



CREST ANIMATION STUDIOS LIMITED

BOARD OF DIRECTORS :

Mrs. Seemha Ramanna - Chairperson & Managing Director
Mr. Shyam Ramanna - Director
Mr. T. N. V. Ayyar - Director
Mr. Divya Shah- Director
Mr. Shyam Benegal - Director
Mr. S. Balasubramanian - Director
Mr. Rajen Damani - Director
Mr. Anil Chawla - Nominee Director
Mr. Randhir S. Kochhar - Nominee Director

COMPANY SECRETARY :

Mr. Kamlesh Kulkarni

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
HDFC Bank Limited

AUDITORS :

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

REGISTRAR & SHARE TRANSFER AGENTS:

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

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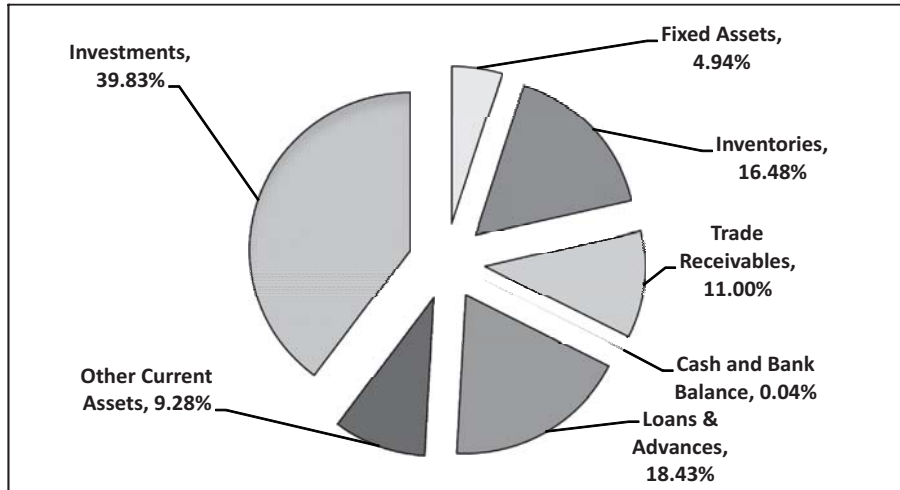
FINANCIAL HIGHLIGHTS

KEY FINANCIALS FOR THE LAST FIVE YEARS

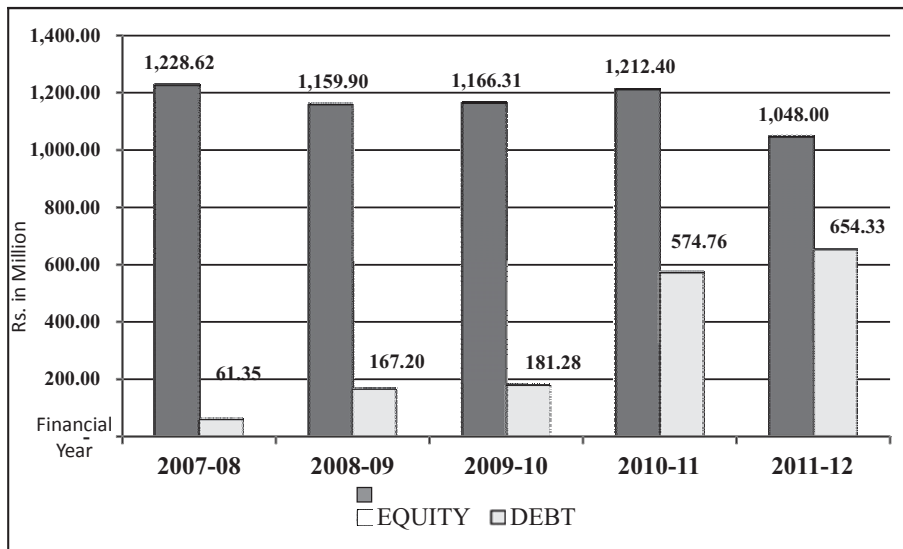
Rs. In Million

Particulars	FY 2011-12	FY 2010-11	FY 2009-10	FY 2008-09	FY 2007-08
Operating Revenue	141.68	371.16	353.60	374.34	364.82
Total Income	192.45	376.76	475.28	412.15	262.81
PBDIT	(89.11)	59.35	139.52	67.19	31.13
Depreciation	56.88	87.61	100.89	104.99	104.38
Interest & Finance Charges	59.60	72.68	34.31	29.71	31.78
Exceptional Items	-	1610.61	-	-	-
PBT	(205.59)	(1,711.52)	4.32	(67.52)	(105.03)
Prior Period Adjustments	-	-	2.01	-	-
Profit After Tax	(205.59)	(1,711.52)	6.44	(68.69)	(106.60)
Equity Share Capital	442.12	225.85	225.85	225.85	225.85
Share Capital Pending Allotment	-	216.27	-	-	-
Reserves & Surplus	605.88	770.27	940.46	934.05	1,002.77
Net Worth	1,048.00	1,212.40	1,166.31	1,159.90	1,228.62
Gross Fixed Assets	861.81	868.10	869.83	830.16	823.36
Net Fixed Assets	95.48	152.94	238.74	299.24	396.57
Total Assets	1,933.71	1,961.41	1,449.49	1,458.79	1,474.88
Market Capitalisation	1,839.22	1,237.84	1,982.98	367.01	1,338.17
PBDIT / Total Income (%)	(0.46)	15.75%	29.36%	16.30%	11.84%
EPS	(4.65)	(38.71)	0.29	(3.04)	(4.72)
Market Price at year end	41.60	53.85	87.80	16.25	59.25
Book Value	23.70	53.68	51.64	51.36	54.40

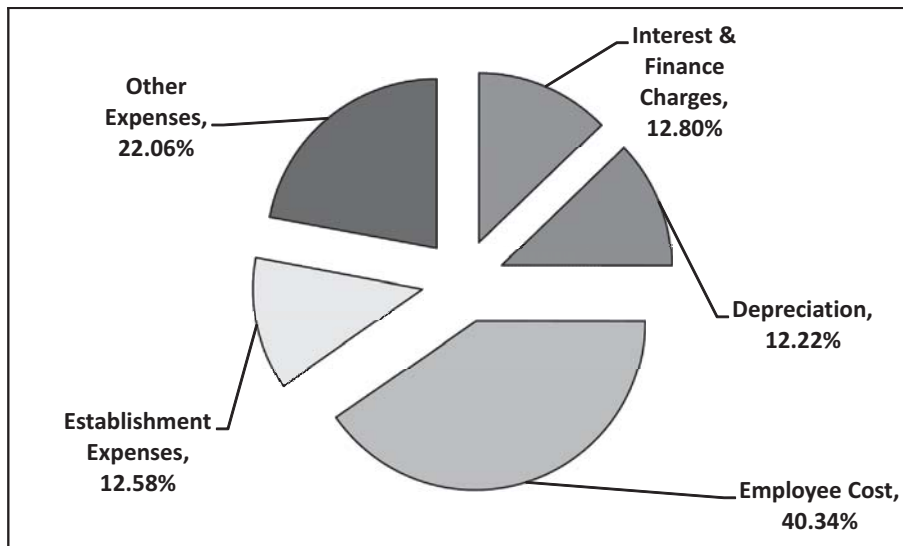
ASSET COMPOSITION



DEBT / EQUITY



EXPENSE BREAKDOWN



NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY SECOND ANNUAL GENERAL MEETING OF THE MEMBERS OF CREST ANIMATION STUDIOS LIMITED WILL BE HELD ON THURSDAY 27 DAY OF SEPTEMBER 2012 AT 11.00 A.M. AT EMPEROR HALL, HOTEL KOHINOOR PARK, VEER SAVARKAR MARG, PRABHADEVI, MUMBAI – 400 025, TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31 March 2012, 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. Randhir Kochhar who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. Rajen Damani who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. S. Balasubramanian 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. Chaturvedi and Shah, Chartered Accountants, who have consented to act as Statutory Auditors of the Company till the conclusion of next Annual General Meeting, be and are hereby appointed as Statutory Auditors of the Company on such remuneration as may be mutually agreed upon with them and the Company.”

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

Place : Mumbai
Date : 21 August 2012.

Sd/-
**Kamlesh Kulkarni
Company Secretary**

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 Register of Members and the Share Transfer Books of the Company will remain closed from Friday, 21 September, 2012 to Friday 28 September 2012 (both days inclusive).

The relevant details as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges, of persons seeking appointment/ re-appointment as Directors under Item No. 2, 3 & 4 of the notice are also enclosed.

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

The Ministry of Corporate Affairs has taken a “Green Initiative in Corporate Governance” by permitting Companies to communicate with its Shareholders through electronic mode. For registering/ changing email address, Shareholders are requested to complete the online registration form- “Form for Registering/Changing E-mail Address” on the website of the Company www.crestindia.com under the Investors section.

REQUEST TO MEMBERS

Members desirous of getting any information/clarification on the Accounts and operations of the Company or intending to raise any query, are requested to forward the same at least 10 days in advance of the meeting to the Compliance Officer so that, the same may be attended appropriately.

Members are requested to bring the Attendance Slip duly filled in for attending the meeting.

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

Place : Mumbai
Date : 21 August 2012.

Sd/-
**Kamlesh Kulkarni
Company Secretary**

Crest Animation Studios Limited

DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING

(In pursuance of clause 49 VI (a) of Listing Agreement)

Name of Director	Mr. Randhir Kochhar	Mr. Rajen J Damani	Mrs. S. Balasubramanian
Date of Birth	10.06.1970	01.02.1959	03.11.1942
Nationality	Indian	Indian	Indian
Date of Appointment on the Board	04.08.2009	23.08.2010	23.08.2010
Qualifications	B.Com, MBA (IIM, Calcutta)	F.C.A.	B.Com.,LLB.,ACA., ACS, AICWA, DMA(ICA)
Shareholdings in the Company	Nil	Nil	Nil
Expertise in functional area	<p>Mr Randhir Kochhar is a director of D. E. Shaw India Advisory Services Private Limited, where he works on the D. E. Shaw group's private equity activities in India. Prior to joining D. E. Shaw in 2006, Mr. Kochhar was a partner in the transaction advisory services practice of Ernst & Young in India, where he led that firm's initiatives in the automotive and industrial products sector. During his four-year tenure with Ernst & Young, he was also responsible for their investment banking business in North and South India, focusing on mergers and acquisitions and private equity. Mr. Kochhar began his career at Arthur Andersen's corporate finance practice in Delhi, where he worked until that firm's merger with Ernst & Young in 2002. At Arthur Andersen, his responsibilities included mergers and acquisitions, private equity, valuations, and business consulting across a variety of industries. Mr. Kochhar received his bachelor of commerce degree from Shri Ram College of Commerce at Delhi University and his MBA from the Indian Institute of Management Calcutta.</p>	<p>Mr. 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.</p>	<p>Mr. 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 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.</p>
Names of other Companies in which he/she holds Directorships	<p>Amar Ujala Publications Limited. Security and Intelligence Services (India) Limited. Mack Star Marketing Private Limited Quattro Interactive Entertainment Solutions Limited. Soham Renewable Energy India Private Limited. Excelsoft Technologies Private Limited.</p>	<p>Acquarian Estate Private Limited Astor Stock Broker Private Limited Microcell Solutions Private Limited</p>	<p>Jaypee Infratech Limited GVK Power and Infrastructure Limited Emami Paper Mill Limited Gontermann-Pipers Limited Machine Plastic Limited Unitech Wireless (Tamil Nadu) Private Limited</p>
Details of Chairmanship/ Membership of Audit, Remuneration & Investors Grievances Committees of other Public Companies whether listed or not	<p>Member of Audit Committee, Remuneration Committee & Banking Committee in Amar Ujala Publications Limited Member of Special Committee in Mack Star Marketing Private Limited</p>	Nil	Member of Audit Committee in GVK Power & Infrastructure Limited

DIRECTORS' REPORT

The Directors hereby present the Twenty-second Annual Report of the Company with the Audited Statement of Accounts and the Auditors' Report for the year ended 31 March 2012.

FINANCIAL RESULTS	(Rs. in Million)	
	2011-2012	2010-2011
Operating Revenue	141.68	371.16
Other Income	50.76	5.60
Total Income	192.45	376.76
Profit before Interest, Depreciation, Tax, Exceptional Items and prior period adjustment	(89.11)	59.35
Less: Interest & financial charges	59.60	72.68
Profit before Depreciation, Tax, Exceptional Items and before prior period adjustment	(148.71)	(13.33)
Less: Depreciation	56.88	87.58
Profit before Tax and before prior period adjustment	(205.59)	(100.91)
Less: Provision for Tax	-	-
Add: Excess provision for tax written back	-	-
Add: Prior period income	-	-
Profit after Tax	(205.59)	(100.91)
Less: Surplus / (Deficit) in Profit & Loss account brought forward from previous year	-	-
Net surplus / (Deficit) carried forward to Balance Sheet	(205.59)	(100.91)

Note: Figures for the previous period have been regrouped / restated wherever necessary.

DIVIDEND

Since the operations of the Company have registered a loss 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

Financial Year 2011-12 has been a very challenging year for the Company and it continued to battle multiple concerns.

A gloomy and dismal global economy resulted in reduction of fully financed entertainment products. The Company's outsourcing revenues suffered immensely on this account.

Financing for proposed Joint Venture with an American Studio was also not possible.

Primary amongst these were the twin blows which the Company suffered last year, i.e. the bankruptcy filing by one of the Company's client and the backing out of the financing arrangement on the second feature film "Norm of the North" by one of the financiers. The full impact of this was felt in the year where it was not possible to have the loss of business replaced immediately.

A lackluster stock market also did not allow for recapitalization and the company had to resort to short term borrowings to keep the operations going. The Company was able to place a small portion of the treasury stock only in April 2012. The Company's bankers, employees and vendors have been very supportive in these difficult times as they have had to face delays in getting their dues cleared.

The Company continued work on the second feature film "Norm of the North" despite lack of financial closure, inviting qualification from the auditors. Alternate financing arrangements which the Company hoped to finalize this year were not successful in the period. The Company is working on financial closure in the coming 2-3 months.

The Company has taken Television contracts for execution like Brown Bag, Gloe, Swan Princess-5 after the successful completion and fine delivery of Swan Princess-4. Inadequacy of contracts both in the television and feature film space has put pressure on the revenues, resulting in the low performance during the year.

The management and the artists along with support staff, despite deferring their compensation for months, continued to do multiple tasks for marketing.

One unfeasible, non-contributing and demanding TV contract was discontinued and alternatives are on for more viable projects.

Alpha & Omega, co-produced by the Company along with Lions Gate performed reasonably well with gross box office collections over US\$ 50 million and sale of direct to video's and television rights raising more than US\$ 22 million. As mentioned last year, the waterfall accruing to the Company will be over a longer period of time than originally anticipated.

Due to the tight liquidity situation faced by the Company during the year, no additional work could be carried out on the Indian Feature Film; however, continued interest from Cable and satellite networks and from distributors is testimony to the creative and animation quality ability of the Company. The tentative release date is summer of 2013.

However the worst seems well behind us. The first quarter of 2012-13 has shown results on the work put in by the Company on different DVD/Television contracts, as the collections have been robust enough to take care of ongoing operational requirements as well retiring small portion of short term borrowings.

Continued negotiations and discussions are on for new contracts as well as for new Joint Venture initiatives for ensuring a robust and predictable future pipeline and guaranteed work for hire services.

The Direct to Video sales of "The Little Engine that Could", co-produced by the Company with Universal Studios, are in line with their expectations and during the year the US subsidiary received a total of US\$ 300,000 from Universal Studios towards the subsidiary's share. In line with the accounting practice followed by the US subsidiary, this amount has gone towards reducing the carrying value of the inventory.

Crest Animation Studios Limited

INFORMATION TECHNOLOGY

The Company's information technology division known as "STG" i.e System and Technical Group which has been innovating and deploying technology successfully since past few years through various means like high-performance storage, workflow and asset management tools, grid computing based render farm etc. These deployments have enhanced project delivery capabilities removed bottle necks related to transfer of files and approval delays. Currently the Company is working on next-generation computing based on "Hardware Accelerators" for visualization and computation to increase the productivity of the studio at highest level. Crest is the only studio in the Asia-Pacific region working on such technologies to enhance the performance of studio.

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 into 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 and 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. Randhir Kochhar, Mr. Rajen Damani and Mr. S. Balasubramanian Directors of the Company retire by rotation and, being eligible, offer themselves for re-appointment.

Mr. Shyam Benegal, Director, has resigned with effect from 14 June 2012 from the Directorship of the Company. Your Board recorded its gratitude for the guidance and counsel provided by Mr. Shyam Benegal during his tenure as Director and accepted his resignation.

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 the Annual General Meeting.

Directors recommend the resolutions pertaining to re-appointment of Directors for approval of the members.

AUDITORS

M/s. Chaturvedi and Shah and M/s. S. R. Batliboi & Associates (Member firm of Ernst & Young Global) Chartered Accountants, Mumbai will retire as the Auditors of the Company at the conclusion of the ensuing Annual General Meeting. M/s. Chaturvedi & Shah have given their consent for re-appointment as required under the provisions of Section 224(1B) of the Companies Act, 1956. M/s. S.R. Batliboi & Associates have expressed their inability to continue as Auditors. The Board of Directors of your Company recommend re-appointment of M/s. Chaturvedi and Shah as 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, 1975.

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.

AUDITORS REPORT

As regards the qualifications made by the auditors as stated in paragraphs 4, 5 & 6 of their report on the accounts of Crest Animations Studios Limited and paragraphs 5, 6 & 7 of the report on the consolidated financial statements of the Company respectively, attention is invited to Note Nos 23, 24, 25 & 26 forming part of the accounts of the Company and Note Nos 23, 24, 25 and 26 of the consolidated financial statements of the Company, wherein the detailed explanation are provided which in the opinion of the Board of Directors are self explanatory.

Further the Auditors have laid emphasis on the accounts of the Company in their report, with respect to continuance of the Company as a going concern.

In response, the factual situation is as follows.

- (a) The Company was not a non performing account with any of the lenders on 31 March, 2012 or at any time thereafter until the date of this report.
- (b) The Company has been able to get the limits and loans with the lenders realigned with respect to repayments and maturities.
- (c) The Company has been able to service the interest on the private loans and has even repaid/renewed some of these temporary loans since the date of the balance sheet.
- (d) Since the balance sheet date the Company has executed

Rs.95,859,642 of work on hire projects and collected Rs.133,002,805 from debtors.

- (e) There have been delays and salaries to employees are outstanding. However, this has not impacted execution of work and in the past three months the Company has in fact, recruited additional artists to serve new contracts.
- (f) The Company is not in default with respect to statutory dues and obligations except Tax deducted at source which have all since been paid with delays.
- (g) Despite the overall negative sentiments prevailing in the business environment the Company was able to place a small portion of the treasury shares and is confident of completing additional placements before December 2012.
- (h) The Company has adequate positive net worth remaining after adjusting losses and has not witnessed the loss of any of its critical clients nor the stoppage of work from them.

CHANGES IN GROUP STRUCTURE

By Virtue of Amalgamation which came in to effect 26 July, 2011, the following downstream subsidiaries have become direct subsidiaries now.

1. Crest Animation Inc. (CAI)
2. Crest Animation Productions Inc.(CAP)
3. Roop BDR Productions Inc. (RBP)

During the year, the company entered into television contract with Moonscoop LLC for producing 13 episodes of 11 minutes each titled "Gloe". The company took television contract for Ireland based studio Brown Bag Films Ltd, for producing 52 episodes of television series titled "Octonauts".

The company has successfully completed and delivered DVD project Swan princess 4 for Sony pictures. Due to success of fourth series of Swan Princess, the company has bagged the contract for the fifth series of Swan Princess.

During the year the company entered into agreement with Snapdragon Inc for producing televised version of the movie "How to train you Dragon". The company started work on the project simultaneously along with the other projects which the company executed. However, due to technical complexities, the company had to terminate the contract in order to concentrate on the delivery of other projects.

