DQ ENTERTAINMENT (INTERNATIONAL) LIMITED

Annual Report 2014

DQE IPs on the move...

Imagination and Beyond

CONTENTS

VISUAL EFFECTS AND DIGITAL DISTRIBUTION

I. VISUAL EFFECTS (VFX)

DQE with its inherent talent pool has now set up a dedicated VFX division, with a vision to be a prominent player and take advantage of this fast growing segment in India as well as globally.

The table below reflects the size of the animation, VFX and post production industry in India.

Segments	2009	2010	2011	2012	2013	GROWTH IN 2013	CAGR 2009-2013
	INR in Billion						
Animation services	5.5	6.2	7.1	7.6	8.0	5.3%	9.8%
Animation production	3.7	3.9	4.2	4.5	4.7	4.4%	6.2%
VFX	3.1	4.5	6.2	7.7	9.3	20.8%	31.6%
Post-production	7.8	9.1	13.5	15.5	17.7	14.0%	22.7%
Total	20.1	23.7	31.0	35.3	39.7	12.4%	18.5%

Source: KPMG in India analysis

As can be observed from the table above, the growth in animation services and production has been flat in 2013 but the revenues from VFX and Post-production services have increased significantly.

Animation revenues include revenues from work outsourced to India (animation services) and from locally created animation movies and animation in commercials (animation production).

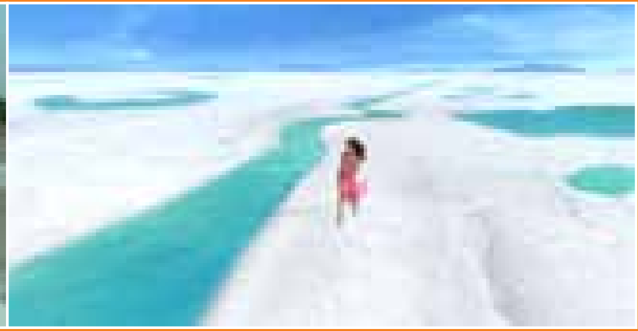
VFX revenues include revenues generated from works/ effects/segments/shots etc. created for producers of domestic and international movies, television serials, advertisements and other mediums.

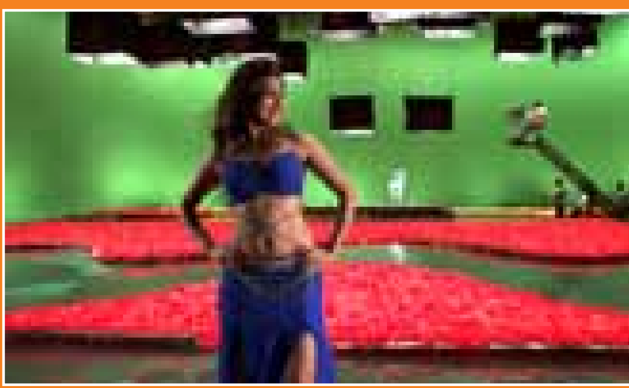
VFX is now being used in most films, whether to add characters, landscape, and background or to simply correct the skin tone of an actor. The year 2013 saw the introduction of policies by a few state governments to boost the sector. The year 2013 was also a good year for the VFX industry as almost all top grossers had substantial use of VFX. The most expensive Indian animated movie 'Mahabharat' costing around INR 500 million was released in 2013 and it received global kudos. The production work was done in India and the industry woke up to the promise of VFX.

