**

The Board of Directors at their meeting held on 23<sup>rd</sup> August, 2010 appointed Mr. Rajen J. Damani as an Additional Director of the Company. In accordance with the provisions of Section 260 of the Companies Act, 1956, Mr. Rajen J. Damani will hold office as a Director upto the date of the ensuing Annual General Meeting. The Company has received notice under Section 257 of the Companies Act, 1956, from a member proposing his candidature for the office of Director of the Company.

Mr. Rajen J. Damani is a fellow member of the Institute of Chartered Accountants of India. He has a vast experience and exposure over last 27 years in various areas such as International Taxation, Amalgamations, Mergers and Acquisitions, Corporate restructuring, Financial planning, Business consulting and International Tax services. He is advising various Indian and International Companies having offices in India and across the Globe throughout the United States, Europe, Middle East and Africa. He is a member of Bombay Chartered Accountants Society and Peer Review Board of the Institute of Chartered Accountants of India. He has undertaken various assignments for industries from different sectors viz., Oil & Gas, Petrochemicals, Steel, Metals, Cement, Pharmaceuticals, Paper, Textiles, Construction, Shipping, Banks, Information Technology, Supply Chain, Engineering, Tourism and Financial Services. Mr. Rajen J. Damani presently serves as Director on the Boards of various Indian Companies.

Your Directors are of the view that the Company would be immensely benefited by the wealth of experience and expert advice of Mr. Rajen J. Damani and therefore, recommends the resolution for the approval of the members.

None of the Directors of the Company are in any way concerned or interested in the said resolution except Mr. Rajen J. Damani.

**Item No. 8**

At the Annual General Meeting of the Company held on 31<sup>st</sup> August 2009, the members have approved the appointment of Mr. Varun Ramanna as "Technical Lead" in the Company at a monthly remuneration of Rs. 40,000/- p.m.

Mr. Varun Ramanna with his knowledge and expertise in the Animation industry, has understood the business nuances of the Company and helped to set the process, systems and procedures and has a good understanding over the production activity of the Company.

Considering Mr. Varun Ramanna's excellent performance and contribution made by him since his appointment and in light of explanations and justifications given above, it is proposed to revise remuneration of Mr. Varun Ramanna with the same designation as "Technical Lead" in the Company commencing from 1<sup>st</sup> October 2010. The proposed remuneration to Mr. Varun Ramanna is commensurate with his expertise and qualifications and is in line with the industry standards. The Board recommends this resolution.

This resolution is required to be passed as a Special Resolution, pursuant to the provisions of Section 314 of the Companies Act, 1956 and shall be subject to prior approval of Ministry of Corporate Affairs, Government of India and shall take effect from such date as may be approved.

A copy of appointment letter of Mr. Varun Ramanna is available for inspection by the members of the Company at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day of the Company except Saturdays, upto the date of the meeting.

Mr. Shyam Ramanna and Mrs. Seemha Ramanna being related to Mr. Varun Ramanna are deemed to be concerned or interested in any way in the above appointment.

**Item No. 9**

At the annual general meeting of the Company held on 22<sup>nd</sup> August 2007, the shareholders of the Company approved the re-appointment of Mrs. Seemha Ramanna as Managing Director of the Company for a period of three years commencing from 1<sup>st</sup> October 2007 at a remuneration of Rs. 3,50,000/- per month. Subsequently, with the approval of the shareholders effective from 1<sup>st</sup> April, 2008, the aggregate remuneration payable to Mrs. Ramanna was revised to Rs. 6,25,000/- per month in accordance with the limit specified under the schedule XIII to the Companies Act, 1956 and which was approved by the Central Government. Her present tenure as Managing Director of the Company expires on 30<sup>th</sup> September, 2010.

At the meeting held on 9<sup>th</sup> August, 2010, the Board of Directors of the Company have approved re-appointment of Mrs. Seemha Ramanna as Managing Director of the Company for a further period of three years effective from 1<sup>st</sup> October, 2010 to 30<sup>th</sup> September, 2013 and decided the terms of appointment and remuneration payable to her, subject to the approval of the Members and if required, subject to the approval of Central Government.

The re-appointment and terms of remuneration payable to Mrs. Seemha Ramanna have been approved by the Remuneration Committee of Directors in their meeting held on 9<sup>th</sup> August 2010.

The draft of the agreement to be entered into by the Company with Managing Director is available for inspection of the members of the Company at its Registered Office of the Company between 11.00 a. m. and 1.00 p. m. on any working day of the Company.

In accordance with the provisions of section 198, 269, 309 & 310 and Schedule XIII to the Companies Act, 1956, the particulars as prescribed therein are enclosed and the approval of the shareholders is sought for re-appointment as well as terms of remuneration payable to Mrs. Seemha Ramanna, Managing Director of the Company for a period of three years effective from 1<sup>st</sup> October, 2010 to 30<sup>th</sup> September, 2013.

The information provided herein may be deemed to be relevant to abstracts as required under the provisions of section 302 of the Companies Act, 1956.

The Company will apply to Government of India, Ministry of Corporate Affairs, if required after receipt of shareholders' consent.

The Board commends that the Company would benefit immensely from Mrs. Ramanna's services and therefore recommends the passing of this resolution as a Special Resolution.

None of the Directors other than Mrs. Seemha Ramanna and Mr. Shyam Ramanna is concerned or interested in the resolution at Item No. 9 of the Notice.

**Disclosures Pursuant to sub-clause (iv) under the proviso to sub paragraph (c) of paragraph 1 under section II of Part II of Schedule XIII to the Companies Act, 1956:**

**I. General Information**

1.	Nature of Industry	Crest Animation Studios Limited is a full service Animation Studio offering a comprehensive range of services & Entertainment Industry (Information Technology Enabled Services)										
2.	Date or expected date of commencement of commercial production	The Company is in operation since 1990.										
3.	In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	Not Applicable										
4.	Financial performance based on given indicators during the Financial Year ended March 31, 2010	<table border="0"> <tr> <td><b>Particulars for the year ended 31.3.2010</b></td> <td style="text-align: right;"><b>Amt.</b></td> </tr> <tr> <td></td> <td style="text-align: right;"><b>Rs. In Millions</b></td> </tr> <tr> <td>Total Income</td> <td style="text-align: right;">383.51</td> </tr> <tr> <td>Total Profit/(Loss)</td> <td style="text-align: right;">6.44</td> </tr> <tr> <td>EPS</td> <td style="text-align: right;">0.29</td> </tr> </table>	<b>Particulars for the year ended 31.3.2010</b>	<b>Amt.</b>		<b>Rs. In Millions</b>	Total Income	383.51	Total Profit/(Loss)	6.44	EPS	0.29
<b>Particulars for the year ended 31.3.2010</b>	<b>Amt.</b>											
	<b>Rs. In Millions</b>											
Total Income	383.51											
Total Profit/(Loss)	6.44											
EPS	0.29											
5.	Export performance and net foreign exchange collaborations as on 31 <sup>st</sup> March, 2010	Exports – 353.60										
6.	Foreign investments or collaborators, if any	In October, 2006, D. E. Shaw Composite Investment (Mauritius) Limited acquired 14.99% equity stake in the Company.										

**II. Information about Mrs. Seemha Ramanna**

1.	Background details	Mrs. Seemha Ramanna is a graduate in Economics, with a deep understanding of the Animation Business the world over. Mrs. Seemha Ramanna, one of the founder members of the Company, has wealth of experience and rich network of relationship in the Media and Entertainment Industry worldwide. During her tenure, the Company made impressive strides with respect to its recognition in the international markets and its operational capabilities.
2.	Past remuneration	The total remuneration for the financial year ended 31 <sup>st</sup> March, 2010 was Rs. 1,15,48,536/- (including PF, other statutory benefits and arrears paid for the Financial Year 2008-09). The remuneration was paid as per the applicable limits specified in schedule XIII to the Companies Act, 1956 and with the approval of the Central Government.
3.	Recognition or awards	The information is already covered in the section "Background details".
4.	Job profile and suitability	Under the guidance of Mrs. Seemha Ramanna, Crest Animation Studios has evolved into a top class CGI production house and performed consistently with high quality product deliveries in the overseas market. Mrs. Seemha Ramanna provides vision & strategy to Crest in the high growth of international CGI markets. Company's First Feature Film in 3d stereoscopic format is being released in USA (North America) on 17th September 2010 and the Company also started working on second such other feature film. The competitive environment in the media industry calls for perseverance, high level of creativity, continuous updating of technologies and ultimately effective Management. Mrs. Seemha Ramanna, is responsible for the overall management of the company. The present proposal to re-appoint her is based on her performance and expertise in the animation and media businesses and she is best suited for the responsibilities currently assigned to her by the Board of Directors of the Company.
5.	Remuneration proposed	The Proposed remuneration is Basic Salary Rs.4,25,000/- per month Perquisites and allowances Maximum of Rs.4,00,000/- per month. As per the policy of the Company contribution to Provident Fund & Gratuity etc.
6.	Comparative remuneration profile with respect to industry, size of the company, profile of the position and person	Crest Animation is doing pioneering work in CGI and Animation as such no comparable remuneration is available. Taking into consideration the size of the Company, the experience, qualification of the appointee, her performance and the responsibilities shouldered by her and the industry benchmark, the remuneration proposed to be paid is commensurate with the packages paid to similar level of appointee(s) in other companies.
7.	Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personal, if any	Mr. Shyam Ramanna, Chairman of the Company is related to Mrs. Seemha Ramanna and is entitled to sitting fee & reimbursement of expenses for attending the meetings of the Board of Directors (including committees thereof) of the Company. Mr. Varun Ramanna, son of Mrs. Seemha Ramanna & Mr. Shyam Ramanna is employed in the Company and holding shares of the Company. Mrs. Seemha Ramanna and Mr. Shyam Ramanna are also interested to the extent of their shareholding in the Company.



**III Other Information**

1.	Reasons for loss or inadequate profits	<p>Margins continue to be under pressure on some of the existing Contracts, mainly because of increased operating and infrastructure costs.</p> <p>As compared to the previous year ended 31<sup>st</sup> March, 2009 where there was a loss after tax of Rs. 68.69 million, there is a profit after tax of Rs. 6.44 million for the year ended 31<sup>st</sup> March, 2010. The management of the company believes that this improved performance would increase during the current year and beyond.</p> <p>As the company's performance is improving independently, the profit levels are still inadequate to take care of remuneration levels proposed to the Managing Director and hence this request.</p>
2.	Steps taken or proposed to be taken for improvement	<p>The Company is moving on to value chain to produce feature films. In the last few years, the Company has also entered into with production arrangements with world class animation studios as well as production houses and the Company is looking forward to enter into such arrangements in near future also. The Company is also planning to expand its business in domestic as well as international market. First feature film of the Company in 3d stereoscopic format "<i>Alpha &amp; Omega</i>" is being released on 17<sup>th</sup> September 2010 in the United States (North America). During the last quarter of the year, the Company commenced production on its second animated feature film in 3d "<i>Norm of the North</i>".</p>
3.	Expected increase in productivity and profits in measurable terms	<p>Once, the first movie shall be released, the Company expects substantial profits.</p>

**By Order of the Board**  
**For CREST ANIMATION STUDIOS LIMITED**

Sd/-  
**Madhav Oak**  
**Company Secretary**

Place : Mumbai  
Date : 23rd August, 2010

**DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING**  
(Pursuant to Clause 49 of Listing Agreement)

<b>Name of Director</b>	Mr. Shyam Ramanna	Mr. Divya Shah	Mr. Gurcharan Das	Mrs. Seemha Ramanna	Mr. S. Balasubramanian	Mr. Rajen J Damani
<b>Date of Birth</b>	04.08.1958	26.04.1953	03.10.1943	24.07.1960	03.11.1942	01.02.1959
<b>Nationality</b>	Indian	Indian	Indian	Indian	Indian	Indian
<b>Date of Appointment on the Board</b>	03.05.1990	29.09.1992	29.09.1997	26.08.1991	23.08.2010	23.08.2010
<b>Shareholdings in the Company</b>	9,66,500 shares	Nil	Nil	13,86,062 shares	Nil	Nil
<b>Expertise in functional area</b>	Mr. Ramanna pioneered the computer graphics industry in India. He has won numerous national and international awards for advertising commercials in the fields of directorial and technical excellence.	Mr. Shah is a law graduate and has practiced as an advocate and solicitor for more than 22 years. He is a partner with Divya Shah Associates, Advocates and Solicitors. Formerly he was partner in Desai & Diwariji, Advocates and Solicitors.	Mr. Das is a graduate from Harvard Business School. He is a renowned consultant in the field of global corporate strategy. He has led P & G (Healthcare) International as its Managing Director, besides having been the Chairman and Managing Director of P & G, India. He is also a celebrated author and columnist.	She has experience of working with a chartered accountant firm in Delhi and with a financial and investment concern in Mumbai. She oversees the financial, administrative & commercial functions of the Company	Mr. S. Balasubramanian is a practicing advisor in corporate matters. He is having consolidated rich experience in Corporate Law matters for more than 18 years. He was a member of the Company Law Board for more than 18 years and held various positions including Chairman of the Company Law Board for 12 years and retired on November 2009. During his tenure as a member of the Company Law Board; he dealt with more than 3000 cases. Mr. Balasubramanian was also consulted by the Governments of Malawi and Brunei Darussalam for costing and fixation of tariff for various kinds of Postal Services.	Mr. Rajen J. Damani is a practicing Chartered Accountant. He has a vast experience of 27 years in various areas such as International Taxation, Amalgamations, Mergers and Acquisitions, Corporate restructuring, Financial planning, Business consulting and International finance and taxation. He is advising various Indian and International Companies having offices in India and across the Globe.
<b>Names of other Companies in which he/she holds Directorships</b>	1. Z-Axis Communications Ltd. 2. Digital Asia Concepts Ltd.*	1. Sarda Papers Ltd.	1. Birla Sunlife Trustee Company Pvt Ltd. 2. Berger Paints India Ltd. 3. Fortis Health Care Ltd. 4. Gurcharan Das Consultants Pvt. Ltd. 5. Gillette India Ltd. 6. Shakti Bhog Foods Limited	1. Z-Axis Communications Ltd. 2. Crest Interactive Ltd. 3. Crest Communication Holdings Ltd.* 4. Crest Animation Holdings Inc.* 5. Crest Animation Production Inc*	1. Jaypee Infractec Ltd 2. GVK Power & Infrastructure Ltd. 3. Enami Paper Mills Ltd. 4. Contermann-Peipers (India) Ltd.	1. Acquarian Estates Pvt. Ltd. 2. Astor Stock Broker Pvt. Ltd. 3. Microcell Solutions Pvt. Ltd.
<b>Details of Chairmanship/ Membership of Audit, Remuneration &amp; Investors Grievances Committees of other Public Companies whether listed or not</b>	Nil	Nil	Nil	Nil	Nil	Nil

\* Incorporated outside India

DIRECTORS' REPORT

The Directors are pleased to present the Twentieth Annual report of the Company with the Audited Statement of Accounts and the Auditors' Report for the year ended 31<sup>st</sup> March 2010.

FINANCIAL RESULTS

	<i>(Rs. in million)</i>	
	2009-2010	2008-2009
Operating Revenue	353.60	374.34
Other Income	29.91	9.03
Total Income	383.51	383.37
Profit before Interest, Depreciation, Tax and prior period adjustment	139.52	67.19
Less: Interest & financial charges	34.31	29.72
Profit before Depreciation & Tax and before prior period adjustment	105.21	37.47
Less: Depreciation	100.89	104.99
Profit before Tax and before prior period adjustment	4.32	(67.52)
Less: Provision for Tax	—	1.17
Add: Excess provision for tax written back	0.11	—
Add: Prior period income	2.01	—
Profit after Tax	6.44	(68.69)
Less: Surplus / (Deficit) in Profit & Loss account brought forward from previous year	(168.73)	(100.04)
Net surplus / (Deficit) carried forward to Balance Sheet	(162.29)	(168.73)

Note: \*Figures for the previous year have been regrouped so as to exclude increase in inventory from the operating revenue amounted to 28.78 million.

DIVIDEND

Though the Company has registered a profit for the year, the directors express their inability to recommend any dividend on the equity shares of the Company.

OPERATIONS DURING THE YEAR AND PROSPECTS

The year 2009-10 has been a very meaningful and immensely encouraging year for your Company with appreciation from all clients/co-producers, distributors and business associates. The Company delivered the first film "Alpha & Omega" which is a part of multi picture Lionsgate deal with a satisfactory quality and within the time frame set by the Company. The ability to adopt to new technologies with the switch to 3D stereoscopic format after start of production has been highly appreciated by Lionsgate & DE Shaw, the major financiers of

the film. Lionsgate is releasing the film in North America on 17th September 2010 and has managed very credible promotional partners world across including North America, Canada and United Kingdom.

The successful completion of "Alpha and Omega" initiated the green light for "Norm of the North", second film in the Lionsgate relationship. All the artist feel even more committed and confident & assure higher quality and efficiency in its production. This is being planned for a 2012 worldwide release.

The Company also entered into a Co-production agreement with KRU Capital Sdn. Bhd., Malaysia to produce "Ribbit", another CGI feature for a limited release. The script and designs are developed by an American director & has immense global appeal and potential. Multimedia Development Corporation (MDeC) which directs and oversees Malaysia's National ICT (Information & Communication Technology) has also supported this product not only with a financial contribution but also promised sponsorship support for marketing. The film is planned for 2012 release around the world.

The Company continued providing animation services for its direct to video product "Little Engine" for Universal Studios. With successful completion of the first project, Universal Studios, USA has continued its dialogue to efficiently enhance relationship with your Company.

In view of building our own Country's repertoire in animation, the Company has initiated an Indian animated Super Hero film with the entire development and production being handed completely by company's internal accruals and a line of credit by IDBI Bank. The progress of the film is very satisfactory & creates immense opportunity for exploitation in pan Asian markets. The film is expected to be released in calendar year end 2012 or early 2013.

With this extremely high profile of products, your Company gets established amongst the top 6 animation companies in the world producing theoretical animated products in the 3D stereoscopic format.

Today, India being the biggest hub for outsourcing animation work, is expected to grow in domestic entertainment industry as well in coming days. The Company continues to negotiate co-production opportunities with Hollywood studios, which would gradually expand the company's IP ownership in CGI animated properties. Upon completion, such projects provide revenue not only from animation services but also from exploitation of the film IP rights and all merchandising, licensing & ancillary rights.

During the year, your company earned operating revenue of Rs. 353.60 Million, out of which 66% was contributed by Feature Film, 27% by DVD and 7% by television programmes, which clearly portrays the company's transition from low-margin television series to higher margin Feature Film & DVD contracts.

During the year under review, the company posted profit after tax of Rs. 6.44 Million as compared to loss of Rs. 68.69 Million in the previous financial year.

The company took initiative in increasing the margins by rationalizing the manpower cost and optimally using the existing resources which could be seen in the company's performance during the current financial year.

#### INFORMATION TECHNOLOGY

During the year 2009-2010, Crest IT Team was largely focused towards providing an efficient and highly optimized technology for the Production of Alpha and Omega. The production of a high quality CGI feature film like Alpha and Omega in 3D stereoscopic format requires a very complex and expensive IT infrastructure. We had a challenge of producing Alpha & Omega with a low cost budget and maintaining high quality standards. To achieve this, we had a major restructuring of the HPC render farms and network design without any further major investments in hardware/software. We efficiently utilized the older IT Equipments. The Crest Data Centre was also optimized making it more energy efficient. This enabled us to perform at much higher efficiency level. Few of the major technology integrations/optimization was towards HPC render farms, Storage, virtualization, Green IT, collaboration tools and consolidation. For 3D stereoscopic, we had integrated multiple solution like the Preview theater with High resolution digital 3D stereoscopic projector with playback server and software.

In house development of software/applications and tools enabled us to have a better control and flexibility towards the production and business operations.

These applications helped us to have better understanding for the life cycle management and to plan and act accordingly. Various tools and pluggins were developed for enhancing the quality and speeding the production process.

Your Company is committed to continue up-gradation in information technology infrastructure and business applications by deploying cost effective and best-in-world class technology solutions.

#### CORPORATE GOVERNANCE

The Board of Directors supports the broad principles of Corporate governance and the Company has been in compliance with the mandatory provisions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered with the Stock Exchanges. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

A detailed report on Corporate Governance Compliance & Management Discussion and Analysis as stipulated in the listing agreement is annexed and forms part of this report.

#### DIRECTORS

In accordance with the requirements of the Companies Act, 1956, Mr. Shyam Ramanna, Mr. Divya Shah and

Mr. Gurucharan Das, Directors of the Company retire by rotation and, being eligible, offer themselves for re-appointment.

During the year, in order to comply with the provisions of listing agreement, Mr. Noah Fogelson, Director, has resigned w.e.f. 21<sup>st</sup> December, 2009 from Directorship of the Company to maintain the requisite composition of Independent and Non-Independent Directors. Your Board recorded its gratitude for the guidance and counsel provided by Mr. Noah Fogelson during his tenure as Director and accepted his resignation.

Mrs. Seemha Ramanna was re-appointed as Managing Director of the Company for a period of 3 years effective from 1<sup>st</sup> October 2007. Her present tenure is expiring on 30<sup>th</sup> September 2010. Your Board has recommended her re-appointment as Managing Director for a period of 3 years effective from 1<sup>st</sup> October 2010. A resolution seeking your approval for her re-appointment, as Managing Director is included as Item No. 9 of the Notice convening Annual General Meeting.

Brief particulars and expertise of directors seeking appointment/re-appointment and details of their other directorship and committee membership have been given in the annexure to the Notice convening Annual General Meeting.

Directors recommend the resolutions pertaining to re-appointment of Managing Director & Directors, for approval of the members.

#### AUDITORS

M/s. S. R. Batliboi & Associates (Member firm of Ernst & Young Global) and M/s. Chaturvedi and Shah, Chartered Accountants, Mumbai will retire as the Auditors of the Company at the conclusion of the ensuing Annual General Meeting and have given their consent for re-appointment as required under the provisions of Section 224(1B) of the Companies Act, 1956. The Board of Directors of your Company recommends their re-appointment as Joint Statutory Auditors of the Company. A resolution seeking your approval for re-appointment of Auditors is included as item 5 of the Notice convening Annual General Meeting.

#### DEPOSITS

During the year under review the Company has not accepted any deposits from the Public under section 58A and 58AA of the Companies Act, 1956 read with Companies (Acceptance of Deposit) Rules.

#### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 (the Act) amended as per the Companies (Amendment) Act, 2000, the Directors confirm that:

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- the Directors have selected such accounting policies and applied them consistently and made judgments and

estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;

- the Directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding assets of the Company and for preventing and detecting fraud and other irregularities; and
- the Directors have prepared the annual accounts on a going concern basis.

## SUBSIDIARIES

### I. OVERSEAS

#### **Crest Communication Holdings Ltd. (CCHL) Mauritius & its downstream subsidiaries**

During the year, Crest Communication (Singapore) Pte. Limited (CCSPL), a subsidiary of CCHL has ceased its operations and transferred all its assets and liabilities to CCHL. The Company has applied for striking off its name. However, name of its subsidiary Crest Entertainment (Singapore) Pte.Ltd. was struck off from the register of Accounting and Corporate Regulatory Authority (ACRA).

During the year, CCHL on a standalone basis has incurred a loss of USD 0.90 million mainly on account of write off of investment of CCSPL since the company is in the process of being wound up.

