DQ ENTERTAINMENT (INTERNATIONAL) LIMITED

Annual Report 2012

DQE IPs on the move...

The Power of IP

DQE has established its credentials as one of the leading producer and distributor of animated content with the runaway success of its first home-grown IP “Jungle Book” across globe.

With its state-of-art production facilities in Hyderabad – the IT hub of India, Kolkata and a subcontracting facility in Manila, DQE has established itself as the largest production studio measured by the size of its production capabilities and a highly skilled workforce of around 3000 associates.

Our key differentiators

- We believe in the power of IP and are increasingly focusing on the creation of classical ‘Intellectual Properties’ (IPs), for global audiences and 360 degrees monetisation across all platforms of distribution, merchandising and licensing.
- We started with traditional 2D animation and gradually developed the flexibility to produce all genres of animation including the current trend of 3D stereoscopic animation for television series, television features and home videos.
- Our quality and award winning productions have resulted in strong partnerships with leading independent production houses, broadcasters, distributors and licensors globally.
- Some of our marquee client partners include Walt Disney Group, Universal Pictures, Nickelodean Animation Studios Inc, Marvel Comics, BBC Group, France TV Group, ZDF TV, JCC TV, Cartoon Network group and many more worldwide.
- DQE’s programming portfolio includes iconic properties such as The Jungle Book, Peter Pan, 5 & IT, Lassie & Friends, Little Prince, Little Nick, Iron Man, Casper, Charlie Chaplin, Robin Hood etc. as well as Indian classical content such as Balkand, Ravan, Omkar, Suryaputra, Mysteries and Feluda etc.
- In line with the global trend, DQE has now forayed into the development and production of theatrical feature films in 3D stereoscopic format. Our first Feature Film “The Jungle book” is in development and will soon go into production.

All this, because we believe in our dreams.
We believe in the power of IP.

Contents

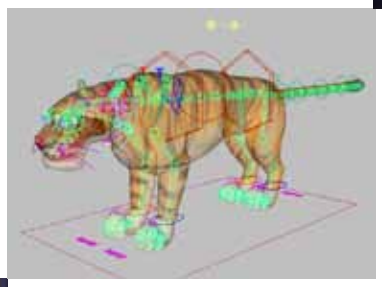
A walk down memory lane...

Our commitment to excellence has enabled us to enhance our technical capabilities and move up the value chain

- From service
- To co-productions
- To IP TV Series
- To theatrical feature films

Commencing its commercial journey in the year 2000, today DQE is one of the leading entertainment houses with:

- Unique & sustainable business platform
- Annuity from IPs
- Healthy order book
- Margins trending higher
- Proprietary production ERP solutions
- Own training academies
- Positive macro environment
- Impressive list of client-partners



Established 3D animation

Commenced co-production as sweat equity

Established 2D traditional & digital animation division

Launch of 'The Jungle Book' for licensing & distribution worldwide.

Foray into the development of Theatrical Feature Films

Foray into development of own IPs for International as well as Indian diaspora

Set up exclusive gaming studio for game art development for Electronic Arts, USA.

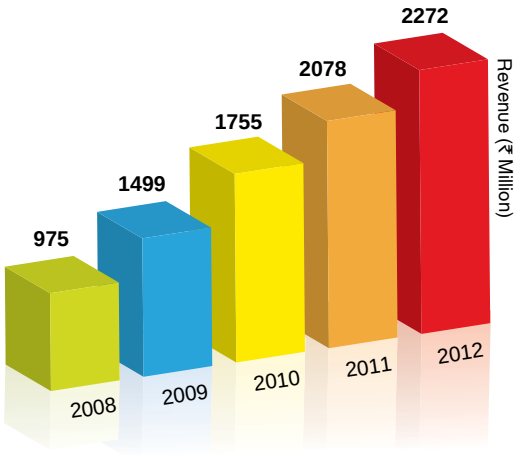
Commenced our relations with Disney, Nickelodean with their prestigious properties like Mickey Mouse Club House & TAK

Developed proprietary 'Production Tracking' and 'Resource Management' ERP solutions

Set-up DQ Schools of Visual Arts as Public Private Partnership with State Governments.

Established in-house 'Visual Arts Training Center'

Financial Highlights



Revenue up by

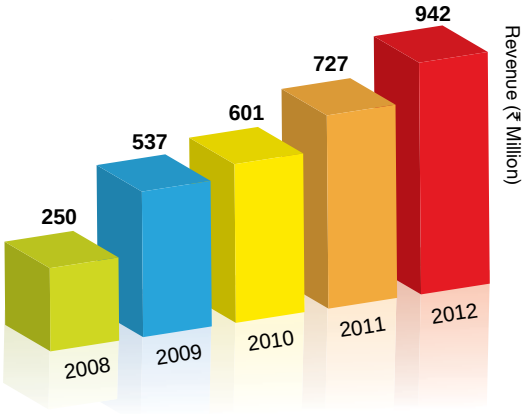
9.3%

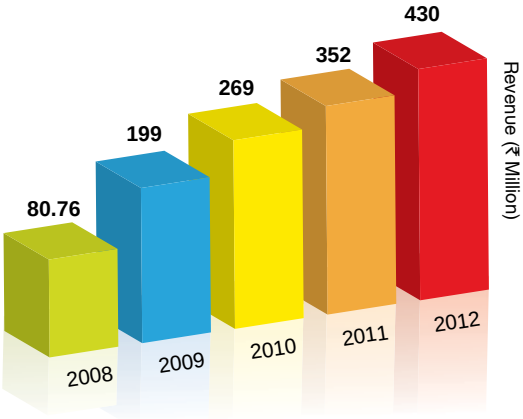
to INR 2,272 million
(2011: INR 2,078 million)

EBITDA up by

29.6%

to INR 942 million
(2011: INR 727 million)





Profit before tax up by

22.0%

to INR 430 million
(2011: INR 352 million)

Profit after tax of **INR 330 million** (Previous year:INR 279 million)

Cash and cash equivalents of **INR 688 million** after investments in expansion. (Previous year:INR 523 million)

Note: As may be applicable,the numbers have been re-grouped to be in line with the revised Schedule VI of the Companies Act, 1956.

METHOD ANIMATION & DQ ENTERTAINMENT
PRESENT

ROBIN HOOD

MISCHIEFS IN SHERWOOD

52X11' in 3D

6 to 9 Years

CHAIRMAN'S STATEMENT

Chairman's Statement

Tapaas Chakravarti, Chairman & CEO

> We work with passion and commitment to create and deliver world-class content for sustainable economic benefits.
>
> 'Content is King'

Dear Shareholders,

I am delighted to present our annual results for the year ended March 31 2012.

We believe both our short and long term strategies are providing tangible evidence of our ability to grow despite continuing adverse economic market conditions in the USA and Europe, our main markets. The Group has had qualitative growth in terms of content production and distribution and capitalized on opportunities in the entertainment marketplace, globally.

Our key strategic priorities include:

- Expand our portfolio of global and Indian branded Intellectual Properties (IPs)
- Capitalise on 3D stereoscopic theatrical animation production and distribution with global partners
- Continued focus on co-production business model for TV series,
- Accelerate growth in licensing and distribution through acquisition of new iconic properties

- As an independent producer, offer diversified range of services from script to screen

- Exploitation of newer delivery formats through the development of apps and interactive games.

Throughout the year, we have remained focused on building the Company's position as a leader in the creation of high quality animated content using latest technologies and creativity to ensure that audiences are captivated by our content. Our licensing and distribution efforts are proving increasingly successful on a global scale and have created long term and sustained value for DQE by forging new partnerships across various markets, platforms and product categories. Our broadcast agreements in over 150 countries as well as the global licensing and merchandising deals for The Jungle Book, New Adventures of Peter Pan and Lassie & Friends demonstrate how we have and intend to exploit and monetise our IPs and content library.

DQE is now uniquely positioned as an integrated entertainment production and distribution Company, focused on 360 degree monetization across all platforms.

IMPORTANT MILESTONES DURING THE YEAR

In the year gone by we have:

- Successfully concluded and delivered 11 TV series and television features which are already being broadcasted in prominent networks and territories worldwide

- Commenced production of 7 new television series which are being co-produced with our global partners and broadcasters

- Our local presence has been further consolidated with a third season of Omkar with Turner (Cartoon Network)-Asia, a second season of Keymon TV series and Keymon TV Feature with Nickelodeon, India,

- Signed 5 new international production / co-production deals

- The Jungle Book has continued to gain traction with merchandisers across the globe and we have entered into 26 new Jungle Book merchandising agreements during the year.

- More than 25 new broadcasting deals have been signed during the year for a variety of properties including The Jungle Book, Peter Pan, Iron Man, Charlie Chaplin, Little Nick etc.

FINANCIAL HIGHLIGHTS

The Company has generated a nominal growth in revenues of 9.3% to ₹ 2,272 mn, however profit before tax has significantly increased by 22% to ₹ 430 mn and the net profit after tax was up by 18% amounting to ₹ 330 mn.

In line with our business vision and plan, revenues from distribution and licensing have significantly gone up by 129% to ₹ 517 mn from ₹ 226 mn in the previous year. This growth is an indication that the decision by the Group to co-produce IPs and develop its own content for a 360 degree monetization, has been in the right direction. We are confident that slowly and steadily the returns from the investment will continue to accrue in the future.

However, the revenues from production declined to ₹ 1755 mn as compared to the previous year of ₹ 1853 mn. The reasons for the same are twofold — delay in commissioning of some of the new projects and deliberate slowdown of deliveries so as to recover the overdue payments from the customers.

The Group's order book is healthy and higher than at the same time last year. With this in mind, the Board are comfortable that revenue growth from co-productions, service orders, own IP and L&D sales will be maintained in the next financial year.

The increase in profits was due to higher margins earned from increased distribution revenues and reduced cost of outsourcing as all projects were produced in-house, whereas in previous years, some of the production work had to be outsourced for want of capacity.

OPERATIONAL HIGHLIGHTS

Production

The strong operating performance of the Group is demonstrated by the volume of work started, progressed and/or completed during the year, as summarised below:

Productions successfully completed and delivered during the year:

- The Jungle Book Season 1 – 52 x 11' 3D TV series with ZDF, Moonscoop, TF1, B-Channel, TVO-Canada, BBC-UK, Disney-SE Asia & USA, ABC-Australia, ATV-Turkey, Dea and RAI-2
- Iron Man Season 2 – 26 x 22' 3D TV series with Marvel Entertainment, Method Animation, Nick Toons, France Television, ABC-Australia, RAI-Italy, Nicktoons-USA, Disney-Asia and Jetix-Europe
- Little Nick Season 2 – 52 x 12' 3D TV series with M6 studios-France, ZDF-Germany and Sun Network
- Little Prince Season 1 & 2 – 52 x 22' 3D TV series with Method Animation, WDR-Germany, LLPTV- France, SONY BMG, RAI-Italy and France-3
- Hive Season 1- 78 x 7' 3D TV Series with Lupus Films
- Post Card from Busters Season 5 – 2 x 6' 2D TV series with 9 Story
- Feluda TV Series – 13x 22' 2D TV series with Disney India , JCCTV
- Suryaputra – 60 mins 2D TV feature with Disney India
- Balkand 2 & 3 – 70 mins 2D TV feature with Turner Group, Cartoon Network
- Omkar 2 – 70 mins 2D TV feature with Turner Group, Cartoon Network and
- Keymon – Season 1 with Nickelodeon.

New commissions and on-going projects:

- The Jungle Book Season 2 – 52 x 11 3D TV series with ZDF TV (Germany), TF1 TV (France), Moonscoop (France)
- The New Adventures of Peter Pan - 26 x 22' 3D HD Stereoscopic TV series with ZDF Group and Method Animation supported by France Televisions, De Agostini Group, ATV and B Channel-Indonesia, SBA, JCCTV-Middle East and Noga-Israel
- Lassie & Friends – 52 x 11' 2D TV series with Classic Media-USA, Super Prod, TF1-France, ZDF-Germany and Noga-Israel
- Mickey Mouse Club House Season 4 – 7 x 24' + 8 x 30' 3D TV Series for Walt Disney Television Animation (USA)
- Speak – A – Boos – 52 2D e-books with Conscious Content Media (Speakaboos)
- Keymon Ache – 1 x 70' 2D TV feature with Nickelodeon India
- Charlie Chaplin Season 1 – 104 x 6' 3D TV Series with Method Animation, France Television, MK 2 (France) and WDR-Germany
- Casper Season 2 – 52 x 11' 3D TV Series with Harvey Entertainment (USA), Moonscoop & Cartoon Network (USA) and TF-1
- Omkar 3 – 3 x 23' 2D TV series with Turner Group and Cartoon Network.

New projects signed during the year:

- Robin Hood, Mischief in Sherwood – 52 x 11 3D TV series with Method Animation, TF1, ATV-Turkey, De Agostini and ZDF-Germany
- Escape Hockey – 26 x 22' 3D TV series with IMIRA, Spain
- Lanfeust – 26 x 22' 3D TV series with Alphanim,
- Mickey Mouse Club House Season 5 – 8 x 22' 3D TV series for Walt Disney Television Animation

- Keymon Season 2 – 52 x 11' 2D TV series with Nickelodeon India
- Franco and Formula Fun – 52 x 11' 3D TV series with Formula Fun Entertainment Limited (UK) and Telegael (Ireland)

Other productions currently in development:

- The Jungle Book Feature Film – 90' 3D stereoscopic Feature Film,
- 5 & IT : 52 x 11' 3D HD TV series with ZDF Enterprises,(Germany)
- The New Adventures of Treasure Island
- Little Prince – Feature Film

LICENSING AND DISTRIBUTION: A PATH TO CONTENT MONETIZATION

DQE's sales force is continuing to negotiate new licensing deals across its library of IPs. Numerous deals were entered into during the year resulting in increased revenue from licensing and distribution. Few of the concluded deals are:

- Jungle Online, Belgium to produce Jungle Book comic books in French in France, Monaco, Belgium, Switzerland and Luxembourg
- Gruppo Edicart, Italy, to produce pop -up books, activity and games books, sticker albums and story books in Italy, San Marino and the Vatican City
- Swadesh Essfil, India, to produce Jungle Book stationary, stamps, writing pads, white boards, water bottles, lunch boxes, cookie jars etc
- Haksan, Marken Dosi South Korea to produce Jungle Book colouring books, sticker albums, puzzles, wall paper decorations and souvenirs
- Showtime Attraction, Australia, for character appearances of Jungle Book characters in malls and various festivals/shows,
- Blue Ocean, Germany for publishing a Jungle Book Magazine in Germany and German speaking Europe and
- Exim Licensing, USA to represent the licensing interests for The Jungle Book TV series in Mexico.

NEW MARKET OPPORTUNITIES

New digital opportunities have emerged making it possible to further monetize our commercial IP library for mobile applications, mobile games and mobile porting for all major platforms such as iphone, ipad, ipod, itunes, blackberry, android, tablets, windows and internet platforms.

DQE will aim to develop a sustainable business model to monetize and distribute digital content through paid or sponsored hosting. Both mobile and internet usage have grown at a tremendous pace compared with traditional platforms and many more new media platforms for content delivery are emerging. Recognizing the need to leverage our existing and future IPs on these platforms, DQE has established an in-house team dedicated to produce content for mobiles, tablets and internet platforms.

CINEMA

2011 witnessed several animated movies in the Top 20 movies at the global box office including Car 2, Kung Fu Panda 2, Puss in Boots and Rio with Box office collections in excess of US$500m for each. 'The Adventures of Tintin' a 3D film based on a comic book was also lauded by audience in India and abroad.

With global animated movies experiencing increased demand and tremendous success at the box office, DQE has commenced developing its own animated films to be released from 2014 onwards. The release of our first feature film 'The Jungle Book' for world wide release in the summer of 2014 is expected to generate significant revenues for the group.

INDUSTRY DYNAMICS

Continuing economic weakness in the US and the Eurozone during 2011 unsurprisingly had a negative impact on the global as well as Indian Media and Entertainment ('M&E') industry.

However, India is gradually moving away from the shadow of being only an outsourcing destination for animated content. It is increasingly recognized as a location capable of creating end to end high quality content for global audiences. DQE has been a leader in utilizing local resources to create world class content and is spearheading the vision for Indian companies to achieve success on a global level through creation and monetization of IP.

The Indian M&E industry has grown from INR 652 billion in 2010 to INR 728 billion in 2011. The global animation industry is estimated at US$100 billion and a 9 % CAGR through to 2012 whilst the Indian animation industry is forecast to continue growing at a CAGR of 17 % until 2016. (Source: FICCI KPMG Report 2012 and Nasscom Animation and Gaming Report 2009).

AWARDS AND ACCOLADES

I am delighted to announce that once again, DQE has received several prestigious international awards recognising our achievements in the industry during the year.

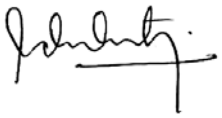
- DQE received the prestigious "International studio of the year" award at the 16th ceremony of Cartoons on the Bay, Pulcinella Awards, Italy 2012.
- The CG animated TV series titled 'Iron Man' co-produced with Marvel Entertainment, USA won the Pulcinella Awards for 'Best TV series for Teens' at the festival of Cartoons on the Bay.
- 'Charlie Chaplin', DQE's CGI animated TV series, co-produced with Method Animation, France was also nominated for the Pulcinella Awards for 'Best TV series for Kids' at the festival of Cartoons on the Bay.

OUTLOOK

The demand for our services remains strong and we continue to develop healthy pipeline for our services across production, licensing and distribution activities. Therefore we are confident that the Group remains on track to meet market expectations for the current financial year. We look forward to updating the market on our continued progress later in the year.

APPRECIATION

I would like to take this opportunity to acknowledge the tireless efforts, creativity and excellence of DQE associates and their constant efforts to stay ahead of the game in the global marketplace. I would also like to thank my colleagues on the Board, whose continuous guidance and advice is invaluable for the growth and performance of the Company. I sincerely thank our valued stakeholders; including our customers, business associates, bankers, government authorities and shareholders for their continuous support and trust.



Tapaas Chakravarti
Chairman & CEO

THE YEAR 2011-12

The Year 2011-12

FY 2011-12 COMPLETED PROJECTS

The Jungle Book Season-1
52 x 11' 3D TV series with ZDF, Moonscoop,TF1, B-Channel,TVO-Canada, BBC-UK, Disney-SE Asia, USA, ABC-Australia, ATV-Turkey, Dea, RAI-2.

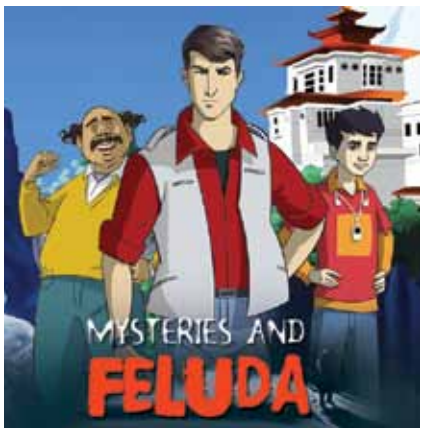
Iron Man Season 2 – 26x22' 3D TV series with Marvel Entertainment & Method Animation, Nick Toons, France Television, ABC-Australia, RAI-Italy, Nicktoons-USA, Disney-Asia, Jetix-Europe.

Little Nick Season 2 – 52 x 12' 3D TV series with M6 studios-France, ZDF-Germany, Sun Network.

Little Prince Season 1 & 2
52 x 22' 3D TV series with Method Animation, WDR-Germany, LLPTV- France, SONY BMG, RAI-Italy,France-3

Hive Season 1- 78 x 7' 3D TV Series with Lupus Films.

Post Card from Busters Season 5 – 2 x 6' 2D TV series with 9 story.



Feluda TV Series 1 – 3 x 22' 2D TV series with Disney India, JCCTV.

Suryaputra – 60 mins 2D TV feature with Disney India

Balkand 2 & 3 – 70 mins 2D TV feature with Turner Group, Cartoon Network.

Omkar 2 – 70 mins 2D TV feature with Turner Group, Cartoon Network

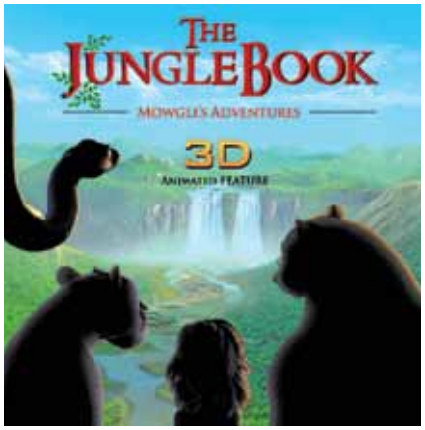
NEW COMMISSIONS & ON-GOING PROJECTS

Mickey Mouse Club House Season 4 – 7 x 24' & 8 x 30' 3D TV Series for Walt Disney Television Animation (USA).

Charlie Chaplin Season 1
104 x 6' 3D TV Series with Method Animation, France Television, MK 2(France), WDR-Germany.

Casper Season 2
52 x 11' 3D TV Series with Harvey Entertainment (USA) Moonscoop & Cartoon Network(USA), TF-1.

The Jungle Book Season 2 – 52 x 11 3D TV series with ZDF TV(Germany), TF1 TV(France), Moonscoop (France)



The Jungle Book Feature Film – 90' 3D stereoscopic feature film.

The New Adventures of Peter Pan - 26 x 22' 3D HD Stereoscopic TV series with ZDF Group and Method Animation supported by France Televisions, De Agostini Group, ATV, B Channel-Indonesia, SBA, JCCTV-Middle East,Noga-Israel.

Speak – A – Boos – 52 x 11 2D e-books with Conscious Content Media (Speakaboos).

Lassie & Friends – 52 x 11' 2DTV series with Classic Media-USA, Super Prod, TF1-France, ZDF-Germany, Noga-Israel.

Keymon – 1 x 70' 2D TV feature with Nickelodeon India.

Omkar 3 – 3 x 23' 2D TV series with Turner Group, Cartoon Network.

NEW PROJECTS SIGNED DURING THE YEAR

Robin Hood, Mischief in Sherwood – 52 x 11 3D TV series with Method Animation, TF1, ATV-Turkey, De Agostini and ZDF-Germany.

Escape Hockey – 26 x 22' 3D TV series with IMIRA,Spain.

Lanfeust – 26 x 22' 3D TV series with Alphanim.

Mickey Mouse Club House Season 5 – 8 x 22' 3D TV Series for Walt Disney Television Animation

Keymon Season 2 – 52 x 11' 2D TV series with Nickelodeon India

Franco and Formula Fun – 52 x 11' 3D TV series with Formula Fun Entertainment Limited (UK) and Telegael (Ireland).

LICENSING & DISTRIBUTION

Our licensing and distribution efforts are proving increasingly successful on a global scale and have created long term and sustained value for DQE by forging new partnerships across various markets, platforms and product categories. During the year:

- 26 new merchandising deals were signed relating to our 'The Jungle Book' franchise
- More than 25 new broadcasting agreements have been signed for a variety of properties including The Jungle Book, Peter Pan, Iron Man and Charlie Chaplin

Merchandising deals - 2011-12

Sr. No	Licensee	Items	Territories
1	K & L Wall Art	Wall Tattoo	German Speaking Europe
2	Dumont	Wall Calenders	German Speaking Europe
3	Blue Ocean Entertainment AG	Sticker Collection & Album	German Speaking Europe
4	Blue Ocean Entertainment AG	Jungle Book Magazine	German Speaking Europe
5	Universal Music	Music Publishing	World Wide
6	Bio World	Apparels	India
7	Sunmate	L & D deal	USA
8	Jungle Online	Comic Publishing	France
9	Paper Box	Magazine Publishing	France
10	Haksan	Coloring Book, Sticker Book, Puzzle	South Korea
11	Universal Music Gmbh	Audio Books	Germany, Austria, Switzerland
12	Edikart	Coloring Book, Story Books,Activity Books	Italy
13	Pacific Brands	Underwear, Socks and Sleep wear	Australia, Newzealand
14	Scholastics	Popcorn Readers	UK
15	Showtime Attractions	Costume Character Appearences	Australia
16	TNF Partners	Apparel, Bedsheet	Italy, San Marino, Vatican City
17	Swadesh Essfil	Stationary, Bags, Gifts, Boxes, games inflatable's, Sporting Goods, Beach Toys etc.	India
18	Sole Di Carta	Coloring Book, Activity Book, Magazine	Italy, San Marino, Vatican City
19	Boskatan	Magnet Puzzles, Puzzles, Memory Game	Israel
20	Hagim	Kinder Garden Bags	Israel & West Bank Territories
21	BimnamBom Bags	Kindergarten	Israel
22	Spark Toys	Toys	Israel
23	Pacific Play Tents	Play Tents	USA & Canada
24	Komar Kids, LLC.	Kids Sleepwear, Robes, Cover Ups	USA & Canada
25	Isaac Morris Ltd.	Apparels	USA & Canada
26	Nanco	Toys, Keychains, Vinyl Inflates, Rubber Basket Balls, & Novelty play balls of various materials	USA & Canada

Broadcasting deals - 2011-12

Sr. No	Name of Broadcaster	Project	Territories
1	ABC Australia	Iron Man 2	Australia
2	ATV	Lassie, Galactic Football, Peter Pan	Turkey
3	Disney	IronMan 2, 5 Children & IT	Brunei, Cambodia, East Timor, Thailand, Indonesia, Laos, Malaysia, Mongolia, Myanmar, The Philippines, Singapore, Vietnam, Papua New Guinea and Republic of Palau.
4.	Disney	Iron Man 2	India, Pakistan, Bangladesh, Srilanka, Nepal, Bhutan and Maldives
5	Global TV	Twisted Whiskers, Iron Man 2, Casper 2, 5 Children & IT	Indonesia
6	Greenarae Media	Jungle Book 1	Korea
7	Magna	Iron Man 2	Australia
8	One Vision Indonesia	Charlie Chaplin	Indonesia
9	Sun Tv	Little Prince, Little Nick 2	India & Sri Lanka
10	Telequebec	Lassie, Jungle Book 2, Peter Pan	Canada
11	TIGA	Charlie Chaplin	Thailand
12	Turner	Charlie Chaplin	Australia and New Zealand, India, Pakistan, Bangladesh, Bhutan, Nepal, the Maldives and Sri Lanka, South-East Asia, Taiwan
13	Turner	Peter Pan	India South Asia, including India, Pakistan, Nepal, Bhutan, Bangladesh, Sri Lanka and Maldives, South-East Asia, Taiwan, Japan.
14	TVO	Jungle Book 2	Canada
15	Viacom 18	Keymon Feature, Keymon 2, 5 Children & IT	India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan and Maldives

AWARDS

Tapaas Chakravarti Chairman & CEO of DQE receiving the 'international studio of the year' award at Cartoons on the Bay Festival in Rapallo, Italy.

Prestigious awards during the year

- International Studio of the year (16th ceremony of Cartoons on the Bay, Italy 2012)
- Best Animated TV series for Teens: 'Iron Man' (Festival of Cartoons on the Bay)
- Nominated Best Animated TV series for Kids: 'Charlie Chaplin' (Festival of Cartoons on the Bay)

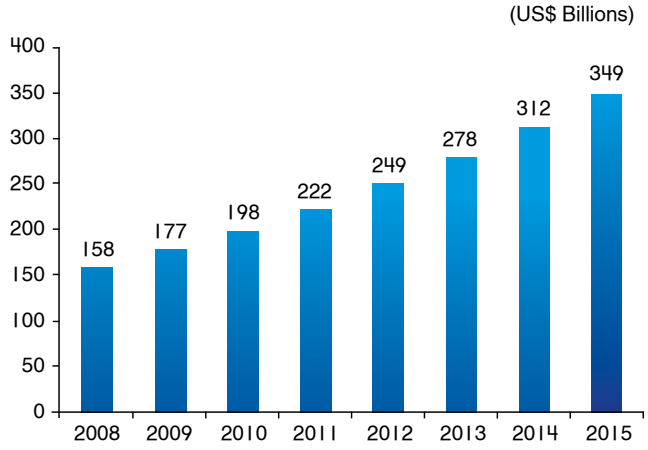
Industry Overview

GLOBAL ANIMATION INDUSTRY

The demand for animated entertainment has expanded with the increase in broadcasting hours by cable and satellite TV along with the growing popularity of the Internet. Animation generally does not become outdated as quickly as live action programming, allowing an animated program to be enjoyed by each new generation of children and generally providing a longer life cycle for merchandising and licensing of products relating to such programming. Children are the primary target market for animated television programming and feature films. Growth in advertising spending targeted at children and the expansion in the number of television channels dedicated to children's programming around the world have contributed to an increase in the demand for animated television programming.

Several major studio releases continue to demonstrate the mass appeal of computer generated (CG) animation to family audiences. DreamWorks' Shrek 2, Shrek The Third, The Walt Disney Company (Disney) and Pixar's Finding Nemo and The Incredibles each out grossed the more traditional 2D animated releases. This appeal has been worldwide, with foreign box office revenues equaling or exceeding domestic revenues on these films. Moreover, as demonstrated by worldwide success of television shows such as The Simpsons, The Rugrats Movie, South Park, Spongebob Squarepants and King of the Hill animation content has broad appeal across traditional gender, demographic and cultural barriers.

Size of Global Animation Industry

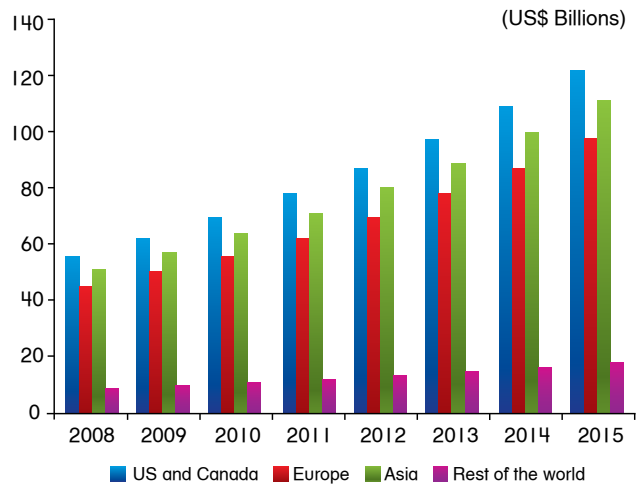


Owing to the increase in computing power and the reduction in computing costs, we are seeing more and more of the global computer animation production output taking place outside of North America. We have seen for the past three years, with the resultant growing importance of the outsourced computer animation production market, which is increasingly being tapped by North American film and television program producers. The major factor behind this shift of computer animation production to the Asia/Pacific region continues to be the availability of low cost, powerful computer animation platforms and much lower labor rates in the Asian and Pacific Rim countries compared to North America and Europe.