The company continued to work on the second feature film "Norm of the North" which is a part of Lionsgate deal. However, one of the financiers to this project defaulted their obligation to fund due to financial crisis in their region. The company is reviewing intended legal recourse to be initiated against the financier. Alternate financing arrangements are also under negotiation.

The company continued to work on "Rabbit", another CGI feature for limited release which your company is co-producing with KRU Capital Sdn. Bhd, Malaysia

CONSOLIDATED FINANCIAL STATEMENTS

In compliance with the Listing Agreement 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.

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.

In terms of general exemption granted by the Ministry of Corporate Affairs under section 212(8) of the Companies Act, 1956, the Copy of the Balance Sheet, etc. of the subsidiaries are not required to be attached with the Balance Sheet of the Company. The Company Secretary will make these documents available upon receipt of request from any member of the Company interested in obtaining the same. These documents will be available at the Registered Office of the Company, during working hours up to the date of the Annual General Meeting.

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: Mumbai
Date : 21 August 2012

Sd/-
Seemha Ramanna
Chairperson & Managing Director

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.

RESEARCH & 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. 131,491,483 (Rs. 371,157,058)
2. Total foreign exchange utilized Rs.1,012,540 (Rs. 1,886,181)

For and on behalf of the Board

Sd/-

Seemha Ramanna

Chairperson & Managing Director

Place: Mumbai

Date : 21 August 2012

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Time and again a question comes to the fore. Is the Animation Industry Recession Proof? Animation has not only survived but grown in geometrical progression over decades because it has bred very competent and skilled artists, producers and animation studios where they collaborate to produce quality work at very predictable intervals. With the advent of 3D CGI animation the dynamics have stayed intact. It is an industry with its very own distinct sensibilities and nuances.

Over the last year, emergence of well loved movies franchises like Ice Age, Madagascar, Kung Fu Panda, Lorax, just to name a few, many upstart entrepreneurs and visionary artists decided to create 3D animation studios of their own. The hype continues without reaching a bubble status. After all, demand continues for these kinds of entertaining, colorful family oriented films.

Having said that, the global financial crisis did not just hit the realty projects and banking firms. It did have a trickling effect on the animation industry but limited itself to geography. Europe. How hard hit was the animation industry? It is no secret that the UK animation industry is in a tight spot right now. According to '*securing the future of UK animation*' released recently by Animation UK, as much as 40% of the animation companies located in the territory were either just breaking even or losing money in 2011. And 28% of UK animation companies have gone out of business or left animation in the last three years. Arguably, this could be attributed to the deep financial turmoil in the European markets. But realistically it is due to growing overseas competition. It is important to note that a majority of those animation studios who never quite make the cut ventured into the industry because of the promise of easy money and not because of the love of the art. Art without heart seldom prospers and that goes for mediums such as paintings, music, literature etc. In the Euro Zone, France and Germany are predominantly in TV animation and largely supported by Government tax breaks and subsidy's. TV is very crowded and noticeably the licensing fees by broadcasters are dwindling thereby making most shows financially un-viable. It is one thing to state that the animation industry is encountering hard times. It is, however, another thing to label the industry is bust like the dot-com crash of the early 21st century. No, not just yet-not with all the new technologies and procedures coming the way of 3D animators. If anything, these tough times will only separate the cream of the crop from lame pretenders. Also, the difficulties created by global recession has translated to higher quality of animated movies.

Interestingly, United States continues to dominate the animated theatrical segment. Not only in producing animated content but also in world-wide distribution. Another very interesting fact to note is the prominence that China & India are getting in the global animation industry. These two countries out of Asia are being positioned as the front runners in both outsourcing as well as original IP creation. Major studios like Walt Disney, Dreamworks etc have been expressing this very transparently through various media.

CGI animated theatrical releases continue to dominate the World Box Office and is poised to do even better as more

releases are planned over the next few years. With the increase in theatres (multiplexes), TV channels and use of digital satellites, the rapid growth of the Internet and a wide variety of other new technologies (including advances in stereoscopic and large-format projection), distributors and programmers in nearly every country require more content than ever to fill consumer demand. The general pace of international roll-outs is quicker than in the past. Films are launched simultaneously around the world and this is becoming common place. Distributors and exhibitors continue to innovate, find new ways to expand the Box Office pool.

The animation industry in India is witnessing a new revenue model, which otherwise only existed in mature markets like North America, Europe, Japan etc. Merchandising and Character licensing is a fast rising industry in Asia today, particularly India. An obvious recent example is 'Chotta Bheem'. Though the product does not fall into 3D CGI category, this animated brand is facilitating the markets to mature. India is also witnessing new horizons, different applications of animation, especially in gaming, live search maps, medicine, surgery and other simulations.

COMPANY OUTLOOK AND OVERVIEW

The year 2011-12 was extremely challenging. After the initial set back, we pulled up our sleeves and re-grouped to strategies our way forward. The services product mix had to have all the three formats viz work-for-hire for TV, DVD and Feature. We began our journey with doing fresh tests, for TV series and over the first six months of the financial year demonstrated to the world markets that we continue to lead in quality as we were the only studio, out of many in India, to have qualified. We were successful in converting these prospects to customers. We were the natural choice for Dreamworks Animation, Brown Bag Films and Moonscoop. Brown Bag Films, based out of Ireland, is a two time Academy award nominated studio and are producing some of the finest shows for Disney, BBC etc. Moonscoop, erstwhile Mike Young Productions was pleased to come back to us and Dreamworks Animation needs no introduction.

It is common knowledge that we faced operational challenges due to irregular cash-flows largely due to the following reasons: A US client declaring Chapter 11, default in Norm funding and lack of new service contracts. In-spite of this challenge the entire staff demonstrated true grit and moved forward with the belief that the situation prevailing was temporary.

During the year under review, the company once again began multiple TV series and a DVD production in full steam. 'Octonauts' a 52 episode TV series, GLoE a TV series for Moonscoop is in full production.

Sony, one of the largest studio in US was extremely happy with our quality on the Swan Princess 4 DVD delivery and quickly greenlit Swan Princess 5 DVD which is in production. We also began production of one of the most complex TV series ever made for Dreamworks Animation but had to abandon due to cost/profitability issue. By and large TV series as a product mix has lower margins but if managed diligently it helps in operational cash-flows.

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During the year under review, the company had a special request from Redchillies, a production house owned by Mr Shahrukh Khan, to help them finish animation for their Bollywood film called 'Ra.One'. This task was to be accomplished in approximately two weeks and when we delivered the client was so happy that they insisted on giving us credit in the 'main title'.

During the year under review, the company continued its work on the feature 'Ribbit' and the final retakes are just being delivered. A few sequences of this film was shown to prospective distributors in Cannes Film Festival and it has bagged some major European territory sales guarantees. This film is slated for theatrical release during this calendar/financial year. On the project "Indian Feature Film" front, status quo was maintained as there was no movement during the year.

The company recruited over 150 personnel and put them through rigorous training in multiple software and skills and they have all become productive in a very short span of time. They are all absorbed in various TV episodic deliveries.

The company has also been in talks with a few overseas animation studios for a strategic/dedicated relationship and this could see some fruition in the near future.

SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

The Company is engaged in providing 3D/CGI 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 company started production on two television series titled "Gloe" and "Octonauts" as well as two Direct to Video projects, "Swan Princess – 5" and "Alpha & Omega".

The company generated total income of Rs. 192.45 Million as compared Rs. 376.76 Million for the previous year. The company's EBITDA stood at Rs. (89.11) as compared Rs. 59.35 Million for the previous year. The loss after tax of the company for the year 2011-12 was Rs. 205.59 Million as against loss of Rs. 1,711.52 Million. The loss for previous year included impairment of goodwill on amalgamation of Rs. 1,610.61 Million.

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 performance of subsidiary companies, mainly Crest Animation Inc. and its subsidiary.

1. Standalone

During the year the loss after tax of the company for the year 2011-12 was Rs. 205.59 Million as against loss of Rs. 1,711.52 Million during the previous financial year. The loss during previous year was primarily due to one time exceptional item of impairment of goodwill on amalgamation of Rs. 1,610.61. During the current year lower revenue was due to Inventory & Debtor write – downs of Rs. 23.47 Million and Rs. 2.09 Million respectively (due to discontinuation of one project) which contributed to the higher loss.

Revenues during the year are down primarily due to new contracts being commissioned only during the second and third quarter of the year.

The company's operating revenues have been generated by production service fees out of the work for hire contract for Television series "Gloe" & "Octonauts" and Direct to Video projects "Swan Princess -5".

2. Consolidated

During the year, revenue fell by 55% from Rs. 422.03 Million to Rs. 189.06 Million. The consolidated loss stood at Rs. 199.94 Million as compared to Rs. 1,713.09 Million. The loss during previous year was due to impairment of goodwill on amalgamation of Rs. 1,610.61 Million, write down of properties, provision of debtors due to filing of Chapter 11 by one of our clients in USA.

During the current year the decrease in revenue of 55% caused due to funding issues pertaining to second feature film "Norm of the North" project is mainly responsible for the higher loss.

OPPORTUNITY, THREATS, RISKS AND CONCERNS

India for Animation – analyzing the opportunities, threats and challenges

	Strengths	Weaknesses
Internal Factors	<ol style="list-style-type: none"> 1. Low cost of animation services 2. Attractive destination for outsourced animation production for international players 3. Increase in institutions providing animation education 4. Well equipped animation studios 5. English speaking talent 6. Growing awareness of Indian Animation talent Among international studios 	<ol style="list-style-type: none"> 1. Manpower shortage 2. Protection of intellectual property 3. Attrition and poaching loss of experienced professionals 4. Very little awareness of career in animation 5. Minimal government support or incentives 6. Funding problems, Salary issues and constant retaining of professionals
SWOT		
	Opportunities	Threats
Internal Factors	<ol style="list-style-type: none"> 1. Increasing awareness of Indian Animation talent amongst international studios 2. Increasing animation budgets 3. Increasing acceptance of animation content in domestic entertainment 4. Increasing capex on building world class animation studio 5. Tremendous opportunity of tapping international animation market 	<ol style="list-style-type: none"> 1. Competition from other countries like Taiwan, Philippines, Korea and China 2. Ever changing technology 3. Lack of awareness in foreign countries 4. Inadequate funding for capex and investment in manpower 5. Lack of support from government

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 stock. 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 term.

Business Model Risk

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

Many times business of the Company is also subject to risks such as overall economic and political events etc. The Company is providing services in three areas Filmed entertainment / DVD / TV episodes. Hence, the risks vary for each business area.

Filmed entertainment: The success depends on viewers acceptance of the film which is almost impossible to predict and therefore, risky. The financial success of film also depends on other factors like public acceptance of competitors film, other forms of leisure and entertainment available to public etc. Economic / Financial success of theatrical performance also has a huge impact on other revenue streams like DVD / TV / Merchandise etc. Most importantly one cannot assure that the film will generate enough revenue to cover costs like distribution, marketing, production etc. which means the net revenue could get affected.

Home entertainment (DVD): This business stream is currently experiencing significant change due to rapid technological shifts and thereby consumer preferences and behavior is changing. Since, this also becomes unpredictable, there is

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an inherent risk involved on profitability. Internet, You Tube, Mobile devices continue to evolve rapidly due to technology and therefore we are constantly adapting to new distribution channels.

TV episodes : This segment is governed and driven largely by broadcasters / networks. As compared to live action, number of networks dedicated to children is relatively lesser and also the 'license' fee, over the years, is continuously reducing. The number of suppliers in this segment are much higher and exist across all geographical regions. Competition especially from other Asian regions (in the animation outsourcing space) like China / Malaysia / Singapore / Korea etc. is growing in geometric progression and their pricing is relatively more aggressive than Indian counterparts. This puts a pressure on Ebitda margins and therefore over a period in time one might have to exit this format and therefore putting a risk on overall lower revenue.

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 and 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 to hedge its foreign currency receivables. 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 stay abreast with the changes in technology and constantly upgrade the capabilities and capacities of 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.

The company has implemented and would continue to implement changes in its production processes & systems in order to produce stereoscopic projects as and when required. 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 the Company include:

- a. A strong team of 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. Zero non – compliance with regards to any statutory compliance.
- d. 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.

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CORPORATE GOVERNANCE REPORT 2011-2012

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 Studios Limited, 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 is 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 National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

Board Composition and Particulars of Directors:

a) Composition of the Board

- The Company's Board has an optimum combination of Executive and Non-Executive Directors, to ensure independent functioning. The Board comprises of Nine Directors including Executive Chairperson. Of the 9 Directors, five 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 Agreement 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 31 March 2012 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 Seven Meetings held	Attendance at the last AGM held on 30 th September, 2011	No. of other Directorship held as at 31.03.2012	Number of Committee Positions held in other Companies as at 31 st March, 2012	
						Member	Chairman
Mrs. Seemha Ramanna	Chairperson & Managing Director	Executive Promoter Director	7	Yes	2	Nil	Nil
Mr. Shyam Ramanna	Director	Non-Executive Promoter Director	Nil	No	2	Nil	Nil
Mr. T.N.V. Ayyar	Director	Independent Non-Executive	7	Yes	6	2	2
Mr. Divya Shah	Director	Independent Non-Executive	6	No	1	Nil	Nil
Mr. Shyam Benegal*	Director	Independent Non-Executive	2	Yes	0	Nil	Nil
Mr. S. Balasubramanian	Director	Independent Non-Executive	4	No	6	1	Nil
Mr. Rajen Damani	Director	Independent Non-Executive	6	Yes	3	Nil	Nil
Mr. Anil Chawla	Director	Non- Independent Non Executive (Nominee Director)	Nil	No	8	Nil	Nil
Mr. Randhir S. Kochhar	Director	Non –Independent Non-Executive (Nominee Director)	7	No	6	1	Nil

*Resigned as a Director of the Company w.e.f. 14 June 2012.

4. Seven Board Meetings were held during the year ended 31 March, 2012. These were held on 13 May 2011, 28 July 2011, 11 August 2011, 29 August 2011, 5 October 2011, 14 November 2011 and 13 February 2012.
5. None of the Independent Non-Executive Directors have any material pecuniary relationship or transactions with the Company.
6. During the year, information as mentioned in Annexure 1A to the Clause 49 of the Listing Agreement has been placed before the Board for its consideration. Based on the information placed before the Board, strategic and vital decisions are taken for effective governance of the Company.
7. Among other important information, minutes of all the Committee meetings, are regularly placed before the Board in their meetings.

b) Relationship of Directors

Mrs. Seemha Ramanna, Chairperson and Managing Director is the wife of Mr. Shyam Ramanna, Director. 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 annual remuneration to Mrs. Seemha Ramanna, Chairperson and Managing Director is paid/payable as per the resolution passed by the shareholders and consequent approval of the Central Government.

Name of Director	Salary	Perquisites & Allowances	Contribution to Provident Fund	Others	Performance Linked Bonus	Total
Mrs. Seemha Ramanna	39,00,000/-	36,00,000/-	4,68,000	NIL	NIL	79,68,000/-

Apart from the remuneration as above, a Commission of Rs.28,60,638/- 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 Fees 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	1,65,000
Mr. Divya Shah	1,50,000
Mr. Shyam Benegal	40,000
Mr. S. Balasubramanian	45,000
Mr. Rajen Damani	1,30,000
Mr. Anil Chawla*	Nil
Mr. Randhir S. Kochhar*	25,000
Total	5,55,000

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

Directors' Shareholding

Equity Shares of the Company held by Directors as on 31 March 2012

Name of Director	Number of Shares held	Percentage
Mr. Shyam Ramanna	966,500	2.18
Ms. Seemha Ramanna	2,398,876	5.43
Mr. Shyam Benegal*	1,000	0.002
Mr. T.N.V. Ayyar	NIL	NIL
Mr. Divya Shah	NIL	NIL
Mr. S. Balasubramanian	NIL	NIL
Mr. Rajen Damani	NIL	NIL
Mr. Anil Chawla	NIL	NIL
Mr. Randhir Kochhar	NIL	NIL

*Resigned as a Director of the Company w.e.f. 14 June 2012.

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Board Meetings Procedures and Board Committee Meetings:

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/Chairperson. 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. 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;
- discuss 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 March, 2012 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. Rajen Damani	Non Executive - Independent
Mr. Anil Chawla	Non Executive
Mr. Randhir S. Kochhar	Non Executive

*Resigned as Director of the Company w.e.f. June 14, 2012.

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 30th September, 2011 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 Meeting was held	Attendance record of the Members					
		Mr. T.N.V. Ayyar	Mr. Divya	Mr. Shyam Shah	Mr. Rajen Benegal*	Mr. Anil Chawla Damani	Mr. Randhir S. Kochhar
1.	13/05/2011	Yes	Yes	No	Yes	No	Yes
2.	11/08/2011	Yes	Yes	No	Yes	No	Yes
3.	24/08/2011	Yes	Yes	No	No	No	No
4.	29/08/2011	Yes	Yes	No	No	No	Yes
5.	14/11/2011	Yes	Yes	Yes	Yes	No	Yes
6.	13/02/2012	Yes	Yes	No	Yes	No	Yes

*Resigned as Director of the Company w.e.f. 14 June 2012.

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
Mr. Randhir s. Kochhar	Non Executive

*Resigned as Director of the Company w.e.f. 14 June 2012.

Remuneration Policy

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

The Company does not have any Employee Stock Option Scheme.

Investor 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 etc.

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 Benegal*	Non Executive – Independent
Mr. Rajen Damani	Non Executive – Independent
Mr. Randhir S. Kochhar	Non Executive
Mr. Anil Chawla	Non Executive

* Resigned as Director of the Company w.e.f. 14 June, 2012.

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 Meeting was held	Attendance record of the Members					
		Mr. T.N.V. Ayyar	Mr. Divya Shah	Mr. Shyam Benegal	Mr. Rajen Damani	Mr.Randhir S. Kochhar	Mr. Anil Chawla
1.	13/05/2011	Yes	Yes	No	Yes	No	Yes
2.	24/08/2011	Yes	Yes	No	No	No	No
3.	13/02/2012	Yes	Yes	No	No	No	No

Mr. Kamlesh Kulkarni, Company Secretary is the Compliance Officer effective from 1 November 2011.

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Requests/Grievances/complaints received & resolved during the year 2011-2012

SR. NO.	NATURE OF COMPLAINT	OPENING BALANCE ON 01.04.2011	RECEIVED DURING THE YEAR	RESOLVED DURING THE YEAR	CLOSING BALANCE AS ON 31.03.2012
1.	NON-RECEIPT OF DIVIDEND/	0	1	1	0
a.	REVALIDATION	0	0	0	0
2.	a. NON-RECEIPT OF SHARE AFTER TRANSFER	0	1	1	0
3.	DEMAT/REMAT	0	0	0	0
4.	CHANGE OF ADDRESS	0	3	3	0
5.	MISCELLANEOUS	0	1	1	0
6.	SEBI COMPLAINTS	0	0	0	0
7.	STOCKEXCHANGE COMPLAINTS	0	0	0	0
8.	NON-RECEIPT OF ANNUAL REPORT	0	3	3	
9.	CORRECTION ON THE CERTIFICATE	0	0	0	0
10.	DELETION	0	1	1	0
11.	TRANSMISSION	0	0	0	0
12.	MANDATE	0	0	0	0
13.	ISSUE OF DUPLICATE CERTIFICATE /LOSS OF SHARES	0	0	0	0
14.	LEGAL	0	0	0	0
15.	REGISTRATION OF NOMINATION.	0	0	0	0
16.	CHANGE IN NAME	0	1	1	0
17.	REQ. FOR RECEIVING DOCUMENTS IN PHYSICAL MODE	0	8	8	0
18.	CHANGE OF SIGNATURE	0	2	2	0
	TOTAL	0	21	21	0

IV General Body Meetings

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
2010-11	AGM	30.09.2011	11.00 A.M.	NIL
2009-10	AGM	27.09.2010	12.30 P.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 and remuneration payable to him; 2. Approval for re-appointment and remuneration payable to the Managing Director
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.