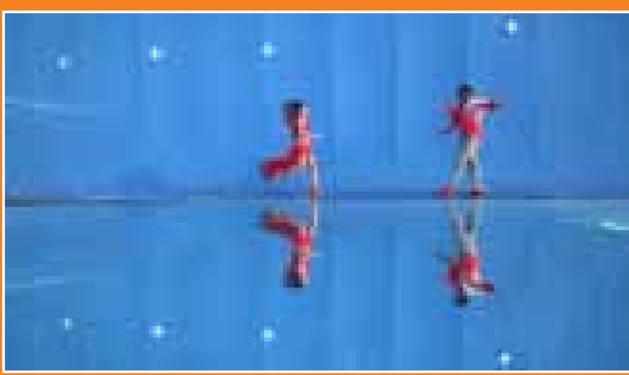
Similarly there was substantial use of VFX in Dhoom 3 - the digital characters for vehicles and two-wheelers using computer generated imagery ('CGI') were created for various high-octane action scenes to look real. 'Krrish 3' is also a testimony to the increasing use of VFX in Bollywood where a large number of shots in the film utilized VFX.

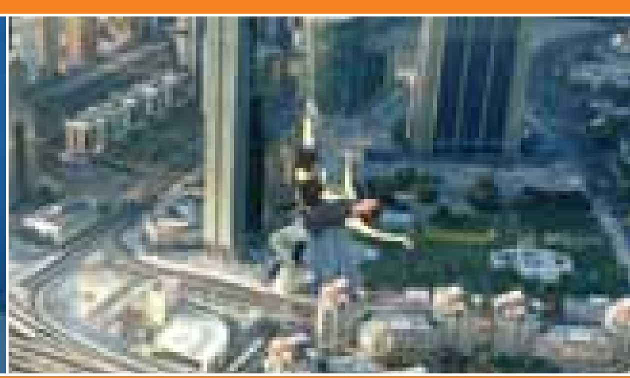
DQE has very recently provided VFX to a song of a Kannada movie 'Manikya'. The shooting was done in a small indoor stadium in Hyderabad and through VFX it was transformed into a completely new and enthralling outdoor foreign location. The quality of the output was very well appreciated and DQE has now got more contracts lined up for VFX for a few of the South Indian movies. We have the capabilities to produce international quality VFX and hope to get a few projects from Hollywood movies.

KANNADA MOVIE ‘MANIKYA’



Top 10 Bollywood grossers (domestic collection net) of 2013 and 2012 with number of VFX shots

2013 MOVIES	BOX OFFICE COLLECTION INR MN	VFX PARTNER	NUMBER OF VFX SHOTS (APPROX)	2012 MOVIES	BOX OFFICE COLLECTION INR MN	VFX PARTNER	NUMBER OF VFX SHOTS (APPROX)
Dhoom 3	2,803	Tata Elxsi	1,500	Ek Tha Tiger	1,980	Tata Elxsi	1,062
Krrish 3	2,405	Red Chillies VFX	3,500	Dabangg 2	1,585	Prime Focus	950
Chennai Express	2,267	Reliance Mediaworks	1,300	Rowdy Rathore	1,310	Reliance Mediaworks	600
Yeh Jawaani Hai Deewani	1,900	Prime Focus	300	Agneepath	1,230	Pixion Studios	1,600
Goliyon Ki Raasleela Ram-Leela	1,100	Reliance Mediaworks	750 plus	Jab Tak Hai Jaan	1,207	Red Chillies	NA
Bhaag Milkha Bhaag	1,035	Pixion Studios	160	Barfi	1,200	Pixion Studios	500
Grand Masti	1,025	Pixion Studios	500	Housefull 2	1,140	Prime Focus	237
Race 2	1,020	NA	NA	Son of Sardar	1,050	Pixion Studios	3,800
Aashiqui 2	854	Prime Focus	107	Bol Bachchan	1,020	Pixion Studios	600
Special Chabbis	700	Imaging Labs	NA	Talaash	930	Pixion Studios	400

Source: KPMG in India analysis

VFX IN TELEVISION

The impetus of visual effects is now not only restricted to feature films, but is getting extended to big budget serials and television commercials. Use of VFX in Indian television serials goes back to 1980's where the technology was used in mythological serials such as Ramanand Sagar's 'Ramayan' and B R Chopra's 'Mahabharat'. Today, VFX is becoming an integral part of storytelling on television. Increased used of VFX in television content, whether it is in continuing serials like 'Devon Ke Dev...Mahadev' or the new ones like 'Mahabharat', '24', 'The Adventures of Hatim', etc., is a paradigm shift as Television, as a medium, is getting bigger and better.