Films like The Lion King, Toy Story are among the biggest Box Office successes of all time, grossing more than US$500 million each. They have also earned substantial incomes in the video and DVD sell-through markets. Shrek is one of the fastest selling videos and DVDs of all time. The success of animated feature films is underlined by the decision of the American Academy of Motion Picture.

Source: Global Animation Industry: Strategies, Trends and Opportunities 2011 – Report by Research & Markets

Geographical break-up of Global Animation Industry



The worldwide growth in multi-channel television has fuelled the development of children's and other thematic channels that rely heavily on animated output. The success of The Simpsons and other series such as South Park has demonstrated the adult appetite for animation . Arts and Sciences introducing a new animated feature film' award for The Oscars' this year.

The total value of global animation production was US $ 198 billion in 2010 and is projected to reach US $ 249 billion by 2012. Most of the segments in the animation industry are growing at the rate of 10% YoY and some segments are growing at 15% YoY . Film revenues are increasing at the rate of 4% per annum with the US box office revenue expected to reach up to US $ 11 Billion in 2012. The computer animation industry is posting strong growth in popularity and usage.

ANIMATION INDUSTRY IN USA

Successful animated feature films have become some of Hollywood's top money-makers. A single animated feature film has the ability to generate billions of dollars worth of consumer spending. Such revenues are derived from marketing campaigns surrounding the theatrical release of the animated film, which, in turn, drive demand for home videos, television, toys, and other film-related merchandise. Animation is an attractive investment because of its longevity, its portability, and the potential to create the aforementioned ancillary revenue streams. Historically, animated features have the bulk of their animation done in the United States, versus television animation that has pre-production performed in the United States (to storyboarding and timing) and the animation itself done overseas.

ANIMATION INDUSTRY IN EUROPE

While Europe lags behind in its share of the global animation industry, countries like France and Spain are now Europe's market leaders. The UK used to be the largest European producer of animation in the 1980s. However, France, Spain and Germany have now overtaken the UK. In part this is because their Governments have recognized the importance of being a part of the globally expanding industry, and have thus been willing to support animation production through a range of tax breaks and subvention schemes. It is also for cultural reasons, with a desire to expand domestic production that appeals directly to local audiences and limit the dependence on Hollywood imports.

ANIMATION INDUSTRY IN ASIA

Asia has emerged as a major player in the animation industry in part for cultural reasons, but mainly because of its relatively low labour costs. China and Korea in particular, have a number of animation service studios. These tend to concentrate on volume production for projects subcontracted by studios in Europe and America. Animation studios can make substantial savings by subcontracting work to Asia, with Korea offering productions costs per half hour of between US$85,000 –185,000, compared to the USA where costs usually exceed US$400,000. Among the services they offer are preparing layouts, drawn animation, inking, painting and compositing. Korea, with over 450 animation studios is also moving into originating animation projects with the active support of the Government, which now operates a grant system to support such production. Japan also has a substantial presence in the animation industry as the world's second largest television market. Japan has always prioritised domestic programming so it has a large film and television production sector.

The mature animation production countries in Asia include Japan, South Korea, the Philippines and Taiwan. As animation production is a very

Source: Global Animation Industry: Strategies, Trends and Opportunities 2011 – Report by Research & Markets

lucrative and labor-intensive (70 percent to 80 percent of costs go to labor) business, other Asian countries such as India, China, Vietnam, Malaysia and Singapore have started their own industries.

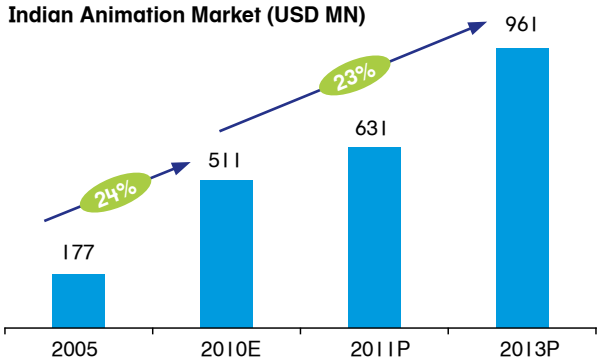
ANIMATION ENTERTAINMENT INDUSTRY IN INDIA

Overall Outlook

The Indian animation industry which set out as an outsourcing hub to global companies is poised to witness a significant growth, both in terms of revenue and up scaling in the value chain. Increasingly, players are developing original characters, lines and voices.

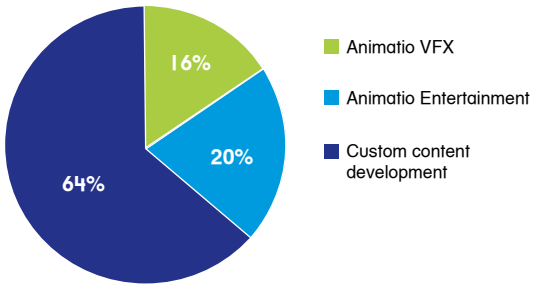
Size, Growth & Segments

Animation Industry Size, Growth & Segmental Split



Source: Nasscom Industry Report, Deloitte Analsis

Animation Industry: Split across segments



Source: Industry Research

Further, Indian production houses are also slowly moving up the value chain. Where earlier only postproduction work outsourced from Hollywood studios used to be sent to India, Indian studios are now looking to create their own IP through innovative business models. Also, with the popularity of 3D, a large amount of 2D-to-3D conversion is being done by indigenous studios.

Indian animation entertainment industry is a highly fragmented industry. Indian players are primarily involved in the labour-intensive production and post-production activities, as a 'Service Provider' working on the revenue model of 'Work-For-Hire'. This means that most skill sets are at the lower end of the value chain. Though there are a few firms offering world-class capabilities for India to emerge as a global animation hub, there is a need to upscale these capabilities across a wider section of the industry by focusing on owning the IP.

Content development and pre-production activities are nascent in India, both for the domestic and the outsourcing market. However, this is expected to see some momentum owing largely to corporate e-learning programs.

Content requirement for corporate e-Learning is expected to grow at 11% per annum (2009-13). This requirement for content, added to the inclination of corporate in the US to outsource custom content development is likely to be a future opportunity for custom content development companies in India.

INDIAN STUDIOS ARE EVOLVING

Indian production houses are slowly moving up the value chain. While initially, only post-production work outsourced from Hollywood studios used to be sent to India, Indian studios are now looking to create their own intellectual property, by collaborating with foreign studios. Also, with the popularity of 3D, a large amount of 2D-to-3D conversion is being done by indigenous studios. For example, Lucasfilm and Prime Focus have announced their collaboration on the 3D conversion of Star Wars: Episode I The Phantom Menace for theatrical release.

KEY TRENDS

1. Animated Feature Films

The feature film industry encompasses the production and theatrical exhibition of feature length films and their exploitation in home video, television and ancillary markets by major studios and independent production companies. While the major studios, such as Universal

Pictures, Warner Bros Inc., Twentieth Century Fox, Sony Pictures Entertainment (Columbia/ TriStar), Paramount Pictures and Disney dominate the feature film industry, independent production companies have played an important role in the production of feature films for the worldwide feature film market. The consolidation in the feature film industry has resulted in the elimination of many independent producers that have historically supplied independent distributors in territories around the world. This has, in turn, created an increased demand for the remaining producers of independently produced feature films.

Worldwide B.O Collections of Animated Movies releases in 2011

S no.	Movie	Year of Release	B.O Collections
1	The Adventures of Tintin	2011	$373,993,951
2	Arthur Christmas	2011	$147,419,472
3	Happy Feet Two	2011	$150,406,466
4	Puss in Boots	2011	$554,130,561
5	Winnie the Pooh	2011	$33,152,846
6	Cars 2	2011	$559,852,396
7	Kung Fu Panda 2	2011	$665,692,281
8	RIO	2011	$484,635,760
9	Hoodwinked Too! Hood vs. Evil	2011	$16,960,968
10	Rango	2011	$245,375,374
11	Mars Needs Moms	2011	$38,992,758
12	Gnomeo & Juliet	2011	$193,967,670

Source: Box Office Mojo

2. Merchandising Opportunities

Significant revenues can be generated from the licensing of proprietary characters and properties embodied in a television program or feature film, and rights to manufacture and distribute CDROM, video and other games, toys, clothing or merchandise derived from characters or other properties of a television program or film. Numerous animated productions, including Beast Wars, were initially produced in large part to support the sales of merchandise associated with these programs.

Character	Merchandising Sales
Pokemon	$ 14 Billion
Teenage Mutant Ninja Turtles	$ 5+ Billion
The Simpsons	$ 3.5 Billion
Barney	$ 1 Billion
Dora the Explorer	$ 1 Billion
Batman	$ 3 Billion
Cabbage Patch Doll	$ 4+ Billion
Care Bears	$ 1.4 Billion
Disney (all properties)	$ 15 Billion
E.T.	$ 1 Billion
Flintstones (film and classic)	$ 1 Billion
Jurassic Park	$ 1 Billion
Loney Tunes	$ 1 Billion
Sesame Street	$ 800 Million
Star Trek	$ 1 Billion
Star Wars	$ 9 Billion
Winnie the Pooh(yearly earning)	$ 5 Billion
Mickey Mouse	$ 5.8 Billion
Alwin and the Chipmunks	$ 300 Million

Source: Merchandising and Licensing Book as of 2007

Animated characters can also be exploited beyond the small screen. Many programmes have seen spin-off products such as toys, books, games and collection cards. Merchandising has become a major source of income for broadcasters and production companies, often earning more than the production from which they were originally spun out of. This again has fuelled the demand for animation. The industry has therefore developed globally, with successful products being exploited in many different ways across the world. It has also become a highly competitive as a successful product can have huge revenue potentials when fully exploited.

The potential revenues that can be earned from associated merchandising have also fuelled demand for animation. A successful product on screen, can lead to substantial sales of toys, books, games, clothing, soft furnishings, gift-wrapping, lunch boxes etc., all carrying animated characters as extensions of the brand. Sometimes the revenues from merchandising far exceed those from the original animated product,

so there is a huge incentive to commission animation that might spawn other consumer products. Sometimes successful consumer products such as toys or games might be made into television programmes or feature films. Animation has also proved its worth as a commercial medium.

3. TV channels are driving demand for animation content

Children's TV channels have been doing quite well in the last few years. Major players such as Disney, Nick, Cartoon Network, etc, have increased their presence in different parts of the world. Children's channels are more or less driven by animation content and this led to the demand for animation studios to produce hours and hours of content.Several comic strips are also trying to use their characters to make animated episodes for various TV channels. The share of kids' genre in overall TV viewership has been rising significantly, which indicates the growing demand for animation content across the globe.

4. Growth in e-learning to drive custom content development

Growth in e-learning market has been rapid in the past few years and is expected to continue going forward. However, the market is now expected to be more mature and stable. Major markets for e-learning globally are the US and western European nations across both educational institutions and Corporate Sector for training purposes. Currently, e-learning initiatives amongst mid-sized firms and SMEs are low. However, a large number of these small and mid-sized companies are expected to show willingness to adopt e-learning,
the main drivers being cost savings and wider reach. As the corporate sector expands its distribution and adopts IT increasingly, demand for custom content development is expected to increase. Most of the increased demand is expected to come from the small and medium enterprises (SMEs).

5. Home Video/DVD

With the advent and growth of the DVD and home theatre market, consumers can now enjoy the theatre experience in their own living rooms. As a result, there has been tremendous growth in the home video/DVD market, both in the sales and rental markets. These proprietary copyrights will provide animation companies with ongoing franchises for direct to video projects. By investing in copyrights, and controlling their development and production, animation studios have positioned themselves to own and control all worldwide distribution, licensing and merchandising rights and their accompanying revenue streams. In addition, the acquisition and production of these proprietary copyrights have expanded the studios library holdings, leading to long term value as a holder of rights in completed features. This is especially the case in family entertainment, since this form of product tends to age well and can be successfully broadcast and distributed on video year after year.

HUMAN RESOURCES @ DQE

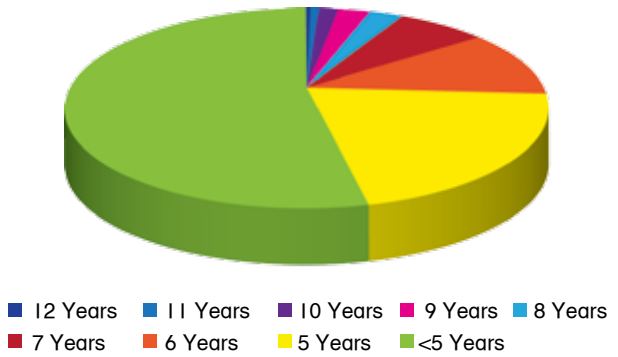
HUMAN RESOURCES @ DQE

GENESIS OF HUMAN RESOURCES DEPARTMENT@DQE

The evolution of HR Department is a disciplined pattern which is perceptible through close observation of DQE's growth. The four primary HR patterns which have resulted in DQE's competitive edge are through:

1. Managing the talent as Internal consultant
2. Grooming the stakeholders who can drive - Growth and Creativity
3. Acting as a special coach to the Executive Leadership for preparing and aligning its goals in the challenging markets &
4. Develop the HR team who are focused on communicating and enabling growth.

ASSOCIATE TENURE



While a staggering staff turnover of 35% - 40% has been affecting the animation industry, 45% of DQE's talent has completed more than five years of service and many of our alumni still prefer joining back. This implies that the company is still valued and admired as the "Dream Employer" in the Animation Sector.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

Though there has been attrition in certain disciplines, it is attributed to improvement in efficiencies and citing some natural exits. The Associates in general have remained along with the company through thick and thin for which DQE has always ensured all-round comfort levels and equal opportunities for learning and growth.

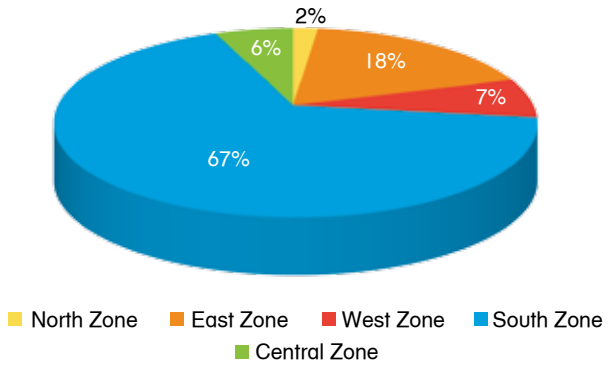
The HR department has designed an In-house portal (Integrated application) through which the Associates can:

- Apply leaves; refer self-service & business information,
- Raise queries & service tickets,
- Post ads in classifieds segments and
- Refer updates and Office policies.

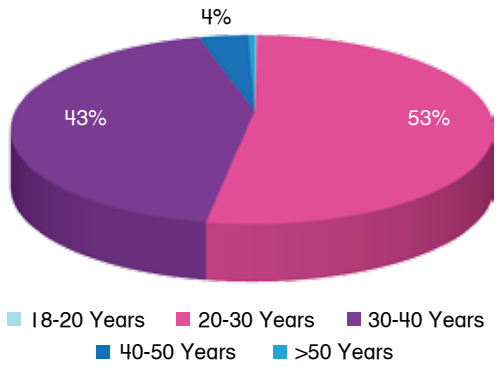
TALENT ACQUISITION

DQE's talent acquisition process evaluates needs and acquires talent in tune with the business requirements. Our talent acquisition is driven by the annual business plan covering number of resources required by the organization.
The annual business plan is monitored on a periodic basis, to ensure its timely and smooth accomplishment. Rigorous selection process involves a series of interviews to identify the best applicant. The selection process is continually assessed at regular intervals to optimise its functionality.

DEMOGRAPHY



AGE PROFILE



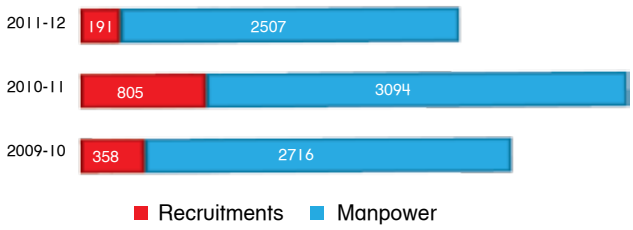
The quality of a candidate is not defined by his qualifications alone, but also by his ability to succeed within the organization for which he/she is hired to work. DQE has always been the hallmark of quality recruitment because of the consistent focus on finding the right candidate to match the DQE's environment and culture, as well as the job itself. It has developed a fully customized background check verifications for all the experienced talent we hire for the Company by following a foolproof recruitment process; which DQE is trying to create and set a benchmark for the animation industry.

CHART DEPICTING THE GROWTH IN MANPOWER

Since the start of 2011, the execution of the manpower strategy involved prompt action on three of its developmental priorities of:

- Enhanced and accurate performance assessment systems for strengthening the learning culture
- Implementation of effective policies and procedures; acting as a catalyst for growth;
- Development of systems with a focus on Associate's essential welfare and security arrangements.

GROWTH IN MANPOWER



The impact of recession was active for a while and the company took a calculated step to refine the internal production processes by automation to optimise the output with existing manpower; hence there was a dip in the recruitments. While the attrition was attributed towards natural exits, our developmental priorities have paved a way in retaining critical manpower along with improvement in efficiencies.

TIMELINE OF HR@DQE

2003	DQ Newsletter was initiated with the title "Events & Expressions" for internal circulation.
2004	• May: Hospitalization assistance program was initiated to take care of the health and wellness of the associates; • June: HR Sessions for soft skill training • August: Project end parties & Outings were initiated to rejuvenate the associates from their daily routine
2005	• July: Human Resource Information System (HRIS) was developed and implemented • October: Fridays were announced as DQE Solidarity Day where all the associates dress up in DQE T-Shirts • November: Activities towards Charity were initiated.
2006	• June: Successful implementation of 5-Day week working. • August: The Physical Leave Cards were replaced with Online Leave Management System • September: Online Payslip initiated through OLMS • December: Group Mediclaim Insurance Policy was introduced
2007	• January: Online Forgot Swipe in OLMS • February: Process improvement in Recruitment Cycle and formalities • April: Online individual swipe report in OLMS; • June: Process improvement in Associate Joining Formalities • July: Enhanced report in HRIS • Ties up with government of Madhya Pradesh as knowledge sharing partners for Students studying animation
2008	May: Implementation of Online Recruitment Management System which made recruitments at DQE paper free June: DQE certified with ISO 9001:2000 Certification August: Implementation of Online Joining Documentation December: 5 years Completion Awards ceremony was initiated December: DQ Smile Foundation was officially launched
2009	February: Implementation of Associate e-Personal files August: Implementation of DQE Time Office Management System November: iLead – T&D's in-house training portal was launched December: Mediclaim portal was launched
2010	April: Quarterly Performance Review were initiated for all processes in DQE April: Group Term Insurance policy for all DQEites and GTI (Group Term Insurance) website was launched
2011	September: DQE-PORTAL was launched as an integrated application

STEPS TAKEN TO RETAIN THE ASSOCIATES – RETENTION STRATEGIES

We prominently believe that the success of the company is built in with retaining of critical talent. It is predominantly given higher preference than hiring for the success of our company. The practices we follow towards Associate retention have evolved over a period with our experience in this sector:

a) Compensation:
The company has a performance based pay system which encourages Associates to perform

better for their career advancement. A review system is in place to keep Associates informed about their performance standards periodically. This eventually helps them to understand what is expected from them and assess their performance. This practice leads to a high performing culture.

Mehendi Competition

b) Skill Training:
DQE encourages the Associates to be competent on par with the industry. The training programs at DQE are designed to hone the skills of Associates with the current technologies and encourage them for advancement within the company. New joinees are groomed through On Job training programs. Need based external training programs for Associates are provided to equip them on the skills required for the production/self improvement.

Chess Competition

c) Sharing of Information:
A well informed Associate is better prepared as an important partner for the success of the company. Hence DQE trusts in sharing the relevant company information with the Associates from time to time. This practice has helped the company in driving its new initiatives smoothly.

d) Associate engagement Programs:
We trust that the Associates who are socially engaged will go an extra mile to achieve the objectives of the Company. Programs like Team building activities, Fun Friday activities, and sports events are conducted at regular intervals to enhance bonding amongst Associates. Celebrations of various festivals encourages associates towards unison.

e) Reward and recognition Programs:
Rewards are not just a motivational factor for our Associates but also act as a feedback mechanism for their performance. Recognition for outperforming Associates on regular intervals keeps them motivated and builds a high performing environment. Awards like Performance excellence awards (PEAN), Star Performer of the Quarter, Best performer of the Month, Loyalty Awards like 5 & 10 Years completion encourage Associates to motivate themselves towards setting higher goals and pursuing them.

FUN FRIDAY WINNERS (DLF) – 2011

f) Job Enlargement and empowerment :
Associates at DQE are entrusted with varied roles to accomplish and eliminate boredom & stagnation. Potential Associates are groomed with added responsibilities which enriches their capabilities over a period of time. They are also provided with required training in decision making and resolving critical client issues. This empowerment has led to successful deliverables across functions.

g) Team Outings:
The commitment shown by Associates at their work is reciprocated with a well-planned leisure trip. On completion of every project, the teams are treated with a day-long outing to encourage casual interactions and bonding. Such kinds of activities are trusted to enhance motivational levels in Associates and strengthening social ties which in turn curtails turnover.

iLEAD - TRAINING & DEVELOPMENT

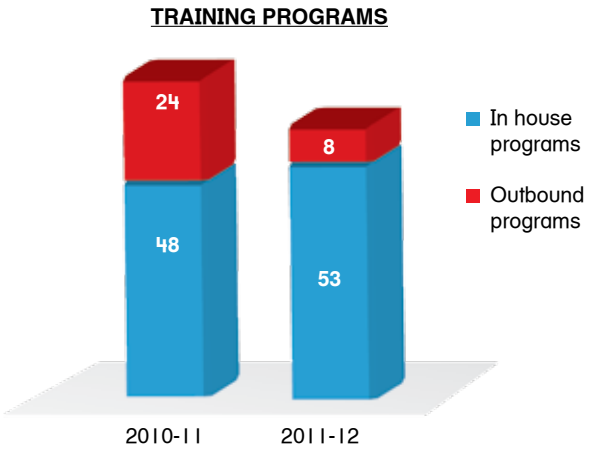
Training is imperative for the individual development and progress of the Associate, which motivates them to work for the pure pleasure of the intellectual achievement and not just for earning a living. The expected Organisational change, according to its Technological and Business function, leads to the need for Training and Development. Training enables the Associates to gain Self-awareness in order to understand themselves and their aspirations and emotional and psychological needs to focus their energies better, which in turn, enhances the Happiness Quotient among them at the Work-place.

The Associate Training Programmes of the T&D Department in DQE are focused towards achieving this end, through In-house (Technical & Soft Skills) Training Workshops, Awareness Programmes, and purely Experiential Activity-based 'Learn-while-having-Fun' impromptu sessions conducted on the spot to boost the monotony and stress; plus the relevant External (National & International) Trainings!

To improve the performance and productivity, which are instrumental in an Organisation's growth and success, T&D in DQE sends the Associates to attend various Countrywide Technical Workshops, Seminars and Awareness Forums. To enhance Associate Skill Development and Growth and to meet with the ever-changing business requirements, T&D in DQE arranges for the learning and upgrading of the necessary Technical Knowledge and Skills by enrolling the Associates in External Class-room Trainings as well. Thus, the Associates have undergone rigourous Training by National & International Subject Matter Experts (SMEs) in various Technical Streams such as:

1. Pixar RenderMan (the Trainer, Mr. Malcolm Kesson, flew down from USA, to train our Associates)
2. Bakery Technology (by Erwan and Geoff)
3. StorFUNDA Training
4. ASSOCHAM International Tax Conference
5. STOREDGE - "Training Modules that give you the competitive edge"
6. On Cloud Computing- By iCMG
7. Global Gaming Conference
8. Adobe Flash Platform Summit

The In-house Soft Skills workshops are designed to get a blend of both Technical and Personal Development through various topics that throw light on the most desired Behavioural, Social and Professional attitudes.



The training programmes allow the Associates an opportunity to develop and improve themselves so that they can be groomed in Leadership Skills. The trainings for the Middle and Senior management are designed to make them more polished, groomed and focused and thus, better at their trade.

The Training & Development Department in DQE hosts an exclusive Training Portal named "I LEAD". The Portal is designed to serve as the one-stop Pit Stop for all the Associates to have a refreshing 15-minute- break to not only check on the present and forthcoming training workshops but also to have a breather with reading articles on varied subjects ranging from Self-improvement to Health & Fitness, Fun Facts; Sudoku Puzzles; Jumbled Words / Sentences and Cross Word Puzzles to improve English; Quizzes with Answer Keys etc.

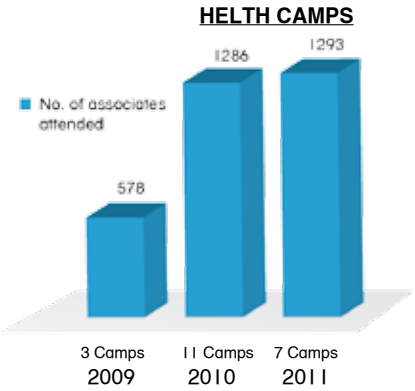
Incidentally, the T&D Team achieved an impressive 16000 Training hours for the period of April 2011 to March 2012.

ASSOCIATE WELFARE ACTIVITIES

GENERAL HEALTH SCREENING CAMP

DQE has been promoting the sense of wellness among the Associates. It believes that a healthy and happy Associate is more productive. Hence DQE was always active in educating the Associates about leading a healthy lifestyle.

DQE has always been organizing health camps and talks. Mentioned below are the wellness programs organized at DQE for the benefit of Associates during this year.



HEALTH CAMPS ORGANIZED IN 2011

We had organized Health camps for our Associates in association with different hospitals to aid with health checkups done during work hours. The health camps organized during this year are mentioned below:

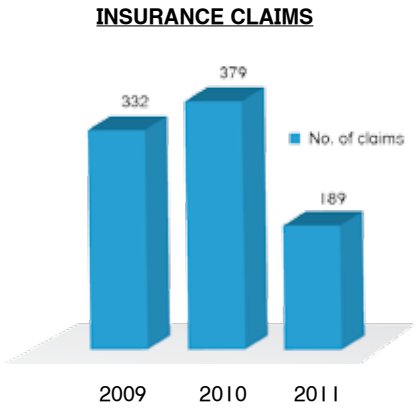
EVENT	CONDUCTED IN SUPPORT OF	SUMMARY
General Health Screening Camps (2 Nos)	Team - ESIC	In this camp a team of 20 Doctors/Nurses/Para Medical Staff from ESI – Insurance Medical Services with all required medical & diagnostic equipment attended and extended their services to all our Associates and their family members. General, Eye, BP, Blood Sugar, Malaria parasite and few other blood investigations were provided to all the Associates. Rs. 14 lakhs worth prescribed medicines were also distributed free of cost. Around 700 Associates and their family members have benefitted from this camp.
Gynec - Health Screening Camp for Lady Associates	DR. ROOMA SINHA, Consultant Gynecologist, Apollo Hospitals.	A special health camp was organized for our Lady Associates with the support from Apollo Hospitals. In this camp Dr. Rooma Sinha, Consultant Gynecologist from Apollo hospital has extended her services with free gynecology consultations for all our female Associates in one of our business units. Most of the female Associates have utilized this facility.
Cardiac - Health Camp	CARDIAC TEAM Global Hospitals	In this camp teams (cardiac) of 10 Doctors, a Nurse and Para Medical Staff along with equipment from Global Hospitals have extended their services to all our Associates at different business units. Around 550 Associates and their family members have benefitted from this camp.

GENERAL HEALTH SCREENING CAMP

HEALTH TALKS

EVENT	CONDUCTED IN SUPPORT OF	SUMMARY
Health Talk on Ergonomics	DR. SRAVANTHI, Consultant - Physiotherapist Global Hospitals	As the Associates spend most of their time at office working on systems, a session on ergonomics was felt essential. Dr. Sravanthi, a renowned Consultant Physiotherapist form Global Hospitals, had presented the importance of ergonomic positions and the techniques of relaxation at work place. She also briefed on the importance of practicing good ergonomics which would aid in avoiding injuries at the workplace.
Health Talk - Child Care	DR. SURESH. S Super Specialist Pediatrician, Neonatologist & Director, Pragna Children's Hospitals.	In the current scenario when every individual is busy in their own work schedules and are not able to pay attention to the health of children, we felt the need for a session on childcare would benefit our Associates. The specialist pediatrician stressed on the importance of child care and the healthy ways of caring children to build a better and brighter generation. The Associates who have attended the same requested for more such programs.
Health Talk on Breast cancer for Lady Associates	DR. NALINI Consultant Oncologist Yashoda Hospitals	Cancer being rampant in the current times, we felt the need for conducting an awareness session on Breast cancer for our Lady Associates. All the Lady Associates have attended this session and have learnt the methods of identifying cancer at an early stage and process of self-examination to identify cancer tumors.

Discounted Health Checkup plans:
Apart from the regular health screening camps which were organized, The HR team has taken an extra step to negotiate cost effective executive health check-up plans for Associates and their family members with different corporate hospitals. Mentioned below are the plans effective in the Year 2011:



1. Executive Health check-up from Care hospital, Hyderabad at a special prize,
2. Annual health check – up's with specially discounted prices from Yashoda Hospitals,
3. Free Special health check-up for parents from Care hospitals,
4. Free health check-up for women from Femina Women's Hospital etc.