#### **Crest Animation Holdings Inc. (CAH), Consolidated**

The Company completed production on Alpha & Omega, first feature film for theatrical release and first film in stereoscopic 3D and is delivering the film for distribution by Lions Gate on September 17, 2010. The Company is extremely optimistic about the potential for Alpha & Omega and it marks a fundamental shift in production costs of studio animated features. Company Management believes this will be the first animated stereoscopic 3D theatrical film produced in Asia for worldwide distribution. The theatrical trailer for Alpha is presently playing with some of the largest summer family films including Shrek Forever After, Toy Story 3, Despicable Me, and several others on thousands of screens throughout the United States. Lionsgate and the Company have worked to secure several major promotional and licensing partners for Alpha, including Scholastic (NASDAQ: SCHL) the world's largest publisher and distributor of children's books as well as two of the world's largest fast food/QSR restaurants in international territories.

The Company has also completed production on a CGI-animated DTV feature co-produced with Universal Studios, one of the largest movie studios in the world, based on The Little Engine That Could, a children's literary series which has sold more than 20 million copies.

Universal is planning to distribute Little Engine starting in Spring, 2011.

During the last quarter of the year, the Company commenced production on its second animated feature film in 3D, Norm of the North. Rob Schneider, who was most recently in the comedy "Grown Ups" with Adam Sander, Chris Rock, Kevin James and David Spade, was recently announced as voicing the lead character for the film.

During the year, operating revenue increased by 27% (USD 2.83 million) and operating expenses increased by 13% (USD 1.53 million) which has resulted into net increase in profit by USD 1.26 million. During the year under review, the Consolidated profit for the year of US \$ 0.13 Million as compared to Loss of US \$ 1.13 Million in the previous year is mainly on account of the Following:

- i. Increase in Revenue from the work for hire projects related to New feature film – Norm of the North & DVD project from Little Engine giving net increase of US\$ 2.83 million.
- ii. Reduction in write down of properties to comply with US GAAP requirements as compared to previous year amounted to US \$ 0.78 million
- iii. During the year company has issued ESOPs, additional charge arising out of such issue has resulted in reduction in profit by US \$ 0.82 million. Further Increase in production & other expenses has also resulted in reduction in profit by US \$ 1.54 million.

The Company is now in dialogue with multiple studios in Hollywood for entering into co-production arrangements with respect to existing properties owned by such entities. These relationships will give the Company an immediate access to properties which can readily get into production and enable the company to work on a number of projects with multiple distribution partners.

### II. INDIAN

#### **Crest Interactive Limited**

During the year under review, the Company has not done any further work on gaming business venture. The operational loss for the year is Rs.0.04 million.

## CONSOLIDATED FINANCIAL STATEMENTS

In compliance with the Listing Agreements entered with the Stock Exchanges, a Consolidated Financial Statement of the Company and all its subsidiaries is attached. The Consolidated Financial Statement has been prepared in accordance with Accounting Standards 21, 23 and 27 issued by the Institute of Chartered Accountants of India and show the financial resources, assets, liabilities, income, profits and other details

of the Company, its associates companies, joint venture companies and its subsidiaries after elimination of minority interest, as a single entity. The statement pursuant to section 212 of the Companies Act, 1956 forms part of this report.

As per Section 212 of the Companies Act, 1956, the Company is required to attach the Directors' Report, Balance Sheet and Profit and Loss Account of its subsidiaries. However, the Company has applied to the Government of India for an exemption from this Section. The approval from the Government of India is awaited. Therefore, the Annual Report does not contain the financial statements of the subsidiaries companies, in India and abroad. The consolidated accounts present a full and fair picture of the state of affairs and the financial condition. A statement of summarized financials of all the subsidiaries is attached along with the consolidated financial statement. However, on request by any member of the Company/statutory authority interested in obtaining them, these documents will be made available for examination at the Company's registered office.

**PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956**

**ENERGY AND FOREIGN EXCHANGE**

The particulars as required under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, are attached as annexure to this report.

**PARTICULARS OF EMPLOYEES**

As required by section 217 (2A) of the Companies Act, 1956 read with the Companies (Particular of Employees) Rules, 1975 forms part of this report. However, as permitted by section 219(1)(b)(iv) of the Companies Act, 1956, the report and accounts are being sent excluding the statement containing the particulars to be provided under section 217(2A) of the Act. Any member interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to Company Secretary for a copy thereof.

**ACKNOWLEDGEMENT**

Your Directors place on record its sincere appreciation towards Company's valued overseas customers for the support and the confidence reposed by them in the Company and look forward to the continuance of this mutually supportive relationship in future. Your Directors gratefully acknowledge the contributions made by employees towards the success of your Company. Your Directors are also thankful for the co-operation and assistance received from its vendors, bankers, STPI, regulatory and Governmental authorities in India and abroad and its shareholders.

**For and on behalf of the Board**

Place: Bangkok  
Date: 9<sup>th</sup> August, 2010

Sd/-  
**Shyam Ramanna**  
Chairman



## ANNEXURE TO THE DIRECTORS' REPORT

**Disclosure of particulars with respect to conservation of Energy, Research & Development expenditure and Foreign Exchange earnings and outgo under Companies (Disclosure of particulars in the Report of Board of Directors) Rules,1988.**

### CONSERVATION OF ENERGY

The Company has an efficient energy conservation task force, which is actively involved in continuous monitoring of energy usage and its conservation. In spite of the Company's state-of-the-art equipments having in-built energy efficient features, the Company continues to give highest priority for conservation of energy by using a mix of technology changes, process optimization methods and other conventional methods.

### RESERCH & DEVELOPMENT (R&D)

Your Company has initiated the process of R&D to develop new sets of skills, enhance existing ones, and improve production facilities and various processes of productions.

In future, the emphasis will continue to be on quality to identify ways to optimize cost and develop new skills with focus on clients needs.

### TECHNOLOGY ABSORPTION

The Company continues to lay emphasis on development and innovation of in-house-technological and technical skills in areas of computer graphics and animation to meet the specific customer requirements. Efforts are also being made to upgrade the existing standards and to keep pace with advances in technological innovations.

### FOREIGN EXCHANGE EARNINGS AND OUTGOINGS

1. Total foreign exchange earned Rs. 372.82 million (Rs. 374.34 million)
2. Total foreign exchange utilized Rs. 52.10 million (Rs. 3.61 million)

**For and on behalf of the Board**

Place: Bangkok  
Date: 9<sup>th</sup> August, 2010

Sd/-  
**Shyam Ramanna**  
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

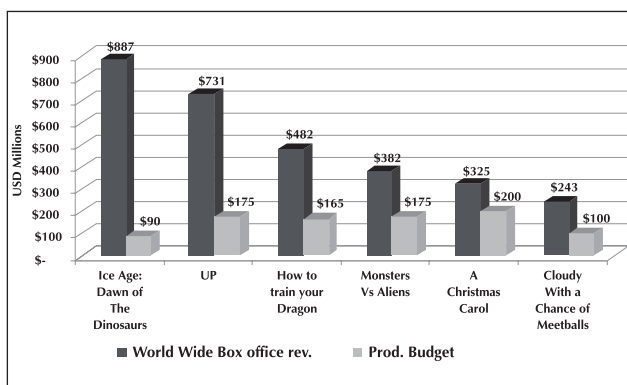
Industry Overview

CGI animation is one of the fastest growing components of the global media and entertainment industry. According to a 2009 SNL Kagan study, CGI animated feature films were the most profitable genre of filmed entertainment, on average twice as profitable as the next best performing genre, Sci-Fi/Fantasy. A number of factors contribute to the substantial success of animated feature films, including strong box office performance, higher conversion rates from box office to home entertainment and other formats, a much longer shelf life with new generations of young viewers every few years and potential for built-in sequel value.

The motion picture industry continues to set U.S. and international box office records despite the global recessionary environment. According to the Motion Picture Association of America ("MPAA") worldwide box office grew 8% to a record \$29.9 billion in 2009. Domestic box office outpaced the international segment, growing 10% and exceeding \$10 billion for the first time and is up another 12% in the first quarter of 2010. Moreover, U.S. movie admissions, or tickets sold, grew 6% despite 12% fewer films released during the year. The 3D market was a key growth driver for the U.S. box office. Nearly 11% of 2009 domestic box office, or \$1.1 billion, came from 3D showings. Exhibitors are aggressively converting screens to 3D-capable formats as consumer demand for high-quality 3D content is projected to continue to swell. The number of 3D screens worldwide more than tripled last year and reportedly now represents over half of all digital screens.

This year also represents another incredibly strong year for animated films in particular, with three of the top ten films (and four of the top twelve) in U.S. box office performance through mid August. This year also represents the first year with Dreamworks Animation releasing three CGI animated feature films in same calendar year, and the first animated feature from newly-formed Illumination Entertainment, which has already become one of the top ten performers in U.S. box office for the year and still generates substantial revenue each week.

Box Office Revenues V/s Production Budget



(Source Box Office Mojo 2009-10)

Company Outlook & Overview

With Lionsgate’s theatrical release of *Alpha & Omega* in the United States (North America) on September 17, the Company will have crossed the threshold into a new era as the first studio in India to create a CGI animated feature film for the global market in stereoscopic 3D and the Company has done so at a price reportedly unmatched in the industry.

In an effort to provide our production and distribution partners with the best of both worlds (service, quality and convenience of working with a Los Angeles based independent production company combined with substantial cost savings and efficiencies of working with a highly skilled, highly experienced, Indian-based animation studio), the Company is working to create a new paradigm in the CGI animation industry with studio quality animation at a fraction of the price.

Distribution is perhaps the greatest hurdle for most independent production companies in achieving success. The Company’s multi-picture relationship with Lionsgate, believed to be unique to both India and the entire Asian region, has placed the Company in a significant position to execute on our strategy of building a substantial library of animated intellectual property while continuing to generate production revenue for film, home entertainment and television productions. The Company is now working with Lionsgate’s marketing and distribution teams on the plans for *Alpha’s* release and have already secured both domestic and international promotional partners including two of the largest fast food chains in the world for specific international territories and a series of children’s books based on the film from our licensing partner, Scholastic, the world’s largest publisher of children’s books. The theatrical trailer for *Alpha* is presently playing with some of the largest summer family films including *Shrek Forever After*, *Toy Story 3*, *Despicable Me*, and several others on thousands of screens throughout the United States.

During the year, the Company also completed production and delivery of *Little Engine*, our CGI-animated DTV feature co-produced with Universal Studios, one of the largest movie studios in the world, based on The Little Engine That Could, a children’s literary series which has sold more than 20 million copies. Universal is planning to distribute *Little Engine* starting in Spring, 2011.

During the last quarter of the year, the Company commenced production on its second animated feature film in 3D with Lionsgate, *Norm of the North*. Rob Schneider, who was most recently in the comedy “Grown Ups” with Adam Sander, Chris Rock, Kevin James and David Spade, was recently announced as voicing the lead character for the film.

The company remains committed to its vision of maintaining its leadership position in the domestic market and to be amongst the top independent full service CGI animation studios in the world.

The Company is also presently in negotiations with two studios regarding two different DTV projects which are both anticipated to commence in the current fiscal year, and will continue to identify co-production opportunities with other major studios (both for theatrical features and DTVs) to further expand the Company's IP ownership in CGI animated properties. As these films are completed and exploited, the Company will begin to enjoy not only revenue from the animation services provided but from the exploitation of the films as well.

### Developments on the Indian Market Front

Our focus on the Indian animation market began during the second quarter of the financial year 2009-10 and we have made significant progress during the course of the year. The production of our first full length animated movie for the Indian market is in full swing and is scheduled for an end of the year completion. Various initiatives are being undertaken to fully exploit the potentials of the product including merchandising, branding and television rights.

### SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

The Company is engaged in providing 3D Animation i.e. full-service studio specializing in the development and production of digital animated properties for theatrical, television, home entertainment and interactive distribution for the global entertainment industry. Management believes that the risks and returns from these services are not predominantly different from one another and hence considers the Company to operate in a single business segment. However management has identified geographical segment disclosures based on location of the Company's customers in case of revenue. Further, disclosures of carrying amount of segment assets and cost incurred to acquire segment assets are based on geographical location of segment assets. As per Accounting standard AS (17) on segment reporting, segment information has been provided under the notes to consolidated financial statements.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company through its management is responsible for establishing and maintaining adequate internal control over financial reporting commensurate with its size and nature of business. Our internal control systems are effective to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with the generally accepted principles of accounting. The internal control systems provide for well-defined policies, guidelines, authorizations and approval procedures. Due to its inherent limitations, internal control over financial reporting related to projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of

changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our independent registered accounting firms M/s Ernst & Young & M/s Chaturvedi & Shah has audited financial statements and has issued its report on the effectiveness of internal control over financial reporting which is included herein.

### DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

During the year, on the operational front, the Company has successfully completed and delivered its first 3D CGI animation feature film – "Alpha & Omega". The film is slated for release in the North America on 17th September, 2010. The company has started production of its second 3D CGI feature film – "Norm of the North", which is part of three Feature Film deal with Lions Gate.

During the year, the Company generated total income of Rs. 383.51 Million as compared 383.37 million for the previous year. The Company's EBITDA stood at Rs. 139.52 Million against Rs. 67.19 Million for the previous year. The Profit after tax (PAT) of the company for the year 2009-10 was Rs. 6.44 Million as against loss of Rs. 68.69 Million. The increase in PAT is mainly on account of rationalization of manpower cost & optimum utilization of manpower which in turn has resulted in improvement of EBITDA margin of 36.86% as compared to EBITDA margin of 17.38% achieved during the previous year.

The Financial performance of the Company can be reviewed in two parts as under:

1. Crest Animation Studios Limited (Standalone), which excludes the performance of subsidiaries.
2. Crest Animation Studios Limited (Consolidated), which includes the performance of subsidiary companies, mainly Crest Animation Holdings Inc. and the wholly owned subsidiaries of CAH.

#### 1) Standalone

During the year, the Company's Profit after tax (PAT) was Rs. 6.44 Million as compared to loss of Rs. 68.69 Million in the previous year. The Company was able to earn profit mainly on account of rationalization and optimum utilization of manpower which inturn has resulted in increase in project margins. The Company's operating revenue have primarily been generated by, Production service fees out of the Work for hire contract for Alpha. (including 3D stereoscopic) and Second feature film Norm of the North and work on the new DVD project.

During the year, the work on second feature film with Lions Gate was commenced which was originally scheduled in the previous year.

**2) Consolidated**

During the year, revenue grew by 11% from Rs.582.94 million to Rs.648.11 million, almost the entire increase is on account of revenues from Production services for hire contract for Alpha & Omega, Norm of the North and a DVD project "Little Engine", both in Crest Animation Studios Limited (CASL) & Crest Animation Production, Inc. (CAPI).

The Consolidated profit for the year stood at Rs. 2.58 million as compared to loss of Rs. 134.18 million in the previous year is mainly on account of the following:

- Reduction due to write off of an amount of Rs.34.90 million on account of properties in development in books of CAPI in order to comply with US GAAP accounting requirement and write off of Rs.15.15 million in CCSPL books for copyrights of Tennali Rama.
- Increase in operating revenue amounting to Rs. 45.27 million as compared to previous year.
- Optimum utilization of manpower & rationalization of manpower cost.

**OPPORTUNITIES, THREATS, RISKS AND CONCERNS**

**SWOT ANALYSIS OF ANIMATION INDUSTRY IN INDIA**

STRENGTH	WEAKNESSES
<ul style="list-style-type: none"> <li>➤ English speaking population-competitive advantage.</li> <li>➤ Leveraging rich heritage and culture to develop original content.</li> <li>➤ Relatively affordable cost of production compared to other outsourcing countries.</li> <li>➤ Change from service model to co-production and Intellectual property creation model.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Lack of trained manpower.</li> <li>➤ High retraining costs.</li> <li>➤ Lack of Government support to encourage original content.</li> <li>➤ Lack of Government intervention to promote the industry.</li> <li>➤ Not treated as mainstream career option by many professionals.</li> <li>➤ Lack of focus on R&amp;D.</li> <li>➤ High remuneration vis-à-vis skills.</li> <li>➤ Attrition is a major concern area.</li> <li>➤ Lack of awareness of the industry unlike IT industry.</li> </ul>
OPPORTUNITIES	THREAT
<ul style="list-style-type: none"> <li>➤ Strategic alliance of Indian studios with foreign companies to share risk and build long term relationship.</li> <li>➤ Indian companies adopting inorganic growth route to expand their global market share.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Growing competition from China, Philippines, South Korea etc.</li> <li>➤ Government intervention in other countries to promote the industry on the global front.</li> </ul>

Source: PwC Analysis

it own product chain. It has also been positively tested across different studio pipeline and has received excellent reviews.

The company has been mandated to executive several prestigious assignments thereby ensuring that we have a strong pipeline of work in the coming few month.

The company is today standing on the threshold of exploiting several new opportunities, as a result of its much focused strategic initiatives, forward thinking and contingency planning.

Opportunities for the Company to sustain and increase its market value emerge from:

- a. Its creative competence;
- b. Its technological capability;
- c. The scalability of its production capacities;
- d. Its ability to deliver high quality at competitive price;
- e. Its ability to deliver on time;
- f. Its ability to add value to customer needs;
- g. Its ability to service large value projects;
- h. Increased focus on value creation;
- i. Operational efficiencies.
- j. Its ability to provide innovative financial deals
- k. The growing demand for animated products in the television, DTH and Theatrical space both in the local and global entertainment market
- l. The advent of new modes and mediums of entertainment including Mobiles, Gaming Consoles etc

### RISKS

#### Macro Economic Risk:

The global economy is witnessing significant contraction with an unprecedented lack of availability of business and consumer credits. This current decrease and any future decrease in economic activity in the United States and other regions in the world, in which we do business, could significantly impact our results operationally and financially. The business risks are both inherent and perceived. The business of entertainment being a High Risk – High Return business does test our patience, commitment and convictions time and again.

The markets are getting increasingly competitive, Technological obsolescence and lack of skilled & trained human resources demand sustained and enhanced levels of investments in both depreciating as well as appreciating assets.

Our success is primarily dependent on the audience accepting our products which is extremely difficult to predict or guarantee. The revenue derived from a feature film does not necessarily bear any correlation to the production or distribution cost incurred.

The company's business is dependent on the availability of work for hire projects and/ or ability to co-produce projects. Unexpected delays in the commencement of work for hire projects or the commercial failures in co-production project would have a material adverse affect on our financial results. Further, as a result of the global economic infirmity, the markets are increasingly meandering towards co-financing models of business association, which stipulate large capital outlay, further necessitating the need for innovative financial structuring of deals.

The business is substantially affected by the prevailing global economic conditions. Increases in interest rates, inflation, changes in tax, trade, scarcity of credit are some of the factors which impede the growth of the business. The economic downturn has left no public limited company unaffected which is reflected in the performance of our stocks. However given the resilience of the economy in the face of recession as well as its strong fundamentals, the company does not expect to be significantly affected by this risk in the long terms

#### Business Model Risk

We currently operate principally on one business segment i.e. 3D animation and our lack of diversified business could adversely affect us.

Unlike most of the major studios in the international market which are a part of large diversified corporate group that include Television networks & Cable channels that can provide stable source of earnings and cash flows that offset fluctuations in their financial performance we are predominantly dependent on the availability of Work for hire projects and the success of our co-production deals.

To mitigate the risk in our business model we consciously ensure that we maintain a mix of "work-for-hire" projects along with ownership of content / intellectual property rights on projects in addition to strongly exploring the Gaming and Digital asset management.

#### Geographic Risk

We are significantly dependent on the US & European markets and any change in the nature and structure of these markets would adversely affect our financials.

We do believe that the US & European markets are adequate enough to provide us with continuous and sustainable business opportunities for the foreseeable future, the Asian markets are also warming up to the possibilities of the CGI Industry and we have already made a headway in establishing strategic relationship with producers of repute in these emerging markets.



### Financial Risk

The production of animated products is capital intensive and our capacity to generate revenues from our work for hire projects may be insufficient to meet our anticipated cash requirements.

The company's revenue is predominantly denominated in USD, given the volatility of the Indian Rupee; the financials of the company can swing significantly.

To mitigate the risk the company has through proactive and effective risk management techniques entered in forward contracts with its clients. The company has through its strategic initiatives and sustained reconnaissance established formidable relationship in the financial markets that facilitate innovative financial arrangement to provide for its capital requirements.

### Regulatory and Compliance Related Risk

The Company's transactions are though predominantly in the US, it also transacts with other countries. As the Company pursues towards a global reach the risk of ensuring 100% compliance with the regulations and laws also increases.

The Company has an institutionalized structure to ensure regulatory and legal compliance to mitigate such risks

### Reputation Risk

The reputation of an entertainment Company is built on various factors including the Credentials of the Creative Directors, The Actors, The success of the products as measured through BOX OFFICE collections etc.

We mitigate such risks by endeavoring towards and ensuring that we work with the most reputed of Brands, Creatively Competent Directors of Repute and Properties that appeals to a wide range of audience and has a Long Shelf life.

### Operational Risk

We cannot predict the impact the rapidly changing technology or alternative forms of entertainment may have on us. Animated products are expensive to produce and the uncertainties inherent in their production could result in the expenditure of significant amounts on projects that are abandoned or delayed for reasons beyond our control.

We try to mitigate these risks by investing in developing proprietary tools that enable increase in efficiencies and standardization of processes. We also ensure that we abreast with the changes in technology and constantly upgrade the capabilities and capacities our human resources as well as technological resources

The production completion of animated projects is subject to number of uncertainties, including delays and increased expenditures in lieu of creative and technical difficulties, availability of talent, cost technology and increase in wages.

As a result the projected production cost at the commencement of the project may increase, the date of completion may be substantially delayed or the project may even be abandoned by the producer causing the write off of expenses incurred with respect to the project.

We mitigate these risks through an effective amalgamation of operational planning & management, enhancing creative and technological competence as well as good Corporate Governance

Beginning with the release of Alpha & Omega, we expect that all our films will be produced in stereoscopy. The company has implemented and would continue to implement changes in its production processes & systems in order to produce stereoscopic projects. These changes will increase the cost of producing a project, which may have an impact on the realization of profits.

We rely on technology that we license from third parties, including software. There is no assurance that these third party technological licenses will continue to be available to us on commercially reasonable terms or at all. The loss or delay to maintain any of these technology licenses could result in delays in the completion of a project and could materially adverse our business, financial conditions or results of operations.

Our success also depends on some key employees including Management personnel's, Creative & Technical Personnel's. We do have employment agreements with these key personnel's; however it doesn't guarantee the continued services of such personnel's.

### MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

We believe our people are our biggest asset. Animation is a manpower intensive business and it requires a seamless conjugation of creative brilliance and technical capabilities. The company's Human Resources policies are aimed towards encouraging ownership, building a culture of learning & development. We have initiated processes towards building organization capabilities that would help set benchmarks for the industry, enable our artists to show case their creative potentials and enhance productivity for propelling business growth and profitability.

The key HR attributes of your Company include:

- a. A strong team of 345 Competent, Committed and Passionate CGI artist who are ever ready to meet the growing demands of the business.
- b. Strategic initiatives undertaken to ensure we are able to attract & retain the best talent.
- c. An employee attrition rate which is the lowest in the Industry.



- d. Zero non – compliance with regards to any statutory compliance.
- e. No employer – employee litigations in any court of law.

**Cautionary Statement:**

Statements in this report on Management Discussion and Analysis describing the Company's Objective, projection, estimates, predictions and expectations may be forward looking statements within the meaning of applicable laws

and regulations. These statements are based on certain assumptions and expectations of future events. Actual results could, however, differ materially & substantially from those expressed or implied. The company, The Directors & Management assumes no responsibility with regards to the forward looking statement herein which may change on the basis of subsequent developments, information or events.

Observations made on the industry and other players also reflect an opinion by the management and the management accepts no liability on such opinions.