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 as proposed in Annual General Meeting of the Company held on 30th August, 2009 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 any material non-listed Indian subsidiary whose turnover or net worth (i.e. paid up capital and free reserve) exceeds 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, by way of a Scheme of Amalgamation u/s 391 to 394 of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956, two of Company's overseas subsidiaries i.e. Crest Animation Holdings Inc. USA ("CAHI") and Crest Communication Holdings Limited, Mauritius ("CCHL") and one Indian wholly owned subsidiary viz., Crest Interactive Limited ("CIL") were merged with the Company. The Scheme was approved by the Hon'ble Bombay High Court by its order dated 1st April, 2011 and came into effect from 26th July 2011 upon filing of the order of the Hon'ble Bombay High Court with the Registrar of Companies, Maharashtra, Mumbai and other statutory approvals, compliances in overseas jurisdictions.

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 47 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 45 days 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.

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.

Declaration on compliance of Code of Conduct

I, Seemha Ramanna, Chairperson and 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 : 21 August 2012

Sd/-
SEEMHA RAMANNA
CHAIRPERSON & MANAGING DIRECTOR

Crest Animation Studios Limited

CORPORATE GOVERNANCE COMPLIANCE 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) and National Stock Exchange of India Limited (NSE) for the financial year ended 31 March, 2012. 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 with respect of Remuneration Committee.

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

Sd/-
S.N. Ananthasubramanian
C.P. No.:1774
Date: 21 August, 2012
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 : 21 August 2012.

Sd/-
A. K. Madhavan
Chief Executive Officer

Sd/-
Vijay N Paranjpe
Chief Financial Officer

GENERAL INFORMATION FOR SHAREHOLDERS

1. Annual General Meeting:

Thursday, 27 Day of September 2012 at Emperor Hall, Hotel Kohinoor Park, Veer Savarkar Marg, Prabhadevi, Mumbai - 400 025 at 11.00 A. M.

**2. The financial year covers the period from 1 April to 31 March
Financial Reporting for:**

Quarter ending	30 June 2012	Mid August 2012
Half year ending	30 September 2012	Mid November 2012
Quarter ending	31 December 2012	Mid February 2013
Year ending	31 March 2013	Mid May 2013

Note: above dates are indicative

3. Name & contact details of the Compliance Officer:

Mr. Kamlesh Kulkarni, 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 Friday, 21st day of September 2012 to Friday 28th day of September, 2012 (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.

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

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

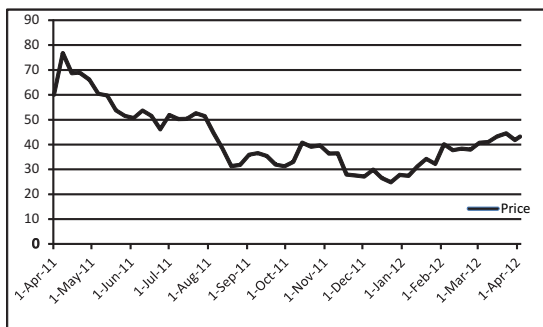
The Bombay Stock Exchange Limited (BSE)	526785
National Stock Exchange Limited (NSE)	CRESTANI
ISIN Number with NSDL & CDSL	INE774A01012
The Luxembourg Stock Exchange (GDRs)	CrestCommunic GDR ne US2260641038
Common code for GDRs	018230186

8. Market Price Data:

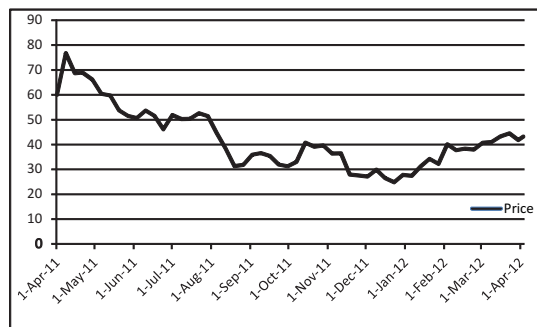
High, lows and volume of Company's shares for 2011-12 at BSE & NSE

Month	Bombay Stock Exchange			National Stock Exchange		
	High	Low	Volume	High	Low	Volume
April, 2011	76.75	60.00	2079190	77.00	59.50	551699
May	65.55	51.45	786708	65.65	51.45	648042
June	54.95	45.80	772233	54.80	45.70	639567
July	52.55	50.05	430299	52.65	50.00	640746
August	49.85	31.35	619233	50.00	31.35	666551
September	37.35	30.70	266272	37.25	30.50	543269
October	46.95	30.60	1201657	46.95	30.70	410149
November	37.70	26.70	335680	37.80	27.75	336546
December	29.90	23.30	411377	29.90	23.30	428257
January 2012	35.45	26.75	514863	35.45	26.55	386759
February	40.45	36.20	653111	40.40	36.05	740700
March	49.00	39.50	805056	48.85	39.50	844786

Shareprice in BSE



Shareprice in NSE



9. Registrar and Share Transfer Agent 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@shareproservices.com

10. Share Transfer System

The transfers of shares in physical form is processed and completed by Registrar and Share 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 31 March 2012

Number of shares	Number of Shareowners	Percentage of Shareowners	Number of Shares held	Percentage of Total
Upto 500	18549	97.992	6226425	14.083
501 – 1000	198	1.046	1427036	3.228
1001- 2000	80	0.423	1167033	2.640
2001 – 3000	34	0.180	867329	1.962
3001 – 4000	11	0.058	388581	0.879
4001 – 5000	8	0.042	369092	0.835
5001 – 10000	17	0.090	1199594	2.713
10001 & above	32	0.169	32567046	73.661
Total	18929	100.00	44212136	100.00

12. Categories of Shareowners as of 31 March 2012

CATEGORY	NUMBER OF SHARES	PERCENTAGE
Promoters & their relatives– Individuals	3565376	8.06
Promoters/Associated Companies	1043233	2.36
Corporate Bodies	3544569	8.02
Mutual Funds & UTI	200	0.00
Banks, Financial Institutions & Insurance Companies	1000	0.00
Foreign Institutional Investors	203900	0.46
Foreign Companies	9081673	20.54
Non Resident Indians	191727	0.43
Trusts	12000300	27.14
Indian Public	13080158	29.58
GDR Holdings	1500000	3.39
TOTAL	44212136	100.00

13. Dematerialization of shares and Liquidity

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

As on 31st March, 2012, 99.57% 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 31 March 2012, 1,50,000 GDRs representing 15,00,000 underlying equity shares were outstanding. The equity shares representing GDRs have been issued and listed in Luxembourg Stock Exchange 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)

Registered Office	401 & 501, Raheja Plaza-1, L.B.S. Marg, Ghatkopar West, Mumbai – 400 086. Website :www.crestindia.com Email : companysecretary@crestindia.com
Subsidiaries	
Direct Subsidiaries: Crest Animation Inc	333, North Glenoaks Blvd. Suite 300, Burbank, California, U.S.A.
Other Subsidiaries: 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@shareproservices.com

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

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 31 March 2012 and the Statement of 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. *As discussed in Note 23 of the accompanying financial statements, at 31 March 2012, the Company has not accrued for interest of Rs 751.78 lacs for the year ended 31 March 2012 on a secured loan as the Company intends to litigate the applicability of interest given the recoverability of the advance referred in paragraph 5 below is uncertain. Had the Company recorded the said interest, the loss for the year ended 31 March 2012 would have been higher by Rs 751.78 lacs and the current liabilities as at 31 March 2012 would have been higher by Rs 751.78 lacs.*
5. *As indicated in Note 23 of the accompanying financial statements, at 31 March 2012, loans and advances include Rs 3,169.3 lacs (recorded in the Company's books of account pursuant to scheme of arrangement effective from 26 July 2011) due from a company against which the Company intends to initiate legal action to recover the advance. The ultimate outcome of the recoverability of the advance cannot presently be determined and hence, we are unable to comment on its consequential impact, if any, on the Company's loss for the year ended 31 March 2012. The audit report for the year ended 31 March 2011 and was also modified for this matter.*
6. *As indicated in Note 24 of the accompanying financial statements, the recoverability of the following assets is impacted due to uncertainty relating to the financial condition of the Company, as further investments are required to complete the projects of these investee companies:*
 - a. *Investment of Rs 744.6 lacs in an animation production company executing an animation film project, debtor of Rs 723.3 lacs, unbilled revenue of Rs. 1,562.9 lacs due from this company and inventory of Rs 408.3 lacs relating to this film.*
 - b. *Investment of Rs 1400.16 lacs in a subsidiary company, carried in the books of the Company based on the carrying value of net assets of this subsidiary as at 31 March 2012. As per the audited financial statements of this subsidiary as at 31 March 2012, the net assets includes receivable of Rs 1,114.22 lacs due from the above mentioned animation production company.*

We are unable to comment on the extent of non-recoverability of these balances and their consequential impact, if any, on the Company's loss for the year ended 31 March 2012. The audit report for the year ended 31 March 2011 was also modified for the matter discussed in paragraph 6a above.
7. Without qualifying our opinion we state that, as at 31 March 2012, the Company has long-term investments of Rs 71 lacs in a joint venture company which is having film properties under development for more than 3 years. For the reasons stated in Note 25, pending the final outcome of the decision to be taken by the joint venture partner on the development of the film properties held by the investee, management is of the view there is no diminution in the value of this long term-investment. 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 this investment.
8. Without qualifying our opinion, we draw attention to Note 26 in the accompanying financial statements. Without considering the effects / possible effects of the matters stated in paragraph 4, 5, and 6 above, the Company has incurred a net loss of Rs 2055.92 lacs for the year ended 31 March 2012 while the accumulated losses aggregate to Rs 3065.07 lacs. The Company is funding its operations from short term borrowings and has renewed its bank borrowings. These conditions, along with other matters as set forth in Note 26, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The appropriateness of going concern assumption is dependent on the Company's ability in raising of funds from the liquidation of shares held by the CAS Benefit Trust ("treasury stock"), renewal of its loan obligations on their due date, continuing its business operation and establishing profitable operations,. These mitigating factors have been fully disclosed in the Note 26 of the accompanying financial statements in view of which the accompanying financial statements have been prepared on going concern assumption.
9. 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, except for matter disclosed in paragraph 4 above;

AUDITORS' REPORT

- iii. The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the balance sheet, statement of profit and loss 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, *except for matters disclosed in paragraphs 4 to 6 above*;
- v. On the basis of the written representations received from the directors, as on 31 March 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2012 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, *except for the effect of the matter referred to in paragraph 4, and the possible effects of the matters referred to in paragraph 5 and 6 above*, 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 31 March 2012;
- b) in the case of the Statement of profit and loss, of the loss 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

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

Sd/-
per Govind Ahuja
Partner
Membership No.: 48966
Mumbai : 21 August 2012

Sd/-
Amit Chaturvedi
Partner
Membership No.: 103141
Mumbai : 21 August 2012

Crest Animation Studios Limited

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

Re : Crest Animation Studio 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) (b) and (c) of the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') are not applicable to the Company.
- (iii) (a) According to the information and explanations given to us, 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 the Order are not applicable to the Company.
- (b) The Company has taken unsecured loan from two parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum outstanding at any time during the year in respect of said loan and the year-end balance is Rs 33,525,000.
- (c) In our opinion and according to the information and explanation given to us, terms of interest, where applicable and other terms and conditions are not prejudicial to the interest of the company.
- (d) In respect of loan taken by the Company, the payments of interest, where applicable, are payable on demand, the principal amounts are repayable on demand and therefore the question of overdue amount doesn't arise.
- (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 major weakness or continuing failure to correct any major weakness in the internal control system of the company in respect of these areas.
- (v) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.
- (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 of the Company 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, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it *except for withholding tax which has not been regularly deposited with the appropriate authorities and there have been serious delays in large number of cases*. The provisions relating to excise duty and sales tax are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, 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 information and explanations given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) *Without considering the consequential effects, if any, of the matters stated in paragraphs 5 and 6 of our auditors' report and after considering the effect of the matter stated in paragraph 4, the Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth but it has incurred cash losses in the current financial year. The Company did not incur cash loss in the immediately preceding financial year.*
- (xi) In respect of dues to the two banks the defaults as 31 March 2012 is as follows;

Particulars	Amount in Rs.	Period of Default as at 31.3.2012
Principal	82,028,693	1 day
Interest	3,906,383	Ranging from 1 day to 60 days

Since then the default in respect of Principal amount of Rs. 80,000,000/- of a term loan from one bank, have been made good as the bank has rescheduled it's repayment schedule and outstanding interest of Rs. 3,906,383/- on said loan have since then been paid.

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

Re : Crest Animation Studio Ltd. ('the Company')

- | | |
|---|--|
| <p>The Company has not issued any debentures and hence the question of any default for repayment on this account does not arise</p> <p>(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.</p> <p>(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 the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.</p> <p>(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 the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.</p> <p>(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.</p> <p>(xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.</p> <p>(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.</p> | <p>(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 Companies Act, 1956.</p> <p>(xix) The Company did not have any outstanding debentures during the year.</p> <p>(xx) The Company has not raised any money by the public issue during the year.</p> <p>(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 by the Company has been noticed or reported during the year.</p> |
|---|--|

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

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

Sd/-
per Govind Ahuja
 Partner
 Membership No.: 48966
 Mumbai : 21 August 2012

Sd/-
Amit Chaturvedi
 Partner
 Membership No.: 103141
 Mumbai : 21 August 2012

Crest Animation Studios Limited

BALANCE SHEET AS AT 31 MARCH 2012

	NOTE NO.	AS AT 31 MARCH 2012 (RUPEES)	AS AT 31 MARCH 2011 (RUPEES)
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	3	442,121,360	225,851,780
Share capital pending allotment		-	216,269,580
Reserves and surplus	4	605,878,900	770,274,061
Non Current Liabilities			
Long-term Borrowings	5	761,647	1,279,346
Long-term Provisions	6	12,476,969	10,571,808
Current Liabilities			
Short-term Borrowings	7	653,570,306	573,482,549
Trade Payables	8	34,811,840	15,751,863
Other Current Liabilities	9	181,209,386	145,216,035
Short-term Provisions	10	2,884,132	2,710,260
		1,933,714,540	1,961,407,282
ASSETS			
Non Current Assets			
Fixed Assets			
Tangible Assets	11	82,779,800	120,114,362
Intangible Assets	11	12,700,891	32,823,897
Non Current Investments	12	770,242,698	790,304,778
Long-term Loan and Advances	13	28,470,611	30,096,143
Current Assets			
Inventories	14	318,654,704	251,093,589
Trade Receivables	15	212,779,672	156,002,673
Cash and Bank Balance	16	766,116	60,210,801
Short-term Loan and Advances	13	327,937,338	289,583,461
Other Current Assets	17	179,382,710	231,177,578
		1,933,714,540	1,961,407,282

Summary of Significant the Accounting policies

2

The Accompanying Notes are integral part of Financial Statements

As per our report of even date

For and on behalf of the Board

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

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

Sd/-
Seemha Ramanna
Managing Director

Sd/-
T N V Ayyar
Director

Sd/-
Vijay N Paranjpe
Chief Financial Officer

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

Sd/-
Amit Chaturvedi
Partner
Membership No. : 103141

Sd/-
A K Madhavan
Chief Executive Officer

Sd/-
Kamlesh Kulkarni
Company Secretary

Mumbai: 21 August 2012

Mumbai: 21 August 2012

Mumbai: 21 August 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2012

	NOTE NO	YEAR ENDED 2011-12 (RUPEES)	YEAR ENDED 2010-11 (RUPEES)
INCOME			
Revenue from Animation Services		141,682,978	371,157,058
Other income	18	50,763,746	5,600,891
		192,446,724	376,757,949
EXPENDITURE			
(Increase)/decrease in work-in-process		(67,561,103)	(66,057,870)
Employee benefit expenses	19	123,113,677	119,742,816
Other expenses	20	226,004,991	263,723,778
Finance costs	21	59,596,466	72,684,154
Depreciation and amortisation	22	56,884,950	87,575,834
		398,038,981	477,668,712
PROFIT / (LOSS) BEFORE EXCEPTIONAL ITEMS AND TAX		(205,592,257)	(100,910,763)
Less: Exceptional Item:			
Goodwill on Amalgamation impaired		-	1,610,608,337
PROFIT / (LOSS) BEFORE TAX		(205,592,257)	(1,711,519,100)
Provision for tax			
Current tax		-	-
Short / (Excess) provision for taxes written off / (written back)		-	3,997
PROFIT / (LOSS) AFTER TAX		205,592,257	(1,711,523,097)
EARNING PER EQUITY SHARE FACE VALUE OF Rs. 10 EACH			
Basic & Diluted Earnings Per share (Face Value of Rs. 10 Each)		(4.65)	(38.71)
Weighted average number of equity shares outstanding during the year		44,212,136	44,212,136*
Face value per equity share		10.00	10.00
* Previous Year figure includes 21,626,958 equity share to be issued on amalgamation			

Summary of Significant the Accounting policies

2

The Accompanying Notes are integral part of Financial Statements

As per our report of even date

For and on behalf of the Board

For S. R. Batliboi & Associates
Firm Registration No. 101049W
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Sd/-
A K Madhavan
Chief Executive Officer Company Secretary

Sd/-
Kamlesh Kulkarni

Mumbai: 21 August 2012

Mumbai: 21 August 2012

Mumbai: 21 August 2012

Crest Animation Studios Limited

Cash Flow Statement for the year ended 31 March 2012

	Year ended 31 March 2012 (RUPEES)	Year ended 31 March 2011 (RUPEES)
A CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	(205,592,257)	(1,711,519,102)
Adjustment for:		
Prior Period Adjustment	-	(3,997)
Depreciation	56,884,949	87,575,836
Goodwill on Amalgamation impaired	-	1,610,608,337
Loss on sale of fixed assets	477,052	1,776,392
Interest income	(1,400,610)	(4,593,717)
Interest & Other Borrowing Expenses expenses	59,596,466	72,684,154
Credit balance written back	(3,852,301)	(91,370)
Assets Written Off	-	1,408,539
Inventory Written Off	-	11,345,916
Provision for Doubtful Debts	3,091,007	14,708,687
Provision for dimunition in value of investments	64,057,060	66,673,231
Advance written Off	-	5,348,336
Unrealised foreign exchange (gain) / loss (net)	(39,684,651)	6,424,981
Operating profit before working capital changes	<u>(66,423,285)</u>	<u>162,346,223</u>
Movements in working capital:		
Decrease / (increase) in Trade Receivables	(50,199,107)	(44,593,645)
Decrease / (Increase) in Other Current Assets	78,906,871	(127,866,908)
Decrease / (Increase) in Inventories	(67,561,115)	(66,057,870)
Decrease / (Increase) in Loans and Advances	(36,728,345)	(284,679,600)
Increase / (Decrease) Provisions	2,079,033	2,137,119
Increase / (Decrease) Trade Payables	19,059,978	-
Increase / (Decrease) in Other current liabilities	55,785,866	40,833,133
Cash generated from operations	<u>(65,080,104)</u>	<u>(317,881,548)</u>
Direct taxes (paid) / received	-	5,723,498
Net cash from / (used in) operating activities	<u>(65,080,104)</u>	<u>(312,158,050)</u>
B CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(232,636)	(6,693,660)
Additional Investment by Crest Animation Holdings in Crest Animation Inc.	(43,994,980)	-
Proceeds from sale of fixed assets	302,898	1,700,000
Receipt on maturity of fixed deposit	53,382,174	3,171,826
Interest received	4,288,873	2,805,147
Net cash used in investing activities	<u>13,746,329</u>	<u>983,313</u>