Resultant of all the above mentioned Health talks & Camps, the associates were more educated on the ailments and subsequently the Medical Insurance claim ratio has also come down significantly as stated in the adjacent chart.

CORPORATE SOCIAL RESPONSIBILITY BY DQE

DQ Smile Foundation(DQSF) endeavours to encourage a positive impact on the economically poor communities through its activities by supporting a wide range of socio-economic, educational and health benefits. DQSF has always believed in the philosophy of contributing and giving back to the community it operates in.

Health and Education are identified as primary focus areas for FY2011-12. As a part of the same, health care activities like camps and counseling sessions were conducted regularly at areas with inferior living conditions to promote general health and well-being.

DQSF@GOVT. PRIMARY SCHOOL, MUSEERABAD

1. Supplementary Nutrition programs were conducted for children in various Govt. Primary and High schools.
2. Conducting Dental & General health check-up camps in these schools.
3. Conducting sports events and activities where the winners were awarded.
4. Conducting workshops to promote Right parenting skills for the parents and the teachers under the guidance of noted Psychologists.

DQSF @ VALMIKI HRIDAY

DQSF organizes regular visits to the "Home for the Aged" and "Orphanages" to help them with the supply of necessities and conduct fun filled activities.

Like every year, this year also DQSF had identified the unprivileged groups and extended monetary donations and aid to local organizations and impoverished communities.

1. Financial contribution of Rs.1,50,000/- was made to support a child - Master Lokesh through Heal foundation for his medication who was suffering from Encephalitis.
2. DQSF also donated Rs.2,50,000/- to St.Francis College for Women, Hyderabad to support their Swarna Jwala project (education for the under privileged).
3. Donation of a Computer to the school children to promote IT education in Govt. Primary School, Musheerabad.

The response to all these initiatives has been overwhelming and the DQSF is now on its move to take up more initiatives.

WORKSHOP ON RIGHT PARENTING SKILLS

One of the most important jobs in one's life is parenting and as a parent one of the most important jobs is to teach the children what is right and what is wrong. This is a job that requires good parenting skills and one must begin when their children are young and continue right on through into the adolescent years and beyond.

Having the above in mind DQSF has initiated a unique concept on ***Right Parenting Skills*** for government school children and started this program at Government Primary School, Mekalamandi,Hyderabad in March 2012 for the parents' teachers and children. This session is mainly to understand the importance of morality, social values and the role they need to play when it comes to their own social responsibility and the better career of their children.

WORKSHOP ON RIGHT PARENTING SKILLS

Highlights of The workshop:

1. To understand the psychology of the children and their needs
2. Learning the most effective way of paying attention and spending quality time with children
3. Learning to be a parent that has the proper level of control.
4. Find out the regular issues from the teachers
5. Learning how to stay calm in heated situations and modeling the ability to stay calm and deal rationally with difficult situations
6. Bridging the gap between Teacher – Student - Parent

DQSF felt that, Right Parenting Skills add value to the parenting community and the society which majorly affects the children particularly when they are in their teens.

Do visit our Website or FB Fanpage for more details:
www.dqsmilefoundation.org
www.facebook.com/dqsmilefoundation

BOARD OF DIRECTORS

BOARD OF DIRECTORS

TAPAAS CHAKRAVARTI

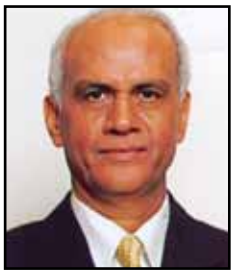
Chairman, Managing Director & Chief Executive Officer.

Tapaas Chakravarti with over two decades of International Corporate Management experience has helped to shape the success story of his creation, DQ Entertainment group. Tapaas began his career with Sandoz India Limited (now Novartis, a Swiss Multinational) and later joined STP Limited, an infrastructure company. Tapaas has held senior positions in Sales and Projects at Coats of India, (a British multinational). He was Head of Special Projects for Sriram Group where he developed countrywide contract manufacturing activities. Tapaas is a science graduate with Post Graduate Qualification in Business Management backed with over 23 years of experience spanning across industries both national and multinational.

Tapaas believes in individual excellence to be integrated into a well-knit teamwork and unstinted support to ethical business practices. This has lead to the creation of a large workforce in DQE, cohesively knit together with very high quality business, operational and creative leaders driving the exceptional growth of the company.

He is a part of several national and international charitable organizations, which includes extensive work for orphans, AIDS effected children and education for the deprived eg. AGAPE, India, Figli Del Mondo, Italy.

He is also an active member on the Board of the Indo-British Partnership and is a member of the Young Presidents Organization. He has been recently elected as a member of EMMY – The Academy of Television Arts & Sciences, Los Angles, USA. In the year 2009 he has been nominated for the 'Ernst & Young, Enterpreneur of the year 2009 India Awards'.



KUNCHITHAPADAM BALASUBRAMANIAN

Non-Executive Independent Director.

K.Balasubramanian (Bala) has close to 40 years of experience in international banking and finance. After working in India with two of the largest banks for around 10 years, he joined American Express Bank in 1973. He held senior positions in marketing, credit,risk management and general management in several countries across Asia (Singapore, Hong Kong, Korea and Indonesia) and Europe (Italy and the UK) during his 25 years with American Express. His last three assignments with American Express Bank were Country Head for Korea (1988-1991), Country Head- India (1992- 1994) and Chief Credit Officer for Asia, Pacific and Indian Sub Continent (1994 – 1997). He was an Advisor to National Bank of Kuwait, the largest bank in Kuwait, between 1997 and 2001 and subsequently the Managing Director & CEO of ING Vysya Bank (2001- 2002). Bala is currently associated with GMR Group, which is a leader in development and operation of infrastructure assets in airports, roads and energy. He is a graduate in Commerce and has done an advanced Management Program from the Harvard Business School.

RASHIDA ADENWALA

Professional Non-Independent Director

Rashida Adenwala has distinguished exposure and over two decades of experience in legal, corporate affairs, primary & secondary markets, private equity deals, corporate governance, finance & internal audit. She has been associated with DQ Entertainment since its foundation. She is an integral part of the

Company heading the Company Affairs and Investor Relations function. Rashida is a graduate in commerce and law and a qualified Company Secretary by profession.

She is associated with R & A Associates, a Practicing Company Secretaries firm established in 1996. R & A is one of the leading firms advising, guiding and representing many corporate clients in India and across the globe.

She has rich and hands-on experience in all secretarial, legal, corporate affairs, finance, internal audit aspects. She has been a regular speaker at various training programs conducted by the Institute of Company Secretaries of India (ICSI). She was a member of the Secretarial Standards Board constituted by ICSI for the years 2006 and 2008. At present she is the member of Expert Advisory Board of ICSI.

She has participated in the Board Leadership Training of Trainers Workshop in 2008 conducted by International Financial Corporation, Global Corporate Governance Forum, NISM and ICSI

GIRISH KULKARNI

Non-Executive Independent Director

Girish Kulkarni is the Founder and Managing Director of Suyash Advisors, the advisors to Monsoon Capital, an India dedicated alternative asset fund, managing $ 500 million for investment in Indian publicly traded equities, private unlisted companies and real estate. He is also the Founder and Managing Director of TDA Capital India, which manages the India Technology Fund, an early stage venture fund, invested in IT and BPO Services companies.

Girish has a total of 20 years operating and investment experience in different aspects of the Indian capital markets. He started his professional career as a Project Finance Officer with ICICI where he was involved in leading term lending transactions with more than 30 Indian corporations. After that, he was head of Equity Sales, Trading and Research at ICICI Securities, then a joint venture between ICICI and JP Morgan. Girish was responsible for founding and leading a team of 40 professionals that made proprietary investments, raised equity capital for corporate clients and advised institutional investors in their investment decisions. Girish also had shared responsibility for asset allocation across different asset classes (equity and fixed income). He has extensive public markets experience, having been involved in more than 30 IPOs in the Indian capital market and several M&A assignments.

Girish received a Bachelors Degree in Engineering from the Indian Institute of Technology, Mumbai, India in 1987 and a Masters Degree in Business Administration from the Indian Institute of Management at Ahmedabad,India in 1989.

RASHMI CHAKRAVARTI

Executive Non Independent Director

Rashmi Chakravarti holds bachelors degree in fine arts followed by bachelor's degree in education for multimedia. She founded DQ School of Visual Arts and has been instrumental as the principal of the school and head of the training division to train and produce over 2000 students since 1999 who are high quality employees of the Company.

For the last 11 years she has dedicated to the development of training programs/ modules of International standards for various forms of animation and acting skills. She has helped the Company to expand its training facilities in Hyderabad, Mumbai and Chennai including public/private partnership in Kolkata with Government of West Bengal, two training units in collaboration with the Government of Madhya Pradesh, one training unit with the Government of Rajasthan. In another initiative under the train the trainers program she has now trained over 70 mentors of International quality who are not only mentoring new students time to time but also helping existing employees to upgrade technical skills.

NEELESH WAGLE

Alternate Non-Executive Independent Director to Girish Kulkarni

Neelesh Wagle Managing Director, Suyash Advisors

Neelesh Wagle is a Managing Director of Suyash Advisors, the India advisory team for Monsoon Capital, and is responsible for research on public market investments since 1994. Neelesh has investment experience in Indian capital markets, both on the sell side and buy side in international investment firms.Neelesh re-joined Mr. Girish Kulkarni in 2000 at Suyash's predecessor firm, TDA Capital,where he has been directly responsible for investments in public equities, PIPEs, private companies as well as a sub-advisor to several multi-billion dollar US hedge funds. Prior to TDA, he was a Senior Associate with Bank of America Equity Partners (BAEP-Asia) from 1998-2000. At BAEP-Asia, Neelesh was part of a 2-member team responsible for investing and managing $43 million of Indian investments in a $250 million Asian principal investment portfolio. He was also involved in technology investments in the Asian region. Prior to BAEP-Asia, Neelesh worked as technology and telecommunications analyst at ING Barings in Mumbai and at ICICI Securities between 1994 and 1998 advising foreign institutional clients on investments in Indian equities. Neelesh received a Bachelors Degree in Electrical Engineering from the Indian Institute of Technology, Mumbai, India in 1992 and a Masters Degree in Business Administration from the Indian Institute of Management at Calcutta, India in 1994.

CA S.SUNDAR SRINIVASA RAGHAVAN

Non-Executive Independent Director

CA S.Sundar Srinivasa Raghavan is the founder-partner of the chartered accountant firm S Sonny Associates based in Chennai, started in 1986. A Fellow Chartered Accountant,Sundar has over twenty years of post-qualification professional practice experience to his credit. His key focus area is Statutory Audit and Internal Audit of Government Organizations,Public Sector Undertakings, Private Limited Companies apart from Public Sector and Private Sector Banks. He also has extensive exposure to Systems Audit, Credit Audit, Computer-to-Computer Link and Internet Based transaction Facility Audit. His firm is empanelled with Comptroller & Auditor General of India and RBI, among others. His firm is one of the Central Statutory Auditors of Syndicate Bank. He was Chairman of Audit Committee of Chennai Central Co-Operative Bank Ltd., Tiruvannamalai District Central Co-operative Bank Ltd., Vellore District Central Co-operative Bank Ltd., and Kancheepuram District Central Co-operative Bank Ltd. He has passed the Information Systems Audit- ISA (Indian equivalent to CISA of USA) of the Institute of Chartered Accountants of India.

DIRECTORS' REPORT

To,
The Members
DQ Entertainment (International) Limited

Your Directors have pleasure in presenting the Fifth annual report on the business and operations of DQ Entertainment (International) Limited ("the Company or DQE") and its 100% subsidiary "DQ Entertainment (Ireland) Limited" (together referred to as the Group) for the period ended March 31, 2012.

1. FINANCIAL HIGHLIGHTS

₹ in thousands

Particulars	For the year ended	For the year ended
	31-Mar-12 (₹)	31-Mar-11 (₹)
Income from Productions	1,755,077	1,852,956
Income from Distribution	516,877	225,512
Total Income	**2,271,954**	**2,078,468**
Total Expenditure	1,947,306	1,823,283
Profit before tax	429,861	352,460
Tax Expense (Current Tax+ Deferred Tax [Net of MAT credit entitlement])	99,634	73,880
Profit after tax	330,227	278,580

2. PERFORMANCE REVIEW

The Group generated revenue growth of 9.3% to ₹ 2,272 mn (2011: ₹ 2,078 mn). The revenues from production did not witness significant growth. The reasons for the same were two-fold – delay in commissioning of some of the new projects and deliberate stoppage of deliveries so as to recover the overdue payments from the customers. However on the other hand the Company, in line with its business vision and plan saw a 129% increase in its revenues from distribution and licensing to ₹ 517 mn from ₹ 226 mn. This growth is an indication that the decisions made by the Company to invest in its own IPs and develop its own content for a 360 degree monetization have been in the right direction.

The management is confident that slowly and steadily the returns from such investments will continue to accrue in the future.

The Profit before tax was up by 22% to ₹ 430 mn (2011: ₹ 352 mn) and the net profit after tax was up by 18% amounting to ₹ 330 mn (2011: ₹ 279 mn).

3. OPERATIONS REVIEW

The challenges faced by key global economies have had trickledown effect especially in terms of the interest rates hikes, delay in collection of receivables, longer working capital cycles, increased borrowings, decrease of outsourcing work and to top the list the ever rising inflation.

However inspite of the adverse global economic scenario, DQE remained focused on creating the highest quality of content for the kids' entertainment segment and strived to distribute that content in many strategic and profitable ways.

The production pipeline remains robust with signing of new projects such as:

- 'Robin Hood Mischief in Sherwood' with TF1 - France, ZDF - Germany, ATV – Turkey, DeAgostini - Italy and Method Animation - France
- 'Escape Hockey' with IMIRA - Spain,
- 'Lanfeust' – with Alphanim - France
- 'Franco and Formula Fun' with Formula Fun Entertainment Limited – UK and Telegael - Ireland

- 'Mickey Mouse Club House - Season 5' for Disney - USA
- 'Omkaar – Season 3' with Turner Group, Cartoon Network

while successfully concluding prestigious projects such as Iron man (second season), Casper (second season), Feluda (TV series for Disney India) and Keymon TV series (with Nickelodeon India).

The progress on the licensing & merchandising side has risen substantially after successful launch of The Jungle Book TV series - Season I. We have increased our ability to monetize our content across geographies through licensing and merchandising of intellectual properties owned and developed by us.

Development of our first international feature film 'The Jungle Book' is progressing well with leading writers and directors on board. It is scheduled for world wide release in the summer of 2014.

The industry is witnessing considerable advancements in areas like technology, marketing, exhibition with rampant digitalization across the value chain; resulting in enhanced reach and access to high quality content. New developments on the digital front have encouraged us to monetize through the digital world and utilize our IP library for mobile applications, mobile games and mobile porting, for all major platforms such as iPhone, iPad, ipod, itunes, blackberry, android, tablets, windows and mobile internet platforms.

These innovations at DQE in the digital space will further strengthen our position as a market leader in the dynamic international markets.

4. DIVIDEND:

The members are aware that the Group is currently involved in the development of various Intellectual Properties. In order to meet the investment requirements for various ongoing projects, which will contribute to the shareholders' wealth in the long term, the Directors have not recommended any dividend to the equity shareholders for the financial year 2011-12.

5. SUBSIDIARY

Our Company has a wholly owned subsidiary, DQ Entertainment (Ireland) Limited ("DQE Ireland"), incorporated in Ireland. DQE Ireland is engaged in the business of content development/ distribution for animation, live action TV series, movies and various other medias.

Pursuant to the general exemption granted by the Central Government under the provisions of Section 212 of the Companies Act, 1956; the Company has not included the detailed financial statements of its subsidiary DQE Ireland in this Annual Report.

The annual accounts of DQE Ireland and the related detailed information shall be made available to any member of the Company seeking such information. They will also be kept open for inspection by any of the shareholders at the registered office of the Company and of DQE Ireland. The Company shall furnish a copy of detailed accounts of DQE Ireland to any of the shareholders on demand.

6. DIRECTORS

In accordance with the Articles of Association, Ms. Rashmi Chakravarti and Mr. S. Sundar shall retire by rotation at the ensuing Annual General Meeting. Both the directors being eligible are liable for re-appointment.

The detailed profiles of all the directors are available under the chapter Board of Directors.

7. AUDITORS

M/s. Haribhakti & Co., Chartered Accountants, Hyderabad, the statutory auditors of the Company shall retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

8. FIXED DEPOSITS

During the year under review, the Company has not accepted any deposits under the provisions

of the Companies Act, 1956. As such no amount of principal or interest was outstanding as on the Balance Sheet date.

9. PARTICULARS OF EMPLOYEES AND OTHER ADDITIONAL INFORMATION

In terms of the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of concerned employees are required to be set out in the Annexure to the Directors' Report.

However, the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956 exempt the Company from publishing the same in the Annual Report.

Hence, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. The said statement is open for inspection at the Registered Office of the Company. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT, FOREIGN EXCHANGE EARNINGS AND OUTGO

(i) Energy Conservation: The operations of the Company involve low energy consumption. Adequate measures have however been taken to conserve energy.

(ii) Technology Absorption: We have developed in-house plug- ins to maximize technology absorption at minimal cost. The Company produces majority of the content in the 3D stereoscopic technology which is the latest offering in the entertainment industry.

(iii) Research & Development: It is the Company's constant endeavor to be more efficient and effective in planning of production activities for achieving and maintaining the highest standards of quality.

(iv) Foreign Exchange Earnings and Outgo:

₹ in thousands

Particulars	For the year ended	For the year ended
CIF Value of Imports	**31-Mar-12**	**31-Mar-11**
Capital Goods	22,371	253,920
		-
Earnings in Foreign Currency		-
Income from production	1,639,026	1,309,472
License Fees / Others income	319,033	161,570
		-
Expenditure in Foreign Exchange		-
(Subject to deduction of tax where applicable)		-
Travel	3,598	3,333
Production Expenses	184,299	138,640
Professional and Consultancy Charges	21,473	40,263
Financial Charges	16,042	968
	225,412	**183,204**

Note: The above figures have been extracted from standalone financial statements, both for current and previous year.

11. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that;

i) In the preparation of the annual accounts for the financial year ended on March 31, 2012, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any.

ii) 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 as at March 31, 2012 and of the profit of the Company for that period.

iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) the annual accounts of the Company have been prepared on a 'Going Concern Basis'.

12. CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

A report on the Corporate Governance standards followed by your Company forms part of this report as also a Management Discussion and Analysis statement.

13. GREEN INITIATIVE

During the previous fiscal we started a sustainability initiative with an aim of going green and minimizing our impact on the environment. Like last year, we are sending the print version of the annual report only to the shareholders whose email addresses are not registered with their Depository Participant(s) and to those shareholders who have opted for receiving the physical copies.

The Ministry of Corporate Affairs has taken a "Green Initiative" in the Corporate Governance by allowing paperless compliances by the companies. We request our shareholders to support us on this nation wide Green Initiative by registering/updating their email addresses with their Depository Participant(s) as required for receiving the notices and other documents via email.

14. ACKNOWLEDGEMENTS

Your directors would like to take this opportunity to express their sincere gratitude to all the clients, vendors, investors, advisors, bankers, government authorities, local bodies for their continued support during the year. We place on record our appreciation for the commitment shown by our employees in supporting the Company in its journey to be 'A Global Entertainment Powerhouse'. Our consistent growth was made possible by their hard work, solidarity, co-operation and support. We look forward to their continued support in the future.

The Annual General Meeting of the Company will be held on August 10, 2012.

May 28, 2012

for and on behalf of the Board
DQ Entertainment (International) Limited

Sd/-
Tapaas Chakravarti
CMD & CEO

Statement pursuant to Section 212 of the Companies Act, 1956

Sl. No	Particulars	
1.	Name of Subsidiary	DQ Entertainment (Ireland) Limited
2.	Financial year ended	31st March, 2012
3.	Date from which it became a subsidiary	November 12, 2008
4.	Extent of interest of the Holding Company in the capital of the Subsidiary.	100% (100 Equity Shares)
5.	No of shares held by the holding company as on 31st March,2012	10,150,000 Shares of € 1 each. (10.15 Million Shares)
6.	Net aggregate amount of M/s. DQ Entertainment (Ireland) Limited profits/ (losses) so far as it concerns the members of M/s. DQ Entertainment (International) Limited	
	a) Not dealt with in the holding company's accounts -	
	➢ for the financial year ended on 31st March, 2012	-
	➢ for the previous financial year of the subsidiary company since it became the holding company's subsidiary	-
	b) Dealt with in the holding company's accounts	
	➢ for the financial year ended on 31st March, 2012	₹ 59,869,409
	➢ for the previous financial years of the subsidiary company since it became the holding company's subsidiary	₹ 182,972,739
7.	Exchange rate as at March 31, 2012	Closing Rate : ₹/€ : Rs 69.32
8.	Issued and subscribed share capital	₹ 665,606,936
9.	Reserves Loans	₹ 379,654,677
10.	Total Assets	₹ 2,811,261,145
11.	Total Liabilities	₹ 1,765,999,532
12.	Investments	
	(a) Long term	NIL
	(b) Current	NIL
	Total	NIL
13.	Turnover	₹ 319,942,461
14.	Profit/(Loss) before taxation	₹ 73,621,942
15.	Provision for taxation	₹ (13,752,533)
16.	Profit/(Loss) after taxation	₹ 59,869,409
17.	Proposed dividend	NIL
18.	Number of employees	Two

Notes: Information on subsidiary is provided in compliance with circular no.2/2011 dated February 8, 2011 of the Ministry of Corporate Affairs.

Tapaas Chakravarti
(CMD & CEO)

K. Balasubramanian
(Director)

Place: Hyderabad
Date: 28 May, 2012

Anita Sunil Shankar
(Company Secretary)

Sanjay Choudhary
(Chief Financial Officer)

Corporate Governance Report

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

DQE works with a mission to provide high quality animated content for the global entertainment market, building long-standing relations with our client- partners, optimize on our internal efficiencies and creating sustained value for all our stakeholders.

Our Corporate Governance systems are aimed at managing our company affairs in a fair & transparent manner, maintain accountability and ensure professional business practices.

The Company's activities are carried out in accordance with good governance practices. The governance practices followed by your Company have played a vital role in its journey of continued success.

2. CODE OF CONDUCT

In its pursuit of excellence, the Company has adopted a Code of Conduct for Board Members and Senior Management team and a Code of Conduct for prevention of Insider Trading in securities of the Company. The copies of both these codes are available on the Company's website.

The Company is in compliance with the corporate governance guidelines as stipulated under Clause 49 of the Listing Agreements entered into with the Bombay Stock Exchange Limited (BSE) & National Stock Exchange of India Limited (NSE).

3. BOARD OF DIRECTORS

The Board provides strategic direction to the Company, by evaluating management policies and their effectiveness. It reviews corporate policies, overall performance, accounting & reporting standards, corporate governance, regulatory compliance and other significant areas of management.

(i) As on March 31, 2012, the Company has 6 directors and 1 alternate director. Of the 7 Directors, four (i.e. more than 50%) are Independent and Non-Executive Directors.

(ii) The composition of the Board is in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

(iii) None of the Directors on the Board are members of more than ten Committees or Chairman of more than five Committees across all the companies in which they are Directors. Necessary disclosures regarding Committee positions in other companies as on March 31, 2012 have been made by the Directors.

(iv) Four (4) Board Meetings were held during the year and the gap between two meetings did not exceed four months. The dates on which the said Meetings were held are as follows: May 10, 2011; August 10, 2011; November 11, 2011; February 11, 2012.

(v) None of the Non-Executive Directors have any material pecuniary relationship or transactions with the Company.

(vi) The details of other directorships/committee memberships held by the Board members are as follows:

Name of the Director	Age	Directorships*	Committee* Membership	Chairperson* of Committees
Mr. Tapaas Chakravarti	56	3	NIL	NIL
Ms. Rashmi Chakravarti	50	NIL	NIL	NIL

Mr. K. Balasubramanian	69	10	5	3
Mr. Girish Kulkarni	46	12	3	NIL
Mr. S. Sundar	52	NIL	NIL	NIL
Ms. Rashida Adenwala	48	2	1	NIL
Mr. Neelesh Wagle	42	3	NIL	NIL

Notes: (i) There are no inter-se relationships between our Board of Directors except that Mrs. Rashmi Chakravarti is the spouse of Mr. Tapaas Chakravarti.
(ii)*Excluding directorship/committee membership in the Company and its subsidiary

(vii) The names and designations of the Directors on the Board, their attendance at Board and Audit Committee Meetings held during the year are given herein below:

Particulars	Designation	Board	Audit
Number of Meetings		4	4
Mr. Tapaas Chakravarti	CMD & CEO	4	4
Ms. Rashmi Chakravarti	Executive, Non-Independent Director	NIL	N/A
Mr. K. Balasubramanian	Non- Executive, Independent Director	3	3
Mr. Girish Kulkarni	Non- Executive, Independent Director	NIL	NIL
Mr. Neelesh Wagle *(Alternate Director to Mr. Girish Kulkarni)*	Non- Executive, Independent Director	2	2
Mr. S. Sundar	Non- Executive, Independent Director	4	4
Ms. Rashida Adenwala	Professional, Non Independent Director	4	4

Note: Mr. Tapaas Chakravarti, Mr. K. Balasubramanian, Mr. S. Sundar & Ms. Rashida Adenwala were present for the previous Annual General Meeting of the Company held on September 23, 2011.

4. AUDIT COMMITTEE

The Audit Committee comprises:

(i) Mr. K Balasubramanian, Chairman;
(ii) Mr. S. Sundar
(iii) Mr. Girish Kulkarni
(iv) Mr. Tapaas Chakravarti
(v) Ms. Rashida Adenwala

The purpose of the Audit Committee is to ensure the objectivity, credibility and correctness of our financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance, legal requirements and associated matters.

Mr. Sanjay Choudhary, Chief Financial Officer of the Company is a permanent invitee at all the meetings of the Audit Committee.

The terms of reference of the Audit Committee are as follows:

(i) Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information has been disclosed.

(ii) Recommending to the Board, the appointment and removal of external auditors, fixation of audit fees and also approval for payment for any other services, if any;

(iii) Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussions to ascertain any area of concern;

(iv) Reviewing the financial statements and draft audit report, including quarterly / half yearly financial information;

(v) Reviewing the annual financial statements before submission to the Board, focusing primarily on:

(a) Any changes in accounting policies and practices;
(b)Major accounting entries based on exercise of judgment by management;
(c) Qualifications in draft audit report;
(d) Significant adjustments arising out of audit;
(e) The going concern assumption;
(f) Compliance with the Indian GAAP;

(vi) Reviewing with the management, external and internal auditors; the adequacy of internal control systems;

(vii) Reviewing the adequacy of internal audit function, including the audit charter, the structure of the internal audit department, approval of the

audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;

(viii) Discussion with internal auditors on any significant findings and follow-up thereon;

(ix) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

(x) Looking into the reasons for substantial defaults in payments to the shareholders (in case of non-payment of declared dividends) and creditors;

The Audit Committee met four times during the year on May 10, 2011, August 10, 2011, November 11, 2011 and February 11, 2012.

5. REMUNERATION COMMITTEE

The Remuneration Committee comprises:

(i) Mr. K Balasubramanian
(ii) Mr. S. Sundar
(iii) Mr. Girish Kulkarni

The Remuneration Committee has been empowered with the role and functions as per the provisions specified under Annexure I D(2) of the Corporate Governance Code under Clause 49 of the Listing Agreement including the appointment and finalizing the remuneration of senior level employees of our Company.

Except for Mr. Tapaas Chakravarti and Ms. Rashmi Chakravarti, who hold 41 shares each as nominees of DQ Entertainment (Mauritius) Limited, none of the directors hold any shares in the Company. The Company has not issued any convertible debentures.

6. DETAILS OF REMUNERATION TO DIRECTORS/RELATED PARTY TRANSACTIONS

1. All the non-executive directors of the Company are paid sitting fees @ Rs. 20,000/- (Rupees Twenty Thousand) for attending every meeting of the Board of Directors and Rs. 10,000/- for every audit committee meeting.

2. The details of the salary paid to the executive/ professional directors of the Company are as follows:

(i) Remuneration to whole-time Director of the Company:

Salary and allowance	Rs. 4,032,000
Other perquisites	Rs. 1,008,000
Commission -	Rs. 7,791,165
Total	**Rs. 1,28,31,165**

(ii) Remuneration paid to non-whole time Directors of the Company:

Sitting fees	Rs. 2,00,000
Salary to Executive Director	Rs. 30,00,000
Professional fees	Rs. 1,20,000
Total	**Rs. 33,20,000**

3. No stock options were granted to the Directors during the financial year 2011-12.

4. The details of the related party transactions are given in the notes to the financial statements.

7. SHAREHOLDER/INVESTORS GRIEVANCE COMMITTEE

The Investor Grievance Committee focuses on shareholders' grievances and strengthening of investor relations. The Committee comprises:

(i) Mr. Girish Kulkarni- Chairman;
(ii) Mr. Tapaas Chakravarti;
(iii) Mr. K Balasubramanian
(iv) Ms. Rashida Adenwala

The Committee performs inter alia the role/ functions as set out in Clause 49 of the listing agreements entered into with the Stock Exchanges and includes:

(i) Investor relations and redressal of shareholders grievances in general and relating to non receipt of dividends, interest, non- receipt of balance sheet etc.;

(ii) Oversee the performance of Registrar and Transfer Agents; and

(iii) Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

8. Details of investor complaints received and resolved from April 1 2011 to March 31 2012 are as follows

Opening Balance	Received during the year	Resolved during the year	Closing Balance
0	13	13	0

9. General Shareholder Information

(i) Annual General Meeting:

Date: August 10, 2012
Time: 2:30 pm
Venue: THE SQUARE HYDERABAD,
6-3-870, Balayogi Paryatak Bhavan,
Begumpet, Hyderabad – 500 016.
Andhra Pradesh, India.