VFX IN ADVERTISEMENTS

With the plethora of channels available at the flip of a button, one of the key challenge for advertisers is to hold the attention span of potential customers and prevent them from changing the channel when an advertisement appears. A key weapon therefore, is VFX, which not only enhances the content but also adds fun and interest, elements necessary to hold the viewers' attention. Visual effects also help shape a viewer's feelings about the product or service in the advertisement. For example, if an ad shows the giant bug retreating and finally dying after being sprayed with a bug spray, the viewer might feel confident that the product can get rid of any insect.

Expected growth trends in VFX and post production business in India

Year	VFX	POST-PRODUCTION	TOTAL
2013	9.3	17.7	27.0
2014P	11.3	20.4	31.7
2015P	14.0	23.6	37.6
2016P	17.2	27.6	44.8
2017P	21.5	32.3	53.8
2018P	26.8	38.1	64.9
CAGR% 2013-18P	23.6%	16.6%	19.2%

Source: KPMG in India analysis

2. DIGITAL DISTRIBUTION

In this new era of Information age, Digital media is now the buzz word. Computer programs and software; digital imagery, digital video; web pages and websites, including social media; digital audio, and e-books are examples of digital media. Digital media are frequently contrasted with print media, such as printed books, newspapers and magazines, and other traditional or analog media, such as pictures, film or audio tape. Combined with the Internet and personal computing, digital media is growing rapidly in publishing, journalism, entertainment, education, commerce and politics.

Companies such as Netflix, Hulu, Sony's crackle etc. that offer VOD and SVOD services to access a bundled set of content are growing rapidly. There is a huge demand for original kids content from Digitial Distribution companies such as these to meet the varied requirements of their viewers / customers. Another subset of video on demand is "advertising video on demand" (AVOD). This AVOD is often free for users, and the platforms rely on selling advertisements as a main revenue stream.

Content producers are now developing new IP`s away from the television screen especially to cater to the Digital Media. Digital revenue is increasing significantly as online worlds emerge and app download figures and tablet sales rocket. While, kids are still watching TV shows, there are so many other platforms to distribute and view content.

While, Digital media cannot replace a TV show, a "digital strategy" is incredibly important. In fact Licensing & Merchandising has received a huge boost with Digital distribution of content. Social gaming has emerged as a key form of content for children above preschool age. Aggressive Facebook app companies such as Zynga are snapping up IP as their profits swell in proportion to this growth.

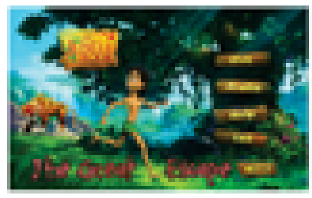
DQE's marketing team is extensively working on monetizing its vast library of content through digital media especially using the VOD / SVOD formats. As of today, standard methods of monetizing through broadcast on television only, does not maximize revenue potential of our brands. In fact by extensively using digital media we will reduce dependence on broadcasters for development. Digital distribution of content through various online channels will increase brand equity and visibility as well as enhance the potential of revenues from Licensing and Merchandising.

AVENUES OF MONETIZATION

Promotional Campaign

Global promotional partnership with Burger King began in summer of 2013, highlighted by in-restaurant merchandising and promotional themed toys featuring The Jungle Book characters

Mobile Apps



Jungle Book mobile app "The Great Escape" has already been downloaded over 15,000 times. The expansion of Burger King's promotion into Europe, Asia Latin America should significantly increase download rates. The second Jungle Book App "Fruit Dash" will be launched on iOS and Android in the near term

Over-the-Top Video

Jungle Book recently launched on several over-the-top content providers such as Netflix, VUDU and RedBox. Among family films, the franchise has been ranked #1 in Canada and #4 in the US