Cash Flow Statement for the year ended 31 March 2012

	Year ended 31 March 2012 (RUPEES)	Year ended 31 March 2011 (RUPEES)
C CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of ESOP (In Crest Animation Holdings) [Refer Note: 37(b)]	41,226,915	-
Finance lease payment	(6,434,632)	(25,365,746)
Proceeds from short-term borrowings (Net)	-	340,207,812
Proceeds from long-term borrowings	-	60,705,787
Repayment of long-term borrowings	(517,699)	(6,065,266)
Proceeds from short-term borrowings (Net)	80,087,757	-
Finance Charges on Lease Payments	-	(1,845,050)
Interest paid	(69,106,560)	(58,480,030)
Net cash from financing activities	45,255,781	309,157,507
Net decrease in cash and cash equivalents (A+B+C)	(6,077,994)	(2,017,230)
Cash and cash equivalents at the beginning of the year	6,828,624	1,978,711
Cash and cash equivalents acquired during the year	-	6,875,455
Effect of exchange difference on cash and cash equivalents	15,486	(8,312)
Cash and cash equivalents at the end of the year	766,116	6,828,624
Difference in forex gain or loss on account		
Forex gain on cash and cash equivalence		
Notes to the cash flow statement		
1 Components of cash and cash equivalents		
Cash on hand	8,559	46,220
Balance with scheduled banks		
In Current accounts	757,557	6,782,404
Fixed deposit accounts under lien	-	53,382,174
Cash and cash equivalents at the year end	766,116	60,210,798
2 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: 21 August 2012

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

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

Mumbai: 21 August 2012

For and on behalf of the Board

**Sd/-
Seemha Ramanna**
Managing Director

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

Mumbai: 21 August 2012

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

**Sd/-
Kamlesh Kulkarni**

Mumbai: 21 August 2012

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

Crest Animation Studios Limited

Notes to Financial Statements for the year ended 31 March 2012

	As at 31 March 2012 (RUPEES)	As at 31 March 2011 (RUPEES)
3 SHARE CAPITAL		
AUTHORISED		
50,000,000 (Previous Year: 30,000,000) Equity shares of Rs.10 each	500,000,000	300,000,000
	500,000,000	300,000,000
ISSUED,SUBSCRIBED AND FULLY PAID		
44,212,136 (Previous Year: 22,585,178) Equity shares of Rs.10 each fully paid-up	442,121,360	225,851,780
	442,121,360	225,851,780

3.1 Reconciliation of the number of Equity Shares outstanding

	As at 31 March 2012	As at 31 March 2011
Number of shares outstanding at the beginning of the year	22,585,178	22,585,178
Shares Issued during the year on amalgamation [Refer Note 37 (a)]	21,626,958	-
Number of shares outstanding at the end of the year	44,212,136	22,585,178

3.2 Number of shares issued as bonus and pursuant to contracts without payments being received in cash within past five years

The aggregate number of bonus shares issued in the last five years immediately preceding the balance sheet date. These bonus equity shares are issued by capitalization of general reserve of Rs. 65,00,000 and surplus in the statement of Profit and Loss A/c of Rs. 108,000	660,800	660,800
The aggregate number of shares issued pursuant to contracts without payments being received in cash in the last five years immediately preceding the balance sheet date.	487,500	487,500
Equity Shares are allotted in pursuance of Scheme of Amalgamation[Refer Note 37 (a)]	21,626,958	-

The company has only one class of equity shares having face value of Rs. 10 each. Each holder of Equity Shares is entitled to one vote per share. Equity share holders are also entitled to dividend as and when proposed by the Board of Directors and approved by the shareholders in Annual General Meeting. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company after distribution of all preferential amount which shall be in proportion to number of shares held by the shareholders

3.3 List of Shareholders holding more than 5% shares

	As at 31 March 2012		As at 31 March 2011	
	Number of Shares	% of Holding	Number of Shares	% of Holding
CAS Benefit Trust	12,000,000	27.14	-	-
D. E Shaw AQ-SP Series 9-05, LLC	5,694,205	12.88	-	-
D. E Shaw Composite Investments (Mauritius) LTD PCC	3,385,518	7.66	3,385,518	14.99
Seemha Ramanna	2,398,876	5.42	1,386,062	6.14
Total	23,478,599	53.11	4,771,580	21.13

As per the Records of the Company , including its register of Shareholders / Members and the above shareholding represents both legal and beneficial ownerships of Shares.

Notes to Financial Statements for the year ended 31 March 2012

4 RESERVES AND SURPLUS

(RUPEES)

	As at 31 March 2012	As at 31 March 2011
Securities Premium:		
As per last balance sheet	869,926,640	1,101,461,955
Add: On equity shares issued on amalgamation [Refer Note 37(a)]	-	1,541,367,837
Add: Reversal of Goodwill accounted in previous year on amalgamation [Refer Note 37(b)]	41,226,915	-
Less: Transfer from Statement of Profit and Loss	-	(1,772,903,152)
	911,153,555	869,926,640
Revaluation Reserve:		
As per last balance sheet	1,262,183	1,291,999
Less: Transfer from Statement of Profit and Loss	(29,819)	(29,816)
	1,232,364	1,262,183
Surplus/(Deficit) in the Statement of Profit and Loss:		
As per last balance sheet	(100,914,762)	(162,294,814)
Add: Net Profit/(Loss) for the current year	(205,592,257)	(1,711,523,100)
Less: Transfer to Securities Premium	-	1,772,903,152
	(306,507,019)	(100,914,762)
	605,878,900	770,274,061

5 LONG-TERM BORROWINGS

(RUPEES)

	As at 31 March 2012		As at 31 March 2011	
	Current	Non current	Current	Non current
SECURED				
From Others				
Financing from Hewlett packard Financial Services (India) Private Limited	476,199	-	901,074	-
Vehicle loans	517,699	761,647	466,987	1,279,346
UNSECURED				
Finance Lease Obligations	14,931,229	-	21,365,862	-
Less: Amount disclosed under "Other current liabilities" (Refer Note: 9)	(15,925,127)	-	(22,733,923)	-
	-	761,647	-	1,279,346

5.1 Terms of Secured Loans

- (a) Financing from Hewlett Packard is against Exclusive Hypothecation/Charge on fixed assets acquired under the Finance Lease Agreement.
- (b) Vehicle Loan is Secured by hypothecation of vehicle.
- (c) Maturity profile of Vehicle loan (Non- current portion)
- | | |
|--|-------------|
| Repayable in the year ending 31 March 2014 | Rs. 563,147 |
| Repayable in the year ending 31 March 2015 | Rs. 198,496 |

6 LONG-TERM PROVISIONS

(RUPEES)

	As at 31st March 2012	As at 31st March 2011
PROVISION FOR EMPLOYEE BENEFITS		
Gratuity	7,652,296	5,068,490
Leave Encashment	4,824,673	5,503,318
	12,476,969	10,571,808

Crest Animation Studios Limited

Notes to Financial Statements for the year ended 31 March 2012

7 SHORT-TERM BORROWINGS

(RUPEES)

	As at 31 March 2012	As at 31 March 2011
SECURED		
Inter Corporate Deposits (or 'ICDs') [Repayable on Demand]	23,500,000	-
Financing from Hewlett- Packard Financial Service (India) Private Limited	-	225,313
Cash Credit facility from State Bank of India (or 'SBI')	142,234,241	201,777,138
Term Loan from IDBI Bank Ltd	79,600,765	79,196,198
Loan from Newbridge Film Capital LLC (Refer Note 23)	300,710,300	262,283,900
UNSECURED		
INTER CORPORATE DEPOSIT :		
From Related party (Refer Note 31)	29,000,000	-
From Other party	74,000,000	30,000,000
Loan from related party (Refer Note 31)	4,525,000	-
	653,570,306	573,482,549

7.1 Term of Secured/Unsecured Loan :

- ICDs are secured against pledge of 1,307,450 Treasury shares held by CAS Benefit Trust in the Company
- Financing from Hewlett Packard is against Exclusive Hypothecation/Charge on fixed assets acquired under the Finance Lease Agreement.
- SBI Cash Credit is Secured by Hypothecation of Stock and Book Debts and other current assets as per the Monthly stock Statement and collateral security as Hypothecation of Fixed Assets including Lease on Improvement, Plant and machinery, Computer Hardware, Furniture, Fixtures and office equipment and vehicles. Hypothecation of Intangible assets, Pledge of shares of the company held by the MD, Mrs. Seemha Ramanna - 200,000 shares and 2,000,000 shares held by CAS Benefit Trust in the Company. Lien against Fixed Deposit of Rs. Nil (Previous Year - 50,000,000)
- IDBI Term Loan is secured by First charge on negatives of proposed film and first charge on all revenues/receivables of the project, on any letter of credit, guarantee or performance bond related to the project, on dedicated current account relating to project, First charge on moveable assets of the company comprising of computer hardware worth Rs.21,900,000 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 Z-Axis Communication Limited.
- Loan from Newbridge Film Capital LLC is secured against Letter of Credit issued by Deutsche Bank and Company's Interest in an underproduction film project Norm of the North
- Unsecured ICD of Rs. 29,000,000 is received from a company in which Managing Director is interested.

7.2 Delays in Repayment of Bank borrowings and interest thereon

	PRINCIPAL (RUPEES)	INTEREST (RUPEES)
Term Loan from IDBI Bank Ltd	79,600,765	3,906,383
Period of delay as at 31 March 2012	1 Day	1 to 60 Days
Cash Credit facility from State Bank of India	2,028,693	-
Period of delay as at 31 March 2012	1 Day	-

Since then delay in respect of principal amount of Rs.79,600,765 Of a term loan from IDBI bank have been made good as the bank has Rescheduled its repayment schedule and outstanding interest of Rs. 3,906,383 on said loan have since then been paid.

8 TRADE PAYABLES

(RUPEES)

	As at 31 March 2012	As at 31 March 2011
Trade Payables :		
- Micro,Small & Medium Enterprises	18,588	-
- Others	34,793,252	15,751,863
	34,811,840	15,751,863

Notes to Financial Statements for the year ended 31 March 2012

9 OTHER CURRENT LIABILITIES

(RUPEES)

	As at 31 March 2012	As at 31 March 2011
Current maturities of long term borrowings (Refer Note: 5)	15,925,127	22,733,923
Interest Accrued and Due on Borrowings	4,032,298	15,334,108
Interest Accrued and not due on borrowings	1,791,717	-
Statutory Liabilities	17,177,752	5,609,969
Book Over Draft - ICICI BANK	2,582,153	-
Other payables *	139,700,339	101,538,035
	181,209,386	145,216,035

* Other payables mainly includes Salaries Payable, Payables in relation to Merger Expenses, and Outstanding liabilities.

10 SHORT-TERM PROVISIONS

(RUPEES)

	As at 31 March 2012	As at 31 March 2011
PROVISION FOR EMPLOYEE BENEFITS		
Gratuity	324,822	361,168
Leave Encashment	2,559,310	2,349,092
	2,884,132	2,710,260

11. FIXED ASSETS SCHEDULE

(RUPEES)

Description	Gross Block			Depreciation / amortisation			Net Block			
	As at 01 April 2011	Additions during the year	Deductions during the year	As at 31 March 2012	As at 01 April 2011	Dep for the year	Deductions for the year	As at 31 March 2012	As at 31 March 2012	As at 31 March 2011
A. Owned Assets										
I. Tangible Assets:										
Premises (Refer * below)	9,745,489	-	-	9,745,489	2,039,587	158,851	-	2,198,439	7,547,050	7,705,903
Leasehold improvement	14,918,012	-	-	14,918,012	14,918,012	-	-	14,918,012	-	-
Plant and machinery	147,943,839	-	6,447,856	141,495,983	132,478,389	5,687,997	5,726,361	132,440,025	9,055,958	15,465,454
Computers - Hardware	209,354,122	122,857	-	209,476,979	180,482,406	10,470,682	-	190,953,088	18,523,891	28,867,150
Furniture, fixtures and office equipment	44,776,000	109,779	74,736	44,811,043	25,326,372	1,372,157	16,281	26,682,248	18,128,795	19,449,649
Vehicles	7,177,255	-	-	7,177,255	2,586,636	681,839	-	3,268,475	3,908,780	4,590,621
Subtotal (A) (I)	433,914,717	232,636	6,522,592	427,624,761	357,831,401	18,371,527	5,742,642	370,460,286	57,164,474	76,078,777
Previous year	434,087,701	6,661,133	6,838,683	433,910,151	332,065,211	29,128,454	3,362,291	357,831,374	76,078,777	102,022,484
II. Intangible Assets:										
Copyrights (internally generated)	8,521,634	-	-	8,521,634	8,521,634	-	-	8,521,634	-	-
Software	310,867,214	-	-	310,867,214	278,312,304	19,894,577	-	298,206,882	12,660,332	32,554,910
Subtotal (A) (II)	319,388,848	-	-	319,388,848	286,833,938	19,894,577	-	306,728,516	12,660,332	32,554,910
Previous year	320,943,108	32,527	1,586,780	319,388,855	247,183,653	39,828,534	178,241	286,833,945	32,554,910	73,759,462
Total owned assets (A)	753,303,565	232,636	6,522,592	747,013,609	644,665,340	38,266,104	5,742,642	677,188,802	69,824,806	108,633,687
Previous year	755,030,809	6,693,660	8,425,463	753,299,006	579,248,864	68,956,988	3,540,532	644,665,320	108,633,687	175,781,946
B. Assets acquired on finance lease:										
I. Tangible Assets:										
Computers - Hardware	113,656,894	-	-	113,656,894	69,621,287	18,420,280	-	88,041,568	25,615,326	44,035,585
Previous year	113,656,894	-	-	113,656,894	51,201,029	18,420,280	-	69,621,309	44,035,585	62,455,887
II. Intangible Assets:										
Computer Software	1,141,920	-	-	1,141,920	872,977	228,384	-	1,101,361	40,559	268,943
Previous year	1,141,920	-	-	1,141,920	644,593	228,384	-	872,977	268,943	497,327
Total assets acquired on finance lease (B)	114,798,814	-	-	114,798,814	70,494,264	18,648,664	-	89,142,929	25,655,885	44,304,528
Previous year	114,798,814	-	-	114,798,814	51,845,622	18,648,664	-	70,494,286	44,304,528	62,953,215
Total (A+B)	868,102,379	232,636	6,522,592	861,812,423	715,159,604	56,914,768	5,742,642	766,331,730	95,480,691	152,938,214
Previous year	869,829,623	6,693,660	8,425,463	868,097,820	631,094,486	87,605,652	3,540,532	715,159,606	152,938,214	238,735,161

* Includes additions of Rs. 1,829,136 on account of revaluation made in financial year 1993-94 for premises.

Consequent to said evaluation there is an additional charges of depreciation of Rs. 29,819 (Previous Year: 29,816) and an equivalent amount has been withdrawn from revaluation reserve and credited to statement of profit & loss. This has no impact on profit for the year.

* Includes Rs. 500 (previous Year: 500) representing 10 un-quoted fully paid shares at Rs. 50 each in Neelam centre industrial premises co-operative society Ltd.

Crest Animation Studios Limited

Notes to Financial Statements for the year ended 31 March 2012

12 NON CURRENT INVESTMENTS

(RUPEES)

	As at 31 March 2012		As at 31 March 2011	
Trade Investments - Unquoted (at cost)				
In Ordinary/Common shares of Subsidiary Company (fully paid up):				
65963 (Previous Year - 65963) Shares of Crest Animation Inc USA of \$ 0.01 each in (Formerly Crest Animation Intermediate Inc.) (Refer Note 12.1 below)	270,746,362		226,751,382	
Less: Provision for Diminution in value of investment	(130,730,291)	140,016,071	(66,673,231)	160,078,151
Investment in Associates - Crest Alpha LLC USA	55,569,480	-	55,569,480	-
Investment in Norm Financing LLC, USA	74,464,890	-	74,464,890	-
Investment in Joint Venture				
Magic Pebble LLC, USA	7,140,500	137,174,870	7,140,500	137,174,870
Non-Trade Investments - Unquoted (at cost)				
BENEFICIAL INTEREST IN CAS BENEFIT TRUST		493,051,757		493,051,757
Representing 12,000,000 (Previous Year: 12,000,000) of the company as per scheme of amalgamation [Of the above 33,07,450 shares are pledged against borrowing) Refer Note 7.1 (a)]				
		770,242,698		790,304,778

	As at 31 March 2012	As at 31 March 2011
Aggregate amount of Un-quoted Investments	900,972,989	856,978,009
Aggregate Provision for Diminution in value of Investments	(130,730,291)	(66,673,231)

12.1 During the year one of the overseas subsidiary Crest Animation Holding Inc. (CAH) USA (which has merged with the company effective from 26 July 2011 pursuant to Scheme of Amalgamation having appointed date of 1 April 2010) before the scheme became effective, has infused capital in Crest Animation Inc. (CAI) USA as additional paid in capital in terms of prevalent practice in USA without having any allotment of new shares. The same is represented by incremental value of investment of Rs.43,994,980.

13 LOANS AND ADVANCES

(RUPEES)

	As at 31 March 2012		As at 31 March 2011	
	Current	Non current	Current	Non current
- Unsecured Considered good				
Contract Advance to Bayrakkale (Refer Note: 23)	316,937,500	-	276,437,500	-
Prepaid Expenses	2,316,519	1,648,116	3,364,949	-
Loans & Advances to Employees	285,862	-	539,886	-
Service tax Receivable	7,570,957	-	4,335,234	-
Sundry deposits	-	19,608,686	-	23,258,686
Advance Income tax (Net of Provision)	-	6,213,809	-	5,837,457
MAT Credit	-	1,000,000	-	1,000,000
Other Advance	826,500	-	4,905,892	-
	327,937,338	28,470,611	289,583,461	30,096,143
- Unsecured Considered doubtful				
Other Contract Advance	61,736,450	-	61,736,450	-
Loans & Advances to Employees	721,570	-	721,570	-
Inter corporate deposits	56,850,000	-	56,850,000	-
	119,308,020	-	119,308,020	-
Less: Provision for doubtful balances	119,308,020	-	119,308,020	-
	327,937,338	28,470,611	289,583,461	30,096,143

Notes to Financial Statements for the year ended 31 March 2012

**14 INVENTORIES (at cost or Net Realizable Value whichever is less,
Certified by management)**

(RUPEES)

	As at 31 March 2012	As at 31 March 2011
Work-in-process	318,654,704	251,093,589
	318,654,704	251,093,589

15 TRADE RECEIVABLES

Unsecured:

Trade Recivable outstanding for a period exceeding six months
from the date they are due for payment :

Considered good	88,044,097	82,732,636
Considered doubtful	37,027,542	33,936,535
Other Debts: Considered good	124,735,575	73,270,037
	249,807,214	189,939,208
Less: Provision for doubtful debts	37,027,542	33,936,535
	212,779,672	156,002,673

16 CASH AND BANK BALANCE

Cash and Cash Equivalent

Balances with banks

- Current account	757,557	6,782,407
Cash on hand	8,559	46,220
	766,116	6,828,627

Other Bank Balance

- on fixed deposit accounts (under lien) with original maturity for more than 3 months and less than 12 months	-	53,382,174
	766,116	60,210,801

17 OTHER CURRENT ASSETS

Interest accrued on fixed deposits with banks

Unbilled Revenue	179,382,710	228,289,315
	179,382,710	231,177,578

Crest Animation Studios Limited

Notes to Financial Statements for the year ended 31 March 2012

	YEAR ENDED 31 March 2012 (RUPEES)	YEAR ENDED 31 March 2011 (RUPEES)
18 OTHER INCOME		
Interest		
On bank deposits	1,375,454	3,908,227
Others	25,156	685,490
	<u>1,400,610</u>	<u>4,593,717</u>
Foreign Exchange Gain (Net)	43,322,152	242,422
Miscellaneous Balance Written back	3,852,301	91,370
Miscellaneous Income	2,188,683	673,382
	<u>50,763,746</u>	<u>5,600,891</u>
19 EMPLOYEE BENEFIT EXPENSES		
Salaries, wages and bonus	117,753,804	108,795,435
Contribution to provident and other funds	2,174,977	2,139,573
Staff welfare expenses	3,184,896	8,807,808
	<u>123,113,677</u>	<u>119,742,816</u>
20 OTHER OPERATING EXPENSES		
Retainership fees	64,731,834	67,923,181
Electricity charges	11,858,290	11,994,570
Rent	41,849,854	40,504,500
Rates and taxes	2,242,523	2,120,337
Insurance	353,114	646,982
Legal and professional charges	16,823,657	12,865,642
Travelling and conveyance	6,338,107	9,298,912
Communication expenses	1,303,056	2,592,366
Utilities and services	2,426,554	2,505,266
Consumable stores and spares	-	109,300
Repairs and maintenance:		
Buildings	-	315,765
Machinery and equipment	1,513,633	2,955,404
Others	556,622	738,310
Directors' sitting fees	510,000	622,454
Loss on sale of Fixed Asset	477,052	1,776,392
Provision for doubtful debts	3,091,007	14,708,687
Provision for Diminution in value of investment	64,057,060	66,673,231
Inventory Written Off	-	11,345,916
Advance Written Off	-	5,348,336
Asset Written Off	-	1,408,539
Miscellaneous expenses	7,872,628	7,269,688
	<u>226,004,991</u>	<u>263,723,778</u>
21 FINANCE COST		
Interest	58,234,960	67,911,337
Other Borrowing Cost	1,361,506	4,772,817
	<u>59,596,466</u>	<u>72,684,154</u>
22 DEPRECIATION AND AMORTIZATION EXPENSES		
Depreciation of tangible assets	36,791,807	47,548,732
Amortization of intangible assets	20,122,962	40,056,918
	<u>56,914,769</u>	<u>87,605,650</u>
Less: Transferred from revaluation reserve	29,819	29,816
	<u>56,884,950</u>	<u>87,575,834</u>

The gross block of the Fixed Assets Rs. 1,232,363 Previous year Rs. 1,232,363 on account of revaluation of Fixed Assets carried out since inception.