(ii) The financial year of the Company is from April 01 to March 31.

(iii) As required under Clause 49(IV)(G)(i) of the Listing Agreement entered into with BSE and NSE, particulars of Directors seeking re-appointment at the forthcoming Annual General Meeting (AGM) are given in the Notice of the AGM.

(iv) Date of Book Closure: 3rd day of August 2012 to 10th day of August 2012.

(v) Listed at:
Bombay Stock Exchange Limited
Floor 25, P. J. Towers, Dalal Street
Mumbai 400 001

National Stock Exchange of India Limited
Exchange Plaza,Bandra Kurla Complex,Bandra (E), Mumbai 400051.

10. Stock Codes/Symbol at Bombay Stock Exchange Limited: **533176** and National Stock Exchange of India Limited: **DQE**

11. Listing fees for the financial year 2012-13 has been paid to all the Stock Exchanges, where the shares of the Company are listed.

12. Corporate Identification Number (CIN) of the Company: L92113AP2007PLC053585

13. Venue and time of the General Meetings held during the last three years:

(i) Annual General Meeting:

Year	Date	Venue	Time	Special Resolution(s) passed
2010-11	September 23,2011	Hotel NKM's Grand 6-3-563/31/1, Somajiguda, Erramanzil, Hyderabad	2.30 pm	Nos: Three Nature: (i)Appointment of Ms Nivedita Chakravarti (ii) Payment of remuneration to Ms.Rashida Adenwala. (iii)Appointment of M/s R & A Associates, Company Secretaries.
2009-10	September 29,2010	Hotel NKM's Grand 6-3-563/31/1, Somajiguda, Erramanzil, Hyderabad	2.30 pm	Nos.: One Nature: Alteration of Articles of Association
2008-09	September 15,2009	644,Aurora Colony, Rd no.3,Banjara Hills, Hyderabad	10.00 am	Nos.: Four Nature: (i) Further issue of equity shares through IPO (ii)Alteration of Memorandum of Association (iv) Alteration of Articles of Association (v) Adoption of new set of Articles of Association pursuant to listing agreement

(ii) Extra-Ordinary General Meetings:

Year	Date	Venue	Time	Special Resolution(s) passed
2009	December 17, 2009	644,Aurora Colony, Rd no.3,Banjara Hills, Hyderabad	11am	No: One Nature: Further issue of equity shares
2009	August 24, 2009	644,Aurora Colony, Rd no.3,Banjara Hills, Hyderabad	10am	No.: One Nature: Alteration of terms of the preference shareholders of the Company
2009	July 25, 2009	644,Aurora Colony, Rd no.3,Banjara Hills, Hyderabad	11am	No.: One Nature: Conversion of the status of the Company from private to public
2009	May 25, 2009	644,Aurora Colony, Rd no.3,Banjara Hills, Hyderabad	3pm	No.: One Nature: Approval for payment of remuneration to a Director under section 314 of the Companies Act, 1956

14. MEANS OF COMMUNICATION

The quarterly, half-yearly and annual financial results are generally published in Financial Express/ Business Standard (national dailies) and in Andhra Prabha (a vernacular (Telugu) daily).

The Annual Report and the financial results are also displayed on the Company's website www.dqentertainment.com.

The official press releases of the Company are sent to all the stock exchanges where the shares of the Company are listed through e-mail and are released to wire services/ press for information of the public at large and are also posted on the Company's website.

15. MARKET PRICE DATA

The equity shares of the Company were listed on the Bombay Stock Exchange Limited (BSE) on **March 29, 2010**.

The equity shares of the Company were listed on the National Stock Exchange of India (NSE) Limited on **June 20, 2011**.

The monthly high and low of the market price of the equity shares of the Company having a face value of Rs.10/- each on the BSE & NSE for the period from April 1, 2011 to March 31, 2012 are as follows:

	Bombay Stock Exchange of India (BSE)		National Stock Exchange of India (NSE)	
	High Price	Low Price	High Price	Low Price
Month	High Price	Low Price	High Price	Low Price
April 2011	72.35	56.30	N.A	N.A
May 2011	61.95	44.70	N.A	N.A
June 2011	51	36.10	44.80	36.10
July 2011	52	36.50	52.25	37
August 2011	48.30	32	49.25	32
September 2011	42	32.20	42.50	30.20
October 2011	35.80	31.50	36	27
November 2011	34	23.05	34	23.15
December 2011	26.20	18.65	26.30	19
January 2012	27.40	21.70	27.65	21.25
February 2012	30.70	25	30.50	24.80
March 2012	26.20	22.40	26.25	22.40

16. REGISTRAR AND TRANSFER AGENTS & PLACE FOR ACCEPTANCE OF DOCUMENTS

Karvy Computershare Private Limited
Plot No. 17-24, Vittal Rao Nagar, Madhapur
Hyderabad – 500 081, India
Telephone: +91 40 2342 0815
Facsimile: +91 40 2342 0814
Email: einward.ris@karvy.com
Website: www.karvycomputershare.com

17. SHARE TRANSFER SYSTEM

99.84% of the equity shares of the Company are in electronic form as on March 31, 2012. Transfer of these shares is done through the depositories with no involvement of the Company. As regards transfer of shares held in physical form the transfer documents can be lodged with Karvy at any of the above mentioned addresses.

Transfer of shares in physical form is normally processed within ten to twelve days from the date of receipt, if the documents are complete in all respects.

18. DEMATERIALISATION OF SHARES & LIQUIDITY

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the depositories in India viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

The Company's equity shares are regularly traded on BSE & NSE, in dematerialised form. Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE656K01010.

19. OUTSTANDING GDRS/ADRS/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY

As on March 31, 2012, the Company did not have any outstanding GDRs /ADRs /Warrants or any Convertible instruments.

20. LOCATION OF OFFICES/PRODUCTION CENTERS

Sr. No	Type of Property/Location	Primary Use
1.	Municipal Nos. 8-2-268/1/A and 8-2-268/1/A/2N, Road No 3, Banjara Hills, Hyderabad 500034	Registered office/Corporate Office
2.	Municipal No. 8-2-268/10/D/1, Plot No 554, Road No 3, Banjara Hills, Hyderabad 500034	Finance & Accounts
3.	Plot No 546, Aurora Colony, Road No 3, Banjara Hills, Hyderabad 500034	Production Centre
4.	Plot No 31, Road No 5, Jubilee Hills, Hyderabad 500033	Production Centre
5.	DLF Cybercity, SEZ Zone,Block-3, Ground floor, APHB Colony, Gachibowli, Hyderabad – 500 019	Production Centre
6.	Premises No.501-A,501-B,Manjeera Square,5th Floor,Plot No.6&7,Ameerpet,Hyderabad-500 038	DQ School of Visual Arts
7.	Module No 312-315, SDF Building, Salt Lake Electronics Complex, Software Technology Park Zone, Sector V, Bidhan Nagar, Kolkata 700091	Production Centre
8.	Plot No.5,Block-BP,Sector V,Salt Lake,Bidhannagar,Kolkata-7000 91.	DQ School of Visual Arts

21. SHAREHOLDING PATTERN OF THE COMPANY AS ON MARCH 31, 2012

CATEGORY CODE	CATEGORY OF SHAREHOLDER	NO OF SHAREHOLDERS	TOTAL NUMBER OF SHARES	NO OF SHARES HELD IN DEMATERIALIZED FORM	TOTAL SHAREHOLDING AS A % OF TOTAL NO OF SHARES		SHARES PLEDGE OR OTHERWISE ENCUMBERED	
					AS A PERCENTAGE OF (A+B)	AS A PERCENTAGE OF (A+B+C)	NUMBER OF SHARES	AS a PERCENTAGE
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)=(VIII)/(IV)*100
(A)	**PROMOTER AND PROMOTER GROUP**							
(1)	INDIAN							
(a)	Individual /HUF	7	406	406	0.00	0.00	0	0.00
(b)	Central Government/State Government(s)	0	0	0	0.00	0.00	0	0.00
(c)	Bodies Corporate	0	0	0	0.00	0.00	0	0.00
(d)	Financial Institutions / Banks	0	0	0	0.00	0.00	0	0.00
(e)	Others	0	0	0	0.00	0.00	0	0.00
	Sub-Total A(1) :	**7**	**406**	**406**	**0.00**	**0.00**	**0**	**0.00**
(2)	FOREIGN							
(a)	Individuals (NRIs/Foreign Individuals)	0	0	0	0.00	0.00	0	0.00
(b)	Bodies Corporate	1	59461972	59461972	75.00	75.00	0	0.00
(c)	Institutions	0	0	0	0.00	0.00	0	0.00
(d)	Others	0	0	0	0.00	0.00	0	0.00
	Sub-Total A(2) :	**1**	**59461972**	**59461972**	**75.00**	**75.00**	**0**	**0.00**
	Total A=A(1)+A(2)	**8**	**59462378**	**59462378**	**75.00**	**75.00**	**0**	**0.00**
(B)	**PUBLIC SHAREHOLDING**							
(1)	INSTITUTIONS							
(a)	Mutual Funds /UTI	9	5718099	5718099	7.21	7.21		
(b)	Financial Institutions /Banks	1	491000	491000	0.62	0.62		
(c)	Central Government / State Government(s)	0	0	0	0.00	0.00		
(d)	Venture Capital Funds	0	0	0	0.00	0.00		
(e)	Insurance Companies	0	0	0	0.00	0.00		
(f)	Foreign Institutional Investors	6	2731262	2731262	3.44	3.44		
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0.00		
(h)	Others	0	0	0	0.00	0.00		
	Sub-Total B(1) :	**16**	**8940361**	**8940361**	**11.28**	**11.28**		
(2)	NON-INSTITUTIONS							
(a)	Bodies Corporate	365	2268073	2268073	2.86	2.86		
(b)	Individuals							
	(i) Individuals holding nominal share capital upto Rs.1 lakh	15011	5754872	5754869	7.26	7.26		
	(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	58	2101789	2101789	2.65	2.65		
(c)	Others							
	NON RESIDENT INDIANS	100	490384	490384	0.62	0.62		
	CLEARING MEMBERS	24	11439	11439	0.01	0.01		
	FOREIGN COMPANIES	1	128624	0	0.16	0.16		
	TRUSTS	**2**	**125080**	**125080**	**0.16**	**0.16**		
	Sub-Total B(2) :	**15561**	**10880261**	**10751634**	**13.72**	**13.72**		
	Total B=B(1)+B(2) :	**15577**	**19820622**	**19691995**	**25.00**	**25.00**		
	Total (A+B) :	**15585**	**79283000**	**79154373**	**100.00**	**100.00**		
(C)	Shares held by custodians, against which							
	Depository Receipts have been issued							
(1)	Promoter and Promoter Group							
(2)	Public	0	0	0	0.00	0.00		
	GRAND TOTAL (A+B+C) :	**15585**	**79283000**	**79154373**	**100.00**	**0.00**	**0**	**0.00**

DISCLOSURES:

There were no instances of non-compliance of any matter relating to the capital markets during the year under review. Hence, there have been no penalties, strictures imposed by SEBI / Stock Exchanges or any other statutory authorities on matters related to capital market.

We affirm that no employee has been denied access to the audit committee members.

COMPLIANCE WITH NON-MANDATORY REQUIREMENTS OF CLAUSE 49 OF THE LISTING AGREEMENT:

We have instituted a Remuneration Committee. A detailed note on the Remuneration Committee is provided under the respective section in this report.

We communicate with our investors on a regular basis through e-mail, telephone and one-on-one meetings either during investor conferences, road shows and Company visits. Our website contains information about all the business updates and other financial details.

NAME AND DESIGNATION OF COMPLIANCE OFFICER:

Ms. Anita Sunil Shankar, Company Secretary & Compliance Officer
Address for correspondence:
644, Aurora Colony,
Road No.3, Banjara Hills, Hyderabad, Andhra Pradesh-500 034, India.
Ph. No: 0091-40-23553726 & 27, Fax: 0091-40-23552594

Certificate on Corporate Governance

TO THE MEMBERS OF
DQ ENTERTAINMENT (INTERNATIONAL) LIMITED

We have examined the compliance of conditions of corporate governance by DQ ENTERTAINMENT (INTERNATIONAL) LIMITED ("the Company"), for the year ended on March 31, 2012, as stipulated in Clause 49 of the Listing Agreements of the Company with the stock exchanges in India.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Hyderabad
Date: 28 May, 2012

For R & A Associates
Company Secretaries

Sd/-
(R.Ramkrishna Gupta)
Partner
C.P. No. 6696

CEO & CFO Certification

To
The Board of Directors
DQ Entertainment (International) Limited
Hyderabad

We, Tapaas Chakravarti, Chairman, Managing Director and Chief Executive Officer, and Sanjay Choudhary, Chief Financial Officer of DQ Entertainment (International) Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the Balance Sheet and Profit and Loss account (standalone and consolidated), and all the schedules and notes on accounts, as well as the Cash Flow statements, and the Directors' report.

2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the statements made.

3. Based on our knowledge and information, the financial statements, and other financial information included in this report, present in all material respects, a true and fair view of the Company's affairs, the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and / or applicable laws and regulations.

4. To the best of our knowledge and belief, no material transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's Code of Conduct and Ethics.

5. We are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company, and we have:

a) Designed such disclosure controls and procedures to ensure that material information relating to the Company, including its subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared.

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (GAAP).

c) Evaluated the effectiveness of the Company's disclosure, controls and procedures.

d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

6. We have disclosed based on our most recent evaluation, wherever applicable, to the Company's auditors and the audit committee of

the Company's Board of Directors (and persons performing the equivalent functions) :

a) There were no significant changes in internal controls during the year covered by this report.

b) All significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements.

c) There were no instances of fraud of which we are aware, that involve the Management or other employees who have a significant role in the Company's internal control system.

d) There are no deficiencies in the design or operation of internal controls, that could adversely affect the Company's ability to record process, summarize and report financial data.

e) There have been no material weakness in internal controls over financial reporting including any corrective actions with regard to deficiencies.

7. We affirm that we have not denied any personnel, access to the audit committee of the Company (in respect of matters involving alleged misconduct) and we have provided protection to whistleblowers from unfair termination and other unfair or prejudicial employment practices.

8. We further declare that all Board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year. For the purpose of this declaration, Senior Management Team means the personnel of the Company who are members of its core management team excluding Board of Directors. This would normally mean [one level below the Executive Directors including all functional heads as on March 31, 2012.

9. To the best of our knowledge and belief we hereby affirm that the Company has complied with all the applicable laws, rules and regulations.

Hyderabad
May 28, 2012

Tapaas Chakravarti
CMD & CEO

Sanjay Choudhary
Chief Financial Officer

Management's Discussion and Analysis

of Financial Condition and Results of Operations

A. INTRODUCTION

DQ Entertainment is a leading global entertainment group engaged in the business of production and distribution of animated content. We are developing a strong pipeline of own IPs as well as participating in co-productions of iconic properties thereby enhancing our capabilities for worldwide licensing and distribution for all platforms of entertainment including feature films, television broadcast, home video, publishing, merchandising and licensing.

We have produced more than 80 TV series, direct-to-home videos and television features, created real time game animation for online, mobile and next-gen console games in all genres of animation including the present onslaught of 3D stereoscopic animation. We are now on the fast track mode of distribution and licensing of our co-owned and own IPs. We have also forayed into production and distribution of 3D stereoscopic theatrical feature films.

At present, on an aggregate basis the production of animation programs is the primary revenue stream contributing about 77% while licensing and distribution revenue contributes the balance 23 % of Group revenues.

DQE currently has 8 production facilities in India (6 in Hyderabad and 2 at Kolkata) and one sub-contracting facility in Manila. The state-of-art production facilities house over 2900 associates including freelancers at all locations. In addition DQE has presence in France, USA, UK Ireland, and Philippines.

DQE, since inception, had been imparting in-house training to its associates and trainees to develop their skill sets to meet international production quality standards through its centre for learning. The ever-increasing demand for high quality animation and gaming professionals led to the establishment of DQ School of Visual Arts with the motto "Inspiring Creativity…Creating Careers".

B. INDUSTRY OVERVIEW

Please refer the chapter on 'Industry overview' on page 15.

C. BUSINESS STRATEGY

Our key strategic priorities include:

- Expand our portfolio of global and Indian branded Intellectual Properties (IPs)
- Capitalise on 3D stereoscopic theatrical animation production and distribution with global partners
- Continued focus on co-production business model for TV series,
- Accelerate growth in licensing and distribution through acquisition of new iconic properties
- As an independent producer, offer diversified range of services from script to screen
- Exploitation of newer delivery formats through the development of apps and interactive games.

D. STRENGTHS

Inspite of the adverse market conditions, DQE has consistently grown over the years due to its following inherent strengths:

- Unique low risk business model - at-least 70% of its revenues confirmed through pre-sales to broadcasters globally and co-production partners

- Development and creation of globally acclaimed and branded properties- having ready market for 360 degree monetization through various platforms of exploitation

- Talented and skilled manpower: to adapt to the latest available technologies and genre of animation thereby enabling and supporting DQE to be ahead of times

- High quality standards & timely deliveries - leading to repeat business from our esteemed clients / partners

- Robust order book - to the tune of around ₹ 8090 millions providing revenue visibility for the next 30 months

- Increase in demand for animated content - especially 3D Stereoscopic feature films among audiences across cultures and age groups, leading to a positive macro environment

- DQE's own training academies - Ensures availability of skilled manpower enabling the Company to easily scale up the operations. Today DQE, has the largest capacity in terms of skilled manpower be it animators. modellers, layout artists, riggers, compositors, editors, directors etc.

- Proprietary ERP Production Platform : DQE is perhaps the first, multi product, multi national & multi location animation production company, which has developed & implemented ERP solutions for production management - production scheduling, technical breakdown & costing, production process management and human resources managment.

- Impressive list of clients - DQE has to its credit an impressive list of more than 100 clients which include the Disney Group, ABC Australia, Moonscoop, BBC, Turner Entertainment, TF1, ZDF Enterprises, Nickelodeon Entertainment, Electronic Arts and American Greetings to name a few.

E. WEAKNESSES

No regulatory or financial support from the government in the form of subsidies or grants for development of IPs as available to our peers and competitors in other countries overseas.

Lack of specific creative talent in India and hence have to be dependent on the overseas talent for scripting and character designing, who may work at their own pace and may delay the production schedules and also are very expensive.

Funding not easily available as Intangible assets are still not recognized as security by several lending institutions

F. OPPORTUNITIES

Captivating content is always in demand across globe as people look forward to good entertainment programs to de-stress themselves from the hectic life styles. Hence there are always plenty of opportunities available for production studios who can adapt to the ever changing technologies and create interesting content.

New digital opportunities have emerged making it possible to further monetize our commercial IP library for mobile applications, mobile games and mobile porting for all major platforms such as iPhone, iPad, ipod, itunes, blackberry, android, tablets, windows and internet platforms.

DQE will aim to develop a sustainable business model to monetize and distribute digital content through paid or sponsored hosting. Both mobile and internet usage has grown at a tremendous pace compared with traditional platforms (including print, primarily, and TV) and many more new media platforms for content delivery are emerging. Recognizing the need to leverage our existing and future IPs on these platforms, DQE has established an in-house team dedicated to producing content for mobiles, tablets and internet platforms.

Increased demand and tremendous success of animated movies worldwide, has opened up an additional revenue generating avenue for the Company. Towards this, DQE has already commenced developing its own animated films to be released from 2014 onwards.

G. THREATS

The major threat every entertainment production company is faced with is the acceptability of the content produced by the targeted audience. Lack of viewership for a program may have an adverse impact on the overall performance of the studio.

DQE is now producing its own IPs with properties that are already well acclaimed globally and are in public domain. Thus DQE shall always be under a possible threat of infringement of any trademarks and copyrights that already may have been in existence and used by others. To ensure that DQE is not subject to any such liabilities, DQE's robust legal team, does extensive research prior to taking up any property for development.

With regard to the service projects there is always a threat from studio's offering competitive pricing. Being conscious of this fact, DQE has moved from pure outsourcing to co-productions to creation of own IPs.

H. BUSINESS OVERVIEW

This section has been separately covered in the segment 'The Year 2011-12' on page 11 of this annual report.

I. FINANCIAL OVERVIEW

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, provisions of listing agreement and Generally Accepted Accounting Principles (GAAP) in India. Our Management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present our state of affairs, profits and cash flows for the year. The financial details mentioned in this chapter pertain to the consolidated audited accounts of DQ Entertainment (International) Limited, ("the Company") for the year ended March 31 2012. In addition to the historical information contained herein, the following discussions may include forward looking statements which involve risks and uncertainties, including but not limited to risks inherent in the company's growth strategy, dependency on certain clients, dependency on availability of qualified technical personnel and other factors discussed in this report.

CONSOLIDATED FINANCIAL POSITION

A. EQUITY AND LIABILITIES:

1. Shareholder Funds

1. Share Capital: The authorized share capital is Rs.800,000,000 divided into 80,000,000 Equity Shares of Rs10 each. The outstanding issued, subscribed and paid-up equity share capital is Rs.792,830,000 divided into 79,283,000 Equity Shares of face value Rs.10/- each as at March 31, 2012. During the year there is no movement in share capital.

2. Reserves and Surplus: The consolidated Reserves and Surplus has increased from Rs.2,754.26 million to Rs. 3,152.24 million, an increase of Rs.397.98 million. The increase is primarily due to profits in the current fiscal year Rs. 330.23 million and the balance increase of Rs 67.75 million is on account of foreign currency translation reserve

2. Non-current Liabilities

3. Long term borrowings: The annual accounts from the financial year 2011- 12 have to be drawn as per the revised Schedule VI of the Companies Act 1956. The borrowings by the Companies are to be classified based on its maturity period. Loans that are due for repayment within the current financial year are classified under current liabilities as 'current maturity of long term borrowings' and the balance are placed under 'long term borrowings'.

During the year under review, there is an net increase in the secured borrowings from the banks by Rs. 358.59 million. This increase is on account of new loans obtained of Rs. 434.52 million and offset by repayments made during current year to the extent of Rs.160.03 million. The balance increase is on account of increase in closing exchange rate of EURO / INR and USD / INR when compared to previous year.

As per the new classification, the amount of long term borrowings stands at Rs. 839.49 million as on 31st March 2012 as against Rs. 855.21 as on previous year.

4. Deferred Tax Liability: There is a deferred tax liability of Rs.124.41 million as on 31 March 2012 as against Rs. 44.04 million of previous year. The increase of Rs.80.36 million is due to reversal of temporary timing difference .

5. Other Long term liabilities: The other long term liabilities include liabilities to the tune of Rs. 186.33 million in the nature of minimum guarantee payable for the distribution rights assigned to the Company. These are long term in nature and payable only after one year from 31 March 2012

6. Long term provisions: The long term provisions consist of the provisions for employee benefits i.e. gratuity, leave encashment and sick leavenot availed to the tune of Rs. 91.36 million as against Rs. 94.22 million of previous year. The movement when compared to previous year is not significant

3. Current Liabilities

7. Short term borrowings: As on 31st March 2012 the working capital loan utilized is Rs. 534.22 million out of the total sactioned limits of Rs 618.63 million.

8. Trade Payable: Of the total sundry creditors both for services and others Rs. 159.28 million is towards the minimum guarantee amount payable in the current financial year for the various distribution contracts entered into by the Company

9. Other current liabilities: It consists of –
- Current maturities of long term borrowings to the tune of Rs. 597.62 million which are due and repayable in the current financial year
- Withholding and statutory dues payable of Rs. 23.84 million,
- advance from customers of Rs 3.04 million,
- employee benefits payable of Rs. 67.77 million,
- interest accruedof Rs. 8.90 million.

10. Short term provisions: It consists of provision for employee benefits, provision for taxation (net) and provision for retakes. The same has increased by Rs. 29.45 million when compared to previous year. This is on account of the increase in the provision for tax by Rs. 15.49 million and increase in employee benefit by Rs. 12.07 million

B. ASSETS

1. Non-current Assets

1. Fixed Assets:

Tangible Assets: Tangible assets consist of Plant & Machinery, Office equipment's, Furniture, Fixtures & Interiors, Vehicles and Leasehold improvements.

The Net block of tangible assets as on 31 March 2012 is Rs. 340.13 million as against Rs. 392.43 million in previous year. During the year the Company added assets worth Rs. 102.56 million and sold assets to the tune of Rs. 58.57 million

Intangible Assets: As per the amended schedule VI, computer software is to be classified under the intangible assets. Thus the intangible assets as on 31st March 2012 consist of distribution rights to the tune Rs. 1,950 million and computer software to the tune of Rs. 349.29 million. During the year the company developed/ acquired Rs. 366.02 million and sold Rs. 41.99 million of the intangible Assets. The Net block of intangible assets as on 31 March 2012 is Rs. 1,466.69 million as against Rs. 1,373.76 million in previous year. Intangible asset under construction – consists of assets under development / work in progress

2. Long term loans and advances:
It consists of capital advances to vendors, security deposits, long term prepaid expenses, claims receivable and MAT credit entitlement.

Long term loans and advances outstanding as on 31 March 2012 is Rs. 182.88 million as against Rs. 184.20 million during the previous year.

3. Other non-current assets:
It consists of deposits with banks with a maturity period of more than 12 months.

2. Current Assets

4. Current Investment: It includes investments in Quoted Mutual Funds which are shown in the books at either cost or fair value which-ever is

less. During the year under review Rs.198.56 million worth of investments were redeemed and the same were used for investment in co-productions and development of its own IP assets.

5. Trade Receivable: The average days of receivables for 2011-12 are 171 days. While as on the reporting date all the receivables are good the depressed global markets and the credit squeeze has resulted in slowdown in the recovery of the dues.

6. Cash and cash equivalents: It consists of balances with banks both in current and deposit accounts, remittances in transit, cheques in hand and cash balances. The balance as at March 2012 is Rs. 688.20 million as against the balance of Rs. 522.64 million of previous year.

7. Short term loan and advances: It consists of interest accrued on deposits, other advances, and current portion of prepaid expenses. The balance as at March 2012 is Rs. 94.46 million as against Rs. 123.81 million of previous year; the decrease is mainly on account of decrease in current portion of prepaid expenses by Rs. 26.64 million.

8. Other current assets: It consist of unbilled revenue of Rs.510.29 million which contains revenue pertaining to projects for which work is in progress but invoice is not raised.

C. RESULT OF OPERATIONS

1. Segmental Analysis

Revenue and expenses directly attributable to segments are reported under each reportable primary segment. The following table presents each segment's revenue as a percentage of total revenue and each segments result i.e. operating profit (excluding unallocated expenses) as a percentage of total segment result.

	Segmental revenue				Segment results			
	Fiscal 2012	Fiscal 2011	Fiscal 2012	Fiscal 2011	Fiscal 2012	Fiscal 2011	Fiscal 2012	Fiscal 2011
	Rs in millions		% of revenue		Rs in millions		% of segmental results	
Animation	1755.08	1852.96	77.25	89.15	779.61	1272.88	72.41	94.08
Distribution	516.88	225.51	22.75	10.85	297.07	80.07	27.59	5.92
Total	**2271.96**	**2078.47**	**100**	**100**	**1076.68**	**1352.95**	**100**	**100**
Unallocated expenses					**(469.90)**	**(903.26)**		
Interest and finance expense					**(176.92)**	**(97.23)**		
Profit before tax					**429.86**	**352.46**		

2. Revenue

1. The financial year 2011-12 has witnessed an increase of 9% in the total revenue to Rs. 2,377.17 million from Rs. 2,175.74 million in financial year 2010-11.

Animation revenue has decreased by 5% from Rs. 1,852.96 million during financial year 2010-11 to Rs.1,755.08 million during financial year 2011-12

Distribution revenue has increased by 129% from Rs. 225.51 million during financial year 2010-11 to Rs 516.88 million during financial year 2011-12

2. Expenses:

Production expenses: Production expenses have decreased from Rs.388.89 million in financial year 2010-11 to Rs.239.05 million for the financial year 2011-12. The said decrease is due to the fact that most of the projects were executed in-house, unlike the previous year, where some of the projects had to be outsourced as our new facility was still under construction and the Company was required to adhere to the delivery schedules, to ensure timely deliveries.

Personnel Costs: Break up of personnel costs is as follows

Personal Costs	31 March 2012	31 March 2011
Salaries and wages	788.77	716.16
Contribution to provident fund	50.63	45.66
Staff welfare expenses	14.91	12.84
Gratuity	17.65	27.73
Compensated absences	7.54	12.22
Total	**879.50**	**814.61**

During the year the average increment in salaries to the associates was of 15%. However the overall increase in salaries and wages for the year was by only about 10% as compared to the previous year due to the decrease in head count from 3,159 at the beginning of April 2011 to 2,517 at the end of March 2012

Administrative and Other Expenses: The increase in the administrative cost was within the parameters set by the Company and the major increase was on account the new SEZ facility and repairs and maintenance

Interest and Financial Charges: have increased from Rs.127.72 million for financial year 2010-11 to Rs.201.70 million in financial year 2011-12. The increase is on account of new loans taken during the year and also there is a general increase in interest rates for all loans (both working capital and secured long term loans)

Depreciation and Amortization:

(Rs. in Millions)

Depreciation and Amortization	31 March 2012	31 March 2011
Tangible Assets	145.67	155.75
Intangible Assets	269.71	188.02
Total	415.38	343.77

Increase in depreciation & amortization cost is on account impairment provision made for Rs. 44.9 million in current year as against Rs.6.8 million created in previous year. The movement of Depreciation and Amortization after exclusion of Impairment provision from both the years is not significant.

3. Profit before interest, depreciation and tax ("PBIDT")

The PBIDT for the year under review stands at Rs. 941.74 million as compared to 726.67 million for the previous year, which is an increase by 29.60 %. PBIDT as a ratio to revenue is 41% in the current year as against 35% in the previous year

4. Profit Before Tax

There is an 22% increase in Profit before Tax by Rs. 77.40 million. Tax expenses primarily consists of Current Tax Rs. 86.97 million and Deferred tax Rs. 80.36 million - This provision is offset by MAT Credit Entitlement of Rs. 67.70 million.