## CORPORATE GOVERNANCE REPORT 2009-2010

**I Company's philosophy on Corporate Governance**

Your Company believes that Corporate Governance is a method of self-discipline to ensure that the company abides by high ethical standards. The Company firmly believes that a strong system of corporate governance is an essential pre-requisite for creating long-term shareholder value. At Crest Animation, adoption of the principle of transparency, integrity, professionalism and accountability in all its systems and processes, envisages the attainment of high level of Corporate Governance. The Board of Directors of your Company are responsible for and committed to sound principles of Corporate Governance in the Company. The Board plays a critical role in overseeing how the management serves the short and long term interests of shareholders and other stakeholders.

In our endeavour to adopt the best Corporate Governance and disclosure practices, the Company complies with all the mandatory requirements of the Clause 49 of the Listing Agreement(s), entered with the National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

**II Board Composition and Particulars of Directors:****a) Composition of the Board**

Crest's Board has an optimum combination of Executive and Non-Executive Directors, to ensure independent functioning. The Board comprises of Eight Directors including Non Executive Chairman. Of the 8 Directors, four are Independent Directors and three are Non-Executive Non-Independent Directors with one Managing Director. The Composition of the Board is in conformity with Clause 49 of the listing agreements entered with the stock exchanges and exceeds the percentages prescribed in the said agreements.

As mandated by clause 49 of the Listing Agreement, None of the directors on the Board is a Member of more than 10 board level committees or Chairman of more than 5 Committees across all the Companies in which he/she is a director. Necessary disclosures regarding committee positions in other public companies as of March 31, 2010 have been made by the Directors.

The names and categories of the Directors on the Board, their attendance at the Board Meeting held during the year and the number of Directorship and committee Chairmanship/Membership held by them in other companies are given herein below.

Name of the Director	Designation	Category	No. of Board Meeting Attended out of Six Meetings held	Attendance at the last AGM	No. of other Directorship held as at 31.03.2010	Committee position as at March 31 2010	
						Member	Chairman
Mr. Shyam Ramanna	Chairman	Non-Executive Promoter Director	Nil	No	2	Nil	Nil
Mrs. Seemha Ramanna	Managing Director	Executive Promoter Director	6	Yes	5	Nil	Nil
Mr. T.N.V. Ayyar	Director	Independent Non-Executive	4*	Yes	7	4	4
Mr. Divya Shah	Director	Independent Non-Executive	5	Yes	1	Nil	Nil
Mr. Shyam Benegal	Director	Independent Non-Executive	6	No	1	Nil	Nil
Mr. Gurcharan Das	Director	Independent Non-Executive	Nil	No	6	Nil	Nil
Mr. Anil Chawla	Director	Non-Independent Non Executive (Nominee Director)	2*	No	7	Nil	Nil
Mr. Randhir S. Kochhar	Director	Non –Independent Non-Executive (Nominee Director)	1**	Yes	3	Nil	Nil
Mr. Noah Fogelson +	Director	Non-Independent Non Executive	Nil	No	3	Nil	Nil

\* One meeting participated through video conference. \*\* Attended through conference call. + Resigned with effect from 21/12/2009

**b) Relationship of Directors**

Mrs. Seemha Ramanna, Managing Director is the wife of Mr. Shyam Ramanna, Chairman. Apart from these none of the Directors are related to one another.

During the year under review, no Executive Director has any material pecuniary relationship or transactions amongst themselves or with the Company.

**Directors' Compensation**

**a) Managing Director Compensation**

The remuneration to Mrs. Seemha Ramanna, Managing Director is paid as per the resolution passed by the shareholders at the general meeting held on 24<sup>th</sup> September 2008 and consequent approval of the Central Government.

Name of Director	Salary (Rs.)	Perquisites & Allowances (Rs.)	Contribution to Provident Fund (Rs.)	Others (Rs.)	Performance Linked Bonus (Rs.)	Total (Rs.)
Mrs. Seemha Ramanna	54,00,000	55,00,536	6,48,000	—	—	1,15,48,536

Apart from the remuneration as above, a Commission of Rs.24,55,500/- has been paid on the personal guarantee submitted by her to the Bank for securing the financial assistance for the Company.

**b) Non-Executive Directors' Compensation**

The Non-Executive Directors do not draw any remuneration from the Company except Sitting Fees for attending the meetings of the Board & its Committees.

Details of Sitting Fee paid during the year to the Non Executive Directors of the Company are as under:

Name of Director	Amount Paid / Payable (Rs.)
Mr. Shyam Ramanna	Nil
Mr. T.N.V. Ayyar	85,000
Mr. Divya Shah	1,25,000
Mr. Shyam Benegal	1,40,000
Mr. Gurcharan Das	Nil
Mr. Noah Fogelson	Nil
Mr. Anil Chawla*	Nil
Mr. Randhir S. Kochhar*	15,000

\* payable to D.E. Shaw Composite Investments (Mauritius) Ltd.

**Directors' Shareholding**

Equity Shares of the Company held by Directors as on March 31, 2010

Name of Director	Number of Shares held	Percentage (%)
Mr. Shyam Ramanna	9,66,500	4.28
Mrs. Seemha Ramanna	13,86,062	6.14
Mr. Shyam Benegal	1,000	0.004
Mr. T.N.V.Ayyar	NIL	NIL
Mr. Divya Shah	NIL	NIL
Mr. Noah Fogelson	NIL	NIL
Mr. Gurcharan Das	NIL	NIL
Mr. Anil Chawla	NIL	NIL
Mr. Randhir S. Kochhar	NIL	NIL

## Board Meetings, Board Committee Meetings and Procedures

### a. Board Procedures

The Board meets at least once a quarter to discuss and decide on Company/business policy, and strategy apart from other normal Board business such as reviewing the quarterly performance and financial results. Board meetings are governed with structured agenda. All major agenda items, backed up by comprehensive background information, are generally sent well in advance to the directors to enable the Board to take informed decision. The Board is also free to recommend the inclusion of any matter for discussion in consultation with the Chairman. However, in case of a special and urgent business need, the Board's approval is taken by circulating the resolution, which is ratified in the next Board Meeting.

Chief Executive Officer and Chief Financial Officer are normally invited to the Board meetings to provide necessary insights into the working of the Company and for discussing corporate strategies.

The minutes of the meetings of the Board are individually circulated to all directors and confirmed at the subsequent Board Meeting. The finalized copies of the Minutes of the various Committees of the Board are also individually given to the members and thereafter tabled at the subsequent Board Meeting for the Board's view thereon.

The Board periodically reviews Compliance Reports in respect of laws and regulations applicable to the Company.

### b. Number of Board Meetings held and the dates on which held

Six (6) Board Meetings were held during the year and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held and the number of Directors present are as follows:

Sr. No.	Dates on which the Board Meetings were held	Total strength of the Board	No. of Directors present
1.	14/05/2009	8	3
2.	30/06/2009	8	5
3.	25/07/2009	8	3
4.	04/08/2009	8	4
5.	29/10/2009	9	5
6.	30/01/2010	8	5

### c. Committees of the Board

#### Audit Committee:

The constitution, role and the powers of the Audit Committee of the Company are as per the guidelines set out in the Listing Agreement with Stock Exchanges read with the provisions of Section 292A of the Companies Act, 1956. The Committee also acts as a link between the Statutory and Internal Auditors and the Board of Directors. It reviews the various reports placed before it by the Management and addresses itself to the larger issues and examines and considers those facts that could be of vital concern to the Company including adequacy of internal controls, reliability of financial statements and other management information, adequacy of provisions of liabilities and adequacy of disclosures and compliance with all relevant statutes.

#### The Committee meets periodically and reviews

- ❖ Audited and un-audited financial results;
- ❖ Internal audit reports and report on internal control systems of the Company;
- ❖ Business plans, various financial statements & reports placed by the management;
- ❖ Discusses the larger issues that could be of vital concern to the Company;
- ❖ Auditors' report on financial statements and their findings and suggestions and seeks clarification thereon;
- ❖ All other important matters within the scope and purview of the committee.

As on 31<sup>st</sup> March 2010 the Audit Committee comprised of the following

Name of the member	Category
Mr. T. N. V. Ayyar (Chairman)	Non Executive - Independent
Mr. Divya Shah	Non Executive - Independent
Mr. Shyam Benegal	Non Executive - Independent
Mr. Anil Chawla	Non Executive - Non-Independent
Mr. Randhir S. Kochhar	Non Executive - Non-Independent

The audit committee meetings are usually held at the Registered Office of the Company and are usually attended by the Managing Director, Chief Executive Officer & Chief Financial Officer, the representatives of Statutory Auditors and Internal Auditors. The operation heads are also invited to the meetings as required. The Company Secretary acts as a Secretary of the Committee.

The previous Annual General Meeting of the Company was held on 31/08/2009 and it was attended by Mr. T.N.V. Ayyar, Chairman of the Audit Committee.

The dates on which the Audit Committee Meetings were held and the attendance of the Members at the said meetings are as under:

Sr. No.	Dates on which Audit Committee Meetings were held	Attendance record of the Members				
		Mr. T.N.V. Ayyar	Mr. Divya Shah	Mr. Shyam Benegal	Mr. Anil Chawla	Mr. Randhir S. Kochhar
1.	12/05/2009	Yes	Yes	Yes	No	N.A.
2.	30/06/2009	Yes	Yes	Yes	Yes	N.A.
3.	25/07/2009	No	Yes	Yes	No	N.A.
4.	29/10/2009	Yes	Yes	Yes	No	Yes
5.	30/01/2010	Yes	Yes	Yes	No	No

**Remuneration Committee**

The terms of reference of the Remuneration Committee, *inter-alia* consists of reviewing the overall compensation policy, service agreements and other employment conditions of Managing Director/Whole time Directors and senior Management with a view to retaining and motivating the best managerial talents.

**The Committee Comprises of the following Members:**

Name of the member	Category
Mr. Divya Shah (Chairman)	Non Executive - Independent
Mr. T. N. V. Ayyar	Non Executive - Independent
Mr. Shyam Benegal	Non Executive - Independent
Mr. Anil Chawla	Non Executive - Non-Independent
Mr. Randhir S. Kochhar	Non Executive - Non-Independent

**Remuneration Policy**

Remuneration Policy is based on the success and performance of the individual employees. The company has developed remuneration package which endeavours to attract, retain, harness and motivate the work force.

The Company does not have any Employee Stock Option Scheme. During the year under review, no committee meeting was held.

**Investor’s Grievance Committee**

The Company has constituted shareholder/investors Grievances Committee of Directors to look into the redressal of complaints of investors such as transfer or credit of shares to demat accounts, non-receipt of dividend/notices/annual reports etc.

The Shareholders/Investors Grievance Committee deals with various matters relating to: -

- Transfer/transmission of shares
- Issue of duplicate share certificate
- Review of shares dematerialized and all other investors grievances
- Monitors expeditious redressal of investors' grievances
- All other matters related to shares/debentures.

**The Committee consists of the following Members:**

Name of the member	Category
Mr. Divya Shah (Chairman)	Non Executive - Independent
Mr. T. N. V. Ayyar	Non Executive - Independent
Mr. Shyam Bengal	Non Executive – Independent
Mr. Randhir S. Kochhar	Non Executive - Non-Independent
Mr. Anil Chawla	Non Executive - Non-Independent

The dates on which Meetings of Investors Grievances Committee were held and the attendance of the Members at the said meetings are as under:

Sr. No.	Dates on which Investor Grievances Committee Meetings were held	Attendance record of the Members				
		Mr. T.N.V. Ayyar	Mr. Divya Shah	Mr. Shyam Benegal	Mr. Anil Chawla	Mr. Randhir S. Kochhar
1.	30/06/2009	Yes	Yes	Yes	Yes	N.A.
2.	29/10/2009	Yes	Yes	Yes	No	No
3.	30/01/2010	Yes	Yes	Yes	No	No

Mr. Madhav Oak, Company Secretary is the Compliance Officer effective from 7<sup>th</sup> June, 2010.

**Requests/Grievances/complaints received & resolved during the year 2009-2010**

Sr. No.	Nature Of Complaint	Opening Balance On 01.04.2009	Received During The Year	Resolved during The Year	Closing Balance As On 31.03.2010
1.	Non-receipt Of Dividend/ Revalidation	0	0	0	0
2.	A. Non-receipt Of Share B. After Transfer	0	0	0	0
3.	Demat/Remat	0	1	1	0
4.	Change Of Address	0	2	2	0
5.	Miscellaneous	0	2	2	0
6.	SEBI Complaints	0	0	0	0
7.	Stockexchange Complaints	0	0	0	0
8.	Non-receipt of Annual Report	0	0	0	0
9.	Correction on the Certificate	0	0	0	0
10.	Deletion	0	0	0	0
11.	Transmission	0	2	2	0
12.	Mandate	0	0	0	0
13.	Issue of Duplicate Certificate/ Loss of Share Certificate	0	1	1	0
14.	Legal	0	0	0	0
	<b>Total</b>	<b>0</b>	<b>8</b>	<b>8</b>	<b>0</b>



**IV General Body Meetings**

a) Details of location and time, of General Meetings & Special Resolutions passed in last three years:

All General Meetings were held at Emperor Hall, Hotel Kohinoor Park, Veer Savarkar Marg, Prabhadevi, Mumbai - 400 025.

Year	AGM/EGM	Date	Time	Special Resolutions passed
2008-2009	AGM	31.08.2009	11.00 A.M.	1. Consent accorded to Mr. Varun Ramanna for holding and continuing to hold office or place of profit in the company as Technical Lead; 2. Consent accorded to keep Register of Members and Index of Members at the Office of the Company's Registrar and Share Transfer Agents.
2007-2008	AGM	24.09.2008	11.00 A.M.	1. Consent accorded to keep Register of Members and Index of Members at the Office of the Company's Registrar and Share Transfer Agents. 2. Revision in remuneration payable to Mrs. Seemha Ramanna, Managing Director subject to approval of Central Government.
2006-2007	AGM	22.08.2007	10.30 A.M.	1. Approval for re-appointment and remuneration payable to the Managing Director.
2006-2007	EGM	16.01.2007	11.00 A.M.	1. Amendment to the Articles of Association of the Company; 2. Utilization of Share Premium Account by setting off the accumulated losses as at 31.03.2006

AGM = Annual General Meeting, EGM = Extra Ordinary General Meeting

These resolutions were put to vote by show of hands except for appointment of Mr. Varun Ramanna and were passed with the requisite majority. At the AGM held for FY 2008-09, the resolution for obtaining consent of members to Mr. Varun Ramanna for holding and continuing to hold office or place of profit in the company as Technical Lead was passed with requisite majority by way of poll.

b) **Postal Ballot**

During the year under review no resolution was passed through postal ballot.

**V Subsidiaries**

The Company does not have a material non-listed Indian subsidiary whose turnover or net worth (i.e. paid up capital and free reserve) exceed 20% of the consolidated turnover or net worth respectively, of the company and its subsidiaries in the immediate preceding accounting year. The subsidiaries of the Company function independently, with an adequately empowered Board of Directors and sufficient resources. However for more effective governance, the minutes of Board Meetings of all Indian as well as foreign subsidiaries of the Company are individually given to all the directors and tabled at the Board Meetings for review.

During the year under review, the operations of company's subsidiary at Singapore namely Crest Communication (Singapore) Pte and Crest Entertainment (Singapore) Pte Ltd were closed.

**VI Disclosures**

1. The particulars of transactions between the Company and its related parties as per the Accounting Standard 18 "Related Party Disclosures" issued by the ICAI are set out at page number 56 of the Annual Report. However, these transactions are not likely to have any conflict with the Company's interest.
2. No penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matters related to capital markets during the last three years.
3. The Company has complied with all the mandatory requirements of clause 49 pertaining to Corporate Governance of the Listing agreement entered with the stock exchanges. Other than the constitution of the Remuneration Committee, the Company has not complied with any of the Non-Mandatory requirement of Clause 49 of the Listing Agreement.
4. Risk assessment and its minimization procedures have been laid down by the Company. These procedures are reviewed periodically to ensure that executive management controls risks through means of a properly defined framework.
5. The Company has adopted an Internal Code of Conduct for prohibition of Insider Trading. All the Directors on the Board as well as senior level employees/officers of the Company who could be privy to unpublished price sensitive information of the Company are governed by this code.

6. The company has adopted a Code of Conduct for all Board Members and senior management of the Company. The Code is hosted on the website of the Company, and a declaration on affirmation of compliance of the Code annexed herewith and forms part of this report.
7. The Notice convening the Annual General Meeting of the Company has necessary disclosures relating to the appointment/re-appointment of Directors.
8. Annual Report has a detailed chapter on Management Discussion and Analysis.

#### **VII Means of Communication**

The un-audited quarterly/half yearly financial statements are announced within one month of the end of the quarter. The aforesaid financial statements are taken on record by the Board of Directors and are communicated to the Stock Exchanges where the Company's securities are listed. Once the stock exchange have been intimated, these results are given by way of a press release to various news agencies/analyst and published within 48 hours in one National English newspaper (Free Press Journal) and one Marathi newspaper (Nav Shakti).

The quarterly/half yearly and the annual results as well as the press releases of the Company are put on the Company's website [www.crestindia.com](http://www.crestindia.com).

The Company also informs by way of intimation to the stock exchanges all price sensitive matters or such other matters which in its opinion are material and of relevance to the shareholders.

All data required to be filed electronically as EDFIR document pursuant to clause 51 of the Listing Agreement with stock exchanges such as annual report, quarterly financial statements, shareholding pattern, quarterly report on corporate governance are being regularly filed on the EDIFAR website viz [www.corpfilings.co.in](http://www.corpfilings.co.in) in addition to the filing of the same with the stock exchange. At present, Company has discontinued the practice of filing under EDIFAR system as SEBI has directed to discontinue the same w.e.f. 1<sup>st</sup> April, 2010.

**GENERAL INFORMATION FOR SHAREHOLDERS**

**1. Annual General Meeting:**

Monday, 27th September, 2010 at Emperor Hall, Hotel Kohinoor Park, Veer Savarkar Marg, Prabhadevi, Mumbai - 400 025 at 12.30 p.m.

**2. The financial year covers the period from 1st April to 31st March**

**Financial Reporting for:**

Quarter ending 30th June 2010	Mid August 2010
Half year ending 30th September 2010	Mid November 2010
Quarter ending 31st December 2010	Mid February 2011
Year ending 31st March 2011	Mid May 2011

Note: above dates are indicative

**3. Name & contact details of the Compliance Officer:**

Mr. Madhav Oak, Company Secretary, Tel No. 25197600 , FAX No. 25197616, Email: companysecretary@crestindia.com

**4. Book Closure:**

The Registrar of Members and the Share Transfer Books of the Company will remain closed from 17th September, 2010 to 24th September, 2010 (both days inclusive).

**5. Dividend:**

The Board has not recommended Dividend on equity shares.

**6. Listing on Stock Exchanges:**

The Company's securities are listed on the following Stock Exchanges.

Equity Shares	Global Depository Receipts (GDRs)
Bombay Stock Exchange Limited (BSE) Phiroze Jeejeebhoy Towers Dalal Street, Mumbai 400 001	Luxembourg Stock Exchange Societe de la Bourse De Luxembourg Societe Anonyme
National Stock Exchange of India Ltd. (NSE) Exchange Plaza, Bandra Kurla Complex, Bandra (East) Mumbai 400 051	<b>Postal Address :</b> 11, av de la Porte-Neuve, L-2227 Luxembourg <b>Mailing address :</b> B.P. 165, L-2011 Luxembourg

The Company's Global Depository receipts have been listed on the Luxembourg Stock Exchange. The equity shares underlying the GDRs are listed on BSE & NSE.

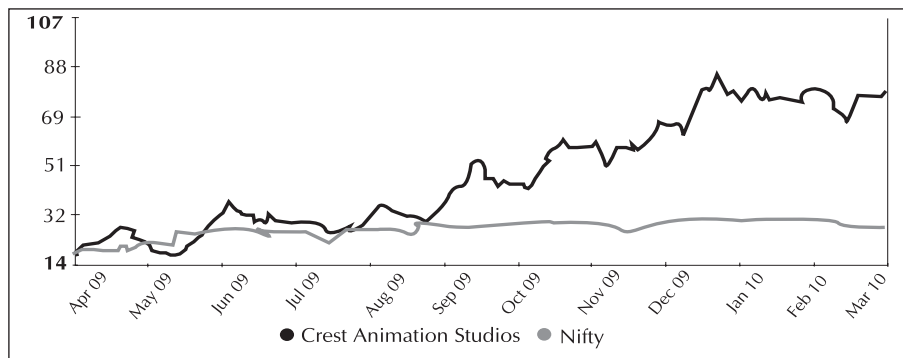
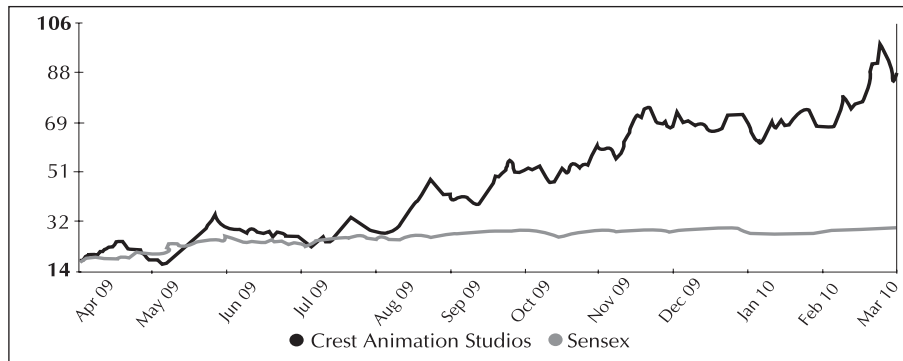
**7. Stock/Scrip Code & ISIN/Common Code Number**

The Stock Exchange, Mumbai (BSE)	526785
National Stock Exchange Ltd. (NSE)	CRESTANI
ISIN Number with NSDL & CDSL	INE774A01012
The Luxembourg Stock Exchange (GDRs)	CrestCommunic GDR ne US2260641038
Common code for GDRs	018230186

8. Market Price Data:

High, lows and volume of Company's shares for 2009-10 at BSE & NSE

Month	Bombay Stock Exchange			National Stock Exchange		
	High	Low	Volume	High	Low	Volume
April, 2009	26.00	16.00	881415	25.15	17.10	338495
May	27.35	16.50	493312	26.50	17.00	184171
June	36.50	26.55	522600	33.95	27.10	188236
July	33.60	23.00	410805	33.60	23.45	245593
August	41.55	27.60	680281	41.30	28.50	294393
September	49.30	38.00	784436	47.90	39.15	436287
October	57.50	44.10	678396	54.50	46.25	364898
November	63.95	47.00	342558	61.40	51.05	294102
December	78.50	62.15	634481	76.85	63.75	496595
January, 2010	75.35	60.00	403016	72.20	62.70	204609
February	76.00	60.25	456350	74.00	61.00	329660
March	104.30	65.00	1862331	99.95	68.20	2179874



9. Registrar & and Transfer Agents Investor Service

M/s. SHAREPRO SERVICES (INDIA) PRIVATE LIMITED  
 (Unit-Crest Animation Studios Ltd.)  
 13AB, Samhita Warehousing Complex, Second Floor,  
 Sakinaka Telephone Exchange Lane, Off Andheri Kurla Road,  
 Sakinaka, Andheri (E), Mumbai – 400 072.  
 Email: sharepro@roltanet.com sharepro@shareproservices.com

**10. Share Transfer System**

The transfers of shares in physical form is processed and completed by Registrar & Transfer agent within a period of fifteen days from the date of receipt thereof provided all documents are in order. In case of shares in electronic form the transfers are processed by NSDL/CDSL through respective Depository Participants. In compliance with the listing agreement with the stock exchanges, a Practicing company secretary carried out audit of the system of transfer and a certificate to that effect is issued.