Consequent to the said revaluation there is a additional charges of depreciation Rs. 29,819 Previous year 29,816 and the equivalent amount has been withdrawn from revaluation reserve and credited to statement of profit and loss. This has no impact on profit for the year.

Notes to Financial Statements for the Year ended 31 March 2012

1. Nature of Operations

Crest Animation Studios Ltd. Is a full service studio specialised in 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.

During the year ended 31st March 2012, the revised schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosure made in financial statements. The company has also reclassified the previous year figures in accordance with the requirement applicable in current 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 cost of bringing the assets to its working condition for its intended use.

d) Leased Assets:

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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

e) Intangible assets:

Intangible assets are stated at cost of acquisition including incidental expenses related to acquisition less accumulated amortisation / depreciation and impairment if any. Cost comprises the purchase price and any other attributable cost of bringing the assets to its working condition for its intended use.

f) 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

Notes to Financial Statements for the Year ended 31 March 2012

costs thereof is withdrawn from revaluation reserve and transferred to the statement of profit and loss.

g) 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. 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.

h) 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 amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized 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 recognized as income or as expense for the year.

(v) Translation of Integral foreign operation

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the company itself.

i) 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.

j) Inventories:

Work-in-process is valued at cost 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.

k) 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

Notes to Financial Statements for the Year ended 31 March 2012

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.

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

Interest:-

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

Dividends:-

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

l) Employee benefits:

(i) Short term employee benefits are recognised as an expense at the undiscounted amount in the statement of profit and loss 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 Statement of profit and loss 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 statement of profit and loss.

(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 statement of profit and loss.

m) 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.

n) Taxation:

Tax expense comprises current, and deferred. Current 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.

Notes to Financial Statements for the Year ended 31 March 2012

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 Statement of profit and loss 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.

o) 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.

p) Cash and Cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand

q) Earnings per share:

Basic earnings per share have 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.

r) Provisions, Contingent Liabilities and Contingent Assets :

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

23 On 23 November 2010, the Company's US step down subsidiary, Crest Animation Holdings Inc. (CAH, now merged with the Company), entered into a Film Financing transaction with Bayrakkale LTD STI (Bayrakkale) for the purposes of co-financing the Company's animated feature film. Pursuant to the agreement, CAH had deposited US\$ 320,000 (Rs. 14,153, 600/-) into an escrow account and also entered into a loan, security and pledge agreement and related promissory note with Newbridge Film Capital LLC (Newbridge) for a deposit of US\$ 5,930,000 (Rs. 300,710, 300/-) [Previous Year: US\$ 5,930,000 (Rs.262, 283, 900)] into the escrow account for onward payment to Bayrakkale under the terms of the agreement. The agreement with Newbridge is secured by a letter of credit favoring Newbridge from Deutsche Bank issued on behalf of Bayrakkale as well as CAH's interest in the film. However, Bayrakkale has failed to fund the film in accordance with the co-financing agreement and is in material breach of the same. Further Deutsche Bank has refused to honor the letter of credit. Newbridge and the Company had elected to move forward against Deutsche Bank to pursue causes of action against the bank relating to the letter of credit, and intend to toll any potential causes of action against each other pending resolution of the matter with Deutsche Bank. The Company is pursuing all available legal options and is confident of recovering the outstanding dues. Till date, Bayrakkale has reimbursed US\$ 300,000 for interests and costs associated with their late payments. Pending final outcome of the matter, company has not provided the interest on the loan from Newbridge and has considered the same as contingent liability which

Notes to Financial Statements for the Year ended 31 March 2012

amounts to Rs. 75,177,575/- [Previous Year Rs. Nil] for year ended 31 March 2012. Interest claim on Bayrakkale has also not been recognized. The recoverability of the advance of US\$ 6,250,000 (Rs 316,937,500) [Previous year US\$ 6,250,000, (Rs.276,437,500)] from Bayrakkale is dependent upon the successful completion of the legal proceedings against this party.

24 As on 31 March 2012, the company has Rs. 74,464,890 [Previous Year: 74,464,890] invested in Norm LLC, a special purpose vehicle which is formed for the purpose of feature film Norm of the North. For Norm LLC the company also has outstanding receivables of Rs. 72,337,992 [Previous Year: Rs. 71,940,250], unbilled revenue of Rs. 156,286,385 [Previous Year: 156,705,289] & Work in process of Rs. 40,838,620 [Previous Year: Nil].

In addition, the Company has an investment of Rs 140,016,071 in Crest Animation Inc which has a significant receivable from Norm LLC and various development projects.

During the year, the company continued to work on feature film, "Norm of North" on which work in progress of Rs. 40,838,620 [Previous Year: Nil] has been booked during the year. Work on the above mentioned projects was deferred due to the uncertainty prevailing on the financing arrangements. However, based on expectations of getting financiers, the company is confident of resumption of the projects in Norm LLC and CAI. In view of the intended recourse of the legal proceedings against the defaulted financier and positive developments for the financiers, the management is of the view that there is no diminution in the value of these investments, receivables and work in progress. These are considered to be recoverable and therefore no provision is considered necessary.

25 The Company has long-term investments of Rs 7,140,500 in a joint venture company Magic Pebble LLC which is having film properties under development for more than 3 years. Pending the final outcome of the decision to be taken by the joint venture partner on the development of the film properties held by the investee, Management is of the view there is no diminution in the value of this long term-investment. 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 this investment.

26 The Company has incurred losses amounting to Rs 205,592,257 during the year ended 31 March 2012 and the accumulated losses aggregate to Rs 306,507,020. The Company's operations are primarily funded from debtor realization, borrowings from private parties and promoters and delay in payment of creditors. Management has renewed/rescheduled its credit facilities with the banks which are now falling due from April 2012 to July 2014.

There is a possible material uncertainty resulting from the delay in the raising of capital and possible renewal of loans on their due date that casts significant doubt on the entity's ability to continue as a going concern and, therefore that it may be unable to realize its assets

and discharge its liabilities in the normal course of business.

Management is confident of renewing the loans from banks and private parties on their due date. Further, management is in discussions with prospective investors to raise funds from the liquidation of shares held by the CAS Benefit Trust ("treasury stock") to meet its working capital requirements. Considering the above, management has prepared a detailed plan for meeting its cash flow requirements which has been approved by the Board of Directors, based on which the Company believes that it will meet its liabilities and obligations as and when they fall due. Hence, these financial statements have been prepared on a going concern assumption.

27 Contingent liabilities not provided for:

- Disputed income-tax demands Rs. 4,325,161 (Previous Year: Rs. 4,325,161)
- Future cash outflows in respect of contingent liability are determinable only on receipt of judgements pending at various forums
- Interest on loan from Newbridge LLC amounting to Rs 75,177,575/- [Previous Year Rs. Nil]

28 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.

29 Auditors' remuneration (excluding service tax, included in Legal and professional expenses):

	Year ended 31 March 2012 (Rupees)	Year ended 31 March 2011 (Rupees)
As an Auditor		
Audit fees	1,200,000	1,400,000
Limited Review	600,000	1,450,000
Tax Audit	350,000	500,000
Reimbursement of expenses		24,450
As Others		
Taxation matters	500,000	550,000
Total	2,650,000	3,924,450

Crest Animation Studios Limited

Notes to Financial Statements for the Year ended 31 March 2012

30 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 (For non cancellable period)	
	2012	2011	2012	2011
Total minimum lease payments at the year end*	14,956,715	23,889,925	-	-
Less : amount representing finance charges	25,476	2,524,055	-	-
Present value of minimum lease payments	14,931,238	21,365,871	-	-
Lease payments for the year	6,434,641	33,496,389	36,768,408	33,311,208
Minimum Lease Payments :				
Not later than one year [For finance lease : Present value Rs. 14,931,238 as on 31.03.2012 (Rs 21,142,587 as on 31.03.2011)]	14,931,238	23,294,849	36,393,804	36,768,408
Later than one year but not later than five years [For finance lease : Present value Rs. Nil as on 31.03.2012 (Rs. 223,284 as on 31.03.2011)]	25,476	595,077	81,043,200	117,437,004
Later than Five year				

*Majority of lease agreements were due for payment before year end and principal and interest were outstanding as at year end, the repayment terms of which are rescheduled by lessor without charging any further interest.

31 Related party disclosures:

A. Related parties and relationships

List of Related parties where control exists and Related parties with whom transactions have occurred or not

Subsidiaries	Crest Animation Inc
Step-down subsidiaries	Crest Animation Production Inc.
	Roop BDR Productions Inc.
Associate	Crest Alpha LLC
Joint venture	Magic Pebble LLC
Key Management Personnel	Mrs. Seemha Ramanna – Managing Director
Relatives of Key Managerial Personnel	Mr. Varun Ramanna- Son of Managing Director
Entity significantly influenced/Controlled by KMP or their relatives.	Z Axis Communications Limited

Notes to Financial Statements for the Year ended 31 March 2012

B. Related Party Transactions

(RUPEES)

Transactions	Crest Animation Inc.	Crest Animation Production Inc	Z Axis Communications Ltd.	Mrs. Seemha Ramanna	Mr. Varun Ramanna
I. Transactions during the year					
Revenue from Services	- (-)	34,427,416 (311,121,336)	- (-)	- (-)	- (-)
Managerial Remuneration	- (-)	- (-)	- (-)	7,968,000 (7,968,000)	- (-)
Remuneration	- (-)	- (-)	- (-)	- (-)	615,141 (370,831)
Guarantee commission	- (-)	- (-)	- (-)	2,860,638 (3,037,868)	- (-)
Interest Expenses	- (-)	- (-)	716,680 (-)	- (-)	- (-)
Investment made	43,994,980 (-)	- (-)	- (-)	- (-)	- (-)
Loan Taken	- (-)	- (-)	29,000,000 (-)	5,125,000 (29,644,000)	- (-)
Loan Repaid	- (-)	- (-)	- (-)	600,000 (29,644,000)	- (-)
Balances Outstanding as at year ended:					
Guarantees Obtained	- (-)	- (163,700,000)	- (-)	153,500,000 (243,700,000)	- (-)
Trade Receivable	- (-)	110,153,903 (130,350,820)	- (-)	- (-)	- (-)
Unbilled Revenue	- (-)	156,286,385 (184,753,414)	- (-)	- (-)	- (-)
Loan Outstanding	- (-)	- (-)	29,000,000 (-)	4,525,000 (-)	- (-)
Other Payables:-					
- Managerial Remuneration payable	- (-)	- (-)	- (-)	4,484,612 (-)	- (-)
- Guarantee Commission Payable	- (-)	- (-)	- (-)	2,574,574 (-)	- (-)
- Interest Payable	- (-)	- (-)	716,680 (-)	- (-)	- (-)

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

Interest in Joint Venture

The Company has 50% interest in the assets, liabilities, expenses and income of Magic Pebble LLC, incorporated in USA, which is into animation. The Company's share of the assets, liabilities, income and expense of the jointly controlled entity are as follows;

Particulars	2011-2012	2010-2011
Assets	8,006,717	8,076,426
Liabilities	981,535	991,300
Income	-	-
Operating Expenses	162,278	44,289
Loss before tax	(143,100)	(26,509)

Crest Animation Studios Limited

Notes to Financial Statements for the Year ended 31 March 2012

32 Additional disclosure as required by the amended clause 32 of the listing agreements with relevant stock exchanges.

	As at 31 March 2012 (Rupees)	As at 31 March 2011 (Rupees)
Employee loans [includes provision for doubtful advances of Rs. 721,570 (previous year: Rs. 721,570)]		
Balance outstanding as at the year end	986,432	1,240,456
Maximum Balance outstanding during the year	1,240,456	1,516,332
	(Shares)	(Shares)
No. of shares of the Company held by the loanee	300	700

33 Deferred taxes:

Deferred tax liabilities		
Depreciation	(9,055,592)	(17,143,032)
Assets acquired under finance lease	(3,313,919)	(7,619,648)
	<u>(12,369,511)</u>	<u>(24,762,680)</u>
Deferred tax assets		
Provision for doubtful debts	955,121	11,272,869
Provision for Work in Process	7,252,070	3,768,830
Provision for doubtful advances	19,229,528	20,746,993
Items covered under section 43B	4,746,580	4,411,971
Unabsorbed depreciation (*)	(19,883,788)	(15,437,983)
Carry forward business loss (*)	-	-
	<u>12,369,511</u>	<u>24,762,680</u>
Net Deferred Taxes	<u>-</u>	<u>-</u>

(*) Deferred tax assets are not recognised in the books of accounts on conservative basis as there is a lack of virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

34 Employee benefits:

(a) Defined Contribution Plan

Contribution to defined contribution plan, recognised in the statement of profit and loss under Employee benefit expenses, Contribution to provident and other funds, in Note 19 for the year are as under:

Employer's contribution to Provident Fund	1,558,243	1,262,265
Employer's contribution to Family Pension Fund	325,342	295,650
	<u>1,883,585</u>	<u>1,557,915</u>

(b) Defined Benefit Plan

Gratuity – As per actuarial valuation as on 31 March 2012

I Reconciliation of opening and closing balances of Defined Benefit obligation

Present Value of Defined Benefit obligation as at the beginning of the year	5,660,115	3,941,991
Interest Cost	466,959	315,359
Current Service Cost	1,759,086	1,723,880
Past Service Cost	-	1,321,169
Benefits paid	-	-
Net Actuarial Loss / (Gain)	348,734	(1,642,284)
Present Value of Defined Benefit obligation as at the end of the year	<u>8,234,894</u>	<u>5,660,115</u>

Notes to Financial Statements for the Year ended 31 March 2012

	As at 31 March 2012 (Rupees)	As at 31 March 2011 (Rupees)
II Reconciliation of fair value of plan assets		
Fair value of plan assets as at the beginning of the year	230,457	203,504
Expected return on plan assets	18,437	16,280
Net Actuarial Gain / (Loss)	(2,093)	(2,393)
Employer's contribution	10,975	13,066
Benefits paid	-	-
Fair value of plan assets as at the end of the year	257,776	230,457
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.	65%	63%
Bank balance	35%	37%
	100%	100%
III Net Liability recognised in Balance Sheet		
Present Value of Defined Benefit obligation	8,234,894	5,660,115
Fair value of plan assets	257,776	230,457
Net liability recognised in Balance Sheet (unfunded)	7,977,118	5,429,658
IV Component of employer's expenses		
Current Service Cost	1,759,086	1,723,880
Past Service Cost	-	1,321,169
Interest Cost	466,959	315,359
Expected Return on Plan Asset	(18,437)	(16,280)
Net Actuarial Loss / (Gain)	350,827	(1,639,891)
Total expenses recognised in the statement of profit and loss in Note 19, under Employee benefit expenses – Salaries, wages & bonus	2,558,435	1,704,237
Actual return on plan assets	16,344	13,887
V Actuarial assumptions		
Mortality Table:	LIC (1994-96)	LIC (1994-96)
Discount rate	8.50%	8.25%
Salary escalation	6.00%	6.00%

- a) The discount rate is based on the benchmark rate available on Government of India securities for the tenure of 21 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. 4,454,451 (PY: Rs 2,427,551) in next year.
- e) Additional disclosure as per para 120(n) of Accounting Standard – 15 (Revised)

	Gratuity			
	2012	2011	2010	2009
Defined benefit obligation	8,234,894	5,660,115	3,941,991	3,424,481
Plan assets	257,776	230,457	203,504	132,667
Surplus / (deficit)	(7,977,118)	(5,429,658)	(3,738,487)	(3,291,814)
Actuarial (gain) / loss on plan liabilities	348,734	(1,639,891)	(1,658,158)	905,125
Actuarial (gain) / loss on plan Assets	2,093	2,393	7,025	(2,567)

Notes to Financial Statements for the Year ended 31 March 2012

35 Derivative Instrument and Un-hedged Foreign Currency Exposure:

Un-hedged Foreign Currency

Exposure	As at 31 March 2012		As at 31 March 2011	
	(USD)	(Rupees)	(USD)	(Rupees)
Un-hedged Foreign Currency Exposure				
Debtors (USD)	3,628,279	183,898,906	3,527,113	156,002,674
(EURO)	472,924	31,893,995	-	-
EEFC Account	8,749	443,683	-	-
Loans and Advances	6,250,000	316,937,500	6,250,000	276,437,500
Secured Loans	5,930,000	300,710,300	5,930,000	262,283,900

36 Additional information:

	Year ended 31 March 2012 (Rupees)	Year ended 31 March 2011 (Rupees)
Expenditure in foreign currency (Accrual basis)		
Travelling	633,825	1,578,734
Others	378,715	317,447
	1,012,540	1,896,181
Value of imports (C.I.F basis)		
Capital goods	-	3,300,502
	-	3,300,502
Earnings in foreign exchange (Accrual basis)		
Revenue	131,491,483	371,157,058

37 Scheme of amalgamation

a) During the previous year, the Company had given effect to the Scheme of Amalgamation under Sections 391 to 394 of the Companies Act, 1956 (or 'the Scheme'), of two overseas subsidiaries of the Company i.e. Crest Animation Holdings Inc., USA (CAH), Crest Communication Holdings Limited, Mauritius (CCHL) and one Indian Wholly Owned Subsidiary Company viz., Crest Interactive Limited (CIL) (Transferor Companies), with the Company. The Scheme became effective on 26 July 2011. The appointed date as per the scheme was 1 April 2010.

In accordance with the Scheme and as per the approval of the Hon'ble High Court of Bombay, the Company accounted for the amalgamation as per the Scheme which is in accordance with the 'Purchase Method' as described in Accounting Standard – 14 "Accounting for Amalgamations" notified by the Companies (Accounting Standards) Rule, 2006. The excess of the amount of consideration net of cost/s and expense/s incurred in relation to implementation of scheme, over the value of net assets of transferor companies (CAH, CCHL & CIL) acquired by the company has been recognized in the company's financial statements as goodwill determined as follows, which has been written off in previous as an exceptional item on

the appointed date based on management's assessment of impairment.