Social

Activity on the Jungle Book Facebook page as significantly increased since the launch of the franchise on Netflix and RedBox, with weekly activity up over 600%

Broadcast TV

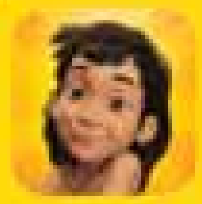
Knowledge Network (Canada) and Univision (US) have committed to broadcasting the Jungle Book TV series, with Canal 5 – Televisa (Mexico) set to commit in the near term

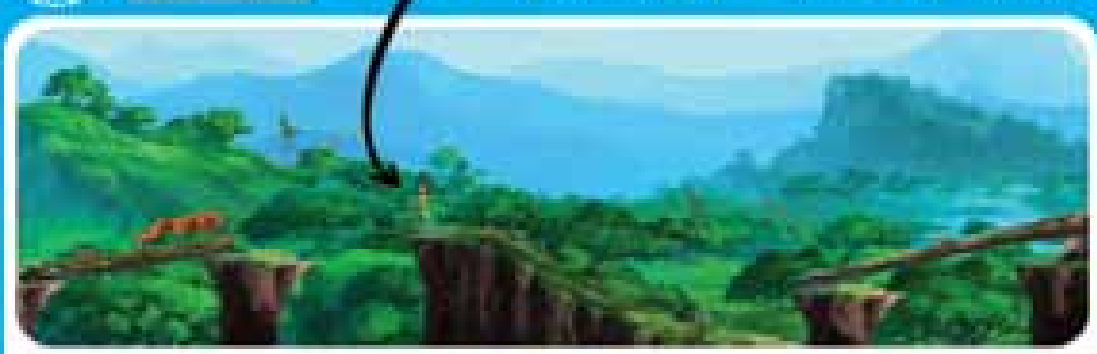
360 Degree Monetization Strategy

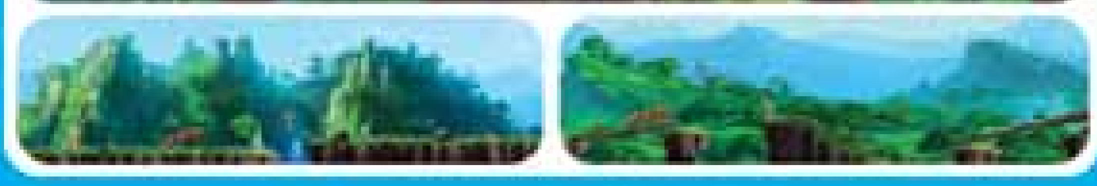
DQE'S STRATEGY ON THE EXPLOITATION OF DIGITAL MEDIA

Fruit Dash a free mobile app designed for Tablets & Phones, IOS & Android Platform co developed with Canadian game developers Budge Studio.

DQE also has developed its own android based game called "The Great Escape" which will be available in all android based devices from July 2013.







DQE's Strategy on the exploitation of Digital Media for maximum benefits is as under:

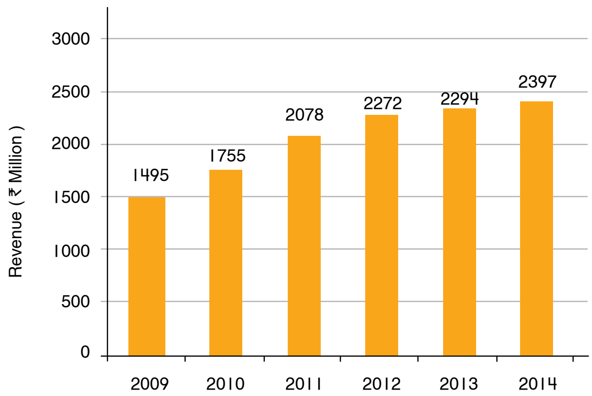
- Tie up with children-specific social media websites such as Scuttle Pad or Giant Hello for reaching targeted consumer.
- Develop and grow community of users by actively engaging the social media such as Facebook.
- Access existing user community by working in tandem with our licensing & broadcast partners
- Collaborate with popular and relevant blogging sites.
- Organise websites so that consumers/parents can easily find the content.
- Penetrate mainstream Mobile Games market with games developed by our own content and create a new Product line.
- Distribution of DQE IP`s on digital platforms such as YouTube, Hullu, Netflix, ITunes, Amazon to create large direct (D2C) customer base.
- Generate revenue through direct sale of merchandise online to customers.
- Divert large traffic from the above D2C base through "DQ App" to promote our various product and create newer demand.
- Support and add value to our existing IP's by using the tool to reach new markets and add value to our existing IPs.