5. Profit after tax

There is a 19% increase in profit after tax from Rs.278.58 million in financial year 2010-11 to Rs. 330.23 million in the financial year 2011-12.

J. RISKS & CONCERNS

(i) Operational Risks

- Given the seasonality of our business our revenues and expenses are difficult to predict and can vary significantly from period to period.
- Our business will suffer if we fail to keep abreast with the latest technological advancements and the ever increasing demand of the industry for new and captivating content.
- DQE is largely dependent on a few co-production partners to co-produce the programs. DQE has an impressive client list including names such as Disney Group, Nickelodeon Entertainment, ZDF Television and ZDF Enterprises- Germany, NBC Universal, Turner Network and many more. It is extremely unlikely that work will cease to come from all of these simultaneously. Strong order pipeline provides a revenue visibility for next 30 months.
- Our success depends largely upon our highly skilled creative artists. Animation is growing in India and many small studios are setting shop. However there are not many reputed

institutions teaching animation and hence there is a scarcity of good skilled animation artists especially in 3D animation. The Company has taken a long-term perspective and established DQ School of Visual Arts for providing an intense training in all genres of animation and hence has been able to meet its requirements and scale up its operations.

- Competitive pressures may also arise from overseas. This is particularly the case where the local overseas governments are supporting the animation industry in the form of tax incentives, infrastructural and/ or financial support e.g. China, Taiwan and Singapore.

- DQE provides a significant portion of its outsourced production services on a fixed-price, fixed-time frame basis. The Company therefore bears the risk of cost overruns, completion delays and wage inflation related to these projects. Additionally, any material which clients reject due to non-compliance with their specifications has to be reproduced.

- To manage this risk DQE has developed customized resource planning softwares which facilitates scheduling and resource management across projects to mitigate these risks. In addition as DQE has a large manpower force, it can easily deploy staff from one project to another if required, thereby avoiding problems of slippage.

- Taxes and other levies imposed by the Government of India or state governments, as well as tax exemptions, financial policies, subsidies and regulations, may have a material adverse effect on DQE's business, financial condition and results of operations.

- Terrorist attacks or a war could adversely affect our business, results of operations and financial conditions.

- Increasing costs for premium talent leading to increase in production costs, availability of limited creativity locally, changes in government regulations or any change in the legislative intent, global financial condition and the recessionary trend may have an adverse impact especially for television content as the production houses may slow down their production plans. This could have an impact for the out-sourcing business of the Company.

(ii) Financial Risks
More than 95% of the revenues generated by DQE are from global sales i.e. either North America or Europe. This means there is a substantial currency risk in terms of the US dollar and the Euro versus the Indian Rupee.

Financial and Other Derivative Instruments
Our primary market risk exposures are interest rate and foreign currency exchange rate risk. The following table sets forth the details of the derivative contracts entered into by the Company for hedging currency and interest rate related risks outstanding.

The company uses Forward Exchange Contracts and Currency Options to hedge its exposures in foreign currency related to firm commitments and highly probable forecasted transactions.

The information on Derivative instruments is as follows:

Derivative Instrument Outstanding as it the year end

Currencies	31 March 2012 Sell	31 March 2011 Sell
I) Forward Exchange Contracts		
EURO	€ 0	€ 3,000,000
INR	-	192,030,000
II) Currency Options (plain vanilla contracts)		
USD	$3,400,000	$7,100,000
INR	₹176,698,000	₹ 322,340,000
EURO	€ 600,000	€ 3,000,000
INR	₹ 41,592,000	₹ 192,030,000
USD – EURO	€ 0	€ 700,000
INR	-	₹ 44,807,000

Quantitative and qualitative disclosure about market risk
General: Market risk is the risk of loss related to adverse changes in market rates and prices, such as interest rates, foreign exchange rates and commodity prices. We are exposed to various types of market risks, in the normal course of business.

Interest Rate: We have, and expect to continue to have, significant borrowings. An increase in the interest rates for our existing and future borrowings may adversely affect our ability to service long-term debt and to finance our projects, all of which in turn may adversely affect our planned capital expenditures, financial condition and results of operations.

Foreign Currency Exchange Rates

	USD		EURO	
Exchange rates	Average	Closing	Average	Closing
31-Mar-10	47.745	45.030	67.499	60.588
31-Mar-11	45.901	45.398	60.711	64.006
31-Mar-12	48.097	51.966	66.254	69.320

K. INTERNAL CONTROL SYSTEMS AND THEIRADEQUACY

The CEO and CFO certification provided in the 'CEO and CFO Certification' section of the Annual Report discusses the adequacy of our internal control systems and procedures.

L. HUMAN RESOURCES STRATEGY

The Company continues to invest in human resources development. The Company has recruited 191 employees in fiscal 2012.

A detailed chapter on HR strategy, initiatives taken by the HR department and training and development are available in the report for your reference.

M. CAUTIONARY STATEMENT

Statements in this report on Management Discussion and Analysis, describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking, considering the applicable laws and regulations. These statements are based on certain assumptions and expectation of future events. Actual results could, however, differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand-supply conditions, finished goods prices, raw materials costs and availability, fluctuations in exchange rates, changes in Government regulations and tax structure, economic developments within India and the countries with which the Company has business contacts.

The Company assumes no responsibility in respect of the forward looking statements herein, which may undergo changes in future on the basis of subsequent developments, information or events.

AUDITORS' REPORT

Auditors' Report

To
The Members of DQ Entertainment (International) Limited

1. We have audited the attached Balance Sheet of DQ Entertainment (International) Limited ('the Company') as at March 31, 2012 and also the Statement of Profit and Loss 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' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the paragraph 3 above, we report that:

i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

iii. The balance sheet, 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.

v. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 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, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2012;

b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and

c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For Haribhakti & Co.
Chartered Accountants
Firm Registration No.103523W

Ananthakrishnan G
Partner
Membership No. 205226

Hyderabad, May 28, 2012

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of DQ Entertainment (International) Limited on the financial statements for the year ended March 31, 2012]

(i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b) The fixed assets of the company have been physically verified by the management during the year in accordance with a regular programme of verification and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.

c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the company during the year that affect the going concern status of the Company.

(ii) The provisions of clause 4(ii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company, in view of the nature of business activities carried on by the Company.

(iii) As per the information and explanations given to us, the Company has not granted / taken any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions stated in paragraph 4 (iii)(b),(c) and (d) of the Companies (Auditors' Report) Order, 2033 are not applicable to the Company.

(iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of services. During the course of our audit, we have not observed any continuing failure to correct weakness in internal control system of the company.

(v) a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.

b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of ` five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

(vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the company and nature of its business.

(viii) The provisions relating to maintenance of cost records as prescribed under clause (d) of sub-section (1) of Section 209 of the Act are not applicable to the Company.

(ix) a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, cess and other material statutory dues applicable to it.

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, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company and based on the information and explanation provided to us, the dues outstanding on account of income-tax, sales-tax, wealth-tax, service tax, customs duty, and cess which have not been deposited on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax – TDS on payments to non residents	9,642,147	2008-09	Appellate Tribunal Hyderabad
Service Tax Act	Penalty for non-payment of service tax on Business Auxiliary Services and Management or Business consultant Services	13,201,091	2006-07, 2007-08 and 2008-09	CESTAT, Banglore

(x) The provisions of clause 4(x) of the Companies (Auditors' Report) Order, 2003 (as amended) regarding accumulated losses are not applicable to the Company.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution and/or bank. The Company has not issued any debentures during the year.

(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 & advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, the company has given guarantee for Rs. 705,093,878/- as at the reporting date for loans taken by Subsidiary from various banks.

(xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which the loans were raised, other than temporary deployment pending application.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) According to the information and explanation given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

(xix) According to the information and explanations given to us, no debentures have been issued by the company during the year.

(xx) The management has disclosed the end use of the money raised by public issue and the same has been verified.

(xxi) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

For Haribhakti & Co.
Chartered Accountants
Firm Registration No.103523W

Ananthakrishnan G
Partner
Membership No. 205226

Hyderabad, May 28, 2012

Balance Sheet as at 31 March, 2012

Amount in ₹

	Notes	As at 31 March 2012		As at 31 March 2011	
I. EQUITY AND LIABILITIES					
(1) Shareholders' Funds					
(a) Share capital	3	792,830,000		792,830,000	
(b) Reserves and surplus	4	2,810,278,114		2,542,264,780	
			3,603,108,114		3,335,094,780
(2) Non-Current Liabilities					
(a) Long-term borrowings	5	628,304,992		378,824,819	
(b) Deferred tax liability (Net)	6	124,406,191		44,041,942	
(c) Long term provisions	7	91,363,885		94,220,704	
			844,075,068		517,087,465
(3) Current Liabilities					
(a) Short term borrowings	8	315,585,172		306,547,172	
(b) Trade payables	9	136,954,500		218,340,716	
(c) Other current liabilities					
(i) Current maturity of long term borrowings		210,119,046		70,708,448	
(ii) Others	10	92,046,786		86,742,930	
(e) Short term provisions	11	71,737,719		37,428,797	
			826,443,223		719,768,063
Total			**5,273,626,405**		**4,571,950,308**
II. ASSETS					
(1) Non-current assets					
(a) Fixed assets	12				
(i) Tangible assets		340,130,822		392,429,234	
(ii) Intangible assets		1,213,769,531		1,213,414,524	
(iii) Intangible asset under construction	12.1	305,787,643		247,371,075	
(b) Non-current investments	13	665,606,936		146,140,375	
(c) Long-term loans and advances	14	473,871,249		440,970,160	
(d) Other non-current assets	15	15,116,245		300,083,385	
			3,014,282,426		2,740,408,753
(2) Current assets					
(a) Current investments	16	58,259,353		256,823,169	
(b) Trade receivables	17	1,137,631,665		750,396,831	
(c) Cash and bank balances	18	660,589,552		297,871,671	
(d) Short-term loans and advances	19	51,757,869		216,663,645	
(e) Other Current Assets - Unbilled revenue		351,105,540		309,786,239	
			2,259,343,979		1,831,541,555
Total			**5,273,626,405**		**4,571,950,308**
Significant accounting policies	1				
Notes to accounts	2 - 43				

The notes are an integral part of these financial statements

Vide our report of date attached

For Haribhakti & Co.
Chartered Accountants
FRN 103523 W

Ananthakrishnan G
Partner
(M.No 205226)

Place: Hyderabad
Date: 28-05-2012

For and on behalf of the Board

Tapaas Chakravarti
(CMD & CEO)

K. Balasubramanian
(Director)

Anita Sunil Shankar
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Statement of Profit and Loss for the year ended 31 March, 2012

Amount in ₹

		For the year ended	
	Notes	31 March 2012	31 March 2011
Revenue from operations	20	1,997,964,436	1,616,972,762
Other income	21	136,109,471	122,518,506
Total revenue		**2,134,073,907**	**1,739,491,268**
Expenses:			
Production expenses	22	220,996,281	185,806,870
Personnel costs	23	889,380,906	814,611,366
Administrative and other expenses	24	191,111,479	176,070,281
Finance cost	25	130,434,953	95,939,170
Depreciation and amortisation expenses	12	360,459,859	328,268,750
Less: Expenditure transferred to capital account		(12,204,436)	(41,447,342)
		1,780,179,042	**1,559,249,095**
Profit before tax		**353,894,865**	**180,242,173**
Tax expense:			
Current Tax		(73,214,011)	(34,239,806)
Less: MAT credit entitlement		67,696,728	30,919,493
Deferred tax		(80,364,248)	(44,041,942)
Profit after Tax		**268,013,334**	**132,879,918**
Earnings Per Equity Share (Refer Note 39)			
Basic- Rs		3.38	1.68
Diluted- Rs		3.38	1.68
Significant accounting policies	1		
Notes to accounts	2 - 43		

The notes are an integral part of these financial statements

Vide our report of date attached

For and on behalf of the Board

For Haribhakti & Co.
Chartered Accountants
FRN 103523 W

Tapaas Chakravarti
(CMD & CEO)

K. Balasubramanian
(Director)

Ananthakrishnan G
Partner
(M.No 205226)

Anita Sunil Shankar
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Place: Hyderabad
Date: 28-05-2012

Cash Flow Statement for the year ended 31 March,2012

Amount in ₹

	For the year ended 31 March, 2012		For the year ended 31 March, 2011	
A Cash flow from Operating Activities				
Profit Before Tax		353,894,865		180,242,173
Adjustments for				
Depreciation and amortisation	360,459,859		328,268,750	
Depreciation transferred to capital account	301,791		515,983	
Interest income	(48,384,296)		(17,729,322)	
Income from mutual funds	(10,072,932)		(27,401,935)	
Interest expenses	92,033,100		59,014,436	
Wealth tax	85,349		73,408	
Loss/(Profit) on sale of fixed assets	6,711,945		(43,590,028)	
Unrealised loss due to exchange differences	(15,386,514)		(16,500,431)	
		385,748,302		282,650,861
Operating profit before working capital changes		739,643,167		462,893,034
Adjustments for changes in				
Trade and other receivables	(364,041,664)		(280,992,234)	
Trade payables, other liabilities and provisions	(51,373,680)		8,755,491	
	(415,415,344)		(272,236,743)	
Income tax paid	(49,164,000)		(55,160,342)	
		(464,579,344)		(327,397,085)
Net Cash from Operating activities		275,063,823		135,495,949
B Cash flow from Investing Activities				
Purchase of fixed assets - Tangibles	(125,660,257)		(233,005,662)	
Purchase of fixed assets - Intangible	(243,178,981)		(435,004,778)	
Sale of fixed assets	8,743,475		104,751,388	
Income from mutual funds	10,072,932		27,401,935	
Investment in subsidiary	(354,270,351)		(165,196,210)	
Investment in mutual funds	198,563,816		613,176,830	
Proceeds from maturity of long term deposits greater than twelve months	284,967,140		(300,083,385)	
Interest received on deposits with banks and other deposits etc.,	34,843,985		2,710,355	
Net Cash used in Investing activities		(185,918,241)		(385,249,527)
C Cash flow from Financing Activities				
Interest and financing charges paid	(89,321,423)		(59,797,045)	
Proceeds from borrowings from term Loans	434,517,745		89,039,679	
Repayment of term loans	(81,186,224)		(188,133,915)	
Proceeds on account of working capital Loans (net)	9,038,000		127,857,412	
Net Cash from Financing activities		273,048,098		(31,033,869)
Net increase/(decrease) in cash and cash equivalents (A+B+C)		362,193,680		(280,787,447)
Cash and cash equivalents as at the beginning of the year		297,871,671		578,725,043
Net foreign exchange difference		524,200		(65,925)
Cash and cash equivalents as at the end of the year* (refer Note 18)		660,589,552		297,871,671
*** Including restricted balance of Rs. 396,041,057 (31.03.2011: Rs. 116,185,947)**				

Vide our report of date attached

For Haribhakti & Co.
Chartered Accountants
FRN 103523 W

Ananthakrishnan G
Partner
(M.No 205226)

Place: Hyderabad
Date: 28-05-2012

For and on behalf of the Board

Tapaas Chakravarti
(CMD & CEO)

K. Balasubramanian
(Director)

Anita Sunil Shankar
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Accounting Policies and Notes on Accounts

1. Significant Accounting Policies

a) Basis for Preparation of Financial Statements:
The financial statements have been prepared under the historical cost convention on accrual basis in accordance with Generally Accepted Accounting Principles, Accounting Standards notified under section 211(3C) of the Companies Act, 1956 and the relevant provisions thereof.

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 amount of assets and liabilities and disclosures of contingent liabilities as at the date of financial statements. 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:
Fixed assets are stated at cost, less accumulated depreciation / amortization and impairment if any. Costs include all expenses incurred to bring the assets to its present location and condition.

Distribution rights represent the cost incurred on acquisition /development of animation contents for exploitation.

Capital work-in-progress comprises outstanding advances paid to acquire fixed assets and the cost of fixed asset (including expenditure during construction) that are not yet ready for their intended use before the balance sheet date.

Capital work-in-progress also includes Direct or indirect expenses incurred on the Development of Projects in order to create Intellectual Property or Content, which are exploited on any form of media, as an intangible asset under development in accordance with AS 26 (intangible assets). In the event, the project is not scheduled for production within three years, or project is abandoned, the carrying value of the Development Rights would be expensed in the year in which such project is discontinued or abandoned.

d) Depreciation and Amortization:
Depreciation on fixed assets other than leasehold improvements is provided on straight-line method at rates which are as follows:

Hardware & Software (CGI*)	30.00%
Hardware & Software (Others)	16.21%
Generators	16.21%
Office Equipment	10.00%
Furniture & Fixtures	10.00%
Vehicles	25.00%

*Computer Generated Imagery

Individual assets costing less than Rs.5,000 are fully depreciated in the period of purchase. Where the aggregate actual cost of individual items of Plant and Machinery costing Rs.5, 000 or less constitutes more than 10% of the total actual cost of Plant and Machinery, depreciation is provided at normal rates stated above.

Leasehold improvements are amortized over the primary period of lease.

Distribution Rights are amortized over the period of the rights or ten years whichever is lower.

e) Investment:
Long-term investments are stated at cost, less provision for other than temporary diminution in value. Current investments are stated at the lower of cost and fair value.

f) Revenue Recognition:

(i) Production Revenue:
Revenue represents amounts receivable for production and is recognised in the profit and loss account in proportion to the stage of completion of the transaction at the date of the balance sheet. The stage of completion can be measured reliably and is assessed by reference to work completed as of the date of the balance sheet. The company uses the services performed to date as a percentage of total services to be performed as the method for determining the stage of completion. Where services are in progress and where the amounts invoiced exceed the revenue recognised, the excess is shown as advance from customers. Where the revenue recognized exceeds the invoiced amount, the amounts are classified as unbilled revenue.

The stage of completion for each episode is estimated by the management at the onset of the series by breaking each episode into specific activities and estimating the efforts required for the completion of each activity. Revenue is then allocated to each activity based on the proportion of efforts required to complete the activity in relation to the overall estimated efforts. Management's

estimates of the efforts required in relation to the stage of completion, determined at the onset of the series, are revisited at the date of the balance sheet and any material deviations from the initial estimate are recognised in the profit and loss account. The company's services are performed by a determinable number of acts over the duration of the project and hence revenue is not recognised on a straight-line basis. Contract costs that are not probable of being recovered are recognised as an expense immediately.

(ii) Distribution Revenue:
Revenue from the licensing of distribution rights where there is an ongoing performance obligation is recognized on a straight line basis over the term of the licensing agreement and in the case of the license fee from co-production rights on the date declared by the licensee. Revenue from the licensing of distribution rights under a non-cancellable contract, which permits the licensee to freely exploit those rights and where the Company has no remaining obligations to perform, is recognised at the time of sale.

(iii) Training Revenue:
Training Revenue is recognized over the period of instruction.
No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(iv) Dividends and Interest income:

Dividends are recorded when the right to receive payment is established. Interest income is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

(g) 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 a foreign currency are reported using the exchange rates that existed when the values were determined

(iii) Exchange Differences
Exchange differences arising on the settlement of monetary items not covered above, or on reporting such monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(iv) Forward Exchange Contracts not intended for trading or speculation purposes. The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(h) **Employee benefits**
i) Post-employment benefit plans
Post-employment benefits are recognized as an expense in the Profit and Loss Account for the year in which the employee has rendered services.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur.

ii) Short-term employee benefits
The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave.

iii) Long-term employee benefits
Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the balance sheet date.

(i) **Public Issue related expenses**
Public issue related expenses are recognised as an expense in the profit and loss account in the year in which the expenses are incurred.

(j) **Taxation**
i) Provision for Income Tax is made on the assessable income, at the applicable tax rates, in accordance with the provisions of the Income-tax Act, 1961. Income derived from the animation division and related services are exempt under section 10AA of the Income-tax Act, 1961 up to 31st March 2011. The Company has provided tax on its other taxable income earned during the year.

ii) Minimum Alternate Tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

iii) Deferred tax expense or benefit is recognised on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient taxable income will be available to realise such assets. In other situations, deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these assets.

(k) **Provision for retakes**
Provisions for retakes are recognised wherever they are considered to be material. Retakes include creative changes to the final product delivered to the customer, performed on the specific request of the customer at the Company's own cost. Requests for retakes from customers are expected to be received by the Company within a period of three months from the final delivery.

(l) **Leases**
Lease payments for assets taken on Operating Lease are recognized in the Profit and Loss Account over the lease term in accordance with the Accounting Standard 19 – Leases.

(m) **Earnings per Share**
The Company reports basic and diluted Earnings per Share (EPS) in accordance with Accounting Standard 20 – EPS.

- *Basic Earnings per Equity Share* has been computed by dividing Net Profit for the year by the weighted average number of Equity Shares outstanding for the period.
- *Diluted Earnings per Equity Share* has been computed using the weighted average number of Equity Shares and dilutive potential Equity Shares outstanding during the period except where the results are anti dilutive.

(n) **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 possible that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Notes. Contingent Assets are neither recognized nor disclosed in the Financial Statements.

(o) **Impairment**
The carrying amounts of the Company's assets, other than Unbilled Revenue and deferred tax assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of assets in the unit on a pro rata basis.

(p) **Borrowing Costs**
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.

Notes on accounts for the year ended 31 March 2012

2 **Company overview:**

The Company is engaged in the business of providing services relating to animation production for television and film production companies and rendering training for acquiring skills for production services in relation to the production of animation television series and movies. The Company also does licensing of programmed distribution rights to broadcasters, television channels and home video distributors.

3 **Share Capital:**

Amount in ₹

Particulars	As at	
	31 March 2012	31 March 2011
Authorised		
80,000,000 Equity Shares of Rs.10/- each (31.03.2011: 80,000,000 shares of Rs.10/- each)	800,000,000	800,000,000
	800,000,000	800,000,000
Issued, Subscribed and Paid up		
79,283,000 Equity Shares of Rs.10/- each fully paid up (31.03.2011: 79,283,000 Equity shares of Rs.10/- each fully paid up)	792,830,000	792,830,000
	792,830,000	792,830,000

3.1 **Reconciliation of the number of shares**

Particulars	As at	
	31 March 2012	31 March 2011
Opening balance	79,283,000	79,283,000
Add: Shares issued during the year	-	-
Closing balance	79,283,000	79,283,000

3.2 **Rights, preferences and restrictions attached to shares:**

The company has one class of equity shares having a par value of Rs. 10 per share. Each share holder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subjected to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

3.3 **Details of shares held by shareholders holding more than 5% of the aggregate shares in the company.**

75% of the shares i.e.59,462,218 Equity Shares of Rs.10/- each fully paid up are held by the holding company DQ Entertainment (Mauritius) Limited. The ultimate holding company is DQ Entertainment Plc.

3.4 **Details of shares held by holding company and ultimate holding company.**

75% of the shares i.e.59,462,218 Equity Shares of Rs.10/- each fully paid up are held by the holding company DQ Entertainment (Mauritius) Limited. The ultimate holding company is DQ Entertainment Plc.

3.5 **Shares allotted as fully paid up by way of bonus shares (during 5 years immediately preceding March 31, 2012):**

Particulars	Year (Aggregate No. of Shares)					
	31-Mar-12	31-Mar-11	31-Mar-10	31-Mar-09	31-Mar-08	31-Mar-07
Bonus shares *	-	-	58,011,920	-	-	-

* These shares are fully paid up by capitalization from Securities Premium Account.

4 **Reserves and Surplus**

Amount in ₹

Particulars	As at	
	31 March 2012	31 March 2011
Capital Redemption Reserve	1,763,860	1,763,860
Securities Premium Account	1,946,676,687	1,946,676,687
General Reserve	5,487,394	5,487,394
Profit and Loss Account		
Balance brought forward	587,536,839	454,656,921
Add: Profit for the year	268,013,334	132,879,918
Closing balance	855,550,173	587,536,839
Other Reserves		
Capital Subsidy *	800,000	800,000
	2,810,278,114	2,542,264,780

* Erstwhile DQ Entertainment Limited was sanctioned a Capital Subsidy of Rs. 800,000 (31.03.2011: Rs.800,000) under clause 7(f) of ICT Incentive Policy of the Government of Andhra Pradesh.

5 Long Term Borrowings

Amount in ₹

Particulars	As at 31 March 2012	As at 31 March 2011
Term Loans - Secured		
From Banks	628,304,992	377,954,198
From Others	-	870,621
	628,304,992	378,824,819

5.1 Nature of Security and terms of repayment for secured borrowings:

Nature of Security	Terms of Repayment
The term loans from bank for Rs. 95,420,842 (31.03.2011: Rs. 54,366,344) is secured by first charge on entire fixed assets of the company both present and future except vehicles and second charge on current assets.	12 Quarterly Installments. BPLR less 2.25% p.a payable monthly
The term loans from bank for Rs. 297,523,625 (31.03.2011: Rs. 62,399,192) is secured by Pari Passu first charge on all the fixed assets of the company and a second charge on the current assets of the company ranking pari-pass with other term lenders of the company.	16 Quarterly Installments after 12 months moratorium. BMPLR Plus 2.5%+.25% P.A payable monthly
The term loans from bank for Rs. 233,865,000 (31.03.2011: Rs. 256,772,000) is secured by first charge on the entire fixed assets of DQE present and future Escrow of the receivables of DQE (The security mentioned above shall rank pari passu with existing lenders to DQE having first charge on fixed assets of DQE)	15 Quarterly Installments of $ 3.75 MN after 18 months moratorium. 6M Libor+500 bps payable Qtrly
The term loans from bank for Rs. 1,495,523 (31.03.2011: Rs. 4,416,662) is secured by hypothecation of vehicles.	Repayable over a period of 3 years from the date of disbursements. Interest rate on these loans are 6.99%, 8.16%, 8.29%, 9.10% & 9.11% p.a.
The term loans from others for Rs. Nil (31.03.2011: Rs. 870,621) is secured by hypothecation of vehicles.	Repayable over a period of 3 years from the date of disbursements. Interest on these loans are 8.29% and 8.65% p.a.

5.2 None of above loans are guaranteed by Directors or others and there are no defaults in repayment of such loans and interest.

6 Deferred Tax

The major components of the Deferred Tax (net) are as under :

Timing Differences	(Liability) / Asset at 31 March 2011 (Rs.)	Current year (Charge) / Credit (Rs.)	(Liability) / Asset at 31 March 2012 (Rs.)
Depreciation	(133,927,857)	(151,408,006)	(285,335,863)
Gratuity	20,281,410	22,895,201	43,176,611
Leave Encashment	10,928,773	11,338,028	22,266,801
Sick leaves	590,955	558,681	1,149,636
Provision for Doubtful Debts	2,506,938	2,727,495	5,234,433
Amalgamation expenses us 35DD	156,142	-	156,142
IPO Expenses u/s 35 D	1,338,802	892,535	2,231,337
Past losses and unabsorbed depreciation	54,082,895	32,631,817	86,714,712
Deferred Tax Asset/(Liability)-Net	**(44,041,942)**	**(80,364,249)**	**(124,406,191)**

Note: Deferred tax assets and deferred tax liabilities have been offset wherever the company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

7 Long Term Provisions

Amount in ₹

Particulars	As at 31 March 2012	As at 31 March 2011
Provision for Employee benefits (Refer Note 38)	91,363,885	94,220,704
	91,363,885	94,220,704

8 Short Term Borrowings

Amount in ₹

Particulars	As at 31 March 2012	As at 31 March 2011
Secured		
Working capital loans repayable on demand from banks	315,585,172	306,547,172
	315,585,172	306,547,172

8.1 Nature of Security and terms of payment for secured short term borrowings:

Nature of Security	Terms of Repayment
The working capital loans from bank for Rs. Nil (31.03.2011: Rs. 50,413,400) is secured by first charge on all current assets of the company both present & Future. Second charge on all movable & immovable fixed Assets of the company.	Repayable on demand with base rate plus 4.25% P.A. Payable monthly
The working capital loans from bank for Rs. 70,553,380 (31.03.2011: Rs. 96,715,937) is secured by first charge on current assets of the company on Paripassu basis. Second charge on all movable and immovable fixed assets of the Company both present and future on pari passu basis.	Repayable on demand with base Rate plus 4.75% p.a. payable monthly
The working capital loans from bank for Rs. Nil (31.03.2011: Rs. 159,417,834) is secured by first charge on all current assets of the Company both present and future including receivables, cash flows and other monies on pari-passu basis. Second charge on all movable and immovable fixed assets of the Company both present and future on pari passu basis.	Repayable on demand with SBAR+2.25%
The working capital loans from bank for Rs. 245,031,784 (31.03.2011: Rs. Nil) is secured by first charge on all current assets of the Company both present and future including receivables, cash flows and other monies on pari-passu basis. Second charge on all movable and immovable fixed assets of the Company both present and future on pari passu basis.	Repayable on demand with SBAR plus 2.25%

8.2 None of above loans are guaranteed by Directors or others and there are no continuing defaults in repayment of such loans and interest.

9 Trade Payables

Amount in ₹

Particulars	As at	
	31 March 2012	31 March 2011
Dues to micro enterprises and small enterprises *	-	-
Due to Others		
Sundry Creditors		
for services	12,054,253	13,287,792
for others	124,900,247	205,052,924
	136,954,500	218,340,716

*** Micro, Small and Medium Enterprises Development Act, 2006**

The Company has received intimation from certain "suppliers" confirming that they do not fall under the Micro, Small & Medium Enterprises Category under the Micro, Small and Medium Enterprises Development Act 2006 while other "Suppliers have not intimated regarding their status, and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid/payable as required under the said Act have not been given.