	For year ended 31 March 2011 (RUPEES)
CONSIDERATION	
Issue of Shares (Face value Rs. 10)	216,269,580
Premium on issue	1,541,367,837
Add: Amalgamation Expenses	30,005,823
Total Consideration	1,787,643,240
Less: Net Asset Taken Over of transferor companies	(242,206,902)
Add: Cancellation of Investment	65,172,000
Goodwill arising on Amalgamation	1,610,608,338

Further during the previous year, as per the scheme, the Company has utilized a sum of Rs. 177,29,03,152/- from the Securities Premium Account for adjusting debit balance in Profit and Loss Account after giving effect to the Scheme of Amalgamation which includes effect for impairment in the value of goodwill of Rs. 1,610,608,338/- arising pursuant to the Scheme of Amalgamation.

The Board of Directors at their meeting held on 28 July 2011 had allotted 21,626,958 equity shares of Rs. 10/- each at a premium of Rs. 71.27 per share under the Scheme of Amalgamation. The face value of such shares was shown as share capital pending allotment. These shares were allotted as at 28 July

Notes to Financial Statements for the Year ended 31 March 2012

2011. These include 1,20,00,000 equity shares allotted to the CAS Benefit Trust. From the effective date i.e 26 July 2011 the authorized share capital stood increased to Rs. 500,000,000 consisting of 50,000,000 Equity Shares of Re.10/- each without any further act or deed on the part of the Company and the Memorandum of Association and Articles of Association of the Company stand amended accordingly without any further act or deed on the part of the Company.

- b) CAH had outstanding ESOP as on appointed date which got exercised during the year. During the year, amount of Rs.41,226,915 (US\$ 919,359.36) received by CAH on exercise of ESOPs during the year before effective date, which has been credited to the

securities premium account in accordance with accounting treatment of the scheme given in previous financial year.

- 38** The amount of borrowing cost capitalised under Inventories during the period is Rs. 3,611,689/- (*previous year Rs.18,702,900/-*).
- 39** Additional information pursuant to the provisions of para 3, 4, 4C and 4D of Part II of schedule VI of the Companies Act, 1956, has been provided to the extent applicable to the company.

40 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: 21 August 2012

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

Sd/-
Amit Chaturvedi
Partner
Membership No. : 103141

Mumbai: 21 August 2012

For and on behalf of the Board

Sd/-
Seemha Ramanna
Managing Director

Sd/-
A K Madhavan
Chief Executive Officer

Mumbai: 21 August 2012

Sd/-
T N V Ayyar
Director

Sd/-
Kamlesh Kulkarni
Company Secretary

Sd/-
Vijay N Paranjpe
Chief Financial Officer

Crest Animation Studios Limited

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

Amt. in Rs.

Name of the Subsidiary	Financial year of the subsidiary company ended on	Holding Company	Extent of Holding Company's interest (%)	Face Value of Equity shares Company	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 Animation Inc.	31-Mar-12	Crest Animation Studios Ltd	100%	USD0.01	65,963	---	N.A.	Nil	Nil
Crest Animation Production, Inc.	31-Mar-12	Crest Animation Inc.	100%	---	---	Nil	Nil	Nil	Nil
Roop BDR Productions Inc.	31-Mar-12	Crest Animation Production, Inc.	100%	---	---	Nil	Nil	Nil	Nil

For and on behalf of the Board

Sd/-
SEEMHA RAMANNA
Managing Director

Sd/-
T.N.V. AYYAR
Director

Sd/-
A K MADHAVAN
Chief Executive Officer

Sd/-
VIJAY N PARANJPE
Chief Financial Officer

Sd/-
KAMLESH KULKARNI
Company Secretary

Mumbai : 21 August 2012

CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors

Crest Animation Studios Limited

1. We have audited the attached consolidated balance sheet of Crest Animation Studios Limited Group (or 'the Group'), as at 31 March 2012, and also the consolidated statement of profit and loss 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. *Except as disclosed in paragraph 3*, 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 certain subsidiaries, whose financial statements reflect total assets of Rs. 3,249.96 lacs as at 31 March 2012, the total revenue of Rs. 235.28 lacs and net cash inflows amounting to Rs. 25.61 lacs for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of other auditors.

We have not received the audited financial statements of the joint venture company

"Magic Pebble, LLC" – having Nil revenues and total assets of Rs 71.51 lacs as at 31 March 2012 (proportionate share of the Group) and we have relied on the financial statements as certified by the management for the purpose of consolidation.
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, (as amended).
5. *As discussed in Note 23 of the accompanying consolidated financial statements, at 31 March 2012, the Group has not accrued for interest of Rs 751 lacs for the year ended 31*

March 2012 on a secured loan as the Group intends to litigate the applicability of interest given the recoverability of the advance referred in paragraph 6 below is uncertain. Had the Group recorded the said interest, the loss for the year ended 31 March 2012 would have been higher by Rs 751 lacs and the current liabilities as at 31 March 2012 would have been higher by Rs 744 lacs.

6. *As indicated in Note 23 of the accompanying consolidated financial statements, at 31 March 2012, loans and advances include Rs 3,169.3 lacs (recorded in the Group's books of account pursuant to scheme of arrangement effective from July 26, 2011) due from a company against which the Group intends to initiate legal action to recover the advance. The ultimate outcome of the recoverability of the advance cannot presently be determined and hence, we are unable to comment on its consequential impact, if any, on the Group's loss for the year ended 31 March 2012. The audit report for the year ended 31 March 2011 and was also modified for this matter.*
7. *As indicated in Note 24 of the accompanying consolidated financial statements, the recoverability of the following assets is impacted due to uncertainty relating to the financial condition of the Group, as further investments are required to complete the projects of these investee companies:*

Investment of Rs 744.64 lacs in an animation production company executing an animation film project, debtor of Rs 1,114.2 lacs, unbilled revenue of Rs. 1,562.9 lacs due from this company and inventory of Rs 408.3 lacs relating to this film.

We are unable to comment on the extent of non-recoverability of these balances and their consequential impact, if any, on the Company's loss for the year ended 31 March 2012. The audit report for the year ended 31 March 2011 was also modified for this matter.

8. Without qualifying our opinion we state that, as at 31 March 2012, the Group's share of inventories of a joint venture aggregating to Rs 71 lacs represents film properties under development for more than 3 years. For the reasons stated in Note 25, pending the final outcome of the decision to be taken by the joint venture partner on the development of these film properties held by the joint venture entity, management is of the view that these inventories are recoverable as at 31 March 2012. The ultimate outcome of the above mentioned matter cannot presently be determined, and no provision has been made in the financial statements for this inventory balance.
9. Without qualifying our opinion, we draw attention to Note 26 in the accompanying consolidated financial statements. Without considering the effects / possible effects of the matters stated in paragraph 5, 6 and 7 above, the Group incurred a net loss of Rs 1,997.81 lacs for the year ended 31 March 2012 while the accumulated losses aggregate to Rs 4,801.68 lacs. The Group is funding its operations from short term borrowings and has renewed its bank borrowings. These conditions, along with other matters as set forth in Note 26, indicate the existence of a material uncertainty that may cast

AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

significant doubt about the Company's ability to continue as a going concern. The appropriateness of going concern assumption is dependent on the Company's ability in raising of funds from the liquidation of shares held by the CAS Benefit Trust ("treasury stock"), renewal of its loan obligations on their due date, continuing its business operation and establishing profitable operations. These mitigating factors have been fully disclosed in the Note 26 of the accompanying financial statements in view of which the accompanying financial statements have been prepared on going concern assumption.

10. Based on our audit and on consideration of reports of other auditors on separate financial statements, management certified financial statements as referred to in paragraph 3 above and on the other financial information of the components, and to the best of our information and according to the explanations given to us, *except for the effect of the matter referred to in paragraph 5, and the possible effects of the matters referred to in paragraph 6 and 7 above* 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 Animation Studios Limited Group as at 31 March 2012;
- (b) in the case of the consolidated statement of profit and loss, of the loss 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

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

Sd/-
per Govind Ahuja
Partner
Membership No.: 48966
Mumbai : 21 August 2012

Sd/-
Amit Chaturvedi
Partner
Membership No.: 103141
Mumbai : 21 August 2012

Crest Animation Studios Limited

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2012

	NOTE NO.	As At 31 March 2012 (RUPEES)	As At 31 March 2011 (RUPEES)
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	3	442,121,360	225,851,780
Share capital pending allotment		-	216,269,580
Reserves and surplus	4	597,691,961	756,434,490
Non Current Liabilities			
Long-term Borrowings	5	761,647	1,279,346
Long-term Provisions	6	12,476,969	10,571,808
Current Liabilities			
Short-term Borrowings	7	653,570,306	573,482,549
Trade Payables	8	34,811,840	15,751,863
Other Current Liabilities	9	241,823,540	206,376,424
Short-term Provisions	10	2,884,132	2,710,260
		1,986,141,755	2,008,728,100
ASSETS			
Non Current Assets			
Fixed Assets			
Tangible Assets	11	85,106,997	124,027,202
Intangible Assets	11	12,700,934	133,160,716
Non Current Investments	12	623,062,747	624,443,290
Long-term Loan and Advances	13	31,083,336	33,572,135
Current Assets			
Inventories	14	496,246,804	335,511,458
Trade Receivables	15	121,277,908	25,651,853
Cash and Cash Equivalent	16	18,824,791	103,422,723
Short-term Loan and Advances	13	418,455,526	397,761,145
Other Current Assets	17	179,382,712	231,177,578
		1,986,141,755	2,008,728,100

Summary of Significant the Accounting policies 2

The Accompanying Notes are integral part of Consolidated Financial Statements

As per our report of even date

For and on behalf of the Board

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

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

Sd/-
Seemha Ramanna
Managing Director

Sd/-
T N V Ayyar
Director

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Vijay N Paranjpe
Chief Financial Officer

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

Sd/-
Amit Chaturvedi
Partner
Membership No. : 103141

Sd/-
A K Madhavan
Chief Executive Officer

Sd/-
Kamlesh Kulkarni
Company Secretary

Mumbai: 21 August 2012

Mumbai: 21 August 2012

Mumbai: 21 August 2012

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2012

	NOTE No.	Year Ended 31 March 2012 (RUPEES)	Year Ended 31 March 2011 (RUPEES)
INCOME			
Revenue from Animation Services		130,688,593	418,365,506
Other income	18	58,369,591	5,600,891
		189,058,184	423,966,397
Add: Foreign currency translation adjustment		-	(1,936,714)
		189,058,184	422,029,683
EXPENDITURE			
(Increase)/decrease in work-in-process		(79,961,011)	(108,319,855)
Employee benefit expenses	19	123,113,677	119,742,816
Other expenses	20	227,190,004	316,244,015
Finance costs	21	59,632,166	72,684,153
Depreciation and amortisation	22	58,865,332	124,024,700
		388,840,168	524,375,829
PROFIT / (LOSS) BEFORE EXCEPTIONAL ITEMS AND TAX		(199,781,984)	(102,346,146)
Less: Exceptional Item:			
Goodwill on Amalgamation impaired		-	1,610,608,337
PROFIT / (LOSS) BEFORE TAX		(199,781,984)	(1,712,954,483)
Provision for tax			
Current tax		134,248	128,459
PROFIT / (LOSS) AFTER TAX		(199,916,232)	(1,713,082,942)
Share of Loss in Associate		(23,379)	-
PROFIT / (LOSS) AFTER TAX		(199,939,613)	(1,713,082,942)
EARNING PER EQUITY SHARE FACE VALUE OF Rs. 10 EACH			
Basic & Diluted Earnings Per share (Face Value of Rs. 10 Each)		(4.52)	(38.75)
Weighted average number of equity shares outstanding during the year		44,212,136	44,212,136*
Face value per equity share		10.00	10.00

* Previous Year figure includes 21,626,958 equity share to be issued on amalgamation

Summary of Significant the Accounting policies 2

The Accompanying Notes are integral part of Consolidated Financial Statements

As per our report of even date

For and on behalf of the Board

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

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

Sd/-
Seemha Ramanna
Managing Director

Sd/-
T N V Ayyar
Director

Sd/-
Vijay N Paranjpe
Chief Financial Officer

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

Sd/-
Amit Chaturvedi
Partner
Membership No. : 103141

Sd/-
A K Madhavan
Chief Executive Officer

Sd/-
Kamlesh Kulkarni
Company Secretary

Mumbai: 21 August 2012

Mumbai: 21 August 2012

Mumbai: 21 August 2012

Crest Animation Studios Limited

Consolidated Cash Flow Statement for the year ended 31 March 2012

	Year Ended 31 March 2012 (Rupees)	Year Ended 31 March 2011 (Rupees)
A CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before tax	(199,781,984)	(1,712,954,506)
Adjustment for:		
Write off of Interest receivables	-	977,246
Prior Period Adjustment	5,279,583	(21,867)
Depreciation	58,865,332	124,054,516
Goodwill on Amalgamation impaired	-	1,610,608,338
Loss on sale of fixed assets	477,052	1,812,308
Interest income	(1,400,610)	(4,593,717)
Interest expenses	59,632,166	72,684,153
Credit balance written back	(3,852,301)	(91,370)
Inventory Written Off	-	57,038,639
Assets written off	12,302,778	1,408,539
Provision for Doubtful Debts	3,091,007	14,708,687
Provision for diminution in value of investments	1,357,154	3,203,306
Advance written Off	-	5,348,336
Unrealised foreign exchange (gain) / loss (net)	(40,313,355)	7,512,958
Operating profit before working capital changes	(104,343,179)	181,695,565
Movements in working capital:		
Decrease / (increase) in Trade Receivables	(89,048,163)	(11,295,290)
Decrease / (Increase) in Other Current Assets	78,906,869	(127,866,908)
Decrease / (Increase) in Inventories	(74,806,765)	(95,884,120)
Decrease / (Increase) in Loans and Advances	(18,205,581)	(277,514,979)
Increase / (Decrease) in Provisions	2,079,033	2,137,119
Increase / (Decrease) in Deferred Revenue	-	(18,758,675)
Increase / (Decrease) in Trade Payables	19,059,978	-
Increase / (Decrease) in Other Current Liabilities	50,235,846	99,453,610
Cash generated from operations	(136,121,964)	(248,033,678)
Direct taxes (paid) / received	-	5,723,498
Net cash from / (used in) operating activities	(136,121,964)	(242,310,180)
B CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in & Advance to an associate companies	-	(94,228,327)
Loans given	-	(14,294,400)
Purchase of fixed assets	(232,636)	(7,398,687)
Proceeds from sale of fixed assets	302,898	1,700,000
Receipt on maturity of fixed deposit	78,528,333	26,375,792
Interest received	4,288,873	2,805,147
Net cash used in investing activities	82,887,468	(85,040,476)

Consolidated Cash Flow Statement for the year ended 31 March 2012

	Year Ended 31 March 2012 (Rupees)	Year Ended 31 March 2011 (Rupees)
C CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of ESOP (In Crest Animation Holdings) [Refer Note: 35 (b)]	41,226,915	-
Finance lease payment	(6,705,919)	(26,518,444)
Proceeds from short-term borrowings (Net)	80,087,757	340,207,812
Proceeds from long-term borrowings	(517,699)	60,705,787
Repayment of long-term borrowings	-	(6,065,266)
Finance Charges on Lease Payments	-	(1,845,048)
Interest paid on fixed loan & others	(69,106,560)	(58,480,029)
Net cash from financing activities	44,984,495	308,004,812
Net decrease in cash and cash equivalents (A+B+C)	(8,250,001)	(19,345,844)
Cash and cash equivalents at the beginning of the year	9,011,064	28,365,220
Cash and cash equivalents acquired during the year	-	-
Effect of exchange difference on cash and cash equivalents	15,486	(8,312)
Cash and cash equivalents at the end of the year	776,550	9,011,064
Notes to the cash flow statement		
1 Components of cash and cash equivalents		
Cash on hand	8,559	46,220
Balance with scheduled banks		
In Current accounts	767,991	8,964,844
Fixed deposit accounts under lien	18,048,241	94,411,658
Cash and cash equivalents in cash flow statement	18,824,791	103,422,722
Less: Fixed deposits not considered as cash equivalents	(18,048,241)	(94,411,658)
Net Cash and cash equivalent in cash flow statement	776,550	9,011,064
2 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: 21 August 2012

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

**Sd/-
Amit Chaturvedi**
Partner
Membership No. : 103141
Mumbai: 21 August 2012

For and on behalf of the Board

**Sd/-
Seemha Ramanna**
Managing Director

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

Mumbai: 21 August 2012

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

**Sd/-
Kamlesh Kulkarni**
Company Secretary

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

Crest Animation Studios Limited

Notes to Consolidated Financial Statements for the year ended 31 March 2012

	As at 31 March 2012 (RUPEES)	As at 31 March 2011 (RUPEES)
3 SHARE CAPITAL		
AUTHORISED		
50,000,000 (Previous Year: 30,000,000) Equity shares of Rs.10 each	500,000,000	300,000,000
	<u>500,000,000</u>	<u>300,000,000</u>
ISSUED,SUBSCRIBED AND FULLY PAID		
44,212,136 (Previous Year: 22,585,178) Equity shares of Rs.10 each fully paid-up	442,121,360	225,851,780
	<u>442,121,360</u>	<u>225,851,780</u>

3.1 Reconciliation of the number of Equity Shares outstanding

	As at 31 March 2012	As at 31 March 2011
Number of shares outstanding at the beginning of the year	22,585,178	22,585,178
Shares Issued during the year on amalgamation [Refer Note 35 (a)]	21,626,958	-
Number of shares outstanding at the end of the year	<u>44,212,136</u>	<u>22,585,178</u>

3.2 Number of shares issued as bonus and pursuant to contracts without payments being received in cash within past five years

The aggregate number of bonus shares issued in the last five years immediately preceding the balance sheet date.	660,800	660,800
These bonus equity shares are issued by capitalization of general reserve of Rs. 65,00,000 and surplus in the statement of Profit and Loss A/c of Rs. 108,000		
The aggregate number of shares issued pursuant to contracts without payments being received in cash in the last five years immediately preceding the balance sheet date.	487,500	487,500
Equity Shares are allotted in pursuance of Scheme of Amalgamation [Refer Note 35 (a)]	21,626,958	-

The company has only one class of equity shares having face value of Rs. 10 each. Each holder of Equity Shares is entitled to one vote per share. Equity share holders are also entitled to dividend as and when proposed by the Board of Directors and approved by the shareholders in Annual General Meeting. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company after distribution of all preferential amount which shall be in proportion to number of shares held by the shareholders

3.3 List of Shareholders holding more than 5% shares

	As at 31 March 2012		As at 31 March 2011	
	Number of Shares	% of Holding	Number of Shares	% of Holding
CAS Benefit Trust	12,000,000	27.14	-	-
D. E Shaw AQ-SP Series 9-05, LLC	5,694,205	12.88	-	-
D. E Shaw Composite Investments (Mauritius) LTD PCC	3,385,518	7.66	3,385,518	14.99
Seemha Ramanna	2,398,876	5.42	1,386,062	6.14
Total	<u>23,478,599</u>	<u>53.11</u>	<u>4,771,580</u>	<u>21.13</u>

As per the Records of the Company , including its register of Shareholders / Members and the above shareholding represents both legal and beneficial ownerships of Shares.