**11. Distribution of Share holding as on March 31, 2010**

Number of shares	Number of Shareowners	Percentage of Shareowners	Number of Shares held	Percentage of Total
Upto 500	14762	85.177	2153143	9.533
501 – 1000	1171	6.757	964588	4.271
1001- 2000	598	3.450	930391	4.119
2001 – 3000	216	1.246	563035	2.493
3001 – 4000	120	0.692	431160	1.909
4001 – 5000	114	0.658	545557	2.416
5001 – 10000	162	0.935	1169878	5.180
10001 & above	188	1.085	15827426	70.079
<b>Total</b>	<b>17331</b>	<b>100.000</b>	<b>22585178</b>	<b>100.000</b>

**12. Categories of Shareowners as of 31st March, 2010**

CATEGORY	NUMBER OF SHARES	PERCENTAGE
Promoters & their relatives– Individuals	2552562	11.30
Promoters/Associated Companies	1043433	4.62
Corporate Bodies	2545764	11.27
Mutual Funds & UTI	200	0
Banks, Financial Institutions & Insurance Companies	1000	0
Foreign Institutional Investors	417859	1.85
Foreign Companies	3385518	14.99
Non Resident Indians/Trusts/OCBs	264791	1.17
Indian Public	10874051	48.16
GDR Holdings	1500000	6.64
<b>TOTAL</b>	<b>22585178</b>	<b>100.00</b>

**13. Dematerialization of shares and Liquidity**

The equity shares of the Company are compulsorily traded in dematerialised form.

As on 31st March, 2010, 99.13% Equity shares have been dematerialized. The shares have been admitted for dematerialisation with the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Shareholders have option to dematerialise their shares with either of the depositories.

**14. Outstanding GDRs/Warrants or any Convertible Instruments, conversion date and likely impact on equity Outstanding GDRs.**

As on 31st March 2010, 1,50,000 GDRs representing 15,00,000 underlying equity shares were outstanding. The equity shares representing GDRs have been issued and listed and thus there would be no impact on equity share capital of the Company.

**15. Location of offices of Company & Address of correspondence (including subsidiaries)**

<b>Registered Office</b>	401 & 501, Raheja Plaza-1, L.B.S. Marg, Ghatkopar West, Mumbai – 400 086. Website :www.crestindia.com Email : companysecretary@crestindia.com
<b>Subsidiaries</b>	
<b>Direct Subsidiaries:</b>	
Crest Interactive Ltd.	501, Raheja Plaza-1, L.B.S. Marg, Ghatkopar West, Mumbai – 400 086.
Crest Communication Holdings Ltd.	IFS Court, Twenty-Eight, Cybercity, Ebene, Mauritius.
<b>Other Subsidiaries:</b>	
Crest Communication Singapore (Pte.) Ltd.	80, Raffles Place # 25-01, UOB Plaza, Singapore – 048624



Crest Entertainment (Singapore) Pte. Ltd. (Struck-off w.e.f. 14/07/2010)	80, Raffles Place # 25-01, UOB Plaza, Singapore – 048624
Crest Animation Holdings Inc. Crest Intermediate Inc Crest Animation Production Inc. Roop BDR Productions Inc.	333, North Glenoaks Blvd. Suite 300, Burbank, California, U.S.A.

**16. Address for Correspondence**

Shareholders desiring to communicate with the Company on any matter relating to shares of the Company may either visit in person or write quoting their folio/demat account number at the following address:

M/s. SHAREPRO SERVICES (INDIA) PRIVATE LIMITED  
(Unit-Crest Animation Studios Ltd.)  
13AB, Samhita Warehousing Complex,  
Second Floor, Sakinaka Telephone Exchange Lane,  
Off Andheri Kurla Road, Sakinaka, Andheri (E), Mumbai – 400 072.  
Email: sharepro@vsnl.com

Shareholders who hold shares in dematerialised form should correspond with the depository participant with whom they have opened their Demat Account(s).

**DECLARATION ON COMPLIANCE OF CODE OF CONDUCT**

I, Seemha Ramanna, Managing Director of Crest Animation Studios Limited, do hereby declare & confirm that all the Board Members and Senior Managerial Personnel have affirmed to the Board of Directors the compliance of the Code of Conduct as laid down by the Board.

Place : Mumbai  
Date : 9th August, 2010

Sd/-  
**SEEMHA RAMANNA**  
Managing Director

**COMPLIANCE CERTIFICATE REGARDING CLAUSE 49  
OF THE LISTING AGREEMENT CERTIFICATE**

To,  
The Members of  
Crest Animation Studios Limited  
Mumbai

We have examined all relevant records of Crest Animation Studios Limited (the Company) for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) for the financial year ended 31st March, 2010. We have obtained all the information and explanations to the best of our knowledge and belief were necessary for the purpose of this certification.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedure and implementation thereof. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our examinations of the records produced, explanations and information furnished, we certify that the company has complied with –

1. all the mandatory conditions of the said Clause 49 of the Listing Agreement,
2. non-mandatory requirement of the said Clause 49 of the Listing Agreement :
  - a. Remuneration Committee

For **S. N. ANANTHASUBRAMANIAN & CO.**

Sd/-  
S. N. Ananthasubramanian  
C.P. No.: 1774

Date : 9th August, 2010  
Place : Thane

**CEO/CFO CERTIFICATION**

- a. We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit committee
  - i. significant changes in internal control over financial reporting during the year;
  - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii. instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Place : Mumbai  
Date : 9th August, 2010

Sd/-  
**A K Madhavan**  
Chief Executive Officer

Sd/-  
**Vijay Paranjpe**  
Chief Financial Officer

## AUDITORS' REPORT

To

**The Members of Crest Animation Studios Limited**

1. We have audited the attached Balance Sheet of Crest Animation Studios Limited ('the Company') as at March 31, 2010 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Without qualifying our opinion we state that, as at March 31, 2010, the Company has receivables of Rs. 81.54 million, long-term investments of Rs 558.22 million in and advances aggregating Rs 127.65 million due from subsidiary companies. The combined loss and accumulated losses of these subsidiaries and the step-down subsidiaries and their joint ventures, attributable to the Company, as per their audited financial statements for the year ended March 31, 2010, is Rs 36.90 million (Previous Year Rs 71.97 million) and Rs 471.26 million (Previous Year Rs 387.04 million) respectively. For the reasons stated in Note 5 to Schedule Q, management is of the view there is no diminution, other than temporary, in the value of these long term-investments and the advances, receivables and inventories are fully recoverable therefore no provision is considered necessary. The ultimate outcome of the above mentioned matter cannot presently be determined, and no provision has been made in the financial statements for diminution in the investments or recoverability of advances, receivables and inventory.
5. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - v. On the basis of the written representations received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2010;
    - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
    - c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

**For S.R. BATLIBOI & ASSOCIATES**  
Firm Registration no. 101049W  
Chartered Accountants

Sd/-  
**per Govind Ahuja**  
Partner  
Membership No.: 48966  
Mumbai, August 09, 2010

**For CHATURVEDI & SHAH**  
Firm Registration no. 101720W  
Chartered Accountants

Sd/-  
**Amit Chaturvedi**  
Partner  
Membership No.: 103141  
Mumbai, August 09, 2010

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE  
Re: Crest Animation Studios Ltd ('the Company')**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) The Company's inventory includes work-in-progress related to ongoing animation projects. Considering the Company's nature of business, we are of the opinion that the provisions of clause 4(ii) (a), (b) and (c) of the Companies (Auditor's Report) Order, 2003 (as amended) ('CARO') are not applicable to the Company.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 ('the Act'). Accordingly, the provisions of clause 4(iii) (b), (c) and (d) of CARO are not applicable to the Company.
- (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii) (f) and (g) of CARO are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. The Company does not purchase any inventory or sell goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the company.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that there are no particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 of the Act.
- (b) In view of the observation above, the provisions of clause 4(v) (b) of CARO are not applicable to the Company.

- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for the products of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.  
  
Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the Statute	Nature of dues	Amount (in Rs. million.)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income tax and related interest	6.83	Assessment year 2007-08	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Penalty	3.91	Assessment year 2003-04	Commissioner of Income Tax (Appeals)

- (x) The Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE  
Re: Crest Animation Studios Ltd ('the Company')**

the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of CARO are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of CARO are not applicable to the Company
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by the public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For S.R. BATLIBOI & ASSOCIATES**  
Firm Registration no. 101049W  
Chartered Accountants

Sd/-  
**per Govind Ahuja**  
Partner  
Membership No.: 48966  
Mumbai, August 09, 2010

**For CHATURVEDI & SHAH**  
Firm Registration no. 101720W  
Chartered Accountants

Sd/-  
**Amit Chaturvedi**  
Partner  
Membership No.: 103141  
Mumbai, August 09, 2010



**BALANCE SHEET AS AT 31ST MARCH, 2010**

	SCHEDULE NO.	AS AT 31st MARCH, 2010 (RUPEES)	AS AT 31ST MARCH, 2009 (RUPEES)
<b><u>SOURCES OF FUNDS</u></b>			
<b>Shareholders' Funds</b>			
Share capital	A	225,851,780	225,851,780
Reserves and surplus	B	1,102,753,953	1,102,783,769
<b>Loan Funds</b>			
Secured loans	C	181,056,311	162,379,659
Unsecured loan	D	225,313	4,816,982
		<u>1,509,887,357</u>	<u>1,495,832,190</u>
<b><u>APPLICATION OF FUNDS</u></b>			
<b>Fixed Assets</b>			
Gross block	E	869,829,623	830,158,697
Less : Accumulated depreciation and amortisation		<u>631,094,486</u>	<u>530,914,850</u>
Net block		238,735,137	299,243,847
<b>Investments</b>			
	F	558,223,757	508,633,757
<b>Current Assets, Loans and Advances</b>			
Inventories	G	196,381,647	104,611,341
Sundry debtors	H	129,490,774	116,561,545
Cash and bank balances	I	58,532,713	88,238,961
Other Current Assets	J	102,055,635	126,071,299
Loans and advances	K	166,066,720	215,424,567
		<u>652,527,489</u>	<u>650,907,713</u>
<b>Less: Current Liabilities and Provisions</b>			
Current liabilities	L	90,748,891	121,958,500
Provisions	M	11,144,949	9,732,875
		<u>101,893,840</u>	<u>131,691,375</u>
<b>Net Current Assets</b>		550,633,649	519,216,338
<b>Debit Balance in Profit and Loss Account</b>		162,294,814	168,738,248
		<u>1,509,887,357</u>	<u>1,495,832,190</u>
<b>NOTES TO ACCOUNTS</b>	R		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

**For S. R. Batliboi & Associates**  
Firm Registration No. 101049W  
Chartered Accountants

Sd/-  
**per Govind Ahuja**  
Partner  
Membership No. : 48966

Mumbai: 9th August, 2010

**For Chaturvedi & Shah**  
Firm Registration No. 101720W  
Chartered Accountants

Sd/-  
**Amit Chaturvedi**  
Partner  
Membership No. : 103141

Mumbai: 9th August, 2010

For and on behalf of the Board

Sd/-  
**Seemha Ramanna**  
Managing Director

Sd/-  
**A K Madhavan**  
Chief Executive Officer

Mumbai: 9th August, 2010

Sd/-  
**T N V Ayyar**  
Director

Sd/-  
**Madhav Oak**  
Company Secretary

Sd/-  
**Vijay Paranjpe**  
Chief Financial Officer

### PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2010

	SCHEDULE NO.	YEAR ENDED 31st MARCH, 2010 (RUPEES)	YEAR ENDED 31ST MARCH, 2009 (RUPEES)
<b>INCOME</b>			
Revenues		353,604,324	374,340,503
Other income	N	29,907,901	9,026,508
		<u>383,512,225</u>	<u>383,367,011</u>
<b>EXPENDITURE</b>			
Employee cost	O	120,649,817	135,070,191
Other operating expenses	P	215,111,592	209,892,409
(Increase)/decrease in work-in-process		(91,770,306)	(28,780,920)
Depreciation and amortisation	E	100,915,621	105,021,671
Less: Transferred from revaluation reserve		(29,816)	(29,816)
Interest and finance charges	Q	34,313,220	29,714,737
		<u>379,190,128</u>	<u>450,888,272</u>
<b>PROFIT / (LOSS) BEFORE TAX BEFORE PRIOR PERIOD ITEM</b>		<b>4,322,097</b>	<b>(67,521,261)</b>
Provision for tax			
Current tax		1,000,000	—
Less: Mat credit entitlement		(1,000,000)	—
Fringe benefit tax		—	1,172,936
Excess provision for taxes of earlier years written back		110,538	—
<b>PROFIT / (LOSS) AFTER TAX AND BEFORE PRIOR PERIOD ITEM</b>		<b>4,432,635</b>	<b>(68,694,197)</b>
Add:- Prior period income (see note 17 of schedule R)		2,010,799	—
<b>PROFIT / (LOSS) AFTER TAX AND PRIOR PERIOD ITEM</b>		<b>6,443,434</b>	<b>(68,694,197)</b>
Balance brought forward from previous year		(168,738,248)	(100,044,051)
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>(162,294,814)</b>	<b>(168,738,248)</b>
<b>EARNING PER EQUITY SHARE</b>			
<b>Basic and Diluted earning per share before prior period item</b>		<b>0.20</b>	<b>(3.04)</b>
<b>Basic and Diluted earning per share after prior period item</b>		<b>0.29</b>	<b>(3.04)</b>
Weighted average number of equity shares outstanding during the year		22,585,178	22,585,178
Face value per equity share		10.00	10.00
<b>NOTES TO ACCOUNTS</b>	<b>R</b>		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date

**For S. R. Batliboi & Associates**  
Firm Registration No. 101049W  
Chartered Accountants

Sd/-  
**per Govind Ahuja**  
Partner  
Membership No. : 48966

Mumbai: 9th August, 2010

**For Chaturvedi & Shah**  
Firm Registration No. 101720W  
Chartered Accountants

Sd/-  
**Amit Chaturvedi**  
Partner  
Membership No. : 103141

Mumbai: 9th August, 2010

For and on behalf of the Board

Sd/-  
**Seemha Ramanna**  
Managing Director

Sd/-  
**A K Madhavan**  
Chief Executive Officer

Mumbai: 9th August, 2010

Sd/-  
**T N V Ayyar**  
Director

Sd/-  
**Madhav Oak**  
Company Secretary

Sd/-  
**Vijay Paranjpe**  
Chief Financial Officer

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

	AS AT 31ST MARCH, 2010 (RUPEES)	AS AT 31ST MARCH, 2009 (RUPEES)
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
30,000,000 (Previous Year: 30,000,000) Equity shares of Rs.10 each	<b>300,000,000</b>	300,000,000
	<b>300,000,000</b>	300,000,000
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
22,585,178 (Previous Year: 22,585,178) Equity shares of Rs.10 each fully paid-up	<b>225,851,780</b>	225,851,780
Of the above :		
(1) 487,500 (Previous Year: 487,500) Equity shares are allotted as fully paid-up pursuant to contracts for consideration other than cash		
(2) 660,800 (Previous Year: 660,800) Equity shares are issued as fully paid-up by way of bonus shares by capitalisation of general reserve of Rs. 6,500,000 (Year :1994 Rs. 6,500,000) and surplus in the profit and loss account of Rs.108,000 (Year :1994 Rs. 108,000)		
	<b>225,851,780</b>	225,851,780
<b>SCHEDULE - B</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Securities Premium:</b>		
As per last balance sheet	<b>1,101,461,954</b>	1,101,461,954
	<b>1,101,461,954</b>	1,101,461,954
<b>Revaluation Reserve:</b>		
As per last balance sheet	<b>1,321,815</b>	1,351,631
Less: Transferred to profit and loss account	<b>(29,816)</b>	(29,816)
	<b>1,291,999</b>	1,321,815
	<b>1,102,753,953</b>	1,102,783,769
<b>SCHEDULE - C</b>		
<b>SECURED LOANS</b>		
From Banks		
(1) Vehicle loans from ICICI Bank Limited (Secured by hypothecation of vehicles acquired under said loans.)	<b>236,744</b>	1,837,156
(2) Cash credit from State Bank of India	<b>55,535,615</b>	151,627,218
(3) Foreign Currency Demand Loan from State Bank of India (Both Cash credit and Foreign Currency Demand Loan are secured by lien on a fixed deposit of Rs. 50,000,000 and charge by way of hypothecation of book-debts / receivables and machineries of the Company [excluding fixed assets charged exclusively ] both present and future and by the personal guarantee of the Managing Director and corporate guarantee by one of the Company's step-down subsidiaries. Further, the loan is also secured by pledge of 200,000 Equity shares held in the Company by the Managing Director.)	<b>68,317,611</b>	—
(4) Term Loan from State Bank of India (Secured by hypothecation of fixed assets purchased out of the loan)	<b>5,069,154</b>	—
(5) Term Loan from IDBI Bank Ltd (Secured by first charge on negatives of proposed film & first charge on all revenues/ receivables of the project. First charge on any letter of credit, guarantee or performance bond related to the project. First charge on dedicated current account relating to project, First charge on moveable assets of the company comprising of computer hardware worth Rs.2.19 crore and by the personal guarantee of the Managing Director. Further, the loan is also secured by pledge of 250,000 Equity shares held in the Company by the Managing Director.)	<b>50,000,000</b>	—
From Others		
(6) Financing from Hewlett-Packard Financial Services (India) Private Limited (Secured by exclusive hypothecation/charge on the specific Fixed assets of the Company.)	<b>1,897,187</b>	8,915,285
	<b>181,056,311</b>	162,379,659

## SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

	AS AT 31ST MARCH, 2010 (RUPEES)	AS AT 31ST MARCH, 2009 (RUPEES)
<b>SCHEDULE - D</b>		
<b>UNSECURED LOAN</b>		
From Others:		
Financing from Hewlett- Packard Financial Service (India) Private Limited [Of the above Rs.225,313 ( Previous Year : Rs.4,816,982) is due within one year]	225,313	4,816,982
	<u>225,313</u>	<u>4,816,982</u>

SCHEDULE - E  
FIXED ASSETS

Description	Gross Block				Depreciation / amortisation				Net Block		
	As at 1st April, 2009	Additions during the year	Deductions during the year	As at 31st March, 2010	As at 1st April, 2009	For the year	On deduc- tions during the year	As at 31st March, 2010	As at 31st March, 2010	As at 31st March, 2009	
<b>A. Owned Assets</b>											
<b>I. Tangible Assets:</b>											
Building	9,745,489*	—	—	9,745,489	1,721,884	158,851	—	1,880,735	7,864,754	8,023,605	
Leasehold improvements	14,918,012	—	—	14,918,012	9,427,387	3,326,144	—	12,753,531	2,164,481	5,490,625	
Plant and machinery	149,261,843	—	1,318,004	147,943,839	116,745,817	10,441,756	715,807	126,471,766	21,472,073	32,516,026	
Computers - Hardware	187,867,308	17,591,555	—	205,458,863	140,130,617	24,124,667	—	164,255,284	41,203,579	47,736,691	
Furniture, fixtures and office equipment	44,752,567	23,433	—	44,776,000	16,477,173	5,071,218	—	21,548,391	23,227,609	28,275,394	
Vehicles	11,245,498	—	—	11,245,498	4,087,182	1,068,322	—	5,155,504	6,089,994	7,158,316	
<b>Subtotal (A) (I)</b>	417,790,717	17,614,988	1,318,004	434,087,701	288,590,060	44,190,958	715,807	332,065,211	102,022,490	129,200,657	
Previous year	417,418,356	1,704,022	1,331,661	417,790,717	252,528,604	36,963,749	902,293	288,590,060			
<b>II. Intangible Assets:</b>											
Copyrights	8,521,634	—	—	8,521,634	8,521,634	—	—	8,521,634	—	—	
Software	288,952,096	23,469,378	—	312,421,474	200,594,960	38,067,059	—	238,662,019	73,759,455	88,357,136	
<b>Subtotal (A) (II)</b>	297,473,730	23,469,378	—	320,943,108	209,116,594	38,067,059	—	247,183,653	73,759,455	88,357,136	
Previous year	294,940,139	2,533,591	—	297,473,730	163,896,918	45,219,676	—	209,116,594			
<b>Total owned assets (A)</b>	715,264,447	41,084,366	1,318,004	755,030,809	497,706,654	82,258,017	715,807	579,248,864	175,781,945	217,557,793	
Previous year	712,358,495	4,237,613	1,331,661	715,264,447	416,425,522	82,183,425	902,293	497,706,654			
<b>B. Assets acquired on finance lease:</b>											
<b>I. Tangible Assets:</b>											
Computers - Hardware	113,752,330	—	95,436	113,656,894	32,791,987	18,429,220	20,178	51,201,029	62,455,865	80,960,343	
Previous year	109,862,395	3,889,935	—	113,752,330	10,182,125	22,609,862	—	32,791,987			
<b>II. Intangible Assets:</b>											
Computer Software	1,141,920	—	—	1,141,920	416,209	228,384	—	644,593	497,327	725,711	
Previous year	1,141,920	—	—	1,141,920	187,825	228,384	—	416,209			
<b>Total assets acquired on finance lease (B)</b>	114,894,250	—	95,436	114,798,814	33,208,196	18,657,604	20,178	51,845,622	62,953,192	81,686,054	
Previous year	111,004,315	3,889,935	—	114,894,250	10,369,950	22,838,246	—	33,208,196			
<b>Total (A+B)</b>	830,158,697	41,084,366	1,413,440	869,829,623	530,914,850	100,915,621	735,985	631,094,486	238,735,137	299,243,847	
Previous year	823,362,810	8,127,548	1,331,661	830,158,697	426,795,472	105,021,671	902,293	530,914,850			

\* Includes addition of Rs. 1,829,136 on account of revaluation made in the financial year 1993-1994.

\* Includes Rs. 500 (previous year Rs. 500) representing 10 unquoted fully paid shares at Rs. 50 each in Neelam centre industrial premises co-operative society limited.