10 Other Current Liabilities - Others

Amount in ₹

Particulars	As at	
	31 March 2012	31 March 2011
Others:		
Interest accrued but not due	2,548,481	760,623
Interest accrued and due	2,045,203	1,121,384
Other Payables:		
Withholding taxes and other statutory dues payable	16,604,154	14,351,733
Withholding taxes overseas payable	38,888	150,000
Advance from Customers	3,040,245	2,655,900
Employee benefits payable	67,769,815	67,703,290
	92,046,786	86,742,930

11 Short Term Provisions

Amount in ₹

Particulars	As at	
	31 March 2012	31 March 2011
Provision for employee benefits (Refer Note: 38)	15,869,621	3,794,826
Others:		
Taxation (Net of Advance Tax of Rs.100,460,268 (31.03.2011 : 51,296,268))	27,643,949	7,297,097
Retakes (Refer Note 1(j)		
Opening balance	26,336,874	21,405,445
Add: Additional provision for the year	20,090,864	20,085,707
Less: Utilised during the year (including reversals)	(18,203,589)	(15,154,278)
Closing balance	28,224,149	26,336,874
	71,737,719	37,428,797

Schedules forming part of the Balance Sheet

12 **Fixed Assets**

Amount in ₹

Sl	Particulars	Gross Block				Depreciation/Amortisation				Net Block	
		As at 1 April 2011	Additions	Deletions	As at 31 March 2012	Up to 1 April 2011	For the year	Deletions	Up to 31 March 2012	As at 31 March 2012	As at 31 March 2011
A	**Tangible Assets**										
1	Leasehold land	14,350,000	-	-	**14,350,000**	1,080,461	434,805	-	**1,515,266**	**12,834,734**	13,269,539
2	Leasehold improvements	33,824,973	1,220,056	5,044,965	**30,000,064**	17,726,745	3,816,068	3,249,527	**18,293,286**	**11,706,778**	16,098,228
3	Plant & Machinery	779,576,611	91,879,888	32,391,468	**839,065,031**	470,960,710	128,414,622	29,841,659	**569,533,673**	**269,531,358**	308,615,901
4	Office equipments	12,235,661	4,359,125	1,345,996	**15,248,790**	4,680,326	1,501,070	987,325	**5,194,071**	**10,054,719**	7,555,335
5	Furniture, Fixtures & Interiors	59,149,636	2,103,159	17,244,730	**44,008,065**	31,870,904	5,252,830	13,121,590	**24,002,144**	**20,005,921**	27,278,732
6	Vehicles	27,769,599	3,001,646	2,545,813	**28,225,432**	8,158,100	6,253,568	2,183,548	**12,228,120**	**15,997,312**	19,611,499
	Total	**926,906,480**	**102,563,874**	**58,572,972**	**970,897,382**	**534,477,246**	**145,672,963**	**49,383,649**	**630,766,560**	**340,130,822**	**392,429,234**
B	**Intangible Assets**										
7	Distribution rights*	1,443,444,901	203,930,540	41,992,272	**1,605,383,169**	386,960,680	160,315,132	35,726,175	**511,549,637**	**1,093,833,532**	1,056,484,221
8	Computer software	331,810,537	17,477,460	-	**349,287,997**	174,880,234	54,471,764	-	**229,351,998**	**119,935,999**	156,930,303
	Total	**1,775,255,438**	**221,408,000**	**41,992,272**	**1,954,671,166**	**561,840,914**	**214,786,896**	**35,726,175**	**740,901,635**	**1,213,769,531**	**1,213,414,524**
	Grand Total	**2,702,161,918**	**323,971,874**	**100,565,244**	**2,925,568,548**	**1,096,318,160**	**360,459,859**	**85,109,824**	**1,371,668,195**	**1,553,900,353**	1,605,843,758
	Previous year figures	*1,897,478,629*	*851,127,763*	*46,444,474*	*2,702,161,918*	*810,568,857*	*328,268,750*	*42,519,447*	*1,096,318,160*	*1,605,843,758*	

Distribution Rights*

Distribution rights represent the costs incurred in acquiring distribution rights. The Company started acquiring these rights from the year 2003-04 and till date 44 series (31.03.2011: 42) of Animation rights have been acquired for different territories across the globe. The Company has started earning revenues from usage of rights since 2006-07. The Company has performed testing for impairment of distribution rights which resulted in an impairment loss of Rs. 9,972,150 (31.03.2011: Rs.6,862,541) on account of recoverable amount of distribution rights being less than its carying amount. The accumulated Impairment Loss as at 31.03.2012 on distribution righhts amounted to Rs. 95,079,624 (31.03.2011: Rs.85,107,474).

12.1 (a) Intangible assets under construction includes Rs.700,424 (31.03.2011: Rs.6,061,050) incurred towards projects under construction to be exploited as Telivision Series/Films and others. Based on review of estimated future realizations the management is of the view that estimated future recoverable amount from these projects are more than its carrying unamortized cost and consequently no provision for impairment is considered necessary by the management at this stage.

(b) The company has borrowed specific borrowings (term loans) for development of distribution rights in respect of 2 projects. The projects were considered to be qualifying assets, as these would take substantial period of time to get ready for their intended use. Interest cost on specific borrowings directly attributable to the those projects has been capitablized as mentioned below

Particulars	Amount in ₹
Total Interest cost incurred during the year	64,724,054
Less: Amount capitalized as borrowing cost as per AS 16	5,162,611
Net Interest cost transferred to Profit and Loss Account	59,561,443

13 Non Current Investment

Amount in ₹

Particulars	As at	
	31 March 2012	31 March 2011
Trade Investments: Investment in Equity Instruments- at cost - Unquoted In 100% wholly owned subsidiary company -DQ Entertainment (Ireland) Limited (10,150,000 (31.03.2011 : 2,200,000) ordinary shares of face value Euro 1, fully paid) (7,950,000 (31.03.2011 : 671,000) ordinary shares of face value Euro 1, fully paid was acquired during the current year)	665,606,936	146,140,375
	665,606,936	146,140,375
Aggregate amount of quoted investments and Market Value thereof	-	-
Aggregate amount of unquoted investments	665,606,936	146,140,375
Aggregate provision for diminution in the value of investments	-	-

14 Long Term Loans and Advances

Amount in ₹

Particulars	As at	
	31 March 2012	31 March 2011
(Unsecured, Considered Good)		
Capital Advances - others	4,383,266	25,125,004
Security Deposits	18,798,738	39,768,343
Loan to related party - Subsidiary		
DQ Entertainment (Ireland) Limited	292,331,250	256,772,000
Other Advances:		
Prepaid Expenses	3,688,919	4,715,145
Claims Receivable	25,891,975	53,509,295
MAT credit entitlement	128,777,101	61,080,373
	473,871,249	440,970,160

15 Other Non-current assets:

Amount in ₹

Particulars	As at	
	31 March 2012	31 March 2011
Long term deposits with banks with maturity period more than 12 months (including Rs.15,000,00 (2011: Rs. 300,000,000) liened to bank)) Deposit Accounts (Includes Rs Nil (31.03.2011 : Rs. 234,953,562) made from the unutilised funds of IPO)	15,116,245	300,083,385
	15,116,245	300,083,385

16 Current Investment

Amount in ₹

Particulars	As at 31 March 2012	As at 31 March 2011
Quoted at cost or fair value which ever is less Investments in Mutual Funds (quoted) (units: 3,584,490 (2011: 14,604,103)) (Includes Rs Nil (31.03.2011 : Rs.93,195,950) of unutilised funds of IPO)	58,259,353	256,823,169
	58,259,353	256,823,169
Notes		
Aggregate amount of quoted investments	58,259,353	256,823,169
Market value of quoted investments	59,332,404	258,782,632
Aggregate provision for diminution in the value of investments	-	-

17 Trade Receivable

Amount in ₹

Particulars	As at 31 March 2012	As at 31 March 2011
(Unsecured)		
A)Debts outstanding for a period exceeding six months		
Considered good	62,171,131	45,567,821
Considered doubtful	8,406,520	7,169,221
B)Other Debts		
Considered good	1,075,460,534	704,829,010
Considered doubtful	-	557,511
	1,146,038,185	758,123,563
Less: Provision for bad and doubtful debts	(8,406,520)	(7,726,732)
	1,137,631,665	750,396,831

18 Cash and Bank Balances

Amount in ₹

Particulars	As at 31 March 2012	As at 31 March 2011
a) Cash and Cash Equivalents:		
Balances with Banks	92,771,825	52,395,579
Current Accounts (Includes Rs Nil (31.03.2011 : Rs.Nil) of unutilised funds of IPO)		
Deposit Accounts (Includes Rs Nil (31.03.2011 : Rs. 219,442) made from the unutilised funds of IPO)		
Remittance in transit	41,701,889	109,192,544
Cheques on hand	130,051,550	20,052,797
Cash on hand	23,231	44,804
	264,548,495	181,685,724
b) Other bank balances:		
Deposits with maturity more than 3 months, but less than 12 months. (under lien to bank)	321,569,737	-
Margin money deposits	74,471,320	116,185,947
	660,589,552	297,871,671

19 Short Term Loans and Advances

Amount in ₹

Particulars	As at 31 March 2012	As at 31 March 2011
Unsecured considered good -		
Loans and advances to related party - to subsidiary		
DQ Entertainment (Ireland) Limited - Share application money	-	165,196,210
Others		
Interest accrued on deposits	13,540,311	14,631,059
Other Advances	6,494,289	4,379,257
Prepaid Expenses (less than 12 months)	9,575,997	10,309,847
Advance Tax (Net of provision of Rs. 36,408,330 (31.03.2011 : Rs. 36,408,330)	22,147,272	22,147,272
	51,757,869	216,663,645

20 Revenue from Operations

Amount in ₹

Particulars	For the year ended	
	31 March 2012	31 March 2011
Production : Export	1,680,344,843	1,440,319,076
: Domestic	19,516,605	19,454,241
Distribution Income	298,102,988	157,199,445
	1,997,964,436	1,616,972,762

21 Other Income

Amount in ₹

Particulars	For the year ended	
	31 March 2012	31 March 2011
Interest Income and others (including TDS of Rs. 3,081,705 (31.03.2011 : Rs.271,828))	48,384,296	17,729,322
Profit on Sale of Fixed Assets	-	43,590,028
Income from mutual fund	10,072,932	27,401,935
Liabilities no longer required written back	1,829,815	1,001,463
Foreign Exchange Fluctuation Gain (net)	70,787,490	22,865,273
Miscellaneous Income:	5,034,938	9,930,485
	136,109,471	122,518,506

22 Production Expenses

Amount in ₹

Particulars	For the year ended	
	31 March 2012	31 March 2011
Production Expenses - Direct	188,601,523	158,096,644
Power and Fuel	32,394,758	27,710,226
	220,996,281	185,806,870

23 Personnel Costs

Amount in ₹

Particulars	For the year ended	
	31 March 2012	31 March 2011
Salaries and Wages	798,649,382	716,161,022
Contribution to Provident Fund	50,629,839	45,658,162
Staff Welfare Expenses	14,914,622	12,844,384
Gratuity*	17,651,558	27,727,692
Compensated absences*	7,535,505	12,220,106
	889,380,906	814,611,366

* Refer Note 38

24 Administrative and Other Expenses

Amount in ₹

Particulars	For the year ended	
	31 March 2012	31 March 2011
Communication Expenses	12,520,967	9,911,834
Printing and Stationery	2,189,417	2,411,289
Professional and Consultancy Charges	40,591,090	57,919,085
Repairs and Maintenance :		
Building	8,757,350	3,302,475
Plant and Machinery	7,523,736	5,922,728
Others	5,010,278	3,741,899
Insurance	965,678	928,022
Business Promotion	5,701,908	6,028,887
Rates and Taxes	4,320,674	1,193,964
Rent	43,947,883	37,148,894
Auditors remuneration	2,450,000	4,200,000
Directors Remuneration	13,151,165	8,528,453
Selling and Distribution Expenses	3,321,303	4,299,144
Recruitment Expenses	3,248	806,946
Travelling and Conveyance Expenses	19,324,349	17,845,164
Loss on sale of assets	6,711,945	-
Bad debts	130,455	248,632
Provision for bad and doubtful debts (net)	679,788	742,703
Miscellaneous Expenses	13,810,245	10,890,162
	191,111,479	176,070,281

25 Finance Costs

Amount in ₹

Particulars	For the year ended	
	31 March 2012	31 March 2011
Interest on borrowings		
Terms loans	59,561,443	31,470,437
Working capital loan	32,471,657	27,543,998
Other Borrowing Cost		
Loss on foreign currency transactions	78,305	-
Bank charges	38,323,548	36,924,735
	130,434,953	95,939,170

26 The company's operations are conducted in units set up in Software Technology Parks (STPs) and Special Economic Zones (SEZs). Income from STPs were tax exempt for the earlier of 10 years commencing from the fiscal year in which the unit commences software development, or March 31, 2011. Income from SEZs is fully exempt for the first five years, 50% exempt for the next five years and 50% exempt for another five years subject to fulfilling certain conditions. Currently tax provision on book profit is provided as per the provisions of section 115JB (MAT) of the Income tax act, 1961.

27 The company has recognized a deferred tax asset of Rs.60,28,865 on unabsorbed depreciation as claimed in the returns for the respective years. In the assessment orders passed for the assessment years 2004 -05 and 2006 -07 unabsorbed depreciation has been determined to be Rs NIL. The Company has preferred appeals in Hon'ble High Court against the subject orders. In the opinion of the management the manner of adjustment of unabsorbed depreciation and carry forward of business losses by the department is not appropriate and based on professional advice the management is confident of succeeding in appeals and get the unabsorbed depreciation/ carry forward of business losses restored. On a prudent basis the company has not recognized any deferred tax asset on such unabsorbed depreciation contested before the Hon'ble High court.

28 Disclosure required by clause 32 of the Listing Agreements

Amount in ₹

Amount of loans & advances outstanding from subsidiaries as at 31 March 2012	Outstanding as at 31 March 2012	Maximum amount outstanding during the year
Wholly Owned Subsidiary company - DQ Entertainment (Ireland) Limited	292,331,250	292,331,250

Amount in ₹

29

Particulars	31 March 2012	31 March 2011
Contingent Liabilities (to the extent not provided for)		
a) Bonds executed in favour of customs and excise authorities	2,162,500	43,250,000
b) Letters of Credit (includes guarantee on behalf of DQ Entertainment Ireland Rs.705,093,878 (31.03.2011: 697,669,760)	1,198,430,253	1,253,636,938

c) Income tax assessment of DQ Entertainment (International) Limited has been completed till Assessment Year 2009-10 (financial year 2008-09). The Company has preferred an appeal for the Assessment Years 2004-05 and 2006-07 and is pending before the Hon'ble High court . No demand has been raised by the Department on the above, and for the assessment year 2008-09 (including transfer pricing) the cases are pending with hon'ble DRP and for the assessment year 2009-10 the case is pending with hon'ble CIT(Appeals).

d)Claims against the Company not acknowledged as debts is Rs. 9,642,147 (31.03.2011: Rs. 9,642,147). This comprise of demands raised by the Income Tax department for non deduction of TDS on payments to non residents on which the Company has gone on appeal and the appeal is allowed before the Commissioner of Income Tax (Appeals), Hyderabad in favor of the company. The department has gone for an appeal and the same is pending before the Income tax appellate tribunal (ITAT).

(e) Interest and penalty proceedings on import of services of Rs. 13,201,091 up to the 31.03.2009 received from Commissioner (Appeals), ST department and it has been defended at CESTAT

Amount in ₹

	Particulars	31 March 2012	31 March 2011
30	**Value of Imports calculated on C.I.F basis**		
	Capital Goods	22,370,962	253,919,793
31	**Earnings in Foreign Currency**		
	Income from production	1,639,025,543	1,309,472,085
	Other income	22,802,024	6,074,615
	Distribution Income	296,230,761	155,495,413

32	**Expenditure in Foreign currency - Accrual basis**		
	(Subject to deduction of tax where applicable)		
	Overseas business travel	3,597,697	3,332,944
	Production Expenses	184,299,003	138,640,123
	Professional and Consultancy Charges	21,473,164	40,262,935
	Financial Charges	16,041,516	967,677
	TOTAL	**225,411,380**	**183,203,679**

33 The company uses Forward Exchange Contracts and Currency Options to hedge its exposures in foreign currency related to firm commitments and highly probable forecasted transactions. The information on Derivative instruments is as follows:

Derivative Instrument outstanding as at the year end: Amount in ₹

Currencies	31 March 2012	31 March 2011
	Sell	Sell
I) Forward Exchange Contracts		
EURO	-	€ 3,000,000
INR	-	192,030,000
II) Currency Options (plain vanilla contracts)		
USD	$3,400,000	$7,100,000
INR	176,698,000	322,340,000
EURO	€ 600,000	€ 3,000,000
INR	41,592,000	192,030,000
USD - EURO	-	€ 700,000
INR	-	44,807,000

Amount in ₹

34	Particulars	31 March 2012	31 March 2011
	Payment to auditors as:		
	Auditors	2,400,000	4,150,000
	For taxation matters	50,000	50,000
		2,450,000	**4,200,000**

Amount in ₹

35	Particulars	31 March 2012	31 March 2011
	Directors remuneration		
	Salaries and allowances	4,032,000	4,035,000
	Other perquisite	1,008,000	1,008,000
	Commission	7,791,165	3,385,453
		12,831,165	**8,428,453**
	Remuneration to Non - Whole-time Director		
	Sitting fees	200,000	40,000
	Professional fees	120,000	60,000
	Total remuneration	**13,151,165**	**8,528,453**

The above figure does not include provision for gratuity and leave encashment liability actuarially valued as separate figure are not available

36 Related party disclosures

36.1 *Related parties and their relationships*

i) Holding and Subsidiary Companies

a. DQ Entertainment (Mauritius) Limited - Holding company

b. DQ Entertainment Plc - Parent of holding company

ii) Key management personnel

Mr. Tapaas Chakravarti - Managing director & Chief executive officer

iii) Relatives of Key Management Personnel with whom the Company had transactions during the year -

Mrs. Rashmi Chakravarti (wife of Mr. Tapaas Chakravarti)

Ms. Nivedita Chakravarti (Daughter of Mr. Tapaas Chakravarti)

iv) Associate of the Ultimate Holding Company

Method Animation SAS

v) Firm in which a Key management personnel is a partner

R & A Associates

vi)Relative of a director

Hatim Adenwala - Senior Vice president HR

36.2 *Transactions with above in the ordinary course of business* Amount in ₹

Particulars	31 March 2012	31 March 2011
i) Holding Companies		
Consultancy charges - DQ Entertainment (Mauritius) Limited	21,691,931	36,294,254
ii) Subsidiary Company		
Investment in DQ Entertainment (Ireland) Limited	354,270,351	-
Sale of asset to DQ Entertainment (Ireland) Limited	-	97,325,000
Production consultancy provided to DQ Entertainment (Ireland) Limited	45,953,187	17,217,289
Professional consultancy & Others to DQ Entertainment (Ireland) Limited	23,602,009	6,074,615
iii) Key management personnel		
Remuneration	12,951,165	8,428,453
iv) Relative of key management personnel and Director		
Remuneration	7,317,000	6,600,000
v) Associate of the Ultimate Holding Company		
Revenue from Animation	304,757,491	439,964,355
Revenue from Distribution	39,997,640	654,756
vi) Professional fee to a director	120,000	60,000
Professional fee to a Firm in which a Director is a partner	2,880,000	1,440,000

36.3 *Balances outstanding* Amount in ₹

	As at 31st March 2012	As at 31st March 2011
i) Holding Companies		
Amount payable at year end - DQ Entertainment (Mauritius) Limited	51,948,277	53,655,244
ii) Subsidiary Company		
Amount receivable at year end - DQ Entertainment (Ireland) Limited	38,200,146	31,929,324
Loan to Subsidiary - DQ Entertainment (Ireland) Limited	292,331,250	256,772,000
iii) Associate of the Ultimate Holding Company		
Amounts receivable at the year end	282,281,652	167,720,245

37 Leases

The Company's significant leasing arrangement is in respect of operating lease for premises. The Company has exclusive right to cancel the lease with prior notice. The aggregate lease rents payable are charged as rent in the Profit and Loss Account. The aggregate amount of Lease rentals charged to Profit and Loss account is Rs. 43,947,883 (31.03.2011: Rs.37,148,894).

38 Employee benefits as required under Accounting Standard 15:

The following table lists out disclosure requirements laid down under the Accounting Standard 15:

Amount in ₹

Particulars	Year ending 31 March 2012		Year ending 31 March 2011	
	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Present Value of DBO at the beginning of the year	33,683,998	62,510,126	23,074,156	36,889,473
Current Service Cost	1,261,381	12,168,486	10,609,842	16,205,103
Interest Cost	2,694,720	5,000,810	1,845,932	2,951,158
Actuarial Losses /(Gains)	3,579,404	482,262	(235,668)	8,571,431
Benefits paid	(6,274,124)	(9,595,497)	(1,610,264)	(2,107,039)
Present Value of DBO at the end of the year	**34,945,379**	**70,566,187**	**33,683,998**	**62,510,126**
Expense Recognized in the statements of Profit & Loss account for the year ended				
Current Service Cost	1,261,381	12,168,486	10,609,842	16,205,103
Interest Cost	2,694,720	5,000,810	1,845,932	2,951,158
(Gain) / Actuarial Losses	3,579,404	482,262	(235,668)	8,571,431
Expense recognized in the Statement of Profit and loss account	**7,535,505**	**17,651,558**	**12,220,106**	**27,727,692**
Actual Contribution and Benefit Payments				
Actual Benefit Payments	6,274,124	9,595,497	1,610,264	2,107,039
Actual Contributions	-	-	-	-
Assumptions				
Discount Rate %	8.70%	8.70%	8.00%	8.00%
Salary Escalation %	4.00%	4.00%	4.00%	4.00%

Amount in ₹

39	Particulars	31 March 2012	31 March 2011
	Earnings Per Share (EPS)		
	a) Net Profit available for Equity Shareholders	268,013,334	132,879,918
	b) Nominal Value Per Share	10	10
	c) Basic Earning Per Share	3.38	1.68
	d) Diluted Earning Per Share	3.38	1.68
		No's	No's
	e) Weighted Average number of Equity Shares for Basic EPS	79,283,000	79,283,000
	f) Weighted Average number of Equity Shares for Diluted EPS	79,283,000	79,283,000

40 The Initial Public offer (IPO) proceeds have been utilized as per the objects of the issues as stated in prospectus as under:

Amount in ₹

Particulars	31 March 2012	
Initial Public offer (IPO) proceeds		1,539,593,593
Utilisation of funds		
Investment in co-production agreements, focusing on Intellectual Properties content creation	608,957,692	
Development of office premises and production facilities.	335,183,030	
Investment in Subsidiary, DQ Entertainment (Ireland) Limited	384,460,942	
General Corporate purpose	115,545,218	
Issues expenses	95,446,711	
		1,539,593,593
Total		1,539,593,593

41 **Segmental Reporting as per Accounting standard 17:**

41.1 **Business Segment**

The Company comprises the following main business segments:

Animation:
The production services rendered to production houses and training rendered for acquiring skills for production services in relation to the production of animation television series and movies.

Distribution:
The revenue generated from the exploitation of the distribution rights of animated television series and movies acquired by the Company.

The segment information for the year ended 31 March 2012 is as follows:

Amount in ₹

	Animation	Distribution	Total
Revenue from operation	1,699,861,448	298,102,988	1,997,964,436
	1,459,773,317	*157,199,445*	*1,616,972,762*
Total Revenue	**1,699,861,448**	**298,102,988**	**1,997,964,436**
	1,459,773,317	*157,199,445*	*1,616,972,762*
Depreciation and Amortisation	-	160,315,132	160,315,132
		132,101,323	*132,101,323*
Segment result	732,569,136	133,225,265	865,794,401
	682,915,242	*20,963,270*	*703,878,512*
Unallocated expenses			(429,848,880)
			(445,426,491)
Operating Profit			435,945,522
			258,452,021
Net financing costs			(82,050,657)
			(78,209,848)
Income Tax expense			(85,881,531)
			(47,362,255)
Profit after tax			268,013,334
			132,879,918
Segment assets	1,328,321,789	1,560,036,590	2,888,358,379
	1,003,031,487	*57,151,583*	*1,060,183,070*
Unallocated assets			2,385,268,026
			3,511,767,238
Total assets			5,273,626,405
			4,571,950,308
Segment liabilities	90,224,799	170,274	90,395,073
	89,506,002	*322,570*	*89,828,572*
Unallocated liabilities			1,580,123,218
			1,147,026,956
Total liabilities			1,670,518,291
			1,236,855,528
Capital expenditure			
Tangible Fixed Assets			102,563,874
			437,345,703
Distribution rights			203,930,540
			413,782,060

Note: Figures in italics represent previous year

41.2 Geographical Segment

Revenue from geographic segments based on domicile of the customers is outlined below: Amount in ₹

	America	Europe	Others	Total
Revenue from operation				
Animation	655,029,356	787,120,365	257,711,727	1,699,861,448
	37,396,544	*1,402,922,531*	*19,454,242*	*1,459,773,317*
Distribution	148,460,955	40,097,659	109,544,374	298,102,988
	7,824,775	*18,085,880*	*131,288,790*	*157,199,445*
Total Revenue	803,490,311	827,218,024	367,256,101	1,997,964,436
	45,221,319	*1,421,008,411*	*150,743,032*	*1,616,972,762*
Total Assets	82,182,058	150,209,010	5,041,235,337	5,273,626,405
	17,125,631	*1,027,995,555*	*3,526,829,122*	*4,571,950,308*
Capital expenditure				
Tangible Fixed Assets				102,563,874
				437,345,703
Distribution rights				203,930,540
				413,782,060

Note: Figures in italics represent previous year

42 Commitments Amount in ₹

Particulars	31 March 2012	31 March 2011
Estimated amount of contracts remaining to be executed on capital account not provided for, net of advances	473,781,758	825,716,560
Estimated amount of contracts remaining to be executed on non-capital account not provided for, net of advances	126,861	3,061,901

43 Figures of previous year have been regrouped/rearranged/reclassified wherever necessary to conform to the current year presentation.

For Haribhakti & Co.
Chartered Accountants
FRN 103523 W

For and on behalf of the Board

Ananthakrishnan G
Partner
(M.No 205226)

Tapaas Chakravarti
(CMD & CEO)

K. Balasubramanian
(Director)

Place: Hyderabad
Date: 28-05-2012

Anita Sunil Shankar
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Auditors' Report on Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF
DQ ENTERTAINMENT (INTERNATIONAL) LIMITED

1. We have audited the attached Consolidated Balance Sheet of DQ Entertainment (International) Limited ("the Company") and its Subsidiary (collectively referred to as "the group") as at 31st 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 Company'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 consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets (net) of Rs. 2,461,651,078 as at 31st March, 2012, total net revenues of Rs. 319,941,661 and net cash outflows amounting to Rs. 201,783,532 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.

4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standards (AS) 21, "Consolidated financial statements" as notified pursuant to the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate financial statements of DQ Entertainment (International) Limited and its subsidiary.