Notes to Consolidated Financial Statements for the year ended 31 March 2012

4 RESERVES AND SURPLUS

(RUPEES)

	As at 31 March 2012	As at 31 March 2011
Securities Premium:		
As per last balance sheet	869,926,641	1,101,461,955
Add: On equity shares issued on amalgamation [Refer Note 35(a)]	-	1,541,367,837
Add: Reversal of Goodwill accounted in previous year on amalgamation [Refer Note 35(b)]	41,226,915	-
Less: Transfer from Statement of Profit and Loss	-	(1,772,903,152)
	<u>911,153,556</u>	<u>869,926,640</u>
Revaluation Reserve:		
As per last balance sheet	1,262,183	1,291,999
Less: Transfer to Statement of Profit and Loss	(29,819)	(29,816)
	<u>1,232,364</u>	<u>1,262,183</u>
Capital Reserve on Consolidation	<u>165,473,972</u>	<u>165,473,985</u>
Surplus/(Deficit) in the Statement of Profit and Loss:		
As per last balance sheet	(280,228,318)	(633,552,686)
Add: Net Profit/(Net Loss) for the current year	(199,939,613)	(1,713,082,943)
Less: Transfer to Securities Premium	-	1,772,903,152
Less: Gain on Desubsidiation of Subsidiary on merger	-	293,504,159
	<u>(480,167,931)</u>	<u>(280,228,318)</u>
	<u>597,691,961</u>	<u>756,434,490</u>

5 LONG-TERM BORROWINGS

(RUPEES)

	As at 31 March 2012		As at 31 March 2011	
	Current	Non current	Current	Non current
SECURED				
From Others				
Financing from Hewlett packard Financial Services (India) Private Limited	476,199	-	901,074	-
Vehicle loans	517,699	761,647	466,987	1,279,346
UNSECURED				
Finance Lease Obligations	14,931,229	-	21,365,862	-
Less: Amount disclosed under "Other current liabilities" (Refer Note: 9)	(15,925,127)	-	(22,733,923)	-
	<u>-</u>	<u>761,647</u>	<u>-</u>	<u>1,279,346</u>

5.1 Terms of Secured Loans

- (a) Financing from Hewlett Packard is secured against Exclusive Hypothecation/Charge on fixed assets acquired under the Finance Lease Agreement.
- (b) Vehicle Loan is Secured by hypothecation of vehicle.
- (c) Maturity profile of Vehicle loan (Non- current portion)
- | | |
|--|-------------|
| Repayable in the year ending 31 March 2014 | Rs. 563,147 |
| Repayable in the year ending 31 March 2015 | Rs. 198,496 |

6 LONG-TERM PROVISIONS

(Amt. in Rs.)

	As at 31 March 2012	As at 31 March 2011
PROVISION FOR EMPLOYEE BENEFITS		
Gratuity	7,652,296	5,068,490
Leave Encashment	4,824,673	5,503,318
	<u>12,476,969</u>	<u>10,571,808</u>

Crest Animation Studios Limited

Notes to Consolidated Financial Statements for the year ended 31 March 2012

7 SHORT-TERM BORROWINGS

(RUPEES)

	As at 31 March 2012	As at 31 March 2011
SECURED		
Inter Corporate Deposits (or 'ICDs') [Repayable on Demand]	23,500,000	-
Financing from Hewlett- Packard Financial Service (India) Private Limited	-	225,313
Cash Credit facility from State Bank of India (or 'SBI')	142,234,241	201,777,138
Term Loan from IDBI Bank Ltd	79,600,765	79,196,198
Loan from Newbridge Film Capital LLC (Refer Note 23)	300,710,300	262,283,900
UNSECURED		
INTER CORPORATE DEPOSIT		
From Related party (Refer Note 30)	29,000,000	-
From Other party	74,000,000	30,000,000
Loan from related party (Refer Note 30)	4,525,000	-
	653,570,306	573,482,549

7.1 Term of Secured/Unsecured Loan :

- ICDs are secured against pledge of 1,307,450 Treasury shares held by CAS Benefit Trust in the Company
- Financing from Hewlett Packard is secured against Exclusive Hypothecation/Charge on fixed assets acquired under the Finance Lease Agreement.
- SBI Cash Credit is Secured by Hypothecation of Stock and Book Debts and other current assets as per the Monthly stock Statement and collateral security as Hypothecation of Fixed Assets including Lease on Improvement, Plant and machinery, Computer Hardware, Furniture, Fixtures and office equipment and vehicles. Hypothecation of Intangible assets, Pledge of shares of the company held by the MD, Mrs. Seemha Ramanna - 200,000 shares and 2,000,000 shares held by CAS Benefit Trust in the Company. Lien against Fixed Deposit of Rs. Nil (Previous Year - 50,000,000)
- IDBI Term Loan is secured by First charge on negatives of proposed film and first charge on all revenues/receivables of the project, on any letter of credit, guarantee or performance bond related to the project, on dedicated current account relating to project, First charge on moveable assets of the company comprising of computer hardware worth Rs.21,900,000 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 Z-Axis Communication Limited.
- Loan from Newbridge Film Capital LLC is secured against Letter of Credit issued by Deutsche Bank and Company's Interest in an underproduction film project Norm of the North
- Unsecured ICD of Rs. 29,000,000 is received from a company in which Managing Director is interested.

7.2 Delays in Repayment of Bank borrowings and interest thereon

	PRINCIPAL (RUPEES)	INTEREST (RUPEES)
Term Loan from IDBI Bank Ltd	79,600,765	3,906,383
Period of delay as at 31 March 2012	1 Day	1 to 60 Days
Cash Credit facility from State Bank of India	2,028,693	-
Period of delay as at 31 March 2012	1 Day	-

Since then delay in respect of principal amount of Rs.79,600,765 Of a term loan from IDBI bank have been made good as the bank has Rescheduled its repayment schedule and outstanding interest of Rs. 3,906,383 on said loan have since then been paid.

8 TRADE PAYABLES

(RUPEES)

	As at 31 March 2012	As at 31 March 2011
Trade Payables :		
- Micro, Small & Medium Enterprises	18,588	-
- Others	34,793,252	15,751,863
	34,811,840	15,751,863

9 OTHER CURRENT LIABILITIES

Current maturities of long term borrowings (Refer Note: 5)	15,925,127	22,733,923
Interest Accrued and Due on Borrowings	4,032,298	15,334,108
Interest Accrued and not due on borrowings	1,791,717	-
Statutory Liabilities	17,177,752	5,609,969
Book Over Draft - ICICI BANK	2,582,153	-
Other payables	200,314,493	162,698,424
	241,823,540	206,376,424

Notes to Consolidated Financial Statements for the year ended 31 March 2012

10 SHORT-TERM PROVISIONS

(RUPEES)

	As at 31 March 2012	As at 31 March 2011
PROVISION FOR EMPLOYEE BENEFITS		
Gratuity	324,822	361,168
Leave Encashment	2,559,310	2,349,092
	2,884,132	2,710,260

11. FIXED ASSETS SCHEDULE

(RUPEES)

Description	Gross Block			Depreciation / amortisation			Net Block			
	As at 01 April 2011	Additions during the year	Deductions during the year	As at 31 March 2012	As at 01 April 2011	Dep for the year	Deductions for the year	As at 31 March 2012	As at 31 March 2012	As at 31 March 2011
A. Owned Assets										
I. Tangible Assets:										
Building (Refer * below)	9,745,489	-	-	9,745,489	2,039,587	158,851	-	2,198,438	7,547,051	7,705,902
Leasehold improvements	14,918,012	-	-	14,918,012	14,918,012	-	-	14,918,012	-	0
Plant and machinery	148,272,356	-	6,447,856	141,824,500	132,713,081	5,756,214	5,726,361	132,742,934	9,081,566	15,559,275
Computers - Hardware	212,045,655	122,857	-	212,168,512	182,625,240	11,049,429	-	193,674,669	18,493,843	29,420,415
Furniture, fixtures and office equipment	45,809,055	109,779	74,736	45,844,097	26,100,276	1,607,339	16,281	27,691,334	18,152,764	19,708,778
Vehicles	7,177,255	-	-	7,177,255	2,586,635	681,839	-	3,268,474	3,908,781	4,590,620
Subtotal (A) (I)	437,967,822	232,636	6,522,592	431,677,865	360,982,832	19,253,673	5,742,642	374,493,861	57,184,004	76,984,990
<i>Previous year</i>	438,145,372	6,661,133	6,838,683	437,967,822	334,001,353	30,343,770	3,362,291	360,982,833		
II. Intangible Assets:										
Goodwill arising on consolidation	5,900,445	-	-	5,900,445	5,900,444	-	-	5,900,444	-	0
Copyrights	8,521,679	-	-	8,521,679	8,521,634	-	-	8,521,634	45	45
Software	310,867,221	-	-	310,867,221	278,312,313	19,894,577	-	298,206,891	12,660,330	32,554,907
Share in revenue of animated television serial, Features & other media	170,304,548	-	85,928,583	84,375,965	69,967,728	14,408,238	-	84,375,967	-	100,336,819
Subtotal (A) (II)	495,593,892	-	85,928,583	409,665,309	362,702,119	34,302,815	-	397,004,936	12,660,375	132,891,771
<i>Previous year</i>	497,148,145	32,527	1,586,780	495,593,892	288,374,986	74,505,373	178,241	362,702,119		
Total owned assets (A)	933,561,714	232,636	92,451,176	841,343,175	723,684,951	53,556,488	5,742,642	771,498,797	69,844,378	209,876,762
<i>Previous year</i>	935,293,517	6,693,660	8,425,463	933,561,714	622,376,339	104,849,142	3,540,532	723,684,951		
B. Assets acquired on finance lease:										
I. Tangible Assets:										
Plant & Machinery	4,179,296	-	-	4,179,296	1,563,746	551,224	-	2,114,970	2,064,326	2,615,550
Computers - Hardware	114,327,336	-	-	114,327,336	69,900,674	18,567,995	-	88,468,668	25,858,667	44,426,662
Sub Total (B) (I)	118,506,632	-	-	118,506,632	71,464,420	19,119,218	-	90,583,638	27,922,994	47,042,212
<i>Previous year</i>	118,506,632	-	-	118,506,632	52,487,432	18,976,988	-	71,464,420		
II. Intangible Assets:										
Computer Software	1,141,920	-	-	1,141,920	872,977	228,384	-	1,101,361	40,559	268,943
Sub Total (B) (II)	1,141,920	-	-	1,141,920	872,977	228,384	-	1,101,361	40,559	268,943
<i>Previous year</i>	1,141,920	-	-	1,141,920	644,593	228,384	-	872,977		
Total assets acquired on finance lease (B)	119,648,552	-	-	119,648,552	72,337,397	19,347,602	-	91,684,999	27,963,553	47,311,155
<i>Previous year</i>	119,648,552	-	-	119,648,552	53,132,025	19,205,372	-	72,337,397		
C. Assets held for sale										
Plant and Machinery	-	-	-	-	-	-	-	-	-	-
Sub Total (C)	-	-	-	-	-	-	-	-	-	-
<i>Previous year</i>										
Total (A+B)	1,053,210,266	232,636	92,451,176	960,991,727	796,022,347	72,904,090	5,742,642	863,183,796	97,807,931	257,187,917
<i>Previous year</i>	1,054,942,069	6,693,660	8,425,463	1,053,210,266	675,508,363	124,054,514	3,540,532	796,022,347		

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

* 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

Notes to Consolidated Financial Statements for the year ended 31 March 2012

12 NON CURRENT INVESTMENTS

(RUPEES)

	As at 31 March 2012	As at 31 March 2011
Trade Investments - Unquoted (at cost)		
Investment in Associates - Crest Alpha LLC USA	55,546,100	55,569,480
Investment in Norm Financing LLC, USA	74,464,890	74,464,890
Non-Trade Investments - Unquoted (at cost)		
BENEFICIAL INTEREST IN CAS BENEFIT TRUST		
Representing 12,000,000 equity shares (Previous Year: 12,000,000) of the company as per scheme of amalgamation (Refer Note: 35)	493,051,757	493,051,757
(Of the above 33,07,450 shares are pledged against borrowing) Refer Note 7.1 (a)		
In Others		
TLC Entertainment and SCCA/K10C Inc	4,560,469	4,560,469
Less: Provision for diminution in value	4,560,469	3,203,306
	-	1,357,163
	623,062,747	624,443,290
Aggregate amount of Un-quoted Investments	623,062,747	624,443,290
Aggregate Provision for Diminution in value of Investments	4,560,469	3,203,306

13 LOANS AND ADVANCES

(RUPEES)

	As at 31 March 2012		As at 31 March 2011	
	Current	Non current	Current	Non current
- Unsecured Considered good				
Contract Advance to Bayrakkale (Refer Note: 23)	316,937,500	-	276,437,500	-
Loans & Advances - Others	90,212,268	-	106,885,556	-
Prepaid Expenses	2,622,437	1,648,116	4,657,062	-
Loans & Advances to Employees	285,864	-	539,886	-
Service tax Receivable	7,570,957	-	4,335,234	-
Sundry deposits	-	22,221,411	-	26,734,678
Advance Income tax (Net of Provision)	-	6,213,809	-	5,837,457
MAT Credit	-	1,000,000	-	1,000,000
Other Advance	826,500	-	4,905,907	-
	418,455,526	31,083,336	397,761,145	33,572,135
- Considered doubtful				
Contract Advance to Sahara	61,736,450	-	61,736,450	-
Loans & Advances to Employees	721,570	-	721,570	-
Inter corporate deposits including interest accrued	56,850,000	-	56,850,000	-
	119,308,020	-	119,308,020	-
Less: Provision for doubtful balances	119,308,020	-	119,308,020	-
	418,455,526	31,083,336	397,761,145	33,572,135

14 INVENTORIES (at cost or Net Realizable Value whichever is less, Certified by management)

(RUPEES)

	As at 31 March 2012	As at 31 March 2011
Work-in-process	496,246,804	335,511,458
	496,246,804	335,511,458

15 TRADE RECEIVABLES

Unsecured:

Trade Recivable outstanding for a period exceeding six months from the date they are due for payment

	Current	Current
Considered good	4,516,385	11,743,486
Considered doubtful	37,027,542	33,936,535
Other Debts: Considered good	116,761,523	13,908,367
	158,305,450	59,588,388
Less: Provision for doubtful debts	37,027,542	33,936,535
	121,277,908	25,651,853

Notes to Consolidated Financial Statements for the year ended 31 March 2012

16 CASH AND BANK BALANCE

(RUPEES)

	As at 31 March 2012	As at 31 March 2011
Cash and Cash Equivalent		
Balances with scheduled banks:		
- on current accounts	-	979,216
Balances with overseas banks:		
- on current accounts	757,557	5,803,191
- on fixed deposit*	18,048,241	43,194,400
Cash on hand	8,559	46,220
	18,814,357	50,023,027
Other Bank Balance		
- on fixed deposit accounts (under lien) with original maturity for more than 3 months and less than 12 months	-	53,382,174
	18,814,357	103,405,201
Share of Joint Ventures	10,434	17,522
	18,824,791	103,422,723
* Includes 'restricted cash' of Rs 12,394,435		
17 OTHER CURRENT ASSETS		
Interest accrued on fixed deposits with banks	-	2,888,263
Unbilled Revenue	179,382,712	228,289,315
	179,382,712	231,177,578

Crest Animation Studios Limited

Notes to Consolidated Financial Statements for the year ended 31 March 2012

	Year Ended 31 March 2012 (Rupees)	Year Ended 31 March 2011 (Rupees)
18 OTHER INCOME		
Interest		
On bank deposits	1,375,454	3,908,227
Others	25,156	685,490
	<u>1,400,610</u>	<u>4,593,717</u>
Foreign Exchange Gain (net)	50,832,378	242,422
Miscellaneous Balance Written back	3,852,301	91,370
Miscellaneous Income	2,284,302	673,382
	<u>58,369,591</u>	<u>5,600,891</u>
19 EMPLOYEE BENEFIT EXPENSES		
Salaries, wages and bonus	117,753,804	108,795,435
Contribution to provident and other funds	2,174,977	2,139,573
Staff welfare expenses	3,184,896	8,807,808
	<u>123,113,677</u>	<u>119,742,816</u>
20 OTHER OPERATING EXPENSES		
Retainership fees	64,731,834	67,923,181
Sub-contracting charges	3,040,943	54,570,233
Electricity charges	11,876,931	12,016,448
Rent	49,593,631	46,576,396
Rates and taxes	2,242,523	2,120,338
Insurance	2,991,870	3,476,032
Legal and professional charges	44,356,681	15,366,335
Travelling and conveyance	6,338,107	9,298,912
Communication expenses	2,022,606	3,462,672
Utilities and services	2,426,554	2,505,266
Consumable stores and spares	-	109,300
Repairs and maintenance:		
Buildings	-	315,765
Machinery and equipment	1,513,633	2,955,403
Others	556,622	738,310
Directors' sitting fees	510,000	622,454
Loss on sale of asset	477,052	1,812,308
Provision for doubtful debts	3,091,007	14,708,687
Inventory Written Off	-	57,038,639
Interest Receivable Written Off	-	977,246
Loss on Invest K10 LLC	1,357,154	3,203,306
Impairment Loss	12,302,778	-
Advance Written Off	-	5,348,336
Asset Written Off	-	1,408,539
Miscellaneous expenses	17,597,800	9,645,620
	<u>227,027,726</u>	<u>316,199,726</u>
Share of Joint Ventures	162,278	44,289
	<u>227,190,004</u>	<u>316,244,015</u>
21 FINANCE COST		
Interest		
Interest	58,234,960	67,911,337
Other Borrowing Cost	1,397,206	4,772,816
	<u>59,632,166</u>	<u>72,684,153</u>
22 DEPRECIATION AND AMORTIZATION EXPENSES		
Depreciation of tangible assets	38,372,890	49,320,755
Amortization of intangible assets	20,522,261	74,733,761
	<u>58,895,151</u>	<u>124,054,516</u>
Less: Transferred from revaluation reserve	29,819	29,816
	<u>58,865,332</u>	<u>124,024,700</u>

The gross block of the Fixed Assets Rs. 1,232,363 Previous year Rs. 1,232,363 on account of revaluation of Fixed Assets carried out since inception.

Consequent to the said revaluation there is a additional charges of depreciation Rs. 29,819 Previous year 29,816 and the equivalent amount has been withdrawn from revaluation reserve and credited to statement of profit and loss. This has no impact on profit for the year.

Notes to Consolidated Financial Statements for the Year ended 31 March 2012

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.
- (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.

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		
		31 March 2012	31 March 2011	
Subsidiaries held directly				
Crest Animation Inc.	U.S.A.	100.00%	100.00%	
Subsidiaries held indirectly				
Crest Animation Productions Inc.	U.S.A	100.00%	100.00%	
Roop BDR Productions Inc.	U.S.A	100.00%	100.00%	
Particulars	Ownership		Country of Incorporation	Relationship with Parent
	31 March 2012	31 March 2011		
Interest in Crest Alpha LLC	45%	45%	U.S.A	Associate
Interest in Magic Pebble LLC	50%	50%	U.S.A	Joint Venture

- (vii) For the purpose of preparation of the consolidated financial statements, in case of foreign subsidiaries/associates, 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/associates 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.

translation adjustments” in the consolidated statement of profit and loss.

- (viii) The financial statements of the entities used for the purpose of consolidation are drawn up to the same reporting date as that of the Company i.e. year ended 31 March 2012.

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

The net difference arising on account of translation is recognised as “Foreign currency

Notes to Consolidated Financial Statements for the Year ended 31 March 2012

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.

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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. 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 and Amortisation:

(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 revalued fixed assets over the amount computed with reference to the original costs thereof is withdrawn from revaluation reserve and transferred to the statement of profit and loss.

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.

g) Inventories:

(i) Work-in-process is valued at cost 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

Notes to Consolidated Financial Statements for the Year ended 31 March 2012

	excess of revenue recognised based on percentage of completion over the progress billing as per the contract.	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.
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.	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.
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.	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.
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.	Revenue from technical, creative : When services are rendered, according to the term of agreements. and marketing consultancy services Unbilled Revenue represents excess of revenue recognized based on percentage of completion over the progress billing as per the contract.
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,	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

Notes to Consolidated Financial Statements for the Year ended 31 March 2012

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 and non-monetary items which are carried at fair value or other similar valuation denominated in foreign currency are reported using exchange rates that existed when the values are determined.

(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 amortized 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 statement of profit and loss. Net gains are ignored.

(vi) Translation of Integral and Non-integral foreign operation :

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the company itself.

k) Taxation:

Tax expense comprises current and deferred. Current 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 writedown 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

Notes to Consolidated Financial Statements for the Year ended 31 March 2012

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:

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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

n) Retirement & Other benefits:

(i) Short term employee benefits are recognised as an expense at the undiscounted amount in the statement of profit and loss 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 statement of profit and loss 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 statement of profit and loss.

(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 statement of profit and loss.

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.