DQE having expertise in development of high end content for animation and games, has added new vertical of Mobile Interactive division for development of Games, Apps and E-books for mobile platforms.

DQE has launched two games in the market based on TV series IP's i.e., Jungle Book - The great escape and Peter's Neverland. DQE is planning to release soon a new endless run game style IP, La-Tomatina based on Spanish festival.

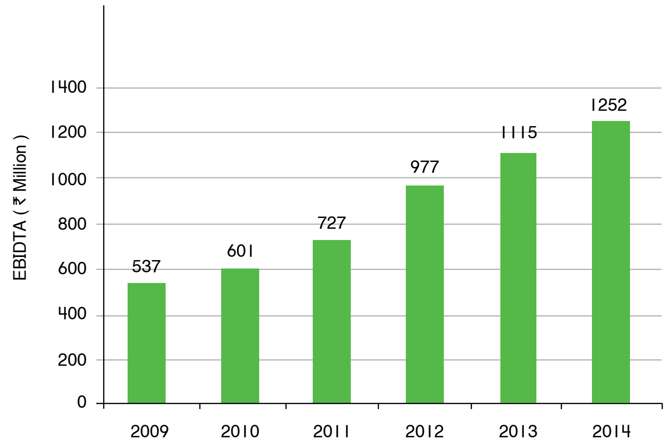
With evolution of mobile technology in the last five years has openend new market opportunities for gaming industry in the mobile platform. As per the market report, the mobile game industry is set to grow over 27% by 2016.

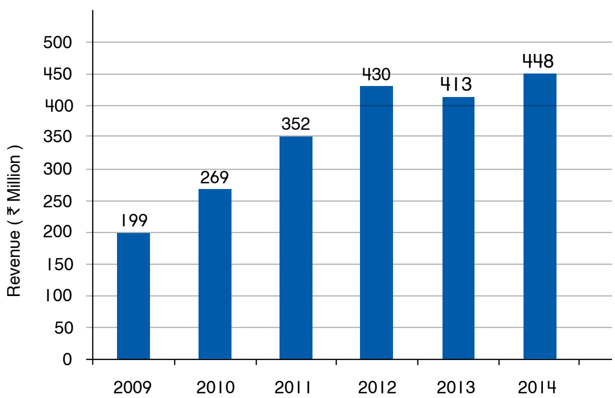
FINANCIAL HIGHLIGHTS



REVENUE

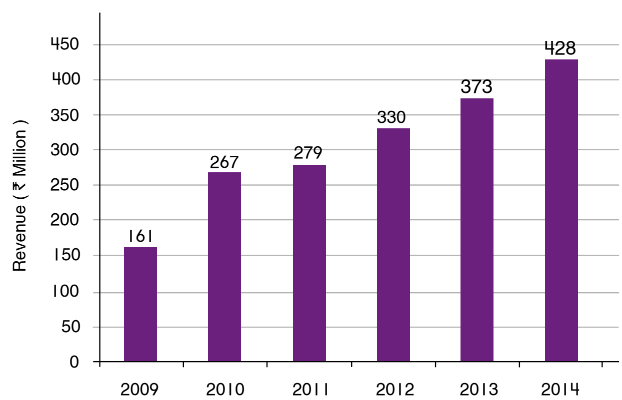
EBIDTA*





PROFIT BEFORE TAX

PROFIT AFTER TAX



Order book currently at **INR 5634 Mn****

**EBITDA is calculated by adding depreciation, amortization and impairment expenses to the operating results before financing cost.*
***Includes contracted forward production revenues and signed licensing & distribution deals.*