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

	AS AT 31ST MARCH, 2010 (RUPEES)	AS AT 31ST MARCH, 2009 (RUPEES)
<b>SCHEDULE - F</b>		
<b>INVESTMENTS</b> (see Note 5 on Schedule R)		
<b>Long Term Investments</b> - {Trade, Unquoted (at cost)} :		
<b>Equity Shares</b>		
Subsidiary Companies		
50,000 ( <i>Previous Year: 50,000</i> ) Equity shares of Rs.10 each fully paid up, in Crest Interactive Limited	500,000	500,000
30,034 ( <i>Previous Year: 27,221</i> ) Equity shares of US \$ 1 each fully paid up, in Crest Communication Holdings Limited, Mauritius	493,051,757	443,461,757
<b>Preference Shares</b>		
Subsidiary Company		
1,500,000 ( <i>Previous Year: 1,500,000</i> ) LIBOR Rate Optionally convertible Cumulative Redeemable Preference Shares of US \$ 1 each fully paid up, in Crest Communication Holdings Limited, Mauritius with an option of conversion in to equity shares	64,672,000	64,672,000
	<u>558,223,757</u>	<u>508,633,757</u>
<b>SCHEDULE - G</b>		
<b>INVENTORIES</b> (at lower of cost and net realisable value)		
Work-in-process	196,381,647	104,611,341
	<u>196,381,647</u>	<u>104,611,341</u>
<b>SCHEDULE - H</b>		
<b>SUNDRY DEBTORS</b> (unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	69,959,658	86,134,956
Considered doubtful	19,227,848	19,227,848
Other Debts: Considered good	59,531,116	30,426,589
	<u>148,718,622</u>	<u>135,789,393</u>
Less: Provision for doubtful debts	19,227,848	19,227,848
	<u>129,490,774</u>	<u>116,561,545</u>
<b>SCHEDULE - I</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	5,608	919
Balances with scheduled banks:		
— on current accounts [includes Rs.Nil ( <i>Previous Year: Rs.5,204</i> ) in a bank account under joint operation with a sponsor]	1,973,105	31,684,042
— on fixed deposit accounts under lien	56,554,000	56,554,000
	<u>58,532,713</u>	<u>88,238,961</u>

## SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

	AS AT 31ST MARCH, 2010 (RUPEES)	AS AT 31ST MARCH, 2009 (RUPEES)
<b>SCHEDULE - J</b>		
<b>OTHER CURRENT ASSETS</b>		
Unamortised premium on forward contract	399,949	—
Unbilled Revenue	100,165,166	120,870,959
Interest accrued on fixed deposits with banks	1,490,520	5,200,340
	<u>102,055,635</u>	<u>126,071,299</u>
<b>SCHEDULE - K</b>		
<b>LOANS AND ADVANCES (unsecured)</b>		
— Considered good		
Advances to subsidiaries	127,645,288	144,901,021
Advances recoverable in cash or in kind for value to be received	11,360,618	8,819,343
Sundry deposits	14,890,686	15,129,508
Advance tax [net of provisions of Rs. 3,850,000 (Previous Year: Rs.2,850,000)]	11,170,128	8,834,695
Advance against purchase of shares of subsidiary company	—	37,740,000
Mat credit entitlement	1,000,000	—
	<u>166,066,720</u>	<u>215,424,567</u>
— Considered doubtful		
Advances recoverable in cash or in kind for value to be received	62,458,020	68,066,094
Sundry deposits	—	591,683
Inter corporate deposits	56,850,000	56,850,000
	<u>119,308,020</u>	<u>125,507,777</u>
Less: Provision for doubtful balances	119,308,020	125,507,777
	<u>166,066,720</u>	<u>215,424,567</u>
<b>SCHEDULE - L</b>		
<b>CURRENT LIABILITIES</b>		
Sundry creditors (see Note 16 of Schedule R)	23,874,515	20,889,716
Lease liability	46,731,607	81,440,689
Other liability	13,264,769	16,229,130
Forward contract Payable (net)	6,878,000	3,398,965
	<u>90,748,891</u>	<u>121,958,500</u>
<b>SCHEDULE - M</b>		
<b>PROVISIONS</b>		
Compensated absences	7,406,462	6,441,061
Gratuity	3,738,487	3,291,814
	<u>11,144,949</u>	<u>9,732,875</u>



**SCHEDULE ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2010**

	YEAR ENDED 31ST MARCH, 2010 (RUPEES)	YEAR ENDED 31ST MARCH, 2009 (RUPEES)
<b>SCHEDULE - N</b>		
<b>OTHER INCOME</b>		
Interest		
On bank deposits [tax deducted at source Rs. 953,158 (Previous year: Rs.1,315,990)]	5,104,008	5,229,899
Others [tax deducted at source Nil (Previous year: Nil)]	67,542	24,722
	<u>5,171,550</u>	<u>5,254,621</u>
Credit balances written back	3,003,734	549,212
Reversal of provision for doubtful advance	2,000,000	—
Foreign exchange gain (net)	—	2,842,064
License fees received on software	19,216,000	—
Miscellaneous Income	516,617	380,611
	<u>29,907,901</u>	<u>9,026,508</u>
<b>SCHEDULE - O</b>		
<b>EMPLOYEE COST</b>		
Salaries, wages and bonus	114,825,083	128,245,440
Contribution to provident and other funds	1,851,364	1,908,440
Staff welfare expenses	3,973,370	4,916,311
	<u>120,649,817</u>	<u>135,070,191</u>
<b>SCHEDULE - P</b>		
<b>OTHER OPERATING EXPENES</b>		
Retainership fees	87,134,725	133,840,141
Electricity charges	13,564,123	17,150,207
Rent	39,446,808	27,009,940
Rates and taxes	818,333	901,888
Insurance	606,674	657,443
Legal and professional charges	7,811,808	4,132,682
Marketing expenses	21,736,000	—
Travelling and conveyance	9,052,365	12,192,357
Communication expenses	2,733,357	3,019,669
Utilities and services	2,408,260	2,483,250
Consumable stores and spares	125,464	38,006
Repairs and maintenance:		
Buildings	87,076	—
Machinery and equipment	656,774	1,294,376
Others	528,908	1,317,777
Debit balances written off	149,729	118,371
Directors' sitting fees	365,000	395,000
Loss on sale of asset	553,568	119,368
Foreign exchange Loss (net)	20,965,468	—
Premium on forward exchange contract amortised	1,199,851	—
Miscellaneous expenses	5,167,301	5,221,934
	<u>215,111,592</u>	<u>209,892,409</u>

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**SCHEDULE ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2010**

	YEAR ENDED 31ST MARCH, 2010 (RUPEES)	YEAR ENDED 31ST MARCH, 2009 (RUPEES)
<b>SCHEDULE - Q</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
Interest		
On fixed loans	1,629,542	2,721,665
Others	21,737,975	14,580,736
	<u>23,367,517</u>	<u>17,302,401</u>
Finance charges		
On leases	6,437,659	8,356,656
Others	4,508,044	4,055,680
	<u>10,945,703</u>	<u>12,412,336</u>
	<u>34,313,220</u>	<u>29,714,737</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

	YEAR ENDED MARCH 31, 2010 (RUPEES)	YEAR ENDED MARCH 31, 2009 (RUPEES)
<b>A CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	4,322,097	(67,521,261)
Adjustment for:		
Prior period adjustment	2,010,799	—
Depreciation	100,885,805	104,991,855
Loss on sale of fixed assets	553,568	119,368
Interest income	(5,171,550)	(5,254,621)
Interest expenses	34,313,220	29,714,737
Credit balance written back	(3,003,734)	(549,212)
Reversal of provision for doubtful advance	(2,000,000)	—
Debit balance written off	149,729	118,371
Unrealised foreign exchange (gain) / loss (net)	6,666,886	(10,154,353)
Operating profit before working capital changes	138,726,820	51,464,884
Movements in working capital:		
Decrease / (increase) in sundry debtors	(19,582,466)	30,440,254
Decrease in Other Current Assets	20,305,844	6,266,809
Increase in inventories	(91,770,306)	(28,708,865)
Decrease / (Increase) in loans and advances	14,981,989	(1,984,341)
Increase in provisions	1,412,074	1,199,181
Increase / (Decrease) in current liabilities	2,731,722	(8,315,164)
Cash generated from operations	66,805,677	50,362,758
Direct taxes paid	(3,224,894)	(3,258,926)
<b>Net cash from operating activities</b>	<b>63,580,783</b>	<b>47,103,832</b>
<b>B CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(40,263,805)	(5,331,464)
Finance lease payment	(34,709,082)	(51,875,095)
Proceeds from sale of fixed assets	123,890	310,000
Advance against purchase of shares of subsidiary company	—	(37,740,000)
Purchase of shares of subsidiary company	(11,850,000)	—
Interest received	8,881,370	1,159,155
<b>Net cash used in investing activities</b>	<b>(77,817,627)</b>	<b>(93,477,404)</b>

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

	YEAR ENDED MARCH 31, 2010 (RUPEES)	YEAR ENDED MARCH 31, 2009 (RUPEES)
<b>C CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Unclaim dividend transfer to investor education and protection fund	—	(218,902)
(Repayment)/Proceeds from short-term borrowings	(22,704,838)	130,340,183
Proceeds from long-term borrowings	50,000,000	—
Repayment of long-term borrowings	(13,210,179)	(24,494,967)
Finance charges on lease payment	(6,437,659)	(8,356,656)
Interest paid on fixed loan & others	(23,103,075)	(20,098,515)
<b>Net cash from/(used in) financing activities</b>	<b>(15,455,751)</b>	<b>77,171,143</b>
<b>Net (decrease)/increase in cash and cash equivalents (A+B+C)</b>	<b>(29,692,595)</b>	<b>30,797,571</b>
Cash and cash equivalents at the beginning of the year	31,684,961	889,824
Effect of exchange difference on cash and cash equivalents	(13,653)	(2,434)
<b>Cash and cash equivalents at the end of the year</b>	<b>1,978,713</b>	<b>31,684,961</b>
<b>Components of cash and cash equivalents</b>		
Cash on hand	5,608	919
Balances with scheduled banks:		
on current accounts	1,973,105	31,684,042
on fixed deposit accounts under lien	56,554,000	56,554,000
Cash & cash equivalents in cash flow statement	58,532,713	88,238,961
Less: Fixed deposit under lien	(56,554,000)	(56,554,000)
Net cash and cash equivalents in cash flow statement	1,978,713	31,684,961

**Notes to the cash flow statement**

- 1 Previous year's figures have been regrouped where necessary.

As per our report of even date

**For S. R. Batliboi & Associates**  
Firm Registration No. 101049W  
Chartered Accountants

Sd/-  
**per Govind Ahuja**  
Partner  
Membership No. : 48966

Mumbai: 9th August, 2010

**For Chaturvedi & Shah**  
Firm Registration No. 101720W  
Chartered Accountants

Sd/-  
**Amit Chaturvedi**  
Partner  
Membership No. : 103141

Mumbai: 9th August, 2010

For and on behalf of the Board

Sd/-  
**Seemha Ramanna**  
Managing Director

Sd/-  
**A K Madhavan**  
Chief Executive Officer

Mumbai: 9th August, 2010

Sd/-  
**T N V Ayyar**  
Director

Sd/-  
**Madhav Oak**  
Company Secretary

Sd/-  
**Vijay Paranjpe**  
Chief Financial Officer

**SCHEDULE - R  
NOTES TO ACCOUNTS**

**1. Nature of Operations**

Crest Animation Studios Limited is a full-service studio specializing in the development and production of digital animated properties for theatrical, television, home entertainment and interactive distribution for the global entertainment industry.

**2. Statement of Significant Accounting Policies**

**a) Basis of accounting:**

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in the case of revaluation of assets. The accounting policies applied by the Company are consistent with those used in the previous year.

**b) Use of estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the year. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

**c) Fixed Assets:**

Owned assets are stated at cost of acquisition including incidental expenses related to acquisition and installation or at revalued amounts, wherever applicable, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any other attributable cost of bringing the assets to its working condition for its intended use.

**d) Impairment:**

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. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

**e) Depreciation:**

(i) Depreciation on tangible assets is provided on the Straight Line Method at the rates prescribed in schedule XIV of the Companies Act, 1956, except in respect of leasehold improvement and certain furniture, fixtures and office equipments, where depreciation is provided over a period of five years.

(ii) Depreciation on intangible assets is provided on the straight-line method. Copyrights are amortised over the expected period of exploitation ranging from 24 months to 120 months. Software is being amortised over a period of 60 months being the estimated useful life.

(iii) The excess of depreciation provided on re-valued fixed assets over the amount computed with reference to the original costs thereof is withdrawn from revaluation reserve and transferred to the profit and loss account.

**f) Investments:**

(i) Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.

(ii) Long term investments are stated at cost less provision for diminution in the value to recognise a decline, other than temporary, wherever applicable. Cost includes expenditure attributable to the acquisition of investments.

(iii) Current Investments are stated at lower of cost and market value determined on an individual investment basis.

**g) Inventories:**

Work-in-process is valued at cost by applying absorption costing method or at net realisable value whichever is lower. Work-in-process in respect of television serials includes pro-rata cost attributable to modelling and preparatory costs of projects, amortised appropriately as per the progressive execution of contracts/ projects. Work-in-process in respect of feature film includes pro-rata cost attributable to start ups, modelling and preparatory costs of projects, amortised appropriately.

**h) Revenue recognition:**

Revenue is primarily in the nature of animation services for television serials, features and other media. Contracts in respect of television serials are divisible into individual episodes, unlike features and other media where there is generally only one deliverable.

Revenue is recognised on the following basis:

Television serials : When the relevant episode is transmitted on completion.

Features : Revenue is recognised in the proportion of contract costs incurred for work performed to the estimated total contract costs. Provisions for estimated losses on uncompleted contracts are made in the year on which such losses are determined.

Other media : When delivered on completion except in respect of contracts of long-term nature where revenue is recognised on the basis similar to features.

Sale of rights to share revenue in television serials, features and other media : As per the terms of the agreement.

Unbilled Revenue represents excess of revenue recognised based on percentage of completion over the progress billing as per the contract.

**SCHEDULE - R (Contd.)****Interest:-**

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

**Dividends:-**

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

**i) Borrowing 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. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**j) Foreign currency transactions****(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 reported using the closing rate. Non-monetary items which are carried 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 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 recognised as income or as expenses in the year in which they arise.

**(iv) Forward Exchange Contracts not intended for trading or speculation purposes**

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

**(v) Accounting For Derivatives**

As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the profit and loss account. Net gains are ignored.

**j) Taxation:**

Tax expense comprises current, deferred and fringe benefit tax. Current tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Deferred tax

reflects 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 balance sheet date. 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 tax liabilities relate to the taxes on income levied by same governing taxation laws. 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 supported by convincing evidence that they can be realised against future taxable profits.

The carrying amount of deferred tax assets are reviewed at each balance sheet 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.

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

**k) Provisions:**

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

**l) Leases:**

Leases where the lessor transfers substantially all the risks and rewards incidental to ownership of the leased assets are classified as finance leases. Leases other than finance leases are classified as operating leases.

At the inception of a finance lease, the lessee recognises the lease as an asset and a liability at lower of the fair value and the present value of minimum lease payments. Finance lease payments are apportioned between the finance charge at a constant periodic rate of interest and the reduction of the outstanding liability.



SCHEDULE - R (Contd.)

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

**m) Employee benefits:**

(i) Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

(ii) Post employment benefits:

(A) Defined Contribution Plan:

Provident and Family Pension Fund

The eligible employees of the Company are entitled to receive post employment benefits in respect of provident and family pension fund, in which both employees and the Company make monthly contributions at a specified percentage of the employees' eligible salary (currently 12% of employees' eligible salary). Provident Fund and Family Pension Fund are classified as Defined Contribution Plan as the Company has no further obligations beyond making the contribution. The Company's contribution to Defined Contribution Plan are charged to profit and loss account as incurred.

(B) Defined Benefit Plan:

Gratuity

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company accounts for gratuity benefits payable in future based on an independent actuarial valuation made at the year-end on projected unit credit method. Actuarial gains and losses are recognised in the profit and loss account.

(C) Other long term employee benefits - compensated absences:

The Company provides for encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment/availment. The Company makes provision for compensated absences based on an independent actuarial valuation made at the year-end on projected unit credit method. Actuarial gains and losses are recognised in the profit and loss account.

**n) 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.

**o) Earnings per share:**

Basic earnings per share has been calculated by dividing the net profit or loss after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The Company has not issued any potential equity shares and accordingly, the basic earnings per share and diluted earnings per share are the same.

**3. Commitments:**

Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 3,037,560 (Previous Year: Rs.Nil).

**4. Contingent liabilities not provided for:**

Disputed income-tax demands Rs. 17,064,051 (Previous Year: Rs. 17,231,131)

Future cash outflows in respect of contingent liability are determinable only on receipt of judgements pending at various forums.

**5. Investments in subsidiary companies:**

Out of the total losses of Rs.36,896,822 of the subsidiaries and the step-down subsidiaries and their joint ventures (as against previous year's loss of Rs. 71,974,413), attributable to the Company, is on account of write off of investment in books of accounts of the Company's subsidiary.

In the opinion of the management, these losses do not have any adverse bearing on the companies' perception of the business value of the investments made in the subsidiaries particularly considering the outstanding volume of business of the subsidiaries.

Consequently in the opinion of the management there is neither a diminution in the value of the investments in subsidiary companies nor any provision required.

**6. Managerial remuneration:**

	Year ended 31 <sup>st</sup> March, 2010 (Rupees)	Year ended 31 <sup>st</sup> March, 2009 (Rupees)
Salary	5,400,000	2,400,000
Provident fund and other funds	648,000	288,000
Perquisites and benefits	5,500,536	1,699,461
	<u>11,548,536</u>	<u>4,387,461</u>

**Notes: -**

1) As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors are not included above.

2) Government of India, Ministry of Corporate Affairs has vide, its letter no. A47350426/2/2009-CL. VII dated 14.01.2010, approved the payment of increased remuneration of Rs. 625,000/- per month (excluding Provident fund & Other Funds) to Managing Director of the Company for the period from 1<sup>st</sup> April, 2008 to 30<sup>th</sup> September 2010 under section 310 of the Companies Act, 1956. Accordingly Company has paid arrears of Rs. 3,400,536 pertaining to financial year 2008-09 in the current year, which is included in figures shown above for Salary and Perquisites & benefits.

SCHEDULE - R (Contd.)

**Computation of Net Profit in accordance with section 349 of the Companies Act, 1956 for calculation of remuneration payable to directors**

	Year ended 31 <sup>st</sup> March, 2010 (Rupees)	Year ended 31 <sup>st</sup> March, 2009 (Rupees)
Profit/ (Loss) before tax as per Profit and Loss Account	4,322,097	(67,521,261)
<i>Add:</i>		
Directors' remuneration	11,548,536	4,099,461
Depreciation as per Profit and Loss account	100,885,805	104,991,855
Loss on sale of fixed assets (net) as per Profit and Loss account	553,568	119,368
<i>Less:</i>		
Depreciation (to the extent specified in section 350 of the Companies Act, 1956)	100,885,805	104,991,855
Net Profit/(loss) as per Section 349 of the Companies Act, 1956	16,424,201	(63,302,432)

**7. Auditors' remuneration (excluding service tax, included in Legal & professional expenses):**

	Year ended 31 <sup>st</sup> March, 2010 (Rupees)	Year ended 31 <sup>st</sup> March, 2009 (Rupees)
Audit fees	1,400,000	1,400,000
Tax Audit	250,000	250,000
Limited Review	900,000	750,000
Taxation Matters	950,000	615,000
Reimbursement of expenses	53,988	44,253
<b>Total</b>	<b>3,553,988</b>	<b>3,059,253</b>

**8. Segment reporting:**

The Company is engaged in providing 3D Animation i.e. full-service studio specializing in the development and production of digital animated properties for theatrical, television, home entertainment and interactive distribution for the global entertainment industry. Management believes that the risks and returns from these services are not predominantly different from one another and hence considers the Company to operate in a single business segment. As per Accounting standard AS (17) on segment reporting segment information has been provided under the notes to consolidated financial statements.

**9. Leases**

**Finance lease:**

Computers include Computer hardware and Computer software obtained on finance lease. The lease term is up to 48 months after which the legal title would be transferred to the lessee. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no subleases.

**Operating Lease:**

Office premises and car are obtained on operating lease. The lease term for office premises is 36 months and for car is 48 months and renewable for further 24 months at the option of the Company in case of office premises. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no subleases.

	Finance Lease		Operating Lease	
	Year ended 31 <sup>st</sup> March, 2010 (Rupees)	Year ended 31 <sup>st</sup> March, 2009 (Rupees)	Year ended 31 <sup>st</sup> March, 2010 (Rupees)	Year ended 31 <sup>st</sup> March, 2009 (Rupees)
Total minimum future lease payments at the year end	49,543,449	87,845,358	—	—
Less : amount representing finance charges	2,811,842	6,404,669	—	—
Present value of future minimum lease payments (Rate of interest: 12.70% p.a.)	46,731,607	81,440,689	—	—
Lease payments for the year	41,904,381	60,312,340	22,939,608	21,905,740
<b>Minimum Lease Payments :</b>				
Not later than one year [For finance lease : Present value Rs. 37,653,891 as on 31.03.2010 (Rs49,718,887 as on 31.03.2009)]	40,131,346	54,055,750	749,208	749,208
Later than one year but not later than five years [For finance lease : Present value Rs. 9,077,716 as on 31.03.2010 (Rs. 31,721,802 as on 31.03.2009)]	9,412,103	33,789,608	1,123,812	1,873,020

## CREST ANIMATION STUDIOS LIMITED

### SCHEDULE - R (Contd.)

#### 10. Related party disclosures:

##### A. Related parties and relationships

Related parties where control exists irrespective of whether transactions have occurred or not

Subsidiaries	Crest Communication Holdings Ltd., Mauritius Crest Interactive Ltd.
Step-down subsidiaries	Crest Animation Holdings Inc. Crest Intermediate Inc. Crest Animation Production Inc. Roop BDR Productions Inc. Crest Communication (Singapore) Pte. Ltd. Crest Entertainment (Singapore) Pte. Ltd.

Other related parties with whom transactions have taken place during the year

Key Management Personnel	Mrs. Seemha Ramanna – Managing Director
Relatives of Key Management Personnel	Mr. Varun Ramanna – Son of Managing Director

##### B. Party Related Transactions

	Crest Communication Holdings Limited (Rupees)	Crest Interactive Limited (Rupees)	Crest Animation Production Inc. (Rupees)	Mrs. Seemha Ramanna (Rupees)	Mr. Varun Ramanna (Rupees)
<b>I. Transactions during the year</b>					
Revenue from services	—	—	285,361,869	—	—
	(—)	(—)	(277,666,596)	(—)	(—)
Managerial remuneration	—	—	—	11,548,536	—
	(—)	(—)	(—)	(4,387,461)	(—)
Remuneration	—	—	—	—	259,978
	(—)	(—)	(—)	(—)	(—)
Marketing expenses	—	—	21,736,000	—	—
	(—)	(—)	(—)	(—)	(—)
Guarantee commission	—	—	—	2,455,500	—
	(—)	(—)	(—)	(2,455,500)	(—)
Investment in equity share capital	49,590,000	—	—	—	—
	(—)	(—)	(—)	(—)	(—)
Prior Period Income	—	—	2,010,799	—	—
	(—)	(—)	(—)	(—)	(—)
Advance against purchase of shares	—	—	—	—	—
	(37,740,000)	(—)	(—)	(—)	(—)
Guarantee given during the year	—	—	—	80,000,000	—
	—	—	—	(—)	(—)
<b>II. Balances outstanding as at the year end</b>					
Guarantees obtained	—	—	163,700,000	243,700,000	—
	(—)	(—)	(163,700,000)	(163,700,000)	(—)
Sundry Debtors	—	—	98,779,631	—	—
	(—)	(—)	(188,209,713)	(—)	(—)
Unbilled Revenue	—	—	56,568,191	—	—
	(—)	(—)	(120,870,959)	(—)	(—)
Advances to subsidiaries	—	123,165,021	4,480,267	—	—
	(—)	(123,165,021)	(21,736,000)	(—)	(—)

Note: Figures in brackets are the corresponding figures in respect of the previous year.

SCHEDULE - R (Contd.)