Notes to Consolidated Financial Statements for the Year ended 31 March 2012

q) Provisions, Contingent Liabilities and Contingent Assets :

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

23. On 23 November 2010, the Company's US step down subsidiary, Crest Animation Holdings Inc. (CAH, now merged with the Company), entered into a Film Financing transaction with Bayrakkale LTD STI (Bayrakkale) for the purposes of co-financing the Company's animated feature film. Pursuant to the agreement, CAH had deposited US\$ 320,000 (Rs. 14,153,600/-) into an escrow account and also entered into a loan, security and pledge agreement and related promissory note with Newbridge Film Capital LLC (Newbridge) for a deposit of US\$ 5,930,000 (Rs.300,710,300/-) [Previous Year: US\$ 5,930,000 (Rs.262,283,900)] into the escrow account for onward payment to Bayrakkale under the terms of the agreement. The agreement with Newbridge is secured by a letter of credit favoring Newbridge from Deutsche Bank issued on behalf of Bayrakkale as well as CAH's interest in the film. However, Bayrakkale has failed to fund the film in accordance with the co-financing agreement and is in material breach of the same. Further Deutsche Bank has refused to honor the letter of credit. Newbridge and the Company had elected to move forward against Deutsche Bank to pursue causes of action against the bank relating to the letter of credit, and intend to toll any potential causes of action against each other pending resolution of the matter with Deutsche Bank. The Company is pursuing all available legal options & is confident of recovering the outstanding dues. Till date, Bayrakkale has reimbursed US\$ 300,000 for interests and costs associated with their late payments. Pending final outcome of the matter, company has not provided the interest on the loan from Newbridge and has considered the same as contingent liability which amounts to Rs. 75,177,575/- [Previous Year Rs. Nil] for year ended 31 March 2012. Interest claim on Bayrakkale has also not been recognized. The recoverability of the advance of US\$ 6,250,000 (Rs 316,937,500) [Previous year US\$ 6,250,000, (Rs.276,437,500)] from Bayrakkale is dependent upon the successful completion of the legal proceedings against this party.
24. As on 31 March 2012, the company has Rs. 74,464,890 [Previous Year: 74,464,890] invested in Norm LLC, a special purpose vehicle which is formed for the purpose of feature film Norm of the North. For Norm LLC the

company also has outstanding receivables of Rs. 72,337,992 [Previous Year: Rs. 71,940,250], unbilled revenue of Rs. 156,286,385 [Previous Year: 156,705,289] and Work in process of Rs. 40,838,620 [Previous Year: Nil].

In addition, the Company has an investment of Rs 140,016,071 in Crest Animation Inc which has a significant receivable from Norm LLC and various development projects.

During the year, the company continued to work on feature film, "Norm of North" on which work in progress of Rs. 40,838,620 [Previous Year: Nil] has been booked during the year. Work on the above mentioned projects was deferred due to the uncertainty prevailing on the financing arrangements. However, based on expectations of getting financiers, the company is confident of resumption of the projects in Norm LLC and CAI. In view of the intended recourse of the legal proceedings against the defaulted financier and positive developments for the financiers, the management is of the view that there is no diminution in the value of these investments, receivables and work in progress. These are considered to be recoverable and therefore no provision is considered necessary.

25. The Company's share of inventories in the joint venture Magic Pebble LLC, aggregating to Rs 7,140,500 represents film properties under development for more than 3 years. Pending the final outcome of the decision to be taken by the joint venture partner on the development of the film properties held by the investee, Management is of the view there is no diminution in the value of this long term-investment. 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 this investment.
26. The Company has incurred losses amounting to Rs 199,939,613 during the year ended 31 March 2012 and the accumulated losses aggregate to Rs 480,167,931. The Company's operations are primarily funded from debtor realization, borrowings from private parties and promoters and delay in payment of creditors. Management has renewed/rescheduled its credit facilities with the banks which are now falling due from April 2012 to July 2014.

There is a possible material uncertainty resulting from the delay in the raising of capital and possible renewal of loans on their due date that casts significant doubt on the entity's ability to continue as a going concern and, therefore that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Management is confident of renewing the loans from banks and private parties on their due date. Further,

Notes to Consolidated Financial Statements for the Year ended 31 March 2012

management is in discussions with prospective investors to raise funds from the liquidation of shares held by the CAS Benefit Trust ("treasury stock") to meet its working capital requirements. Considering the above, management has prepared a detailed plan for meeting its cash flow requirements which has been approved by the Board of Directors, based on which the Company believes that it will meet its liabilities and obligations as and when they fall due. Hence, these financial statements have been prepared on a going concern assumption.

27. Contingent liabilities not provided for:

- Disputed income-tax demands Rs. Nil (*Previous Year: Rs. 4,325,161*)

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

- Interest on loan from Newbridge LLC amounting to Rs 75,177,575/- [*Previous Year Rs. Nil*].

28. 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:

(RUPEES)		
Revenue	Year ended 31 March 2012	Year ended 31 March 2011
India	3,480,569	-
Europe	33,495,360	7,384,600
USA	62,428,092	365,401,923
South East Asia	31,284,571	45,578,962
Total	130,688,592	418,365,485

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:

(RUPEES)

Geographical Market	Carrying amount of segment assets and Intangible assets		Addition to fixed assets and intangible assets	
	Year ended 31 March 2012	Year ended 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2011
India	220,550,941	223,966,184	232,636	6,693,660
Europe	31,893,995	-	-	-
South East Asia	43,369,301	45,578,962	-	-
USA	266,178,554	129,269,567	-	-
Total	486,729,495	408,814,712	232,636	6,693,660

29. 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.

Notes to Consolidated Financial Statements for the Year ended 31 March 2012

	Finance Lease		Operating Lease	
	Year ended 31 March 2012	Year ended 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2011
	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Total minimum future lease payments at the year end	15,071,209	24,059,691	-	-
Less : amount representing finance charges	30,012	2,528,259	-	-
Present value of future minimum lease payments (Rate of interest: 12.70% p.a.)	15,041,197	21,531,432	-	-
Lease payments for the year	6,705,919	35,063,971	44,642,555	39,383,122
Minimum Lease Payments :				
Not later than one year [For finance lease: Present value Rs. 14,931,238 as on 31.03.2012 (Rs. 21,142,587 as on 31.03.2011)]	15,045,733	23,464,614	47,186,768	46,640,886
Later than one year but not later than five years [For finance lease: Present value Nil as on 31.03.2012 (Rs. 223,284 as on 31.03.2011)]	25,476	595,077	81,043,200	117,437,004

30. Related party disclosures:

A. Related parties and relationships

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

Associates	Crest Alpha LLC Alpha & Omega Productions LLC
Joint venture	Magic Pebble
Entity significantly influenced/controlled by KMP or their relatives	Z Axis Communications Ltd
Key Management Personnel	Mrs. Seemha Ramanna – Managing Director
Relatives of Key Management Personnel	Mr. Varun Ramanna- Son of Managing Director

Notes to Consolidated Financial Statements for the Year ended 31 March 2012

B. Related Party Transactions

(RUPEES)

Transactions	Maggic Pebble, LLC.	Alpha & Omega Productions, LLC	Crest Alpha, LLC	Z Axis Communications Ltd.	Mrs. Seemha Ramanna	Mr. Varun Ramanna
I. Transactions during the year						
Revenue from Services	- (-)	- (23,521,448)	- (-)	- (-)	- (-)	- (-)
Managerial Remuneration	- (-)	- (-)	- (-)	- (-)	7,968,000 (7,968,000)	- (-)
Remuneration	- (-)	- (-)	- (-)	- (-)	- (-)	615,141 (370,831)
Guarantee commission	- (-)	- (-)	- (-)	- (-)	2,860,638 (3,037,868)	- (-)
Interest Expenses	- (-)	- (-)	- (-)	716,680 (-)	- (-)	- (-)
Production Advance Taken	1,134,896 (981,535)	5,447,086 (4,913,953)	47,332,249 (-)	- (-)	- (-)	- (-)
Production Advance Given	- (-)	- (-)	- (464,105)	- (-)	- (-)	- (-)
Loan Taken	- (-)	- (-)	- (-)	29,000,000 (-)	5,125,000 (29,644,000)	- (-)
Loan Repaid	- (-)	- (-)	- (-)	- (-)	600,000 (29,644,000)	- (-)
Operating expenses	1,43,100 (26,509)	- (-)	- (-)	- (-)	- (-)	- (-)
Balances Outstanding as at year ended:						
Guarantees Obtained	- (-)	- (-)	- (-)	- (-)	153,500,000 (243,700,000)	- (-)
Trade Receivable	9,167,793 (7,979,524)	- (-)	- (-)	- (-)	- (-)	- (-)
Unbilled Revenue	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Loan Outstanding	- (-)	- (-)	- (-)	29,000,000 (-)	4,525,000 (-)	- (-)
Other Payables:						
- Managerial Remuneration payable	- (-)	- (-)	- (-)	- (-)	4,484,612 (-)	- (-)
- Guarantee Commission Payable	- (-)	- (-)	- (-)	- (-)	2,574,574 (-)	- (-)
- Interest Payable	- (-)	- (-)	- (-)	716,680 (-)	- (-)	- (-)

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

Crest Animation Studios Limited

Notes to Consolidated Financial Statements for the Year ended 31 March 2012

31. Deferred taxes:

	As at 31 March 2012 (Rupees)	As at 31 March 2011 (Rupees)
Deferred tax liabilities		
Depreciation	(9,055,592)	(17,143,032)
Assets acquired under finance lease	(3,313,919)	(7,619,648)
	<u>(12,369,511)</u>	<u>(24,762,680)</u>
Deferred tax assets		
Provision for doubtful debts	955,121	11,272,869
Provision for Work in Process	7,252,070	3,768,830
Provision for doubtful advances	19,229,528	20,746,993
Items covered under section 43B	4,746,580	4,411,971
Unabsorbed depreciation (*)	(19,883,788)	(15,437,983)
Carry forward business loss (*)	-	-
	<u>12,369,511</u>	<u>24,762,680</u>
Net Deferred Taxes	<u>-</u>	<u>-</u>

(*)Deferred tax assets are not recognised in the books of accounts on conservative basis as there is a lack of virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

32. Employee benefits:

(a) Defined Contribution Plan

Contribution to defined contribution plan, recognised in the statement of Statement of profit and loss under Employee benefit expenses, Contribution to provident and other funds, in Note 19 for the year are as under:

Employer's contribution to Provident Fund

1,558,243

1,262,265

Employer's contribution to Family Pension Fund

325,342

295,650

1,883,585

1,557,915

(b) Defined Benefit Plan

Gratuity – As per actuarial valuation as on 31 March 2012

I Reconciliation of opening and closing balances of Defined Benefit obligation.

Present Value of Defined

Benefit obligation as at the beginning of the year

5,660,115

3,941,991

Interest Cost

466,959

315,359

Current Service Cost

1,759,086

1,723,880

Past Service Cost

-

1,321,169

Benefits paid

-

-

Net Actuarial Loss / (Gain)

348,734

(1,642,284)

Present Value of Defined Benefit obligation as at the end of the year

8,234,894

5,660,115

II Reconciliation of

fair value of plan assets

Fair value of plan assets as at the beginning of the year

230,457

203,504

Expected return on plan assets

18,437

16,280

Net Actuarial Gain / (Loss)

(2,093)

(2,393)

Employer's contribution

10,975

13,066

Benefits paid

-

-

Fair value of plan assets as at the end of the year

257,776

230,457

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.

65%

63%

Bank balance

35%

37%

100%

100%

Notes to Consolidated Financial Statements for the Year ended 31 March 2012

	As at 31 March 2012 (Rupees)	As at 31 March 2011 (Rupees)
III Net Liability recognised in Balance Sheet		
Present Value of Defined Benefit obligation	8,234,894	5,660,115
Fair value of plan assets	257,776	230,457
Net liability recognised in Balance Sheet (unfunded)	7,977,118	5,429,658
IV Component of employer's expenses		
Current Service Cost	1,759,086	1,723,880
Past Service Cost	-	1,321,169
Interest Cost	466,959	315,359
Expected Return on Plan Asset	(18,437)	(16,280)
Net Actuarial Loss / (Gain)	350,827	(1,639,891)
Total expenses recognised in the Statement of profit and loss in Note 19, under Employee benefit expenses - Salaries, wages & bonus	2,558,435	1,704,237
Actual return on plan assets	16,344	13,887
V Actuarial assumptions		
Mortality Table:	LIC (1994-96)	<i>LIC (1994-96)</i>
Discount rate	8.50%	8.25%
Salary escalation	6.00%	6.00%

- a) The discount rate is based on the benchmark rate available on Government of India securities for the tenure of 21 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. 4,454,451 (PY: Rs 2,427,551) in next year.
- e) Additional disclosure as per para 120(n) of Accounting Standard – 15 (Revised)

	Gratuity			
	2012	2011	2010	2009
Defined benefit obligation	8,234,894	5,660,115	3,941,991	3,424,481
Plan assets	257,776	230,457	203,504	132,667
Surplus / (deficit)	(7,977,188)	(5,429,658)	(3,738,487)	(3,291,814)
Actuarial (gain) / loss on plan liabilities	348,734	(1,639,891)	(1,658,158)	905,125
Actuarial (gain) / loss on plan Assets	2,093	2,393	7,025	(2,567)

33. Derivative Instrument and Un-hedged Foreign Currency Exposure:

Un-hedged Foreign Currency Exposure	As at 31 March 2012		As at 31 March 2011	
	(USD)	(Rupees)	(USD)	(Rupees)
Un-hedged Foreign Currency Exposure				
Debtors (USD)	3,628,279	183,898,906	3,527,113	156,002,674
(EURO)	4,72,924	31,893,995	-	-
EEFC Account	8,749	443,683	-	-
Loans and Advances	6,250,000	316,937,500	6,250,000	276,437,500
Secured Loans	5,930,000	300,710,300	5,930,000	262,283,900

34. The amount of borrowing cost capitalised under Inventories during the period is Rs. 3,611,689/- (previous year Rs.18,702,900/-).

Crest Animation Studios Limited

Notes to Consolidated Financial Statements for the Year ended 31 March 2012

35. Scheme of Amalgamation

- a) During the previous year, the Company had given effect to the Scheme of Amalgamation under Sections 391 to 394 of the Companies Act, 1956 (or 'the Scheme'), of two overseas subsidiaries of the Company i.e. Crest Animation Holdings Inc., USA (CAH), Crest Communication Holdings Limited, Mauritius (CCHL) and one Indian Wholly Owned Subsidiary Company viz., Crest Interactive Limited (CIL) (Transferor Companies), with the Company. The Scheme became effective on 26 July 2011. The appointed date as per the scheme was 1 April 2010.

In accordance with the Scheme and as per the approval of the Hon'ble High Court of Bombay, the Company accounted for the amalgamation as per the Scheme which is in accordance with the 'Purchase Method' as described in Accounting Standard – 14 "Accounting for Amalgamations" notified by the Companies (Accounting Standards) Rule, 2006. The excess of the amount of consideration net of cost/s and expense/s incurred in relation to implementation of scheme, over the value of net assets of transferor companies (CAH, CCHL & CIL) acquired by the company has been recognized in the company's financial statements as goodwill determined as follows, which has been written off in previous as an exceptional item on the appointed date based on management's assessment of impairment.

	For year ended 31 March 2011 (RUPEES)
CONSIDERATION	
Issue of Shares (Face value Rs. 10)	216,269,580
Premium on issue	1,541,367,837
Add: Amalgamation Expenses	30,005,823
Total Consideration	1,787,643,240
Less: Net Asset Taken Over of transferor companies	(242,206,902)
Add: Cancellation of Investment	65,172,000
Goodwill arising on Amalgamation	1,610,608,338

Further during the previous year, as per the scheme, the Company has utilized a sum of Rs. 1,772,903,152/- from the Securities Premium Account for adjusting debit balance in Profit and Loss Account after giving effect to the Scheme of Amalgamation which includes effect for impairment in the value of goodwill of Rs. 16,106,08,338/- arising pursuant to the Scheme of Amalgamation.

The Board of Directors at their meeting held on 28 July 2011 had allotted 21,626,958 equity shares of Rs. 10/- each at a premium of Rs. 71.27 per share under the Scheme of Amalgamation. The face value of such shares was shown as share capital pending allotment. These shares were allotted as at 28 July 2011. These include 12,000,000 equity shares allotted to the CAS Benefit Trust. From the effective date i.e 26 July 2011 the authorized share capital stood increased to Rs. 500,000,000 consisting of 50,000,000 Equity Shares of Re.10/- each without any further act or deed on the part of the Company and the Memorandum of Association and Articles of Association of the Company stand amended accordingly without any further act or deed on the part of the Company.

- b) CAH had outstanding ESOP as on appointed date which got exercised during the year. During the year, amount of Rs.41,226,915 (US\$ 919,359.36) received by CAH on exercise of ESOPs during the year before effective date, which has been credited to the securities premium account in accordance with accounting treatment of the scheme given in previous financial year.

36. Additional information pursuant to the provisions of para 3, 4, 4C and 4D of Part II of schedule VI of the Companies Act, 1956, has been provided to the extent applicable to the company.

37. 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 and on behalf of the Board

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

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

Sd/-
Seemha Ramanna
Managing Director

Sd/-
T N V Ayyar
Director

Sd/-
Vijay N Paranjpe
Chief Financial Officer

Sd/-
per Govind Ahuja
Partner

Sd/-
Amit Chaturvedi
Partner

Sd/-
A K Madhavan
Chief Executive Officer

Sd/-
Kamlesh Kulkarni
Company Secretary

Membership No. : 48966
Mumbai: 21 August 2012

Membership No. : 103141
Mumbai: 21 August 2012

Mumbai: 21 August 2012

SUMMARIZED STATEMENT OF FINANCIALS OF SUBSIDIARY COMPANIES

(RUPEES)

Sr. No.	Particulars	Crest Animation Inc.	Crest Animation Production Inc.	Roop BDR Productions Inc.
1	Capital	2,897,008	2,897,008	-
2	Reserves		-	-
-				
3	Total Assets	2,897,008	5,854,840	-
4	Total Liabilities	2,897,008	5,854,840	-
5	Investments	2,097,008	-	-
	A) Long Term (Non-trade Investments)	-	-	-
	B) Current Investments	2,097,008	1,431,164	-
	a. Unquoted Equity Shares	-	-	-
	b. Quoted Equity Shares	-	-	-
	c. Units	-	-	-
	Total Current Investments	-	1,431,164	-
	Total Investments (A+B)	2,097,008	1,431,164	-
6	Turnover	-	488,740	-
7	Profit Before Tax	-	-	-
8	Provision for Tax	-	-	-
9	Profit After Tax	-	-	-
10	Proposed Dividend (Excluding Tax on Dividend)	-	-	-
11	Original Currency	US\$	US\$	-
12	Exchange rate as on 31 March 2011 in INR	50.71	50.71	-

Notes

Notes

CREST ANIMATION STUDIOS LIMITED

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

**ATTENDANCE SLIP
TWENTY SECOND ANNUAL GENERAL MEETING, THURSDAY, SEPTEMBER 27, 2012**

I hereby record my persence at the Twenty Second Annual General Meeting of the Company (including adjournment thereof) at the Emperor Hall, Hotel Kohinoor Park, Veer Savarkar Marg, Prabhadevi, Mumbai - 400 025, on Thursday, September 27, 2012 at 11.00 a.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
TWENTY SECOND ANNUAL GENERAL MEETING, THURSDAY, SEPTEMBER 27, 2012**

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

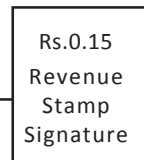
the district of _____ or failing him _____

of _____ in the district of _____ as my /our

proxy to vote for me/us on my/our behalf at the Twenty SecondAnnual General Meeting of the Company (including adjournment thereof) to be held on at Emperor Hall, Hotel Kohinoor Park, Veer Savarkar Marg, Prabhadevi, Mumbai - 400 025, on Thursday, September 27, 2012 at 11.00 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2012

Signature _____



- Note:
1. The Proxy need not be a member
 2. The Proxy Form duly completed 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.