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Tapaas Chakravarti, CMD & CEO

"DQE's ability to adopt the newer technologies quickly and efficiently in this rapidly changing environment will help it to monetize from alternate revenue streams with the current library of content"

Dear Shareholders

We are happy to place before you our annual results for the year ended 31 March 2014.

During the last couple of years, DQE has remained focused on building its own television content production and distribution business while also leveraging its resources to benefit from alternate channels and platforms.

Furthermore, we continue to develop and progress on our feature film production which will complement to our existing production pipeline and also add several new intellectual properties to our portfolio that comprise the foundation of our business.

Our licensing and distribution group has performed well, concluding new agreements with international broadcast partners as well as several licensees for variety of merchandise products.

The business of entertainment has evolved into a highly dynamic industry, interconnected by varied global digital platforms. The demand for good quality content has grown substantially due to the availability of digital platforms for exploitation and distribution. Broadband Internet connections across all major markets are on the rise while the increased use of alternate screens such as the tablet and Smartphone has accelerated the growth of mobile broadband subscribers across the globe. There are currently an estimated 2.1 billion mobile broadband users, growing at a rate of 30% annually and projected to touch 7 billion subscribers by 2018. DQE is well positioned to take advantage of this mass market requirement of content in addition to the normal revenue streams currently being generated.

As already demonstrated in the past, DQE's ability to adapt the newer technologies quickly and efficiently in this rapidly changing environment will help it to monetize from alternate revenue streams with the current library of content. In order to create a niche market presence for itself in this emerging digital space, the entire team has worked extremely hard under difficult circumstances to solidify the company's position in what is a very competitive environment.

I sincerely would like to thank you for your support to DQ Entertainment and I remain optimistic about our future in the animation TV and feature film content industry.

OPERATING HIGHLIGHTS:

Most notable amongst this year's achievement is the success launch of our 2nd IP "The New adventures of Peter Pan". The first season has done exceedingly well and our Broadcast partners – ZDF Group Germany, Tele Quebec Canada and De Agostini Group, Italy have already given their go for the 2nd season.
Most notable amongst these properties are:

PRODUCTIONS SUCCESSFULLY COMPLETED AND DELIVERED:

- NFL2 20 x 22' CGI / 2D TV Series with Rollman Entertainment, USA for Nick Toons (USA) has been successfully delivered.
- Iesodo – 10x13' CGI TV series with Rollman Entertainment (USA)
- Lanfeust Quest – 26 x 22' 3D TV series coproduced with Gaumont Alphanim (France)
- The Rising Star – 26 x 22' 2D TV series coproduced with TMS Entertainment (Japan) and Kodansha (Japan)
- Peter Pan (Season 1) – 52 x 11' 3D TV series co-produced with Method Animation
- DVD's and Pilots namely Turk, Ethel & Ernest, Court update and G-Soccer.
- Rotomation - 90 Mns DVD 3D HD – Oyster Blue Corporation
- Lancer Man home video movie – 3D 88 mns – Oyster blue Corporation

NEW PROJECTS SIGNED IN THE YEAR 2013-14

We have signed new co-productions/work-for hire contracts with international partners for delivery over the next 18-24 months as follows:

- Leo & Pisa gang – 52 x 11' CGI TV series with MPP (Germany)
- Shabiyate – 15 X 13 CGI TV series with Fanar Productions
- Miles from Tomorrow Land 24X22 with Wild Canary USA
- Project Popples 52 x 11 with Zag Toons,USA
- Seven Dwarfs and Me 26 X 22with Method Animation France

PROJECTS IN PRODUCTION:

Our production pipeline continues to be robust optimizing the utilization of man and machine resources. The under mentioned are currently in production to be progressively completed for delivery in 2013-14.