		As at 31 <sup>st</sup> March, 2010 (Rupees)	As at 31 <sup>st</sup> March, 2009 (Rupees)
<b>11. Additional disclosure as required by the amended clause 32 of the listing agreements with relevant stock exchanges.</b>			
	As at 31 <sup>st</sup> March, 2010 (Rupees)	As at 31 <sup>st</sup> March, 2009 (Rupees)	
Loans and advances in the nature of loans to subsidiaries			
Advances to Crest Interactive Limited	123,165,021	123,165,021	
Loans and advances in the nature of loans where there is: (i) no repayment schedule or (ii) no interest.			
Employee loans [includes provision for doubtful advances of Rs. 721,570 (previous year: Rs. 721,570)]			
Balance outstanding as at the year end	1,276,767	2,106,771	
Maximum Balance outstanding during the year	2,113,550 (Shares)	2,123,156 (Shares)	
No. of shares of the Company held by the loanee	700	500	
<b>12. Deferred taxes:</b>			
	As at 31 <sup>st</sup> March, 2010 (Rupees)	As at 31 <sup>st</sup> March, 2009 (Rupees)	
Deferred tax liabilities			
Depreciation	(31,831,541)	(34,349,571)	
Depreciation on assets acquired under finance lease	(5,388,405)	(13,824,761)	
	<u>(37,219,946)</u>	<u>(48,174,332)</u>	
Deferred tax assets			
Provision for doubtful debts	6,387,011	6,535,546	
Provision for doubtful advances	20,746,993	21,637,278	
Items covered under section 43B	3,702,074	3,308,205	
Unabsorbed depreciation (*)	6,383,868	16,693,303	
Carry forward business loss (*)	—	—	
	<u>37,219,946</u>	<u>48,174,332</u>	
Net Deferred Taxes	<u>—</u>	<u>—</u>	
(*) Deferred tax assets are recognised to the extent deferred tax liability.			
<b>13. Employee benefits:</b>			
(a) Defined Contribution Plan			
Contribution to defined contribution plan, recognised in the statement of profit and loss account under Employee cost, Contribution to provident and other funds, in Schedule O for the year are as under:			
	As at 31 <sup>st</sup> March, 2010 (Rupees)	As at 31 <sup>st</sup> March, 2009 (Rupees)	
Employer's contribution to Provident Fund	1,307,494	1,193,622	
Employer's contribution to Family Pension Fund	316,919	448,413	
	<u>1,624,413</u>	<u>1,642,035</u>	
(b) Defined Benefit Plan			
Gratuity – As per actuarial valuation as on 31 <sup>st</sup> March, 2010			
	As at 31 <sup>st</sup> March, 2010 (Rupees)	As at 31 <sup>st</sup> March, 2009 (Rupees)	
<b>I Reconciliation of opening and closing balances of Defined Benefit obligation</b>			
Present Value of Defined Benefit obligation as at the beginning of the year	3,424,481	1,982,025	
Interest Cost	391,855	209,375	
Current Service Cost	1,816,698	577,187	
Benefits paid	(32,885)	(249,231)	
Net Actuarial Loss / (Gain)	<u>(1,658,158)</u>	<u>905,125</u>	
Present Value of Defined Benefit obligation as at the end of the year	<u>3,941,991</u>	<u>3,424,481</u>	
<b>II Reconciliation of fair value of plan assets</b>			
Fair value of plan assets as at the beginning of the year	132,667	111,232	
Expected return on plan assets	16,813	18,868	
Net Actuarial Gain / (Loss)	(7,025)	2,567	
Employer's contribution	93,934	249,231	
Benefits paid	(32,885)	(249,231)	
Fair value of plan assets as at the end of the year	<u>203,504</u>	<u>132,667</u>	
<b>The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:</b>			
Funds maintained with Life Insurance Corporation of India.	59%	64%	
Bank balance	41%	36%	
	<u>100%</u>	<u>100%</u>	
<b>III Net Liability recognised in Balance Sheet</b>			
Present Value of Defined Benefit obligation	3,941,991	3,424,481	
Fair value of plan assets	<u>203,504</u>	<u>132,667</u>	
Net liability recognised in Balance Sheet (unfunded)	<u>3,738,487</u>	<u>3,291,814</u>	

## CREST ANIMATION STUDIOS LIMITED

### SCHEDULE - R (Contd.)

	As at 31 <sup>st</sup> March, 2010 (Rupees)	As at 31 <sup>st</sup> March, 2009 (Rupees)	
<b>IV Component of employer's expenses</b>			
Current Service Cost	1,816,698	577,187	
Interest Cost	391,856	209,375	
Expected Return on Plan Asset	(16,813)	(18,868)	
Net Actuarial Loss / (Gain)	(1,651,134)	902,558	
Total expenses recognised in the Profit and Loss Account in Schedule O, under Employee cost – Salaries, wages & bonus	<u>540,607</u>	<u>1,670,252</u>	
Actual return on plan assets	16,813	21,435	
<b>V Actuarial assumptions</b>			
Mortality Table:	<b>LIC (1994-96)</b>	<i>LIC (1994-96)</i>	
Discount rate	8.00%	7.50%	
Salary escalation	6.00%	5.00%	
a) The discount rate is based on the benchmark rate available on Government of India securities for the tenure of 28 years.			
b) Expected rate of return on plan assets is based on our expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.			
c) The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.			
d) The company expects to contribute Rs. 648,728 in next year.			
e) Additional disclosure as per para 120(n) of Accounting Standard – 15 (Revised)			
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Defined benefit obligation	3,941,991	3,424,481	1,982,025
Plan assets	203,504	132,667	111,232
Surplus / (deficit)	(3,738,487)	(3,291,814)	(1,870,793)
Actuarial (gain) / loss on plan liabilities	(1,658,158)	905,125	678,220
Actuarial (gain) / loss on plan Assets	7,025	(2,567)	(14,252)

### 14. Derivative Instrument and Unhedged Foreign Currency Exposure:

Purpose	As at 31 <sup>st</sup> March, 2010		As at 31 <sup>st</sup> March, 2009	
	(USD)	(Rupees)	(USD)	(Rupees)
Forward Contracts Outstanding				
Debtors	—	—	423,547	21,401,829
Foreign Currency Demand Loan (Hedge against future payment of loan)	1,520,000	74,776,000	—	—
Unhedged Foreign Currency Exposure				
Debtors	2,898,869	129,492,490	1,883,232	95,159,713
Loans and Advances	100,297	4,480,267	—	—
EEFC Account	8,749	390,836	2,435	265,731

### 15. Additional information pursuant to the provisions of paragraph 4D of Part II of Schedule VI to the Companies Act, 1956:

	Year ended 31 <sup>st</sup> March, 2010 (Rupees)	Year ended 31 <sup>st</sup> March, 2009 (Rupees)
Expenditure in foreign currency (Accrual basis)		
Travelling	2,321,896	1,734,453
Professional charges	66,600	133,380
Marketing expenses	17,236,000	—
Others	329,475	235,555
	<u>19,953,971</u>	<u>2,103,388</u>
Value of imports (C.I.F basis)		
Capital goods	32,149,622	1,510,410
	<u>32,149,622</u>	<u>1,510,410</u>
Earnings in foreign exchange (Accrual basis)		
Revenue	353,604,324	374,340,503
License fees received on software	19,216,000	—
	<u>372,820,324</u>	<u>374,340,503</u>

### 16. Dues to Micro, Small and Medium Enterprises

The identification of Micro, Small and Medium enterprises is based on the management's knowledge of their status. The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006. Hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been made.

17. Prior period income represents tax deducted on marketing expenses of earlier years expensed out in previous year.

18. The amount of borrowing cost capitalised under Inventories during the period is Rs. 4,144,864/- (previous year Rs. Nil).

### 19. Previous Year Comparatives :

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

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Name of the Subsidiary Company	Financial year of the subsidiary Company ended on	Holding Company	Extent of Holding Company's interest (%)	Face Value of Equity shares	Number of shares held by the Holding Company and/or its subsidiaries	Net aggregate amounts of the profits/(losses) of the subsidiary so far as it concerns the members of the holding company and is not dealt with in the accounts of Holding Company		Net aggregate amounts of the profits/(losses) of the subsidiary so far as it concerns the members of the holding company and is dealt with in the accounts of Holding Company	
						For the financial year of the subsidiary	For the previous financial years of the subsidiary since it became its subsidiary	For the financial year of the subsidiary	For the previous financial years of the subsidiary since it became its subsidiary
1	2	3	4	5	6	7	8	9	10
Crest Interactive Ltd.	31-Mar-10	Crest Animation Studios Ltd	100%	Rs. 10	50,000	(INR 44,190)	(INR 59,966)	Nil	Nil
Crest Communication Holdings Ltd.	31-Mar-10	Crest Animation Studios Ltd	100%	USD 1	1,530,034	(USD 901,166)	(USD 212,085)	Nil	Nil
Crest Communication (Singapore) Pte. Ltd	31-Mar-10	Crest Communication Holdings Ltd.	100%	SGD 1	1,978,872	(SGD531,043)	(SGD 298,588)	Nil	Nil
Crest Entertainment (Singapore) Pte. Ltd	31-Mar-10	Crest Communication (Singapore) Pte. Ltd.	100%	SGD 1	2	SGD29,408	(SGD 4,485)	Nil	Nil
Crest Animation Holdings, Inc.	31-Mar-10	Crest Communication Holdings Ltd.	85.64%	USD 0.01	57,373	USD 129,210	(USD 1,125,347)	Nil	Nil
Crest Intermediate Inc.	31-Mar-10	Crest Animation Holdings, Inc.	100%			Nil	Nil	Nil	Nil
Crest Animation Production, Inc.	31-Mar-10	Crest Intermediate Inc.	100%			N.A.	N.A.	Nil	Nil
Roop BDR Productions Inc.	31-Mar-10	Crest Animation Production, Inc.	100%			N.A.	N.A.	Nil	Nil

Note - . SGD - Singapore Dollar, USD - United States Dollar

## For and on behalf of the Board

Sd/-  
**Seemha Ramanna**  
Managing Director

Sd/-  
**A K Madhavan**  
Chief Executive Officer

Sd/-  
**Madhav Oak**  
Company Secretary

Sd/-  
**T N V Ayyar**  
Director

Sd/-  
**Vijay Paranjpe**  
Chief Financial Officer

Mumbai: 9th August, 2010



**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration No.	11-56397	State Code	11
Balance Sheet Date	31.03.2010		

**II. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities	1,509,887	Total Assets	1,509,887
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**Sources of Funds**

Paid-up Capital	225,852	Reserves & Surplus	1,102,754
Secured Loans	181,056	Unsecured Loans	225

**Application of Funds**

Net Fixed Assets	238,735	Investments	558,224
Net Current Assets	550,634	Misc. Expenditure	Nil
Accumulated Losses	162,295		

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover ( Gross Revenue)	383,512	Total Expenditure	379,190
Profit / Loss Before Tax	4,322	Profit / Loss After Tax	6,443
Earning per share Rs.	0.29	Dividend Rate %	Nil

**V Generic Name of Three Principal Products/Services of Company (as per monetary terms)**

Item Code No. (ITC Code)	8524
Product Description	Video Software

**For and on behalf of the Board**

Sd/-  
**Seemha Ramanna**  
Managing Director

Sd/-  
**A K Madhavan**  
Chief Executive Officer

Sd/-  
**Madhav Oak**  
Company Secretary

Sd/-  
**T N V Ayyar**  
Director

Sd/-  
**Vijay Paranjpe**  
Chief Financial Officer

Mumbai: 9th August, 2010

## AUDITOR'S REPORT

### The Board of Directors Crest Animation Studios Limited

1. We have audited the attached consolidated balance sheet of Crest Animation Studios Limited, the parent company and its subsidiaries ('the Group'), as at March 31, 2010, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Crest Animation Studios Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries and a joint venture, whose financial statements reflect total assets of Rs. 429.97 million as at March 31, 2010, the total revenue of Rs. 305.56 million and cash flows amounting to Rs. 52.80 million for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the Crest Animation Studios Limited's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures notified pursuant to the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the consolidated balance sheet, of the state of affairs of the Crest Group as at March 31, 2010;
  - (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
  - (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

**For S.R. BATLIBOI & ASSOCIATES**  
Firm Registration no. 101049W  
Chartered Accountants

Sd/-  
**per Govind Ahuja**  
Partner  
Membership No.: 48966  
Mumbai, August 09, 2010

**For CHATURVEDI & SHAH**  
Firm Registration no. 101720W  
Chartered Accountants

Sd/-  
**Amit Chaturvedi**  
Partner  
Membership No.: 103141  
Mumbai, August 09, 2010

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH , 2010

	SCHEDULE NO.	AS AT 31ST MARCH, 2010 (RUPEES)	AS AT 31ST MARCH, 2009 (RUPEES)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share capital	A	225,851,780	225,851,780
Reserves and surplus	B	1,102,753,953	1,102,783,769
Minority interest		255,329,227	252,693,000
Stock option outstanding (see note 11 of Schedule 'S')		36,438,800	—
<b>Loan Funds</b>			
Secured loans	C	181,056,311	162,379,659
Unsecured loan	D	225,313	4,816,982
		<b>1,801,655,384</b>	<b>1,748,525,190</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross block	E	1,054,942,068	1,015,701,710
Less : Accumulated depreciation and amortisation		675,508,361	615,638,798
Net block		379,433,707	400,062,912
<b>Investments</b>			
	F	247,006,728	210,809,964
<b>Current Assets, Loans and Advances</b>			
Inventories	G	386,792,673	303,833,704
Sundry debtors	H	32,438,321	49,339,136
Cash and bank balances	I	149,152,680	233,064,484
Other Current Assets	J	103,032,881	127,176,744
Loans and advances	K	51,261,464	49,049,952
		<b>722,678,019</b>	<b>762,464,020</b>
<b>Less: Current Liabilities and Provisions</b>			
Current liabilities	L	171,204,698	252,563,877
Provisions	M	11,144,949	9,732,875
		<b>182,349,647</b>	<b>262,296,752</b>
<b>Net Current Assets</b>			
		<b>540,328,372</b>	<b>500,167,268</b>
Foreign Currency Translation Reserve		1,203,808	1,203,808
Miscellaneous expenditure (to the extent not written off or adjusted)	N	130,083	148,868
<b>Debit Balance in Profit and Loss Account</b>			
		<b>633,552,686</b>	<b>636,132,370</b>
		<b>1,801,655,384</b>	<b>1,748,525,190</b>
<b>NOTES TO ACCOUNTS</b>			
	S		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

**For S. R. Batliboi & Associates**  
Firm Registration No. 101049W  
Chartered Accountants

Sd/-  
**per Govind Ahuja**  
Partner  
Membership No. : 48966  
Mumbai: 9th August, 2010

**For Chaturvedi & Shah**  
Firm Registration No. 101720W  
Chartered Accountants

Sd/-  
**Amit Chaturvedi**  
Partner  
Membership No. : 103141  
Mumbai: 9th August, 2010

For and on behalf of the Board

Sd/-  
**Seemha Ramanna**  
Managing Director

Sd/-  
**A K Madhavan**  
Chief Executive Officer  
Mumbai: 9th August, 2010

Sd/-  
**T N V Ayyar**  
Director

Sd/-  
**Madhav Oak**  
Company Secretary

Sd/-  
**Vijay Paranjpe**  
Chief Financial Officer

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	SCHEDULE NO.	YEAR ENDED 31ST MARCH, 2010 (RUPEES)	YEAR ENDED 31ST MARCH, 2009 (RUPEES)
<b>INCOME</b>			
Revenue [Includes share in joint venture of Rs. Nil (Previous year : 657,525)]		616,329,725	571,062,858
Other income	O	31,782,643	11,879,933
		<b>648,112,368</b>	<b>582,942,791</b>
Add: Foreign currency translation adjustment		(1,843,759)	(4,116,208)
		<b>646,268,609</b>	<b>578,826,583</b>
<b>EXPENDITURE</b>			
Employee cost	P	210,179,473	216,473,068
Other operating expenses	Q	371,847,411	362,156,023
(Increase)/decrease in work-in-process		(82,958,969)	(56,036,718)
Provision for diminution in value of investment		541,493	3,417,349
Depreciation & amortisation	E	104,107,159	158,181,834
Less: Transferred from revaluation reserve		(29,816)	(29,816)
Interest and finance charges	R	34,313,220	30,753,648
		<b>637,999,971</b>	<b>714,915,388</b>
<b>PROFIT/ (LOSS) BEFORE TAX AND PRIOR PERIOD ITEM</b>		<b>8,268,638</b>	<b>(136,088,805)</b>
Provision for tax			
Current tax [including share in Joint Ventures Rs. 19,098 (Previous year: Rs.18,587)]		3,944,270	146,315
Less: MAT credit entitlement		(1,000,000)	—
Provision for fringe benefit tax		—	1,172,936
Excess provision for taxes of earlier years written back		110,538	—
		<b>2,833,732</b>	<b>1,319,251</b>
<b>PROFIT/ (LOSS) AFTER TAX BEFORE PRIOR PERIOD, MINORITY INTEREST &amp; SHARE OF LOSSES IN ASSOCIATE</b>		<b>5,434,906</b>	<b>(137,408,056)</b>
Prior period income (see note 10 of schedule 'S')		124,385	—
Minority Interest		(2,636,227)	3,637,756
Share of loss in associate		343,380	412,696
<b>PROFIT / (LOSS) AFTER TAX</b>		<b>2,579,684</b>	<b>(134,182,996)</b>
Balance brought forward from previous year		(636,132,370)	(501,949,374)
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>(633,552,686)</b>	<b>(636,132,370)</b>
<b>EARNING PER EQUITY SHARE</b>			
<b>Basic &amp; Diluted earning per share before prior period item, Minority Interest &amp; share of loss in associate</b>		<b>0.24</b>	<b>(6.08)</b>
<b>Basic &amp; Diluted earning per share after prior period item, Minority Interest &amp; share of loss in associate</b>		<b>0.11</b>	<b>(5.94)</b>
Weighted average number of equity shares outstanding during the year		22,585,178	22,585,178
Face value per equity share		10.00	10.00
<b>NOTES TO ACCOUNTS</b>	<b>S</b>		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date

**For S. R. Batliboi & Associates**  
Firm Registration No. 101049W  
Chartered Accountants

Sd/-  
**per Govind Ahuja**  
Partner  
Membership No. : 48966  
Mumbai: 9th August, 2010

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Membership No. : 103141  
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Chief Executive Officer

Mumbai: 9th August, 2010

Sd/-  
**T N V Ayyar**  
Director

Sd/-  
**Madhav Oak**  
Company Secretary

Sd/-  
**Vijay Paranjpe**  
Chief Financial Officer

**SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010**

	AS AT 31ST MARCH, 2010 (RUPEES)	AS AT 31ST MARCH, 2009 (RUPEES)
<b>SCHEDULE - A</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
30,000,000 (Previous Year: 30,000,000) Equity shares of Rs.10 each	300,000,000	300,000,000
	<u>300,000,000</u>	<u>300,000,000</u>
<b>ISSUED,SUBSCRIBED AND PAID UP</b>		
22,585,178 (Previous Year: 22,585,178) Equity shares of Rs.10 each fully paid-up	225,851,780	225,851,780
Of the above :		
(1) 487,500 (Previous Year: 487,500) Equity shares are allotted as fully paid-up pursuant to contracts without payments being received in cash		
(2) 660,800 (Previous Year: 660,800) Equity shares are issued as fully paid-up by way of bonus shares by capitalisation of general reserve of Rs. 6,500,000 (Year :1994 Rs. 6,500,000) and surplus in the profit and loss account of Rs.108,000 (Year :1994 Rs. 108,000)		
	<u>225,851,780</u>	<u>225,851,780</u>
<b>SCHEDULE - B</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Securities Premium:</b>		
As per last balance sheet	1,101,461,954	1,101,461,954
	<u>1,101,461,954</u>	<u>1,101,461,954</u>
<b>Revaluation Reserve:</b>		
As per last balance sheet	1,321,815	1,351,631
Less: Transferred to profit and loss account	(29,816)	(29,816)
	<u>1,291,999</u>	<u>1,321,815</u>
	<u>1,102,753,953</u>	<u>1,102,783,769</u>
<b>SCHEDULE - C</b>		
<b>SECURED LOANS</b>		
From Banks		
(1) Vehicle loans from ICICI Bank Limited (Secured by hypothecation of vehicles acquired under said loans.)	236,744	1,837,156
(2) Cash credit from State Bank of India	55,535,615	151,627,218
(3) Foreign Currency Demand Loan from State Bank of India (Both Cash credit & Foreign Currency Demand Loan are secured by lien on a fixed deposit of Rs. 50,000,000 and charge by way of hypothecation of book-debts / receivables and machineries of the Company [excluding fixed assets charged exclusively both present and future and by the personal guarantee of the Managing Director and corporate guarantee by one of the Company's step-down subsidiaries. Further, the loan is also secured by pledge of 200,000 Equity shares held in the Company by the Managing Director.]	68,317,611	—
(4) Term Loan from State Bank of India (Secured by hypothecation of fixed assets purchased out of the loan)	5,069,154	—
5) Term Loan from IDBI Bank Ltd (Secured by First charge on negatives of proposed film & first charge on all revenues/ receivables of the project. First charge on any letter of credit, guarantee or performance bond related to the project. First charge on dedicated current account relating to project, First charge on moveable assets of the company comprising of computer hardware worth Rs.2.19 crore and by the personal guarantee of the Managing Director. Further, the loan is also secured by pledge of 250,000 Equity shares held in the Company by the Managing Director.)	50,000,000	—
From Others		
6) Financing from Hewlett-Packard Financial Services (India) Private Limited (Secured by exclusive hypothecation/charge on the specific Fixed assets of the Company.)	1,897,187	8,915,285
	<u>181,056,311</u>	<u>162,379,659</u>
<b>SCHEDULE - D</b>		
<b>UNSECURED LOAN</b>		
From Others		
Financing from Hewlett-Packard Financial Services (India) Private Limited [Of the above Rs.225,313 ( Previous Year : Rs.4,816,982) is due within one year]	225,313	4,816,982
	<u>225,313</u>	<u>4,816,982</u>

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010**

Description	Gross Block				Depreciation / amortisation			Net Block	
	As at 1st April, 2009	Additions during the year	Deductions during the year	As at 31st March, 2010	As at 1st April, 2009	For the year	On deductions during the year	As at 31st March, 2010	As at 31st March, 2009
<b>A. Owned Assets</b>									
<b>I. Tangible Assets:</b>									
Building	9,745,489 *	—	—	9,745,489	1,721,884	158,851	—	7,864,754	8,023,605
Leasehold improvements	14,918,012	—	—	14,918,012	9,427,387	3,326,144	—	2,164,481	5,490,625
Plant and machinery	149,634,882	—	1,362,523	148,272,359	116,879,714	10,518,178	760,325	21,634,792	32,755,168
Computers - Hardware	190,538,085	18,355,914	739,044	208,154,955	141,059,205	25,121,956	671,913	42,645,707	49,478,880
Furniture, fixtures and office equipment	45,729,483	369,918	290,344	45,809,057	17,036,562	5,318,529	290,326	23,744,292	28,692,921
Vehicles	11,245,498	—	—	11,245,498	4,087,182	1,068,322	—	6,089,994	7,158,316
<b>Sub total (A) (I)</b>	421,811,449	18,725,832	2,391,911	438,145,370	290,211,934	45,511,980	1,722,564	334,001,350	131,599,515
Previous year	420,054,566	3,375,408	1,618,525	421,811,449	253,475,901	37,901,817	1,165,784	290,211,934	131,599,515
<b>II. Intangible Assets:</b>									
Goodwill arising on consolidation	13,469,459	—	7,569,014	5,900,445	6,834,838	591,823	1,526,216	—	6,634,621
Copyrights	48,152,150	45	39,630,516	8,521,679	48,152,150	—	39,630,516	45	—
Software	290,333,816	23,469,378	1,381,720	312,421,474	201,699,585	38,300,559	1,338,125	73,759,455	88,634,231
Rights in revenue of animated television serial, Features and other media	122,190,848	48,113,700	—	170,304,548	34,904,000	386,888	—	135,013,660	87,286,848
<b>Sub total (A) (II)</b>	474,146,273	71,583,123	48,581,250	497,148,146	291,590,573	39,279,270	42,494,857	208,773,160	182,555,700
Previous year	432,655,301	41,490,972	—	474,146,273	194,472,436	97,118,137	—	291,590,573	182,555,700
<b>Total owned assets (A)</b>	895,957,722	90,308,955	50,973,161	935,293,516	581,802,507	84,791,250	44,217,421	622,376,336	314,155,215
Previous year	852,709,867	44,866,380	1,618,525	895,957,722	447,948,337	135,019,954	1,165,784	581,802,507	314,155,215
<b>B. Assets acquired on finance lease</b>									
<b>I. Tangible Assets:</b>									
Plant and machinery	4,179,296	—	—	4,179,296	482,819	524,220	—	3,172,257	3,696,477
Computers - Hardware	114,422,772	—	95,436	114,327,336	32,937,263	18,563,305	20,175	62,846,943	81,485,509
<b>Sub Total (B) (I)</b>	118,602,068	—	95,436	118,506,632	33,420,082	19,087,525	20,175	66,019,200	85,181,986
Previous year	113,649,224	4,952,844	—	118,602,068	10,258,202	23,161,880	—	33,420,082	85,181,986
<b>II. Intangible Assets:</b>									
Computer Software	1,141,920	—	—	1,141,920	416,209	228,384	—	497,327	725,711
<b>Sub Total (B) (II)</b>	1,141,920	—	—	1,141,920	416,209	228,384	—	497,327	725,711
Previous year	1,141,920	—	—	1,141,920	416,209	—	—	416,209	725,711
<b>Total assets acquired on finance lease (B)</b>	119,743,988	—	95,436	119,648,552	33,836,291	19,315,909	20,175	66,516,527	85,907,697
Previous year	114,791,144	4,952,844	—	119,743,988	10,674,411	23,161,880	—	33,836,291	85,907,697
<b>Total (A+B)</b>	1,015,701,710	90,308,955	51,068,597	1,054,942,068	615,638,798	104,107,159	44,237,596	379,433,707	400,062,912
Previous year	967,501,011	49,819,224	1,618,525	1,015,701,710	458,622,748	158,181,834	1,165,784	379,433,707	400,062,912

\* includes addition of Rs. 1,829,136 on account of revaluation made in the financial year 1993-1994.