5. Based on our audit and on consideration of report of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements together with the attached notes, 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 Group as at 31st March 2012;

(b) in the case of the Consolidated Statement of Profit and Loss Account ,of the profit of the Group for the year ended on that date; and

(c) in the case of the consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

For Haribhakti & Co.
Chartered Accountants
Firm Registration No.103523W

Ananthakrishnan G
Partner
Membership No.205226

Hyderabad, May 28, 2012

Consolidated Balance Sheet as at 31 March, 2012

Amount in ₹

	Notes	As at 31 March 2012		As at 31 March 2011	
I. EQUITY AND LIABILITIES					
(1) Shareholders' Funds					
(a) Share capital	3	792,830,000		792,830,000	
(b) Reserves and surplus	4	3,152,242,820		2,754,262,456	
			3,945,072,820		3,547,092,456
(2) Non-Current Liabilities					
(a) Long-term borrowings	5	839,494,173		855,213,026	
(b) Deferred tax liability (Net)	6	124,406,191		44,041,942	
(c) Other long term liabilities	7	186,332,160		112,011,200	
(d) Long term provisions	8	91,363,886		94,220,705	
			1,241,596,410		1,105,486,873
(3) Current Liabilities					
(a) Short term borrowings	9	534,219,759		508,422,718	
(b) Trade payables	10	542,848,401		383,572,972	
(c) Other current liabilities:					
(i) Current maturity of long term borrowings		597,617,777		223,304,617	
(ii) Others	11	103,546,827		88,703,588	
(d) Short term provisions	12	86,126,679		56,672,513	
			1,864,359,443		1,260,676,408
Total			**7,051,028,673**		**5,913,255,737**
II. ASSETS					
(1) Non-Current Assets					
(a) Fixed assets	13				
(i) Tangible assets		340,130,822		392,429,234	
(ii) Intangible assets		1,466,688,971		1,373,757,911	
(iii) Intangible asset under construction	13.1	2,526,393,372		1,513,152,423	
(b) Long-term loans and advances	14	182,883,383		184,198,154	
(c) Other non-current assets	15	15,116,245		300,083,386	
			4,531,212,793		3,763,621,108
(2) Current Assets					
(a) Current investments	16	58,259,353		256,823,169	
(b) Trade receivables	17	1,168,601,621		883,780,710	
(c) Cash and bank balances	18	688,199,149		522,642,387	
(d) Short-term loans and advances	19	94,462,291		123,811,667	
(e) Other Current Assets - Unbilled revenue		510,293,466		362,576,696	
			2,519,815,880		2,149,634,629
Total			**7,051,028,673**		**5,913,255,737**
Significant accounting policies	1				
Notes to accounts	2 - 39				

The notes are an integral part of the consolidated financial statements

Vide our report of date attached

For Haribhakti & Co.
Chartered Accountants
FRN 103523 W

Ananthakrishnan G
Partner
(M.No 205226)

Place: Hyderabad
Date: 28-05-2012

For and on behalf of the Board

Tapaas Chakravarti
(CMD & CEO)

K. Balasubramanian
(Director)

Anita Sunil Shankar
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Consolidated Statement of Profit and Loss for the year ended 31 March, 2012

Amount in ₹

	Notes	For the year ended	
		31 March 2012	31 March 2011
Revenue from operations	20	2,271,953,710	2,078,468,459
Other income	21	105,212,983	97,274,971
Total revenue		**2,377,166,693**	**2,175,743,430**
Expenses:			
Production expenses	22	239,054,660	388,889,822
Personnel cost	23	879,500,595	814,611,366
Administrative and other expenses	24	223,866,368	189,740,593
Finance cost	25	201,704,322	127,717,887
Depreciation and amortisation expenses	13	415,384,306	343,770,922
Less: Expenditure transferred to capital account		(12,204,436)	(41,447,342)
		1,947,305,815	**1,823,283,248**
Profit before tax		**429,860,878**	**352,460,182**
Tax expense:			
Current tax		(86,966,544)	(60,758,034)
Less: MAT credit entitlement		67,696,728	30,919,493
Deferred tax		(80,364,248)	(44,041,942)
Profit after Tax		**330,226,814**	**278,579,699**
Earnings Per Equity Share (Refer Note 35)			
Basic- Rs		4.17	3.51
Diluted- Rs		4.17	3.51
Significant accounting policies	1		
Notes to accounts	2 - 39		

The notes are an integral part of the consolidated financial statements

Vide our report of date attached

For and on behalf of the Board

For Haribhakti & Co.
Chartered Accountants
FRN 103523 W

Tapaas Chakravarti
(CMD & CEO)

K. Balasubramanian
(Director)

Ananthakrishnan G
Partner
(M.No 205226)

Anita Sunil Shankar
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Place: Hyderabad
Date: 28-05-2012

Consolidated Cash Flow Statement for the year ended 31 March,2012 Amount in ₹

		For the year ended 31 March 2012		For the year ended 31 March 2011	
A	**Cash flow from Operating Activities**				
	Profit Before Tax		429,860,878		352,460,182
	Adjustments for				
	Depreciation and amortisation	415,384,306		343,770,922	
	Depreciation transferred to capital account	301,791		515,983	
	Interest income	(24,782,288)		(17,341,414)	
	Income from mutual funds	(10,072,932)		(27,401,935)	
	Interest expenses	120,500,144		78,624,161	
	Wealth tax	85,349		73,408	
	Loss/(Profit) on sale of fixed assets	6,711,945		(3,113,453)	
	Unrealised loss due to exchange differences	(1,758,672)		(23,693,574)	
			506,369,643		351,434,098
	Operating profit before working capital changes		936,230,521		703,894,280
	Adjustments for changes in				
	Trade and other receivables	(312,309,674)		(319,308,060)	
	Trade payables, other liabilities and provisions	(1,558,316)		37,891,803	
		(313,867,990)		(281,416,257)	
	Income tax paid	(79,750,338)		(71,989,062)	
			(393,618,328)		(353,405,319)
	Net Cash from Operating activities		542,612,193		350,488,961
B	**Cash flow from Investing Activities**				
	Purchase of fixed assets - Tangible	(124,360,463)		(233,005,662)	
	Purchase of fixed assets - Intangible	(944,742,861)		(1,401,547,269)	
	Sale of fixed assets	8,743,476		7,426,388	
	Income from mutual funds	10,072,932		27,401,935	
	Investment in mutual funds	198,563,816		613,176,830	
	Proceeds from maturity of long term deposits greater than twelve months	284,967,140		(300,083,385)	
	Interest received on deposits with banks and other deposits etc.,	34,843,985		2,710,355	
	Net Cash used in Investing activities		(531,911,975)		(1,283,920,808)
C	**Cash flow from Financing Activities**				
	Interest and financing charges paid	(135,401,004)		(76,028,417)	
	Proceeds from borrowings of unsecured loan from ultimate holding company			65,354,635	
	Proceeds from borrowings from term loans	434,517,745		944,763,485	
	Repayment of term loans	(160,028,500)		(188,133,915)	
	Proceeds on account of working capital Loans (Net)	9,038,000		127,857,412	
	Net Cash from Financing activities		148,126,241		873,813,200
	Net increase/(decrease) in cash and cash equivalents (A+B+C)		158,826,459		(59,618,647)
	Cash and cash equivalents as at the beginning of the year (refer note 18)		522,642,387		582,326,959
	Net foreign exchange difference		6,730,303		(65,925)
	Cash and cash equivalents as at the end of the year* (refer Note 18)		688,199,149		522,642,387
	*** Including restricted balance of Rs. 396,041,057 (31.03.2011: Rs. 116,185,947)**				

Vide our report of date attached

For and on behalf of the Board

For Haribhakti & Co.
Chartered Accountants
FRN 103523 W

Ananthakrishnan G
Partner
(M.No 205226)

Tapaas Chakravarti
(CMD & CEO)

K. Balasubramanian
(Director)

Anita Sunil Shankar
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Place: Hyderabad
Date: 28-05-2012

Accounting Policies and Notes on Accounts

1. Significant Accounting Policies

a) Basis for Preparation of Consolidated Financial Statements:
The consolidated financial statements have been prepared under the historical cost convention on accrual basis in accordance with Generally Accepted Accounting Principles, Accounting Standards notified under section 211(3C) of the Companies Act, 1956 and the relevant provisions thereof.

b) Use of Estimates:
The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent liabilities as at the date of financial statements. 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:
Fixed assets are stated at cost, less accumulated depreciation / amortization and impairment if any. Costs include all expenses incurred to bring the assets to its present location and condition.

Distribution rights represent the cost incurred on acquisition /development of animation contents for exploitation.

Capital work-in-progress comprises outstanding advances paid to acquire fixed assets and the cost of fixed asset (including expenditure during construction) that are not yet ready for their intended use before the balance sheet date.

Capital work-in-progress also includes Direct or indirect expenses incurred on the Development of Projects in order to create Intellectual Property or Content, which are exploited on any form of media, as an intangible asset under development in accordance with AS 26 (intangible assets). In the event, the project is not scheduled for production within three years, or project is abandoned, the carrying value of the Development Rights would be expensed in the year in which such project is discontinued or abandoned.

d) Depreciation and Amortization:
Depreciation on fixed assets other than leasehold improvements is provided on straight-line method at rates which are as follows:

Hardware & Software (CGI*)	30.00%
Hardware & Software (Others)	16.21%
Generators	16.21%
Office Equipment	10.00%
Furniture & Fixtures	10.00%
Vehicles	25.00%

*Computer Generated Imagery

Individual assets costing less than Rs.5,000 are fully depreciated in the period of purchase. Where the aggregate actual cost of individual items of Plant and Machinery costing Rs.5,000 or less constitutes more than 10% of the total actual cost of Plant and Machinery, depreciation is provided at normal rates stated above.

Leasehold improvements are amortized over the primary period of lease.

Distribution Rights are amortized over the period of the rights or ten years whichever is lower.

Under certain distribution contracts, the company is required to make advance payments in order to acquire distribution rights. These payments have been capitalized as intangible assets on the basis that (i) they will be realized through future sales to be made by the company; (ii) they are separately identifiable and (iii) they are controlled through their legal rights.

The expectation is that these advance payments will be fully recouped by the company, however, the extent to which full value will be obtained is dependent on the ability of the company to generate sufficient sales on a go-forward basis under the various distribution contracts. On this basis, no systematic amortization is charged. However, at each reporting date the asset is assessed for impairment, based on the project sales.

e) Investment:
Long-term investments are stated at cost, less provision for other than temporary diminution in value. Current investments are stated at the lower of cost and fair value.

f) Revenue Recognition

(i) Production Revenue:
Revenue represents amounts receivable for production and is recognised in the profit and loss account in proportion to the stage of completion of the transaction at the date of the balance sheet. The stage of completion can be measured reliably and is assessed by reference to work completed as of the date of the balance sheet. The company uses the services performed to date as a percentage of total services to be performed as the method for determining the stage of completion. Where services are in progress and where the amounts invoiced exceed the revenue recognised, the excess is shown as advance from customers. Where the revenue recognized exceeds the invoiced amount, the amounts are classified as unbilled revenue.

The stage of completion for each episode is estimated by the management at the onset of the series by breaking each episode into specific activities and estimating the efforts required for the completion of each activity. Revenue is then allocated to each activity based on the proportion of efforts required to complete the activity in relation to the overall estimated efforts. Management's estimates of the efforts required in relation to the stage of completion, determined at the onset of the series, are revisited at the date of the balance sheet and any material deviations from the initial estimate are recognised in the profit and loss account. The company's services are performed by a determinable number of acts over the duration of the project and hence revenue is not recognised on a straight-line basis. Contract costs that are not probable of being recovered are recognised as an expense immediately.

(ii) Distribution Revenue:
Revenue from the licensing of distribution rights where there is an ongoing performance obligation is recognised on a straight line basis over the term of the licensing agreement and in the case of the license fee from co-production rights on the date declared by the licensee. Revenue from the licensing of distribution rights under a non-cancellable contract, which permits the licensee to freely exploit those rights and where the Company has no remaining obligations to perform, is recognised at the time of sale.

Royalties
Fees and royalties paid for the use of the company's assets (such as trademarks, patents, software, music copyright, record masters and motion picture films) are recognised in accordance with the substance of the agreement. This may be on a straight line basis over the life of the agreement, for example, when a licensee has the right to use certain technology for a specified period of time. An assignment of rights for a fixed fee or non-refundable guarantee under a non-cancellable contract which permits the licensee to exploit those rights freely and the licensor has no remaining obligations to perform is, in substance, a sale.

(iii) Training Revenue:
Training Revenue is recognized over the period of instruction.
No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(iv) Dividends and Interest income:
Dividends are recorded when the right to receive payment is established. Interest income is recognised on time proportion basis taking into account the amount outstanding and the rate applicable.

g) 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 a foreign currency are reported using the exchange rates that existed when the values were determined

(iii) Exchange Differences
Exchange differences arising on the settlement of monetary items not covered above, or on reporting such monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.
Exchange differences arising on a monetary item that, in substance, form part of the company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognised as income or as expenses.

(iv) Forward Exchange Contracts not intended for trading or speculation purposes
The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

vi) Translation of Non-integral foreign operation –
In translating the financial statements of a non-integral foreign operation for incorporation in consolidated financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at the average exchange rate for the year; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

h) Employee benefits

i) Post-employment benefit plans
Post-employment benefits are recognised as an expense in the Profit and Loss Account for the year in which the employee has rendered services.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur.

ii) Short-term employee benefits
The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave.

iii) Long-term employee benefits
Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the balance sheet date.

i) Taxation
i) Provision for Income Tax is made on the assessable income, at the applicable tax rates, in accordance with the provisions of the Income-tax Act, 1961. Income derived from the animation division and related services are exempt under section 10AA of the Income-tax Act, 1961 up to 31st March 2015. The Company has provided tax on its other taxable income earned during the year.

ii) Minimum Alternate Tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

iii) Deferred tax expense or benefit is recognised on timing differences being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient taxable income will be available to realise such assets. In other situations, deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these assets.

j) Provision for retakes
Provisions for retakes are recognised wherever they are considered to be material. Retakes include creative changes to the final product delivered to the customer, performed on the specific request of the customer at the Company's own cost. Requests for retakes from customers are expected to be received by the Company within a period of three months from the final delivery.

k) Leases
Lease payments for assets taken on Operating Lease are recognized in the Profit and Loss Account over the lease term in accordance with the Accounting Standard 19 – Leases.

l) Earnings Per Share
The Company reports basic and diluted Earnings per Share (EPS) in accordance with Accounting Standard 20 – EPS.

• *Basic Earnings per Equity Share* has been computed by dividing Net Profit for the year by the weighted average number of Equity Shares outstanding for the period.

• *Diluted Earnings per Equity Share* has been computed using the weighted average number of Equity Shares and dilutive potential Equity Shares outstanding during the period except where the results are anti dilutive.

m) 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 possible that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Notes. Contingent Assets are neither recognized nor disclosed in the Financial Statements.

n) Impairment

The carrying amounts of the Company's assets, other than Unbilled Revenue and deferred tax assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of assets in the unit on a pro rata basis.

o) Borrowing Costs

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.

Notes on accounts for the year ended 31 March 2012

2 Company overview:

The group is engaged in the business of providing services relating to animation production for television and film production companies and rendering training for acquiring skills for production services in relation to the production of animation television series and movies. The group also does licensing of programme distribution rights to broadcasters, merchandising, television channels and home video distributors.

3 Share Capital:

Amount in ₹

Particulars	As at	
	31 March 2012	31 March 2011
Authorised		
80,000,000 Equity shares of Rs.10/- each (31.03.2011: 80,000,000 shares of Rs.10/- each)	800,000,000	800,000,000
	800,000,000	800,000,000
Issued, Subscribed and Paid up		
79,283,000 Equity shares of Rs.10/- each fully paid up (31.03.2012: 79,283,000 Equity shares of Rs.10/- each fully paid up)	792,830,000	792,830,000
	792,830,000	792,830,000

3.1 Reconciliation of the number of shares

Particulars	As at	
	31 March 2012	31 March 2011
Opening balance	79,283,000	79,283,000
Add: Shares issued during the year	-	-
Closing balance	79,283,000	79,283,000

3.2 Rights, preferences and restrictions attached to shares:

The company has one class of equity shares having a par value of Rs. 10 per share. Each share holder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subjected to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

3.3 Details of shares held by shareholders holding more than 5% of the aggregate shares in the company.

75% of the shares i.e.59,462,218 Equity Shares of Rs.10/- each fully paid up are held by the holding company DQ Entertainment (Mauritius) Limited. The ultimate holding company is DQ Entertainment Plc.

3.4 Details of shares held by holding company and ultimate holding company.

75% of the shares i.e.59,462,218 Equity Shares of Rs.10/- each fully paid up are held by the holding company DQ Entertainment (Mauritius) Limited. The ultimate holding company is DQ Entertainment Plc.

3.5 Shares allotted as fully paid up by way of bonus shares (during 5 years immediately preceding March 31, 2012):

Particulars	Year (Aggregate No. of Shares)					
	31-Mar-12	31-Mar-11	31-Mar-10	31-Mar-09	31-Mar-08	31-Mar-07
Bonus shares *	-	-	58,011,920	-	-	-

* These shares are fully paid up by capitalisation from Securities Premium Account.

4 Reserves and Surplus

Amount in ₹

Particulars	As at	
	31 March 2012	31 March 2011
Capital redemption Reserve	1,763,860	1,763,860
Securities premium Account	1,946,676,687	1,946,676,687
General reserve	5,487,393	5,487,393
Profit and loss Account		
Balance brought forward	797,541,492	518,961,793
Add: Profit for the year	330,226,814	278,579,699
Closing balance	1,127,768,306	797,541,492
Other Reserves		
Capital subsidy *	800,000	800,000
Foreign currency translation reserve	69,746,574	1,993,024
	3,152,242,820	2,754,262,456

* Erstwhile DQ Entertainment Limited was sanctioned a Capital subsidy of Rs. 800,000 (31.03.2011: Rs.800,000) under clause 7(f) of ICT Incentive policy of the Government of Andhra Pradesh

5 Long Term Borrowings

Amount in ₹

Particulars	As at	
	31 March 2012	31 March 2011
Term loans - Secured		
From banks	628,304,992	659,308,288
From others	-	903,884
Term loans - Un secured - Loan from DQ Entertainment Plc.	211,189,181	195,000,854
	839,494,173	855,213,026

5.1 Nature of Security and terms of repayment for secured borrowings:

Nature of Security	Terms of Repayment
The term loans from bank for Rs. 95,420,842 (31.03.2011: Rs. 54,366,344) is secured by first charge on entire fixed assets of the company both present and future except vehicles and second charge on current assets.	12 Quarterly Installments. BPLR less 2.25% p.a payable monthly
The term loans from bank for Rs. 297,523,625 (31.03.2011: Rs. 62,399,192) is secured by Pari Passu first charge on all the fixed assets of the company and a second charge on the current assets of the company ranking pari-pass with other term lenders of the company.	16 Quarterly Installments after 12 months moratorium. BMPLR Plus 2.5%+.25% P.A payable monthly
The term loans from bank for Rs. 233,865,000 (31.03.2011: Rs. 256,720,000) is secured by first charge on the entire fixed assets of DQE present and future Escrow of the receivables of DQE (The security mentioned above shall rank pari passu with existing lenders to DQE having first charge on fixed assets of DQE)	15 Quarterly Installments of $ 3.75 MN after 18 months moratorium. 6M Libor+500 bps payable Qtrly
The term loans from bank for Rs. 1,495,523 (31.03.2011: Rs. 4,416,662) is secured by hypothecation of vehicles.	Repayable over a period of 3 years from the date of disbursements. Interest rate on these loans are 6.99%, 8.16%, 8.29%, 9.10% & 9.11% p.a.
The term loans from others for Rs. Nil (31.03.2011: Rs. 870,621) is secured by hypothecation of vehicles.	Repayable over a period of 3 years from the date of disbursements. Interest on these loans are 8.29% and 8.65% p.a.
The term loans from others for Rs. Nil (31.03.2011: Rs. 332,426,616) is secured by stand by letter of credit.	Repayable over a period of 2 years from the first draw down date.

5.2 None of above loans are guaranteed by Directors or others and there are no defaults in repayment of such loans and interest.

6 **Deferred Tax**

The major components of the Deferred Tax (net) are as under :

Timing Differences	(Liability) / Asset at 31 March 2011 (Rs.)	Current year (Charge) / Credit (Rs.)	(Liability) / Asset at 31 March 2012 (Rs.)
Depreciation	(133,927,857)	(151,408,006)	(285,335,863)
Gratuity	20,281,410	22,895,201	43,176,611
Leave encashment	10,928,773	11,338,028	22,266,801
Sick leaves	590,955	558,681	1,149,636
Provision for doubtful debts	2,506,938	2,727,495	5,234,433
Amalgamation expenses us 35DD	156,142	-	156,142
IPO expenses u/s 35 D	1,338,802	892,535	2,231,337
Past losses and unabsorbed depreciation	54,082,895	32,631,817	86,714,712
Deferred Tax Asset/(Liability)-Net	**(44,041,942)**	**(80,364,249)**	**(124,406,191)**

Note: Deferred tax assets and deferred tax liabilities have been offset wherever the company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

7 **Other Long Term Liabilities**

Amount in ₹

Particulars	As at	
	31 March 2012	31 March 2011
Minimum guarantee liability	186,332,160	112,011,200
	186,332,160	112,011,200

8 **Long Term Provisions**

Amount in ₹

Particulars	As at	
	31 March 2012	31 March 2011
Provision for employee benefits (Refer Note 34)	91,363,886	94,220,705
	91,363,886	94,220,705

9 **Short Term Borrowings**

Amount in ₹

Particulars	As at	
	31 March 2012	31 March 2011
Secured		
Working capital loans repayable on demand from banks	534,219,759	508,422,718
	534,219,759	508,422,718

9.1 **Nature of Security and terms of payment for secured short term borrowings:**

Nature of Security	Terms of Repayment
The working capital loans from bank for Rs. Nil (31.03.2011: Rs. 50,413,400) is secured by first charge on all current assets of the company both present & Future. Second charge on all movable & immovable fixed Assets of the company.	Repayable on demand with base rate plus 4.25% P.A. Payable monthly
The working capital loans for Rs. 70,553,380 (31.03.2011: Rs. 96,715,937) is secured by first charge on current assets of the company on Paripassu basis. Second charge on all movable and immovable fixed assets of the Company both present and future on pari passu basis.	Repayable on demand with base Rate plus 4.75% p.a. payable monthly
The working capital loans for Rs. Nil (31.03.2011: Rs. 159,417,834) is secured by first charge on all current assets of the Company both present and future including receivables, cash flows and other monies on pari-passu basis. Second charge on all movable and immovable fixed assets of the Company both present and future on pari passu basis.	Repayable on demand with SBAR+2.25%
The working capital loans for Rs. 245,031,784 (31.03.2011: Rs. Nil) is secured by first charge on all current assets of the Company both present and future including receivables, cash flows and other monies on pari-passu basis. Second charge on all movable and immovable fixed assets of the Company both present and future on pari passu basis.	Repayable on demand with SBAR plus 2.25%
The working capital loans for Rs. 218,634,597 (31.03.2011: Rs. 201,875,546) is secured by counter guarantee, first pari pasu charge on the entire fixed assets of the company both present and future. Second charge on current assets.	Repayable on demand

9.2 None of above loans are guaranteed by Directors or others and there are no continuing defaults in repayment of such loans and interest.

10 Trade Payables

Amount in ₹

Particulars	As at	
	31 March 2012	31 March 2011
Dues to micro enterprises and small enterprises *	-	-
Due to others		
Sundry creditors		
for services	25,532,484	24,264,415
for others	517,315,917	359,308,557
	542,848,401	383,572,972

*** Micro, Small and Medium Enterprises Development Act, 2006**

The Company has received intimation from certain "suppliers" confirming that they do not fall under the Micro, Small & Medium Enterprises Category under the Micro, Small and Medium Enterprises Development Act 2006 while other "Suppliers have not intimated regarding their status, and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid/payable as required under the said Act have not been given.

11 Other Current Liabilities - Others

Amount in ₹

Particulars	As at	
	31 March 2012	31 March 2011
Others:		
Interest accrued but not due	2,548,481	2,721,281
Interest accrued and due	6,351,099	1,121,384
Other Payables:		
Withholding taxes and other statutory dues payable	23,798,299	14,351,733
Withholding taxes overseas payable	38,888	150,000
Advance from customers	3,040,245	2,655,900
Employee benefits payable	67,769,815	67,703,290
	103,546,827	88,703,588

12 Short Term Provisions

Amount in ₹

Particulars	As at	
	31 March 2012	31 March 2011
Provision for employee benefits (Refer Note: 34)	15,869,621	3,794,826
Others:		
Taxation (Net of Advance Tax of Rs.100,460,268 (31.03.2011 : 51,296,268))	42,032,909	26,540,813
Retakes (Refer Note 1(k)		
Opening balance	26,336,874	21,405,445
Add: Additional provision for the year	20,090,864	20,085,707
Less: Utilised during the year	(18,203,589)	(15,154,278)
Closing balance	28,224,149	26,336,874
	86,126,679	56,672,513

Schedules forming part of the Balance Sheet

13 **Fixed Assets**

Amount in ₹

Sl	Particulars	Gross Block					Depreciation/Amortisation					Net Block	
		As at 1 April 2011	Additions	Deletions	Translation adjustment	As at 31 March 2012	Up to April 2011	For the year	Deletions	Translation adjustment	Up to 31 March 2012	As at 31 March 2012	As at 31 March 2011
A	**Tangible Assets**												
1	Leasehold land	14,350,000	-	-	-	**14,350,000**	1,080,461	434,805	-	-	**1,515,266**	**12,834,734**	13,269,539
2	Leasehold improvements	33,824,973	1,220,056	5,044,965	-	**30,000,064**	17,726,745	3,816,068	3,249,527	-	**18,293,286**	**11,706,778**	16,098,228
3	Plant & Machinery	779,576,611	91,879,888	32,391,468	-	**839,065,031**	470,960,710	128,414,622	29,841,659	-	**569,533,673**	**269,531,358**	308,615,901
4	Office equipments	12,235,661	4,359,125	1,345,996	-	**15,248,790**	4,680,326	1,501,070	987,325	-	**5,194,071**	**10,054,719**	7,555,335
5	Furniture, Fixtures & Interiors	59,149,636	2,103,159	17,244,730	-	**44,008,065**	31,870,904	5,252,830	13,121,590	-	**24,002,144**	**20,005,921**	27,278,732
6	Vehicles	27,769,599	3,001,646	2,545,813	-	**28,225,432**	8,158,100	6,253,568	2,183,548	-	**12,228,120**	**15,997,312**	19,611,499
	Total	**926,906,480**	**102,563,874**	**58,572,972**	**-**	**970,897,382**	**534,477,246**	**145,672,963**	**49,383,649**	**-**	**630,766,560**	**340,130,822**	392,429,234
B	**Intangible Assets**										-		
7	Distribution rights*	1,625,232,988	348,539,620	41,992,272	18,769,491	**1,950,549,827**	408,405,380	215,239,579	35,726,175	15,878,071	**603,796,855**	**1,346,752,972**	1,216,827,608
8	Computer software	331,810,537	17,477,460	-	-	**349,287,997**	174,880,234	54,471,764	-	-	**229,351,998**	**119,935,999**	156,930,303
	Total	**1,957,043,525**	**366,017,080**	**41,992,272**	**18,769,491**	**2,299,837,824**	**583,285,614**	**269,711,343**	**35,726,175**	**15,878,071**	**833,148,853**	**1,466,688,971**	1,373,757,911
	Grand Total	**2,883,950,005**	**468,580,954**	**100,565,244**	**18,769,491**	**3,270,735,206**	**1,117,762,860**	**415,384,306**	**85,109,824**	**15,878,071**	**1,463,915,413**	**1,806,819,793**	1,766,187,145
	Previous year figures	*2,003,786,173*	*920,376,300*	*46,444,474*	*(6,232,006)*	*2,883,950,005*	*815,382,743*	*343,770,922*	*42,519,447*	*(1,128,642)*	*1,117,762,860*	*1,766,187,145*	

Distribution Rights*

Distribution rights represent the costs incurred in acquiring distribution rights. The Company started acquiring these rights from the year 2003-04 and till date 49 series (31.03.2011: 42) of Animation rights have been acquired for different territories across the globe. The Company has started earning revenues from usage of rights since 2006-07. The Company has performed testing for impairment of distribution rights which resulted in an impairment loss of Rs. 44,943,705 (31.03.2011: Rs.6,862,541) on account of recoverable amount of distribution rights being less than its carying amount. The accumulated Impairment Loss as at 31.03.2012 on distribution rights amounted to Rs. 134,051,179 (31.03.2011: Rs.85,107,474).

13.1 (a) Intangible assets under construction includes Rs.700,424 (31.03.2011: Rs.6,061,050) incurred towards projects under construction to be exploited as Telivision Series/Films and others. Based on the review of estimated future realizations the management is of the view that estimated future recoverable amount from these projects are more than its carrying unamortized cost and consequently no provision for impairment is considered necessary by the management at this stage.

(b) The company has borrowed specific borrowings (term loans) for development of distribution rights in respect of 2 projects. The projects were considered to be qualifying assets, as these would take substantial period of time to get ready for their intended use. Interest cost on specific borrowings directly attributable to the those projects has been capitablized as mentioned below

Particulars	Amount
Total Interest cost incurred during the year	83,493,527
Less: Amount capitalized as borrowing cost as per AS 16	5,162,611
Net Interest cost transferred to Profit and Loss Account	78,330,916

14 Long Term Loans and Advances

Amount in ₹

Particulars	As at 31 March 2012	As at 31 March 2011
(Unsecured, Considered Good)		
Capital advances	5,726,647	25,124,998
Security deposits	18,798,738	39,768,343
Other advances:		
Prepaid expenses	3,688,922	4,715,145
Claims receivable	25,891,975	53,509,295
MAT credit entitlement	128,777,101	61,080,373
	182,883,383	184,198,154

15 Other Non-current assets:

Amount in ₹

Particulars	As at 31 March 2012	As at 31 March 2011
Long term deposits with banks with maturity period more than 12 months (including Rs.15,000,00 (2011: Rs. 300,000,000) liened to banks) Deposit Accounts (Includes Rs Nil (31.03.2011 : Rs. 234,953,562) made from the unutilised funds of IPO)	15,116,245	300,083,386
	15,116,245	300,083,386

16 Current Investment

Amount in ₹

Particulars	As at 31 March 2012	As at 31 March 2011
Quoted at cost or fair value which ever is less Investments in Mutual Funds (quoted) (units: 3,584,490 (2011: 14,604,103)) (Includes Rs Nil (31.03.2011 : Rs.93,195,950) of unutilised funds of IPO)	58,259,353	256,823,169
	58,259,353	256,823,169
Notes		
Aggregate amount of quoted investments	58,259,353	256,823,169
Market value of quoted investments	59,332,404	258,782,632
Aggregate provision for diminution in the value of investments	-	-

17 Trade Receivable

Amount in ₹

Particulars	As at 31 March 2012	As at 31 March 2011
(Unsecured)		
A)Debts outstanding for a period exceeding six months		
Considered good	70,577,673	45,567,821
Considered doubtful	8,406,520	7,169,221
B)Other debts		
Considered good	1,098,023,948	838,212,889
Considered doubtful	-	557,511
	1,177,008,141	891,507,442
Less: Provision for bad and doubtful debts	(8,406,520)	(7,726,732)
	1,168,601,621	883,780,710

18 Cash and Bank Balances

Amount in ₹

Particulars	As at 31 March 2012	As at 31 March 2011
a) Cash and Cash Equivalents:		
Balances with Banks	120,381,422	277,166,295
Current Accounts (Includes Rs Nil (31.03.2011 : Rs. Nil) of unutilised funds of IPO)		
Deposit Accounts (Includes Rs Nil (31.03.2011 : Rs. 219,442) made from the unutilised funds of IPO)		
Remittance in transit	41,701,889	109,192,544
Cheques on hand	130,051,550	20,052,797
Cash on hand	23,231	44,804
	292,158,092	406,456,440
b) Other bank balances:		
Deposits with maturity more than 3 months, but less than 12 months. (under lien to bank)	321,569,737	-
Margin money deposits	74,471,320	116,185,947
	688,199,149	522,642,387

19 Short Term Loans and Advances

Amount in ₹

Particulars	As at	
	31 March 2012	31 March 2011
Unsecured considered good -		
Others:		
Interest accrued on deposits	13,540,311	14,631,059
Other advances	32,354,175	39,424,007
Prepaid expenses	14,488,777	41,130,172
Advance tax (net of provision of Rs. 36,408,330 (31.03.2011 : Rs. 36,408,330)	34,079,028	28,626,429
	94,462,291	123,811,667

20 Revenue from Operations

Amount in ₹

Particulars	For the year ended	
	31 March 2012	31 March 2011
Production : Export	1,735,560,011	1,833,501,966
: Domestic	19,516,605	19,454,241
Distribution income	516,877,094	225,512,252
	2,271,953,710	2,078,468,459

21 Other Income

Amount in ₹

Particulars	For the year ended	
	31 March 2012	31 March 2011
Interest Income and others (including TDS of Rs. 3,081,705 (31.03.2011 : Rs.271,828))	24,782,288	17,341,414
Profit on sale of fixed assets	-	3,113,453
Income from mutual fund	10,072,932	27,401,935
Liabilities no longer required written back	1,874,979	1,001,463
Foreign exchange fluctuation gain (net)	63,447,846	44,172,929
Miscellaneous income	5,034,938	4,243,777
	105,212,983	97,274,971

22 Production Expenses

Amount in ₹

Particulars	For the year ended	
	31 March 2012	31 March 2011
Production expenses - Direct	206,659,902	361,179,596
Power and fuel	32,394,758	27,710,226
	239,054,660	388,889,822

23 Personnel Costs

Amount in ₹

Particulars	For the year ended	
	31 March 2012	31 March 2011
Salaries and wages	788,769,071	716,161,022
Contribution to provident fund	50,629,839	45,658,162
Staff welfare expenses	14,914,622	12,844,384
Gratuity*	17,651,558	27,727,692
Compensated absences*	7,535,505	12,220,106
	879,500,595	814,611,366

* Refer Note 34

24 Administrative and Other Expenses

Amount in ₹

Particulars	For the year ended	
	31 March 2012	31 March 2011
Communication expenses	12,532,779	9,911,834
Printing and stationery	2,189,417	2,411,289
Professional and consultancy charges	58,833,490	60,898,608
Repairs and Maintenance:		-
Building	8,757,350	3,302,475
Plant and Machinery	7,523,736	5,922,728
Others	5,010,278	3,741,899
Insurance	965,678	928,022
Business promotion	5,794,768	6,028,887
Rates and taxes	4,320,674	1,193,964
Rent	43,954,035	37,148,894
Auditors remuneration	4,311,272	6,428,101
Directors remuneration	13,362,515	9,135,564
Selling and distribution expenses	14,589,098	11,492,498
Recruitment expenses	3,248	806,946
Travelling and conveyance expenses	19,720,121	17,905,875
Loss on sale of assets	6,711,945	-
Bad debts	130,455	248,632
Provision for bad and doubtful debts (net)	679,788	742,703
Miscellaneous expenses	14,475,721	11,491,674
	223,866,368	189,740,593

25 Finance Costs

Amount in ₹

Particulars	For the year ended	
	31 March 2012	31 March 2011
Interest on borrowings		
Terms loans	83,493,527	44,516,944
Working capital loan	27,139,618	27,807,977
Other Borrowing Cost		
Loss on foreign currency transactions	24,232,013	13,140,983
Bank charges	66,839,164	42,251,983
	201,704,322	127,717,887

26 The company's operations are conducted in units set up in Software Technology Parks (STPs) and Special Economic Zones (SEZs). Income from STPs were tax exempt for the earlier of 10 years commencing from the fiscal year in which the unit commences software development, or March 31, 2011. Income from SEZs is fully exempt for the first five years, 50% exempt for the next five years and 50% exempt for another five years subject to fulfilling certain conditions. Currently tax provision on book profit is provided as per the provisions of section 115JB (MAT) of the Income tax act, 1961.