\* Includes Rs. 500 (previous year Rs. 500) representing 10 unquoted fully paid shares at Rs. 50 each in Neelam centre industrial premises co-operative society limited



## CREST ANIMATION STUDIOS LIMITED

### SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

	AS AT 31ST MARCH, 2010 (RUPEES)	AS AT 31ST MARCH, 2009 (RUPEES)
<b>SCHEDULE - F</b>		
<b>INVESTMENTS</b>		
<b>Long Term Investments - {Trade, Unquoted (at cost)} :</b>		
<b>In Associate Company</b>		
Crest Alpha, LLC	204,579,706	205,708,002
Norm Financing, LLC	37,866,553	—
<b>In Others</b>		
TLC Entertainment and SCCA/K10C Inc	13,930,254	13,930,254
Less: Provision for diminution in value	9,369,785	8,828,292
	<u>4,560,469</u>	<u>5,101,962</u>
	<u>247,006,728</u>	<u>210,809,964</u>
<b>SCHEDULE - G</b>		
<b>INVENTORIES ( at lower of cost and net realisable value)</b>		
Work-in-process [(includes share in Joint Ventures of Rs. 6,951,527 (Previous Year : Rs.6,951,527))	386,792,673	303,833,704
	<u>386,792,673</u>	<u>303,833,704</u>
<b>SCHEDULE - H</b>		
<b>SUNDRY DEBTORS (unsecured)</b>		
Debts outstanding for a period exceeding six months		
Considered good	30,711,155	49,222,791
Considered doubtful	17,373,574	17,373,574
Other Debts: Considered good	1,727,166	116,345
	<u>49,811,895</u>	<u>66,712,710</u>
Less: Provision for doubtful debts	17,373,574	17,373,574
	<u>32,438,321</u>	<u>49,339,136</u>
<b>SCHEDULE - I</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	7,240	3,117
Balances with scheduled banks:		
– on current accounts	2,125,064	31,684,042
– on fixed deposit accounts (under lien)	56,554,000	56,554,000
Balances with overseas banks:		
– on current accounts	25,262,046	31,348,483
– on fixed deposit (pledged as collateral Rs.22,335,000 (Previous year: Rs.25,265,000 )	64,233,450	113,021,916
	<u>148,181,800</u>	<u>232,611,558</u>
Share of Joint Ventures	970,880	452,926
	<u>149,152,680</u>	<u>233,064,484</u>
<b>SCHEDULE - J</b>		
<b>OTHER CURRENT ASSETS</b>		
Unamortised premium on forward contract	399,949	—
Unbilled Revenue	100,165,166	120,870,959
Interest accrued on fixed deposits with banks	2,467,766	6,305,785
	<u>103,032,881</u>	<u>127,176,744</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010**

	AS AT 31ST MARCH, 2010 (RUPEES)	AS AT 31ST MARCH, 2009 (RUPEES)
<b>SCHEDULE - K</b>		
<b>LOANS AND ADVANCES (unsecured)</b>		
<b>- Considered good</b>		
Advances to associates	434,907	249,163
Advances recoverable in cash or in kind for value to be received	17,391,855	14,952,553
Sundry deposits	21,264,574	25,013,541
Advance tax [net of provisions of Rs. 3,850,000 (Previous Year: Rs.2,850,000)]	11,170,128	8,834,695
Mat credit entitlement	1,000,000	—
	<u>51,261,464</u>	<u>49,049,952</u>
<b>- Considered doubtful</b>		
Advances recoverable in cash or in kind for value to be received	62,458,020	68,066,094
Sundry deposits	—	591,683
Inter corporate deposits	56,850,000	56,850,000
	<u>119,308,020</u>	<u>125,507,777</u>
Less: Provision for doubtful balances	<u>(119,308,020)</u>	<u>(125,507,777)</u>
	<u>51,261,464</u>	<u>49,049,952</u>
<b>SCHEDULE - L</b>		
<b>CURRENT LIABILITIES</b>		
Sundry creditors	26,532,249	23,061,856
Lease liability	48,434,115	85,415,865
Other liabilities	38,152,746	38,363,045
Forward contract payable (net)	6,878,000	3,398,965
Advance from customers	49,187,432	100,753,506
Advance received from associates	2,020,156	1,570,640
	<u>171,204,698</u>	<u>252,563,877</u>
<b>SCHEDULE - M</b>		
<b>PROVISIONS</b>		
Compensated absences	7,406,462	6,441,061
Gratuity	3,738,487	3,291,814
	<u>11,144,949</u>	<u>9,732,875</u>
<b>SCHEDULE - N</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
Preliminary Expenses	148,868	167,653
Less : Written off during the year	18,785	18,785
	<u>130,083</u>	<u>148,868</u>

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH , 2010**

	YEAR ENDED 31ST MARCH, 2010 (RUPEES)	YEAR ENDED 31ST MARCH, 2009 (RUPEES)
<b>SCHEDULE - O</b>		
<b>OTHER INCOME</b>		
Interest (Gross):		
On bank deposits [tax deducted at source Rs.953,158 (previous year: Rs.1,315,990)]	5,737,341	7,563,287
Others [tax deducted at source Nil (previous year: Nil)]	67,542	24,722
	<u>5,804,883</u>	<u>7,588,009</u>
Credit balances written back	3,003,734	549,212
Reversal of provision for doubtful advance	2,000,000	—
Foreign exchange gain (net)	—	3,362,101
License fees received on software	19,216,000	—
Miscellaneous Income	1,758,026	380,611
	<u>31,782,643</u>	<u>11,879,933</u>
<b>SCHEDULE - P</b>		
<b>EMPLOYEE COST</b>		
Salaries, wages and bonus	165,025,334	206,002,139
Employee stock compensation expenses (see note 11 of Schedule 'S')	36,438,800	—
Contribution to provident and other funds	1,851,364	1,908,440
Staff welfare expenses	6,863,975	8,562,489
	<u>210,179,473</u>	<u>216,473,068</u>
<b>SCHEDULE - Q</b>		
<b>OTHER OPERATING EXPENSES</b>		
Retainership fees	87,134,725	133,840,141
Sub-contracting charges	149,515,277	109,432,528
Electricity charges	13,661,570	17,150,207
Rent (net)	44,260,975	42,926,664
Rates and taxes	931,297	1,096,358
Insurance	4,811,264	5,745,420
Legal and professional charges	7,900,310	8,163,611
Foreign Exchange Loss (net)	21,432,283	—
Premium on forward exchange contract amortised	1,199,851	—
Travelling and conveyance	14,470,573	14,919,906
Communication expenses	3,521,240	3,753,914
Utilities and services	2,408,260	3,748,171
Consumable stores and spares	125,464	38,006
Repairs and maintenance:		
Buildings	87,076	1,294,376
Machinery and equipment	656,774	1,317,777
Others	673,288	227,927
Debit balances written off	991,658	118,371
Investment / Goodwill in subsidiary written off	14,868,815	—
Directors' sitting fees	484,409	489,981
Loss on sale of asset	569,371	143,857
Preliminary expenditure off	18,785	18,785
Miscellaneous expenses	2,077,547	17,031,838
	<u>371,800,812</u>	<u>361,457,838</u>
Share of Joint Ventures	46,599	698,185
	<u>371,847,411</u>	<u>362,156,023</u>

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**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH , 2010**

	YEAR ENDED 31ST MARCH, 2010 (RUPEES)	YEAR ENDED 31ST MARCH, 2009 (RUPEES)
<b>SCHEDULE - R</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
Interest		
On fixed loans	1,629,542	2,721,665
Others	21,737,975	14,580,736
	<u>23,367,517</u>	<u>17,302,401</u>
Finance charges		
On leases	6,437,659	8,356,656
Others	4,508,044	5,094,591
	<u>10,945,703</u>	<u>13,451,247</u>
	<u><u>34,313,220</u></u>	<u><u>30,753,648</u></u>

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010**

	Year ended March 31, 2010 (RUPEES)	Year ended March 31, 2009 (RUPEES)
<b>A CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	8,268,638	(136,088,805)
Adjustment for:		
Prior period income	124,385	—
Depreciation	104,077,343	158,152,018
Loss on sale of fixed assets	569,371	143,857
Preliminary expenses written off	18,785	18,785
Interest income	(5,804,883)	(7,588,009)
Interest expenses	34,313,220	30,753,648
Credit balance written back	(3,003,734)	(549,212)
Reversal of provision written back	(2,000,000)	—
Debit balance written off	991,658	118,371
Goodwill in subsidiary written off	6,042,799	—
Employee stock compensation cost	36,438,800	—
Share in Associate	(343,380)	(412,696)
Unrealised foreign exchange (gain) / loss (net)	6,666,886	(10,154,358)
Operating profit before working capital changes	<u>186,359,888</u>	<u>34,393,599</u>
Movements in working capital:		
Decrease in sundry debtors	10,247,578	42,264,647
(Increase) in inventories	(82,958,969)	(55,964,682)
Decrease in Other Current Assets	20,305,844	7,371,684
Decrease / (Increase) in loans and advances	1,152,630	(10,489,655)
Increase in provisions	1,412,074	1,199,181
(Decrease) in current liabilities	(52,029,907)	(47,799,416)
Cash generated from operations	<u>84,489,138</u>	<u>(29,024,642)</u>
Direct taxes paid	(6,169,164)	(3,405,241)
<b>Net cash from / (used in) operating activities</b>	<u>78,319,974</u>	<u>(32,429,883)</u>
<b>B CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(89,488,394)	(45,960,231)
Finance lease payment	(36,981,751)	77,042,967
Proceeds from sale of fixed assets	6,261,629	308,885
Contribution for interest in animated service	—	3,005,595
Investment in and advance to an associate company	(36,196,765)	—
Interest received	9,642,902	3,251,677
<b>Net cash from / (used in) investing activities</b>	<u>(146,762,379)</u>	<u>37,648,893</u>

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010 (Contd...)

	YEAR ENDED MARCH 31, 2010 (RUPEES)	YEAR ENDED MARCH 31, 2009 (RUPEES)
<b>C CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Unclaim dividend transfer to investor education and protection fund	—	(218,902)
(Repayment) / Proceeds from short-term borrowings	(22,704,838)	130,340,183
Proceeds from long-term borrowings	50,000,000	—
Proceeds of Fixed deposits matured	48,788,467	—
Investment in Fixed deposits	—	(49,560,297)
Repayment of long-term borrowings	(13,210,179)	(24,494,967)
Expenses incurred for increase in authorised share capital	—	(159,000)
Finance charges on lease payment	(6,437,659)	(8,356,656)
Interest paid on fixed loan & others	(23,103,075)	(21,137,426)
<b>Net cash from financing activities</b>	<b>33,332,716</b>	<b>26,412,935</b>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<b>(35,109,689)</b>	<b>31,631,945</b>
Cash and cash equivalents at the beginning of the year	63,488,568	31,859,059
Effect of exchange difference on cash and cash equivalents	(13,649)	(2,436)
<b>Cash and cash equivalents at the end of the year</b>	<b>28,365,230</b>	<b>63,488,568</b>
<b>Components of cash and cash equivalents</b>		
Cash on hand	7,240	3,117
Balances with scheduled banks:		
on current accounts	28,357,990	63,485,451
on fixed deposit accounts under lien	120,787,450	169,575,916
Cash & cash equivalents in cash flow statement	149,152,680	233,064,484
<b>Less: Fixed deposit under lien</b>	<b>(120,787,450)</b>	<b>(169,575,916)</b>
Net cash and cash equivalents for cash flow statement	28,365,230	63,488,568

**Notes to the cash flow statement**

Previous year's figures have been regrouped where necessary.

As per our report of even date

**For S. R. Batliboi & Associates**  
Firm Registration No. 101049W  
Chartered Accountants

Sd/-  
**per Govind Ahuja**  
Partner  
Membership No. : 48966  
Mumbai: 9th August, 2010

**For Chaturvedi & Shah**  
Firm Registration No. 101720W  
Chartered Accountants

Sd/-  
**Amit Chaturvedi**  
Partner  
Membership No. : 103141  
Mumbai: 9th August, 2010

For and on behalf of the Board

Sd/-  
**Seemha Ramanna**  
Managing Director

Sd/-  
**A K Madhavan**  
Chief Executive Officer

Mumbai: 9th August, 2010

Sd/-  
**T N V Ayyar**  
Director

Sd/-  
**Madhav Oak**  
Company Secretary

Sd/-  
**Vijay Paranjpe**  
Chief Financial Officer



SCHEDULE - 5  
NOTES TO ACCOUNTS

1. Nature of Operations

Crest Animation Studios Limited is a full-service studio specializing in the development and production of digital animated properties for theatrical, television, home entertainment and interactive distribution for the global entertainment industry.

2. Statement of Significant Accounting Policies

a) Principles of Consolidation:

- (i) The consolidated financial statements are prepared under historical cost convention on an accrual basis and are in accordance with the requirements of Accounting Standard - 21 "Consolidated Financial Statements", Accounting Standard - 23 "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard - 27 "Financial Reporting of Interests in Joint Ventures".
- (ii) The financial statements of the company and its subsidiary companies are consolidated on line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating all significant intra group balances and unrealised profits on intra group transactions.

The lists of subsidiary companies which are included in the consolidation with their respective countries of incorporation, the Group's holding therein are as given below:

Name of the Company	Country of Incorporation	Ownership interest held as at	
		March 31, 2010	March 31, 2009
Subsidiaries held directly			
Crest Interactive Limited	India	100.00%	100.00%
Crest Communication Holdings Limited	Mauritius	100.00%	100.00%
Subsidiaries held indirectly			
Crest Animation Holdings Inc.	U.S.A	85.64%	86.98%
Crest Intermediate Inc	U.S.A	85.64%	86.98%
Crest Animation Productions Inc.	U.S.A	85.64%	86.98%
Roop BDR Productions Inc.	U.S.A	85.64%	86.98%
Crest Communication (Singapore) Pte. Ltd.	Singapore	—**	100.00%
Crest Entertainment (Singapore) Pte. Ltd.	Singapore	—**	100.00%

\*\*The Companies have ceased their operation on 31st October, 2009 and are in process of being wound up.

Crest Animation Holdings Inc, holds

Particulars	Country of Incorporation	Relationship with Parent
35% interest in Crest Alpha, LLC,	U.S.A.	Associate
30% interest in Norm Financing LLC and	U.S.A.	Associate
50% interest in, Magic Pebble, LLC	U.S.A.	Joint Venture

- (vii) For the purpose of preparation of the consolidated financial statements, in case of foreign subsidiaries/joint ventures, items of the balance sheet and profit and loss account are translated into Rupees as prescribed in the Accounting Standard - 11 "The Effects of Changes in Foreign Exchange Rates (revised 2003)". For this purpose, the operations of the subsidiaries/joint ventures are considered as integral part of the operations of the Parent Company having regard to the exercise of managerial control by the Parent Company and the nature of transactions between the Parent Company and the subsidiaries.

The net difference arising on account of translation is recognised as "Foreign currency translation adjustments" in the consolidated profit and loss account.

- (iii) As far as possible consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Companies separate financial statements.
- (iv) Minorities Interest in net profit/loss of the consolidated subsidiaries for the year is identified and adjusted against income in order to arrive at the net income attributable to the shareholders of the company. Minorities' Interest in the net assets of the consolidated subsidiary is identified and presented separately in the consolidated financial statements.
- (v) In case of Associates, where the Company holds more than 20% of equity capital, Investment in Associates are accounted for using the equity method.
- (vi) These financial statements comprise: the consolidation of the financial statements of Crest Animation Studios Limited, the Parent Company, and the financial statements of its Subsidiaries (the Parent Company and its Subsidiaries constitute 'the Group'); accounting of interest in joint ventures using proportionate consolidation method; and accounting for investments in an associate using the equity method.

b) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the year. Although these

estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

**c) Fixed Assets:**

Owned assets are stated at cost of acquisition including incidental expenses related to acquisition and installation or at revalued amounts, wherever are applicable, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any other attributable cost of bringing the assets to its working condition for its intended use.

**e) Depreciation & Amortisation:**

(i) Depreciation on tangible assets is provided on the straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1956 except for the following class of assets where depreciation is calculated at rates, based on useful life of the assets, which are in no case lower than the rates specified in Schedule XIV to the Companies Act, 1956:

Class of Fixed Assets	Gross block as at		Net block as at		Rate of depreciation
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009	
Leasehold Improvement	14,918,012	14,918,012	2,164,481	5,490,625	20.00%
Plant and machinery	4,507,813	4,552,332	3,334,974	3,922,970	20.00%
Computers – Hardware	2,696,097	2,603,647	1,442,132	1,675,329	33.33%
Computers – Hardware	670,442	670,442	391,077	525,166	20.00%
Furniture, fixtures and office equipment	932,803	586,318	485,755	302,393	20.00%
Furniture, fixtures and office equipment	16,069,972	16,069,972	2,410,817	6,112,705	20.00%
Furniture, fixtures and office equipment	100,250	390,595	30,925	115,545	33.33%

- (ii) Intangible assets are amortised on straight-line basis. Copyrights are amortised over the expected period of exploitation ranging from 24 months to 120 months. Software is being amortised over a period of 60 months, being the estimated useful life. Goodwill is being amortised over a period of 120 months.
- (iii) The excess of depreciation provided on re-valued fixed assets over the amount computed with reference to the original costs thereof is withdrawn from revaluation reserve and transferred to profit and loss account.
- (iv) Rights in revenue of animated television serial, Features and other media is stated at cost less recoupment of contribution and provision for diminution in the value based on the management's assessment of the operations and future revenue.

**f) Investments:**

- (i) Investments in associate are accounted in accordance with AS - 23 "Consolidated Financial Statements" at the cost of investments adjusted the Parent Company's share of profit or loss in the associate.
- (ii) Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.
- (iii) Long term investments are stated at cost less provision for diminution in the value to recognise a decline, other than temporary, wherever applicable. Cost includes expenditure attributable to the acquisition of investments.

**d) Impairment:**

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. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

**g) Inventories:**

- (i) Work-in-process is valued at cost by applying absorption costing method or at net realisable value whichever is lower. Work-in-process in respect of television serials includes pro-rata cost attributable to modelling and preparatory costs of projects, amortised appropriately as per the progressive execution of contracts/ projects. Work-in-process in respect of feature film includes pro-rata cost attributable to start ups, modelling and preparatory costs of projects, amortised appropriately.
- (ii) The costs incurred for development of film properties by the subsidiary, Crest Animation Holdings Inc, are capitalized as "Development Cost" and in the event a film is not set for production within three years from the time of the first capitalization, all such costs are written off unless the company has committed to a plan to produce and sell such films, in accordance with SOP 00-2 under US GAAP.

**h) Revenue recognition:**

Revenue is primarily in the nature of animation services for television serials, features and other media and exploitation of intellectual property rights in television serials, features and other media. Contracts in respect of television serials are divisible into individual episodes, unlike features and other media where there is generally only one deliverable.

Revenue is recognised on the following basis:

- Television serials : When the relevant episode is transmitted on completion.
- Features : Revenue is recognised in the proportion of contract costs incurred for work performed to the estimated total contract costs. Provisions for estimated losses on uncompleted contracts are made in the year on which such losses are determined.  
Unbilled Revenue represents excess of revenue recognised based on percentage of completion over the progress billing as per the contract.
- Other media : When delivered on completion except in respect of contracts of long-term nature where revenue is recognised on the basis similar to features.
- Rights to share revenue in television serials, features and other media : As per the terms of the agreement.
- Sale of feature film : When the following conditions are met: (i) persuasive evidence of a sale or licensing arrangement with a customer exists; (ii) the film is complete and has been delivered or is available for immediate and unconditional delivery; (iii) the license period of the arrangement has begun and the customer can begin its exploitation, exhibition or sale; (iv) the arrangement fee is fixed or determinable and (v) collection of the arrangement fee is reasonably assured.  
Amounts received from customers prior to the availability date of the product are included in unearned revenue.
- Theatrical distributions : At the later of: (i) when films are exhibited in theatres; and (ii) when theatrical revenues are reported by third parties. International results are generally reported by distributors a month in arrears.
- Sale of home video units: : At the later of: (i) when product is made available for retail sale; and (ii) when third parties, such as fulfilment service providers or distributors, report video sales to customers. International results are generally reported by distributors a month in arrears.  
Revenue associated with the licensing of home entertainment product under revenue-sharing agreement is recorded as earned

under the terms of the underlying agreements.

Free and pay television licensing : At the later of: (i) when the production is made available for exhibition; and (ii) when revenues are reported by third parties.

Licensing and merchandising : When the associated films have been released and the criteria for revenue recognition have been met. In most instances, this generally results in the recognition of revenue in periods when royalties are reported by licensees or cash is received.

Revenue from technical, creative and marketing consultancy services: : When services are rendered, according to the term of agreements.

Interest:-

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

Dividends:-

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

**i) Borrowing 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. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds

**j) Foreign currency transactions**

(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 reported using the closing rate. Non-monetary items which are carried 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 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 recognised as income or as expenses in the year in which they arise.

(iv) Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the

statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(v) Accounting For Derivatives

As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the profit and loss account. Net gains are ignored.

**k) Taxation:**

Tax expense comprises current, deferred and fringe benefit tax. Current tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Deferred tax reflects 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 balance sheet date. 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 tax liabilities relate to the taxes on income levied by same governing taxation laws. 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 supported by convincing evidence that they can be realised against future taxable profits.

The carrying amount of deferred tax assets are reviewed at each balance sheet 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.

Minimum Alternative tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

**l) Provisions:**

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an

outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present values and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

**m) Leases:**

Leases where the lessor transfers substantially all the risks and rewards incidental to ownership of the leased assets are classified as finance leases. Leases other than finance leases are classified as operating leases.

At the inception of a finance lease, the lessee recognises the lease as an asset and a liability at lower of the fair value and the present value of minimum lease payments. Finance lease payments are apportioned between the finance charge at a constant periodic rate of interest and the reduction of the outstanding liability.

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

**n) Employee benefits:**

(i) Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

(ii) Post employment benefits:

(A) Defined Contribution Plan:

Provident and Family Pension Fund

The eligible employees of the Company are entitled to receive post employment benefits in respect of provident and family pension fund, in which both employees and the Company make monthly contributions at a specified percentage of the employees' eligible salary (currently 12% of employees' eligible salary). Provident Fund and Family Pension Fund are classified as Defined Contribution Plan as the Company has no further obligations beyond making the contribution. The Company's contribution to Defined Contribution Plan are charged to profit and loss account as incurred.

(B) Defined Benefit Plan:

Gratuity

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company accounts for gratuity benefits payable in future based on an independent actuarial valuation made at the year-end on projected unit credit method. Actuarial gains and losses are recognised in the profit and loss account.

(iii) Other long term employee benefits - compensated absences:

The Company provides for encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment/availment. The Company makes provision for compensated absences based on an independent actuarial valuation made at the year-end on projected unit credit method. Actuarial gains and losses are recognised in the profit and loss account.

**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) Earnings per share:**

Basic earnings per share has been calculated by dividing loss after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The Company has not issued any potential equity shares and accordingly, the basic earnings per share and diluted earnings per share are the same.

**q) Stock based compensation:**

The Company accounts for stock based compensation for all stock based awards granted based on the estimated fair value of those awards at the grant date. The fair value of stock option awards are estimated using the Black Scholes valuation model. The Company recognizes stock based compensation cost as expense ratably on a straight line basis over the requisite service ( vesting) period. Estimates of the fair value of stock options are not intended to predict actual future events or the value ultimately realized by employees, officers and consultants who receive stock option awards and subsequent event are not indicative of the reasonableness of the original estimates of fair value made by the Company. Changes to the Company's underlying stock price or satisfaction of performance criteria for performance-based awards granted to employees could significantly affects compensation expenses to be recognized in future periods. In addition, future grants of equity awards will result in additional compensation expense in future periods.

**3. Commitments:**

Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 3,037,560 (Previous Year: Rs.Nil).

**4. Contingent liabilities not provided for:**

Disputed income-tax demands Rs. 17,064,051 (Previous Year: Rs. 17,231,131).

Future cash outflows in respect of contingent liability are determinable only on receipt of judgements pending at various forums.

**5. Segment reporting:**

**Business Segments.**

The Company is engaged in providing 3D Animation i.e. full-service studio specializing in the development and production of digital animated properties for theatrical, television, home entertainment and interactive distribution for the global entertainment industry. Management believes that the risks and returns from these services are not predominantly different from one another and hence considers the Company to operate in a single business segment.

**Geographical-Segments**

Geographical segment disclosures given below are based on location of the Company's customers in case of revenue. The disclosures of carrying amount of segment assets and cost incurred to acquire segment assets are based on geographical location of segment assets.

The following table shows the distribution of the Company's consolidated sales by geographical market, regardless of where the goods were produced:

Revenue	Amount in Rs.	
	Year ended 31 <sup>st</sup> March, 2010	Year ended 31 <sup>st</sup> March, 2009
India	—	—
Europe	2,024,980	13,588,750
USA	570,707,770	557,474,108
South East Asia	43,596,975	—
<b>Total</b>	<b>616,329,725</b>	<b>571,062,858</b>

Assets and additions to tangible and intangible fixed assets by geographical area: The following table shows the carrying amount of segment assets and addition to segment assets by geographical area in which assets are located:

Geographical Market	Amount in Rs.			
	Carrying amount of segment assets and Intangible assets		Addition to fixed assets and intangible assets	
	Year ended 31 <sup>st</sup> March, 2010	Year ended 31 <sup>st</sup> March, 2009	Year ended 31 <sup>st</sup> March, 2010	Year ended 31 <sup>st</sup> March, 2009
India	308,688,015	352,060,978	41,084,366	8,127,548
Europe	—	101,060	—	—
South East Asia	43,596,975	—	—	—
USA	342,768,058	340,341,141	49,224,589	41,691,676
<b>Total</b>	<b>695,053,048</b>	<b>692,503,179</b>	<b>90,308,955</b>	<b>49,819,224</b>

**6. Leases**

**Finance lease:**

Computers include Computer hardware and Computer software obtained on finance lease. The lease term is up to 48 months after which the legal title would be transferred to the lessee. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no subleases.

**Operating Lease:**

Office premises and car are obtained on operating lease. The lease term for office premises is 36 months and for car is 48 months and renewable for further 24 months at the option of the Company in case of office premises. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements.

	Finance Lease		Operating Lease	
	Year ended 31 <sup>st</sup> March, 2010 (Rupees)	Year ended 31 <sup>st</sup> March, 2009 (Rupees)	Year ended 31 <sup>st</sup> March, 2010 (Rupees)	Year ended 31 <sup>st</sup> March, 2009 (Rupees)
Total minimum future lease payments at the year end	51,289,376	92,342,243	—	—
Less : amount representing finance charges	2,855,261	6,926,372	—	—
Present value of future minimum lease payments (Rate of interest: 12.70% p.a.)	48,434,115	85,415,871	—	—
Lease payments for the year	44,211,306	62,557,649	29,043,667	28,089,363
<b>Minimum Lease Payments :</b>				
Not later than one year [For finance lease : Present value Rs. 39,190,002 as on 31.03.2010 (Rs. 51,774,404 as on 31.03.2009)]	41,706,678	56,541,711	10,680,078	10,189,809
Later than one year but not later than five years [For finance lease : Present value Rs. 9,244,113 as on 31.03.2010 (Rs. 33,641,467 as on 31.03.2009)]	9,582,698	35,800,532	1,123,812	11,538,397
The particulars in respect of such sub-lease are as follows:				
Total of future minimum sub-lease payments expected to be received			—	—
Sub-lease payments received recognised in the profit and loss for the year			—	493,957
The sub-lease agreement is for a period of 24 months.				

7. Related party disclosures:

A. Related parties and relationships

Associate

Alpha & Omega Productions, LLC

Crest Alpha, LLC

Norm production LLC

Norm Financing LLC

Joint Venture

Magic Pebble, LLC

Key Management Personnel

Mrs. Seemha Ramanna - Managing Director

Relative of Key Management Personnel

Mr. Varun Ramanna- Son of Managing Director

B. Related Party Transactions

	Maggic Pebble, LLC (Rupees)	Alpha & Omega Productions, LLC (Rupees)	Crest Alpha, LLC (Rupees)	Norm Productions, LLC (Rupees)	Norm Financing, LLC (Rupees)	Mrs. Seemha Ramanna (Rupees)	Mr. Varun Ramanna (Rupees)
<b>I. Transactions during the year</b>							
Revenue from services	— (657,525)	289,538,320 (509,693,876)	— (—)	188,074,008 (—)	— (—)	— (—)	— (—)
Managerial remuneration	— (—)	— (—)	— (—)	— (—)	— (—)	11,548,536 (4,387,461)	— (—)
Remuneration	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	259,978 (—)
Investment and advance	— (—)	— (—)	— (—)	— (—)	37,866,553 (—)	— (—)	— (—)
Guarantee commission	— (—)	— (—)	— (—)	— (—)	— (—)	2,455,500 (2,455,500)	— (—)
Production advance taken	991,272 (—)	1,028,884 (994,329)	— (—)	— (—)	— (—)	— (—)	— (—)
Production advance given	— (—)	— (—)	378,623 (249,163)	— (—)	56,284 (—)	— (—)	— (—)
Guarantee given	— (—)	— (—)	— (—)	— (—)	— (—)	80,000,000 (—)	— (—)
Operating expenses	27,501 (698,185)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
<b>II. Balances outstanding as at the year end</b>							
Guarantees obtained	— (—)	— (—)	— (—)	— (—)	— (—)	243,700,000 (163,700,000)	— (—)
Sundry Debtors	7,149,858 (8,114,015)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)

Note: Figures in brackets are the corresponding figures in respect of the previous year.



8. Deferred taxes:

	As at 31 <sup>st</sup> March, 2010 (Rupees)	As at 31 <sup>st</sup> March, 2009 (Rupees)
Deferred tax liabilities		
Depreciation	(31,831,541)	(34,349,571)
Assets acquired under finance lease	(5,388,405)	(13,824,761)
	<u>(37,219,946)</u>	<u>(48,174,332)</u>
Deferred tax assets		
Provision for doubtful debts	6,387,011	6,535,546
Provision for doubtful advances	20,746,993	21,637,278
Items covered under section 43B	3,702,074	3,308,205
Unabsorbed depreciation (*)	6,383,868	16,693,303
Carry forward business loss (*)	—	—
	<u>37,219,946</u>	<u>48,174,332</u>
Net Deferred Taxes	<u>—</u>	<u>—</u>

(\*) Recognised to the extent of balance in deferred tax liability.

9. Employee benefits:

(a) Defined Contribution Plan

Contribution to defined contribution plan, recognised in the statement of profit and loss account under Employee cost, Contribution to provident and other funds, in Schedule P for the year are as under:

	As at 31 <sup>st</sup> March, 2010 (Rupees)	As at 31 <sup>st</sup> March, 2009 (Rupees)
Employer's contribution to Provident Fund	1,307,494	1,193,622
Employer's contribution to Family Pension Fund	316,919	448,413
	<u>1,624,413</u>	<u>1,642,035</u>

(b) Defined Benefit Plan

Gratuity - As per actuarial valuation as on 31<sup>st</sup> March, 2010

	As at 31 <sup>st</sup> March, 2010 (Rupees)	As at 31 <sup>st</sup> March, 2009 (Rupees)
--	------------------------------------------------------	------------------------------------------------------

I Reconciliation of opening and closing balances of Defined Benefit obligation

Present Value of Defined Benefit obligation as at the beginning of the year	3,424,481	1,982,025
Interest Cost	391,855	209,375
Current Service Cost	1,816,698	577,187
Benefits paid	(32,885)	(249,231)
Net Actuarial Loss / (Gain)	(1,658,158)	905,125
Present Value of Defined Benefit obligation as at the end of the year	<u>3,941,991</u>	<u>3,424,481</u>

II Reconciliation of fair value of plan assets

Fair value of plan assets as at the beginning of the year	132,667	111,232
Expected return on plan assets	16,813	18,868
Net Actuarial Gain / (Loss)	(7,025)	2,567
Employer's contribution	93,934	249,231
Benefits paid	(32,885)	(249,231)
Fair value of plan assets as at the end of the year	<u>203,504</u>	<u>132,667</u>

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

Funds maintained with Life Insurance Corporation of India.	59%	64%
Bank balance	41%	36%
	<u>100%</u>	<u>100%</u>

III Net Liability recognised in Balance Sheet

Present Value of Defined Benefit obligation	3,941,991	3,424,481
Fair value of plan assets	203,504	132,667
Net liability recognised in Balance Sheet (unfunded)	<u>3,738,487</u>	<u>3,291,814</u>

IV Component of employer's expenses

Current Service Cost	1,816,698	577,187
Interest Cost	391,855	209,375
Expected Return on Plan Asset	(16,813)	(18,868)
Net Actuarial Loss / (Gain)	(1,651,134)	902,558
Total expenses recognised in the Profit and Loss Account in Schedule N, under Employee cost	<u>540,607</u>	<u>1,670,252</u>
Actual return on plan assets	16,813	21,435

V Actuarial assumptions

Mortality Table:	LIC (1994-96)	LIC (1994-96)
Discount rate	8.00%	7.50%
Salary escalation	6.00%	5.00%

- The discount rate is based on the benchmark rate available on Government of India securities for the tenure of 28 years.
- Expected rate of return on plan assets is based on our expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.
- The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.
- The company expects to contribute Rs. 648,728 in next year.



e) Additional disclosure as per para 120(n) of Accounting Standard - 15 (Revised)

	Gratuity		
	2010	2009	2008
Defined benefit obligation	3,941,991	3,424,481	1,982,025
Plan assets	203,504	132,667	111,232
Surplus / (deficit)	(3,738,487)	(3,291,814)	(1,870,793)
Actuarial (gain) /loss on plan liabilities	(1,658,158)	905,125	678,220
Actuarial (gain) / loss on plan Assets	7,025	(2,567)	(14,252)

10. Prior period income represents tax deducted on marketing expenses of earlier years expensed out in previous year.

**11. Stock compensation cost**

On December 10, 2007, the Board of Directors of Crest Animation Holding Inc. (CAH) approved and adopted the Stock Option Plan to provide the issuance of non-qualified and/or incentive stock options to employees, officers, consultants to the Company and/or its affiliates and non-employee directors of the Company and/or its affiliates. Generally, all options granted expire ten years from the date of grant. All options have an exercise price equal to or higher than the fair market value of the Company's stock on the date the options were granted. It is the policy of the Company to issue new shares for stock option exercised and issued treasury shares. Stock options generally vest as follows; (i) five-eighths (5/8) of the award vests on the award date and (ii) the remainder vests over the six quarters following the award date. As of the balance sheet date, the plan has reserved only 11,517 shares of common stock which may be from newly issues shares or from treasury shares.

A summary of the status of stock options issued by the Company as of March 31, 2010 is presented in the following table:

	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of year	—	6,030
Granted	11,517	—
Exercised/Expired/Cancelled	—	—
Outstanding, end of year	11,517	6,030

The fair value of the stock option granted is estimated on the date of grant using the Black-Scholes option valuation model. This model uses the assumptions listed in the table below. Expected volatilities are based on observations of daily in stock prices of certain comparable companies. The risk-free rate for periods within the expected life of the option is based on the U.S.Treasury yield curve in effect at the time of grant.

Weighted average fair value per option granted	Rs. 3616
Risk-free interest rate	1.7%
Expected dividend yield	0.0%
Expected lives	5.2
Expected volatility	62.7%

The following table sets forth additional information about stock options outstanding at March 31, 2010:

Range of Exercise Price	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable
Rs.6030	11,517	9	Rs.6030	10,077

As of March 31, 2010 there was Rs.5,205,752 of total unrecognized compensation cost related to non-vested share based compensation arrangement granted under the Plan. That cost is expected to be recognized over a weighted average period of 0.5 year.

12. The amount of borrowing cost capitalised under Inventories during the period is Rs. 4,144,864/- (Previous year Rs. Nil).

**13. Previous Year Comparatives**

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

As per our report of even date

**For S. R. Batliboi & Associates**  
Firm Registration No. 101049W  
Chartered Accountants

Sd/-  
**per Govind Ahuja**  
Partner

Membership No. : 48966

Mumbai: 9th August, 2010

**For Chaturvedi & Shah**  
Firm Registration No. 101720W  
Chartered Accountants

Sd/-  
**Amit Chaturvedi**  
Partner

Membership No. : 103141

Mumbai: 9th August, 2010

For and on behalf of the Board

Sd/-  
**Seemha Ramanna**  
Managing Director

Sd/-  
**A K Madhavan**  
Chief Executive Officer

Mumbai: 9th August, 2010

Sd/-  
**T N V Ayyar**  
Director

Sd/-  
**Madhav Oak**  
Company Secretary

Sd/-  
**Vijay Paranjpe**  
Chief Financial Officer

SUMMARIZED STATEMENT OF FINANCIALS OF SUBSIDIARY COMPANIES

(Rs. In Million)

Sr. No.	Particulars	Crest Communication Holdings Ltd, (Mauritius)	Crest Animation Holding Inc. (U.S.A.) and its subsidiaries (Consolidated)	Crest Communication (Singapore) Pte. Ltd. (Singapore)	Crest Entertainment (Singapore) Pte. Ltd. (Singapore)	Crest Interactive Ltd.
		2009-10	2009-10	2009-10	2009-10	2009-10
1	Capital	1.34	0.03	—	—	0.50
2	Reserves	425.87	302.42	—	—	(0.23)
3	Total Assets	494.40	643.86	—	—	123.45
4	Total Liabilities	67.19	341.41	—	—	123.18
5	Investments					
	A) Long Term (Non-trade Investments)	—	—	—	—	—
	B) Current Investments					
	a. Unquoted Equity Shares	—	—	—	—	—
	b. Quoted Equity Shares	—	—	—	—	—
	c. Units	—	—	—	—	—
	Total Current Investments	—	—	—	—	—
	Total Investments (A+B)	—	—	—	—	—
6	Turnover	4.38	588.98	—	—	—
7	Profit Before Tax	(43.03)	8.54	(16.88)	0.93	0.04
8	Provision for Tax	—	2.77	—	—	—
9	Profit After Tax	(43.03)	5.77	(16.88)	0.93	0.04
10	Proposed Dividend (Excluding Tax on Dividend)	—	—	—	—	—
11	Original Currency	USD	USD	SGD	SGD	INR
12	Exchange rate as on 31st march, 2010 in INR	44.67	44.67	31.79	31.79	—

The Company has made an application to the Ministry of Company Affairs, Government of India for obtaining exemption under section 212(8) of the Companies Act, 1956 from attaching the documents of Company's subsidiaries, required to be attached under section 212(1) of the Companies Act, 1956, for the financial year ended on 31.03.2010. The approval from the Central Government is awaited. Any member interested in obtaining the annual accounts of the subsidiary companies may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy thereof.

For and on behalf of the Board

Sd/-  
**Seemha Ramanna**  
Managing Director

Sd/-  
**A K Madhavan**  
Chief Executive Officer

Sd/-  
**Madhav Oak**  
Company Secretary

Sd/-  
**T N V Ayyar**  
Director

Sd/-  
**Vijay Paranjpe**  
Chief Financial Officer

Mumbai: 9th August, 2010





## CREST ANIMATION STUDIOS LIMITED

Registered Office: 401 & 501, Raheja Plaza-1 L.B.S. Marg, Ghatkopar West, Mumbai-400 086

### ATTENDANCE SLIP

20<sup>TH</sup> ANNUAL GENERAL MEETING, MONDAY, SEPTEMBER 27, 2010

I hereby record my presence at the 20<sup>th</sup> Annual General Meeting of the Company (including adjournment thereof) at Emperor Hall, Hotel Kohinoor Park, Veer Savarkar Marg, Prabhadevi, Mumbai 400 025 on Monday, September 27, 2010 at 12.30 p.m.

Folio No.: \_\_\_\_\_ DP ID\* \_\_\_\_\_ Client ID \_\_\_\_\_

No. of Shares held \_\_\_\_\_

\_\_\_\_\_  
Full name of the Shareholder/Proxy (in block letters)

\_\_\_\_\_  
Signature

**Note:** Shareholders attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand over at the entrance of the hall.



## CREST ANIMATION STUDIOS LIMITED

Registered Office: 401 & 501, Raheja Plaza-1 L.B.S. Marg, Ghatkopar West, Mumbai-400 086

### PROXY FORM

20<sup>TH</sup> ANNUAL GENERAL MEETING, MONDAY, SEPTEMBER 27, 2010

Folio No.: \_\_\_\_\_ DP ID\* \_\_\_\_\_ Client ID \_\_\_\_\_

I/We \_\_\_\_\_ of

\_\_\_\_\_ in the district of

\_\_\_\_\_ being a member(s) of the above named Company, hereby appoint

\_\_\_\_\_ of \_\_\_\_\_ in the district of

\_\_\_\_\_ or failing him \_\_\_\_\_ of

\_\_\_\_\_ in the district of \_\_\_\_\_

as my/our proxy to vote for me/us on my/our behalf at the 20<sup>th</sup> Annual General Meeting of the Company (including adjournment thereof) to be held at Emperor Hall, Hotel Kohinoor Park, Veer Savarkar Marg, Prabhadevi, Mumbai 400 025 on Monday, September 27, 2010 at 12.30 p.m. and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

Signature \_\_\_\_\_

Re. 1/-  
Revenue  
Stamp

- Note:**
1. The proxy need not be a member.
  2. The proxy Form duly signed across revenue stamp should be deposited at the Registered Office of the Company at Mumbai not later than 48 hours before the time of the meeting.

\* applicable for investor holding shares in electronic form.

**PACK MAN**



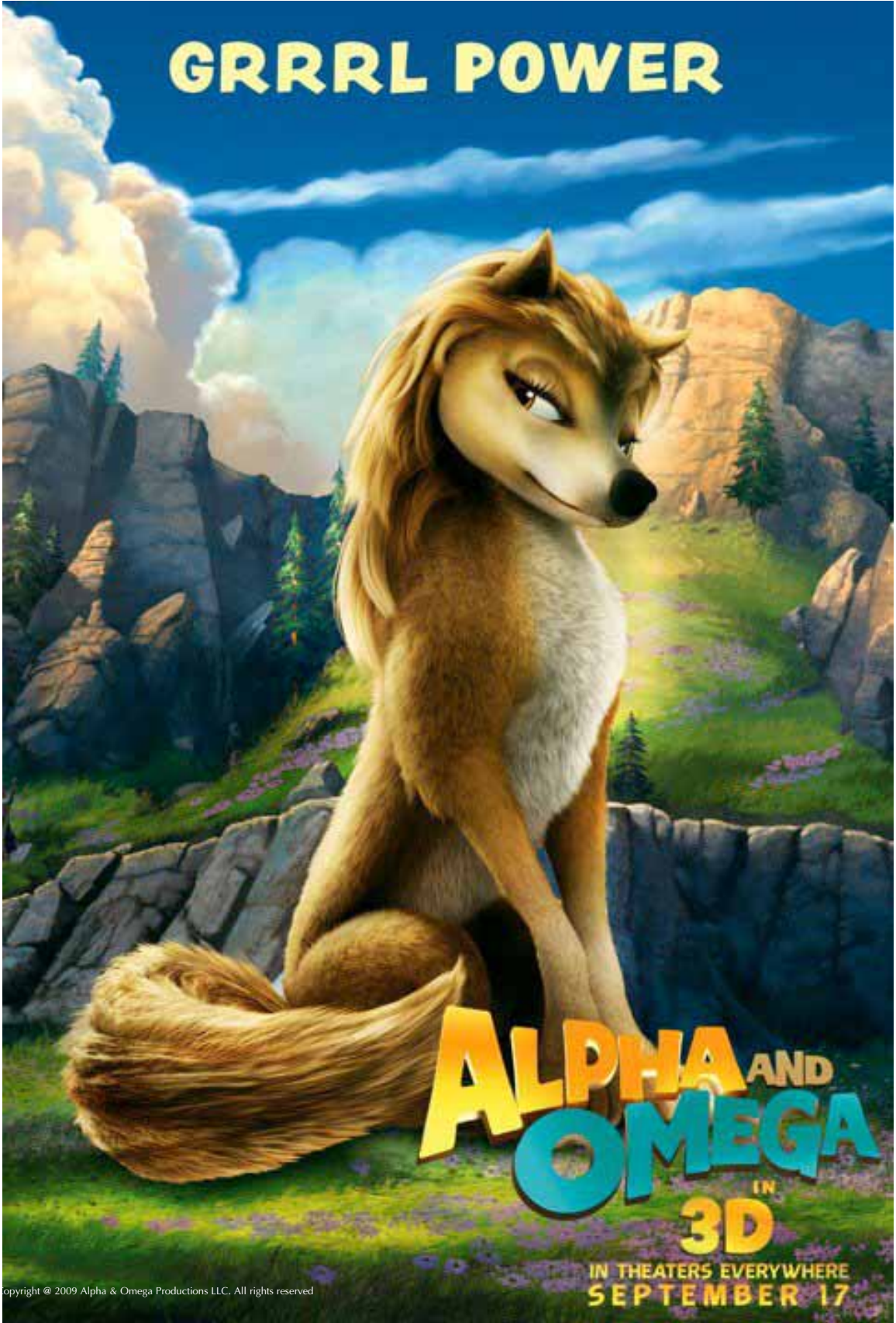
**ALPHA AND OMEGA**  
IN  
**3D**

IN THEATERS EVERYWHERE  
**SEPTEMBER 17**

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**GRRRL POWER**



**ALPHA AND  
OMEGA**  
IN  
**3D**

IN THEATERS EVERYWHERE  
**SEPTEMBER 17**

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