27 The company has recognized a deferred tax asset of Rs.60,28,865 on unabsorbed depreciation as claimed in the returns for the respective years. In the assessment orders passed for the assessment years 2004 -05 and 2006 -07 unabsorbed depreciation has been determined to be Rs NIL. The Company has preferred appeals in Hon'ble High Court against the subject orders. In the opinion of the management the manner of adjustment of unabsorbed depreciation and carry forward of business losses by the department is not appropriate and based on professional advice the management is confident of succeeding in appeals and get the unabsorbed depreciation/ carry forward of business losses restored. On a prudent basis the company has not recognised any deferred tax asset on such unabsorbed depreciation contested before the Hon'ble High court.

Amount in ₹

28

Particulars	31 March 2012	31 March 2011
Contingent Liabilities (to the extent not provided for)		
a) Bonds executed in favour of customs and excise authorities	2,162,500	43,250,000
b) Letters of Credit (includes guarantee on behalf of DQ Entertainment Ireland Rs.705,093,878 (2011: 697,669,760)	1,198,430,253	1,253,636,938

c) Income tax assessment of DQ Entertainment (International) Limited has been completed till Assessment Year 2009-10 (financial year 2008-09). The Company has preferred an appeal for the Assessment Years 2004-05 and 2006-07 and is pending before the Hon'ble High court . No demand has been raised by the Department on the above, and for the assessment year 2008-09 (including transfer pricing) the cases are pending with hon'ble DRP and for the assessment year 2009-10 the case is pending with hon'ble CIT(Appeals).
d)Claims against the Company not acknowledged as debts is Rs. 9,642,147 (31.03.2011: Rs. 9,642,147). This comprise of demands raised by the Income Tax department for non deduction of TDS on payments to non residents on which the Company has gone on appeal and the appeal is allowed before the Commissioner of Income Tax (Appeals), Hyderabad in favor of the company. The department has gone for an appeal and the same is pending before the Income tax appellate tribunal (ITAT).
(e) Interest and penalty proceedings on import of services of Rs. 13,201,091 up to the 31.03.2009 received from Commissioner (Appeals), ST department and it has been defended at CESTAT

29 The company uses Forward Exchange Contracts and Currency Options to hedge its exposures in foreign currency related to firm commitments and highly probable forecasted transactions. The information on Derivative instruments is as follows:

Derivative Instrument outstanding as at the year end: Amount in ₹

Currencies	31 March 2012	31 March 2011
	Sell	Sell
I) Forward Exchange Contracts		
EURO	-	€ 3,000,000
INR	-	192,030,000
II) Currency Options (plain vanilla contracts)		
USD	$3,400,000	$7,100,000
INR	176,698,000	322,340,000
EURO	€ 600,000	€ 3,000,000
INR	41,592,000	192,030,000
USD - EURO	-	€ 700,000
INR	-	44,807,000

30 Amount in ₹

Particulars	31 March 2012	31 March 2011
Payment to auditors as:		
Auditors	4,261,272	6,378,101
For taxation matters	50,000	50,000
	4,311,272	**6,428,101**

31 Amount in ₹

Particulars	31 March 2012	31 March 2011
Directors remuneration		
Salaries and allowances	4,032,000	4,035,000
Other perquisite	1,008,000	1,008,000
Commission	7,791,165	3,385,453
	12,831,165	**8,428,453**
Remuneration to Non - Whole-time Director		
Sitting fees	200,000	40,000
Professional fees	331,350	667,111
Total remuneration	**13,362,515**	**9,135,564**

The above figure does not include provision for gratuity and leave encashment liability acturially valued as separate figure are not available

32 Related party disclosures

32.1 Related parties and their relationships

i) Holding and Subsidiary Companies

a. DQ Entertainment (Mauritius) Limited - Holding company
b. DQ Entertainment Plc - Parent of holding company

ii) Key management personnel

Mr. Tapaas Chakravarti - Managing director & Chief executive officer

iii) Relatives of Key Management Personnel with whom the Company had transactions during the year -

Mrs. Rashmi Chakravarti (wife of Mr. Tapaas Chakravarti)
Ms. Nivedita Chakravarti (Daughter of Mr. Tapaas Chakravarti)

iv) Associate of the Ultimate Holding Company
Method Animation SAS

v) Firm in which a Key management personnel is a partner
R & A Associates

vi)Relative of a director
Hatim Adenwala - Senior Vice president HR

32.2 Transactions with above in the ordinary course of business

Amount in ₹

Particulars	31 March 2012	31 March 2011
i) Holding Companies		
Consultancy charges - DQ Entertainment (Mauritius) Limited	39,526,892	36,294,254
ii) Key management personnel		
Remuneration	12,831,165	8,428,453
iii) Relative of key management personnel and Director		
Remuneration	7,317,000	6,600,000
iv) Associate of the Ultimate Holding Company		
Revenue from animation	304,757,491	439,964,355
Revenue from distribution	39,997,640	654,756
v) Professional fee to a director	120,000	667,111
Professional fee to a firm in which a director is a partner	2,880,000	1,440,000

32.3 Balances outstanding

Amount in ₹

Particulars	31 March 2012	31 March 2011
i) Holding Companies		
Amount payable towards loan and interest at year end - DQ Entertainment Plc.	215,495,077	196,961,512
Amount payable at year end - DQ Entertainment (Mauritius) Limited	69,783,237	53,655,244
ii) Associate of the Ultimate Holding Company		
Amounts receivable at the year end	282,281,652	167,720,245

33 **Leases**

The Company's significant leasing arrangement is in respect of operating lease for premises. The Company has exclusive right to cancel the lease with prior notice. The aggregate lease rents payable are charged as rent in the Profit and Loss Account. The aggregate amount of Lease rentals charged to Profit and Loss account is Rs. 43,954,035 (31.03.2011: Rs.37,148,894).

34 **Employee benefits as required under Accounting Standard 15:**

The following table lists out disclosure requirements laid down under the Accounting Standard 15:

Amount in ₹

Particulars	Year ending 31 March 2012		Year ending 31 March 2011	
	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Present Value of DBO at the beginning of the year	33,683,998	62,510,126	23,074,156	36,889,473
Current Service Cost	1,261,381	12,168,486	10,609,842	16,205,103
Interest Cost	2,694,720	5,000,810	1,845,932	2,951,158
Actuarial Losses /(Gains)	3,579,404	482,262	(235,668)	8,571,431
Benefits paid	(6,274,124)	(9,595,497)	(1,610,264)	(2,107,039)
Present Value of DBO at the end of the year	**34,945,379**	**70,566,187**	**33,683,998**	**62,510,126**
Expense Recognized in the statements of Profit & Loss account for the year ended				
Current Service Cost	1,261,381	12,168,486	10,609,842	16,205,103
Interest Cost	2,694,720	5,000,810	1,845,932	2,951,158
(Gain) / Actuarial Losses	3,579,404	482,262	(235,668)	8,571,431

Expense recognized in the Statement of Profit and loss account	**7,535,505**	**17,651,558**	**12,220,106**	**27,727,692**
Actual Contribution and Benefit Payments				
Actual Benefit Payments	6,274,124	9,595,497	1,610,264	2,107,039
Actual Contributions	-	-	-	-
Assumptions				
Discount Rate %	8.70%	8.70%	8.00%	8.00%
Salary Escalation %	4.00%	4.00%	4.00%	4.00%

35

Amount in ₹

Particulars	31 March 2012	31 March 2011
Earnings Per Share (EPS)		
a) Net profit available for equity shareholders	330,226,814	278,579,699
b) Nominal value per share	10	10
c) Basic earning per share	4.17	3.51
d) Diluted earning per share	4.17	3.51
	No's	No's
e) Weighted Average number of Equity Shares for Basic EPS	79,283,000	79,283,000
f) Weighted Average number of Equity Shares for Diluted EPS	79,283,000	79,283,000

36 The Initial Public offer (IPO) proceeds have been utilized as per the objects of the issues as stated in prospectus as under:

Amount in ₹

Particulars	31 March 2012	
Initial Public offer (IPO) proceeds		1,539,593,593
Utilisation of funds		
Investment in co-production agreements, focusing on Intellectual Properties content creation	608,957,692	
Development of office premises and production facilities.	335,183,030	
Investment in Subsidiary, DQ Entertainment (Ireland) Limited	384,460,942	
General Corporate purpose	115,545,218	
Issues expenses	95,446,711	
		1,539,593,593
Total		1,539,593,593

37 Segmental Reporting as per Accounting standard 17:

37.1 Business Segment

The Company comprises the following main business segments:

Animation:

The production services rendered to production houses and training rendered for acquiring skills for production services in relation to the production of animation television series and movies.

Distribution:

The revenue generated from the exploitation of the distribution rights of animated television series and movies acquired by the Company.

The segment information for the year ended 31 March 2012 is as follows:

Amount in ₹

	Animation	Distribution	Total
Revenue from operation	1,755,076,616	516,877,094	2,271,953,710
	1,852,956,207	*225,512,252*	*2,078,468,459*
Total Revenue	**1,755,076,616**	**516,877,094**	**2,271,953,710**
	1,852,956,207	*225,512,252*	*2,078,468,459*
Depreciation and Amortisation	-	215,239,579	215,239,579
		147,603,495	*147,603,495*
Segment result	779,606,236	297,074,966	1,076,681,202
	1,272,877,626	*80,077,363*	*1,352,954,989*
Unallocated expenses			(469,898,290)
			(903,259,316)
Operating Profit			606,782,912
			449,695,673
Net financing costs			(176,922,034)
			(97,235,491)
Tax expense			(99,634,064)
			(73,880,483)
Profit after tax			330,226,814
			278,579,699
Segment assets	1,387,348,756	4,183,334,570	5,570,683,326
	1,186,652,980	*59,704,426*	*1,246,357,406*
Unallocated assets			1,480,345,347
			4,666,898,331
Total assets			7,051,028,673
			5,913,255,737
Segment liabilities	90,224,799	507,882,584	598,107,383
	88,991,294	*837,278*	*89,828,572*
Unallocated liabilities			2,507,848,470
			2,276,334,709
Total liabilities			3,105,955,853
			2,366,163,281
Capital expenditure			
Tangible Fixed Assets			102,563,874
			437,345,703
Intangible Assets			366,017,080
			483,030,597

Note: Figures in italics represent previous year

37.2 Geographical Segment

Revenue from geographic segments based on domicile of the customers is outlined below:

Amount in ₹

	America	Europe	Others	Total
Revenue from operation				
Animation	655,029,356	868,046,253	232,001,007	1,755,076,616
	37,396,545	*1,796,105,422*	*19,454,240*	*1,852,956,207*
Distribution	328,088,135	60,295,847	128,493,112	516,877,094
	7,824,775	*86,398,685*	*131,288,792*	*225,512,252*
Total Revenue	983,117,491	928,342,100	360,494,119	2,271,953,710
	45,221,320	*1,882,504,107*	*150,743,032*	*2,078,468,459*
Total Assets	627,043,719	3,088,920,079	3,353,706,751	7,051,028,673
	17,125,631	*1,214,169,891*	*4,681,960,215*	*5,913,255,737*
Capital expenditure				
Tangible Fixed Assets				102,563,874
				437,345,703
Distribution rights				366,017,080
				483,030,597

Note: Figures in italics represent previous year

38 Commitments

Amount in ₹

Particulars	31 March 2012	31 March 2011
Estimated amount of contracts remaining to be executed on capital account not provided for, net of advances	473,781,758	1,113,745,360
Estimated amount of contracts remaining to be executed on non-capital account not provided for, net of advances	126,861	3,061,901

39 Figures of previous year have been regrouped/rearranged/reclassified wherever necessary to conform to the current year presentation.

For Haribhakti & Co.
Chartered Accountants
FRN 103523 W

For and on behalf of the Board

Ananthakrishnan G
Partner
(M.No 205226)

Tapaas Chakravarti
(CMD & CEO)

K. Balasubramanian
(Director)

Place: Hyderabad
Date: 28-05-2012

Anita Sunil Shankar
(Company Secretary)

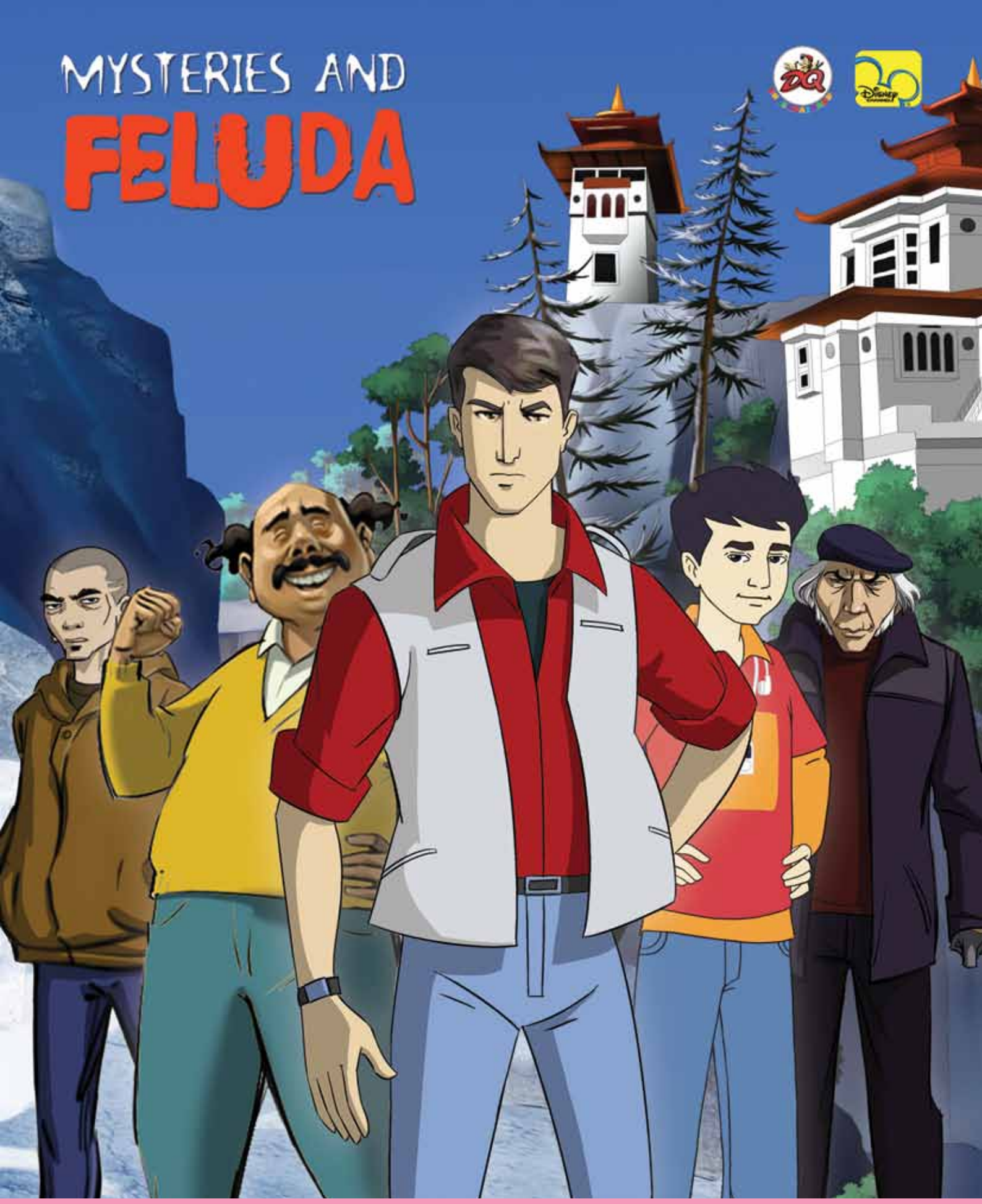
Sanjay Choudhary
(Chief Financial officer)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details	
Registration No.	L92113AP2007PLC053585
State Code (Refer Code List)	01
Balance Sheet Date	31st March 2012
II. Capital raised during the year (Amount in ₹)	
Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL
III. Position of Mobilisation and Deployment of Funds	
(Amount in ₹)	
Source of Funds	
Total Liabilities	
Paid-up Capital	792,830,000
Reserves & Surplus	3,152,242,820
Non-current liabilities	1,241,596,410
Application of Funds	
Total Assets	
Net Fixed Assets	4,333,213,165
Long term loans and advances	182,883,383
Other Non-current assets	15,116,245
Net Current Assets	655,456,436
Misc. Expenditure	-
Accumulated Losses	-
IV. Performance of Company (Amount in ₹ Thousands)	
Turnover	2,377,166,693
Total Expenditure	1,947,305,815
+ - Profit Before Tax	429,860,878
+ - Profit After Tax	330,226,814
(Please tick appropriate box + for profit, - for loss)	
Earning Per Share in ₹	Basic- ₹ 4.17, Diluted- ₹ 4.17
Divided rate %	-
V. Generic Names of Three Principal Products/ Services of Company (as per monetary terms)	
1. Item Code No.	-
(ITC Code)	
Product Description	-
2. Item Code No.	
(ITC Code)	-
Product Description	
3. Item Code No.	-
(ITC Code)	
Product Description	-

For DQ Entertainment (International) Limited

Tapaas Chakravarti
CMD & CEO



AGM NOTICE

AGM Notice

Notice is hereby given that the fifth Annual General Meeting of the members of DQ Entertainment (International) Limited will be held on Friday 10th day of August, 2012 at 2:30pm at The Square Hyderabad, 6-3-870, Balayogi Paryatak Bhavan, Begumpet, Hyderabad, 500-016 to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet as at March 31, 2012, the profit and loss account for the year ended on that date along with the schedules attached thereto and the reports of the Board of Directors and Auditors thereon.

2. To appoint a Director in place of Ms. Rashmi Chakravarti, who retires by rotation and, being eligible, offers herself for re-appointment.

3. To appoint a Director in place of Mr. S. Sundar who retires by rotation and, being eligible, offers himself for re-appointment.

4. To re-appoint Statutory Auditor and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification (s) the following resolution as an Ordinary resolution:

"**RESOLVED THAT** M/s. Haribhakti & Co., Chartered Accountants (Registration No. 103523 W), be and is are hereby re-appointed as the Statutory Auditor of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors".

SPECIAL BUSINESS

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

5. Re-appointment of Mr. Tapaas Chakravarti

"**RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the said Act, consent of the Company be and is hereby accorded to the re-appointment of Mr. Tapaas Chakravarti as the Chairman, Managing Director and Chief Executive Officer (CMD & CEO) for a period of five years commencing from September 1, 2012, at the remuneration as set out below:

Salary: Rs 3.36 lacs per month aggregating to Rs. 40.32 lacs per annum

Perquisites: Rs. 10.08 lacs per annum

Performance Incentive: 3% of Profit After Tax (PAT)

PERQUISITES AND ALLOWANCES

CATEGORY A

a) Reimbursement of Medical Expenses incurred for self and his family as permissible under the Income Tax Act, 1961.

b) Leave travel concession- for self and his family once in a year incurred in accordance with the rules of the Company.

c) Club fees shall be reimbursable subject to a maximum of two clubs and this fees will not include admission and life membership fees.

d) Personal Accident Insurance- the premium amount on such insurance cover shall be reimbursable.

e) Ex-gratia, Bonus & Incentive: In accordance with the rules of the Company.

f) Education Allowance for his children, as may be applicable

g) Any other perquisites or allowances as applicable.

CATEGORY - B

i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund will be as per rules of the Company. The same will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

ii) The Managing Director shall be entitled to Gratuity as per the rules of the Company.

iii) Earned leave as per rules of the Company but not exceeding one (1) month leave for every eleven (11) months. Encashment of leave at the end of tenure will not be included in the computation of the ceiling on perquisites.

CATEGORY - C

i) Free use of Company's car with driver for Company's business.

ii) Free telephone facility at residence.

iii) Reimbursement of entertainment expenses actually and properly incurred for the business of the Company.

The above mentioned salary and perquisites shall be paid and allowed as a minimum remuneration during the currency of tenure of his office as the CMD & CEO, notwithstanding the absence or inadequacy of profits in any accounting year subject to the limits prescribed under Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT any one of the Directors or Ms. Anita Sunil Shankar, Company Secretary of the Company be and are hereby authorized to do all such acts, deeds and things as may be necessary to give effect to the above resolution including filing of forms/returns with the Registrar of Companies, Andhra Pradesh, Hyderabad."

By order of the Board of Directors
for DQ Entertainment (International) Limited

Place: Hyderabad
Date: May 28, 2012

Anita Sunil Shankar
Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item no. 5

Mr. Tapaas Chakravarti is the promoter of DQ Entertainment. His International Corporate Management Experience of over two decades has helped to shape the success story of his creation, DQ Entertainment group.

As part of the initiative to create enduring guidance for the Company, the Board of Directors, at their meeting held on May 28, 2012, have approved the re-appointment of Mr. Tapaas Chakravarti as the Chairman, Managing Director and Chief Executive Officer (CMD & CEO) of the Company for a further period of five years commencing from September 1, 2012. Mr. Tapaas Chakravarti has insisted on a similar salary structure, as the Company is on a developing stage and requires funds for execution of its order pipeline.

Mr. Tapaas Chakravarti holds 41 equity shares in the Company. Details as required under clause 49 of the listing agreement are given under the head 'Additional Information on Directors' herein below.

As suggested by the Remuneration Committee, your Directors recommend the resolution set forth in Item No. 5 for approval of the members as a Special Resolution.

None of the Directors except Mr. Tapaas Chakravarti & Ms. Rashmi Chakravarti are interested or concerned in the said resolution.

By order of the Board of Directors
for DQ Entertainment (International) Limited

Place: Hyderabad
Date: May 28, 2012.

Anita Sunil Shankar
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF IN THE MEETING AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

2. An instrument appointing proxy in order to be effective, must be deposited at the Registered Office of the Company, duly completed and signed not less than 48 hours before the commencement of the Meeting.

3. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.

4. In terms of the provisions of Articles of Association of the Company, read with Section 256 of the Companies Act, 1956, Ms. Rashmi Chakravarti & Mr. S.Sundar shall retire by rotation at the ensuing Meeting and being eligible are liable for re-appointment. The Board of Directors of the Company recommends their respective re-appointments.

5. Brief resume of all Directors including those proposed to be appointed, names of companies in which they hold directorships and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreements with the Stock Exchanges are provided in the Annual Report.

6. Members/proxies are requested to bring their Attendance Slips sent herewith to attend the meeting.

7. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business under item 5 is annexed hereto.

8. The Share Transfer Books and the Register of Members of the Company will remain closed from Friday, 3rd August 2012 to Friday, 10th August 2012 (both days inclusive).

9. We request you to update your email address with your depositary participant to enable us to send you the quarterly reports and other business updates via email.

10. Shareholders desiring any information relating to the accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.

11. Pursuant to Clause 49 of the Listing Agreement, brief profiles of the Directors proposed to be appointed/ re-appointed are given above.

Additional Information on Directors
(As per Clause 49 of the Listing Agreement)

As required under the Listing Agreement, the particulars of Directors who seek appointment/re-appointment are given below:

1. Name :Mr.Tapaas Chakravarti
Age :56 years
Qualification : Science graduate with post graduate qualification in Business Management
Expertise :Over 24 years of experience in Corporate Management, Animation & Entertainment segment
Other Directorships **:** (i)DQ Entertainment plc
(ii) DQ Entertainment (Mauritius) Limited
(iii) Zenithal Private Limited
Shareholding in the Company **:** 41 Shares

2. Name :Ms. Rashmi Chakravarti
Age :50 years
Qualification : Bachelors' in Fine Arts.
Expertise : Training and Multimedia
Other Directorships **:**Nil
Shareholding in the Company **:** 41 Shares

3. Name : Mr. S.Sundar
Age : 52 years
Qualification : Fellow Chartered Accountant & passed the Information Systems Audit-ISA.
Expertise : Statutory audit and Internal audit of public sector & government organizations.
Other Directorships : Nil
Shareholding in the Company : Nil

PROXY FORM

Fifth Annual General Meeting - 10 August, 2012

Regd. Folio no. / DP Client ID

I/We……of…….. being a member/members of the Company hereby appoint ……of ……..……or failing him/her ……..…… of……..……as my/our proxy to vote for me/us and on my/our behalf at the FIFTH ANNUAL GENERAL MEETING of the Company to be held on Friday, August 10, 2012 at 2:30 pm and at any adjournment(s) thereof.

Affix
15 paise
revenue
stamp

Signed this…….. day of…….. 2012

……..
Signature of the member

……Please tear here……

ATTENDANCE SLIP

Fifth Annual General Meeting - 10 August, 2012

Regd. Folio no. / DP Client ID No.

No.of shares held

I certify that I am a member/proxy for the member/representative on behalf of the member of the Company.

I hereby record my presence at the FIFTH ANNUAL GENERAL MEETING of the Company held on Friday, August 10, 2012 at 2:30 pm at The Square Hyderabad, # 6-3-870, Balayogi Paryatak Bhavan, Begumpet, Hyderabad – 500 016. Andhra Pradesh.

……..
Name of the member/proxy
(in BLOCK LETTERS)

……..
Signature of the member/proxy

Company Information

DIRECTORS

Tapaas Chakravarti
Chairman, Managing Director and Chief Executive Officer

Rashmi Chakravarti
Executive and Non-Independent Director

Rashida Adenwala
Professional and Non-Independent Director

Kunchithapadam Balasubramanian
Non-executive and Independent Director

Girish Kulkarni
Non-executive and Independent Director

Neelesh Wagle
Alternate Non-executive and Independent Director to Girish Kulkarni

S Sundar
Non-executive and Independent Director

REGISTERED OFFICE

644, Aurora Colony,
Road No.3,
Banjara Hills,
Hyderabad-500 034.

STATUTORY AUDITORS

Haribhakti & Co,
Raja Pushpa House,
3rd Floor, Plot No.34, Silicon Valley,
Madhapur, Hyderabad.
India.

REGISTRAR & SHARE TRANSFER AGENT

Karvy Computershare Private Limited
Plot No. 17-24, Vittal Rao Nagar Madhapur
Hyderabad – 500 081, India
Telephone: +91 40 2342 0815
Facsimile: +91 40 2342 0814
Email: einward.ris@karvy.com
Website: www.karvycomputershare.com

COMPANY SECRETARY

Anita Sunil Shankar
644, Aurora Colony,
Road No.3,
Banjara Hills,
Hyderabad-500 034.

BOOK POST

if undelivered, please return to:
Karvy Computershare Private Limited
Unit: DQ Entertainment (International) Ltd
Plot No. 17-24, Vittal Rao Nagar Madhapur
Hyderabad – 500 081, Andhra Pradesh, India

DQ ENTERTAINMENT (INTERNATIONAL) LIMITED
www.dqentertainment.com

Registered Office

644, Aurora Colony, Road No.3, Banjara Hills,
Hyderabad - 500 034. Andhra Pradesh. INDIA.
Ph : 0091-40-23553726 & 27 Fax : 0091-40-23552594

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