- The Jungle Book Season 2 – 52 x 11 3D TV series being coproduced with ZDF TV (Germany), TF1 TV (France), Moonscoop (France), ZDF-E (Germany)
- Jungle Book Christmas Special – CGI TV Feature coproduced with ZDF TV (Germany) and Moonscoop (France)
- Lassie & Friends – 52 x 11' 2D TV series being coproduced series with DreamWorks Classics (USA), TF1 (France), ZDF (Germany) and Noga (Israel)
- Robin Hood, Mischief in Sherwood – 52 x 11 3D TV series being coproduced with Method Animation (France), TF1 (France),ATV (Turkey), De Agostini (Italy) and ZDF (Germany)
- Manav – 65' 2D TV Feature with Disney India
- Little Prince Season 3 – 26 x 22' CGI TV series – third season of this iconic series with Method Animation (France), France Televisions and RAI (Italy)
- NFL Season 3 20 x 22' CGI / 2D TV Series with Rollman Entertainment, USA for Nick Toons (USA)
- Shabiyate – 15x13 CGI TV series with Fanar productions
- Pocket World - 60 Mns DVD 3D HD - Real Heart Limited
- Motion Maker - 45 Mns TV Feature 3D HD - Smart Silver Limited
- Wyland's Universe - 90 mins DVD - Jayna Mid East
- The Zula Man - 70 mins DVD - Smart Silver Limited
- T- tales Inside - 110 mins DVD - Real Heart Limited
- Witch wonders - 140 mins DVD - Bright Action Limited

IPs CURRENTLY IN DEVELOPMENT:

- 5 & IT - 52 x 11' 3D HD TV series to be coproduced with ZDF Enterprises (Germany)
- The Adventures of Pinnochio - 52 x 11' TV series under development by our IP creative team
- The Jungle Book Feature Film – 90' 3D stereoscopic feature film

Licensing and Distribution

Our licensing and distribution efforts help us to monetize our IP's across international markets. The deals signed during the year are as under:

BROADCAST & HOME VIDEO DEALS SIGNED IN 2013-14			
S. NO	PROPERTY	BROADCASTER	TERRITORIES
1	JUNGLE BOOK 1	Univision	USA & Puerto Rico
2		Knowledge Network	British Columbia
4	JUNGLE BOOK 2	Viacom 18 Media Private Limited	Indian Sub Continent
5		The Educational Broadcasting System	Korea
6		ABC Broadcasting	Australia
7		Green Narae Media	Korea
8	JUNGLE BOOK SAFARI	Workpoint	Thailand
9	PETER PAN	Media Entertainment Services	UAE, Bahrain, Omar, Qatar, Lebanon, Egypt, Iran
10		Rai Cinema	Italy
11		Sky Italia	Italy
12		Green Narae Media	Korea
13	ROBINHOOD	De Agostini	Italy & Italian speaking Europe
14		ZDF	Germany & German speaking Europe
15	IRON MAN 2	2 X 2	Russia
16		Clear Vision	UK
17		A Parent Media Co	Canada
18		South African Broadcasting Corporation	South Africa
19		Radio Television Malaysia	Malaysia

LICENSING AND MERCHANDISING DEALS SIGNED IN 2013-14			
S. NO	**PROPERTY**	**LICENCEES**	**TERRITORIES**
1	JUNGLE BOOK	Showtime Attractions Extension	Australia & New Zealand
2		BBS S.p.A	Italy, San Marino, Vatican City
3		Seri Systems (for Europe,Russia Turkey) exclusive	Europe
4		Technoplast	Chile & Peru
5		Newco International	US, Canada
6		Kellytoy USA, Inc.	US, Canada, South Africa
7		Inkology	US, Canada
8		Milestone	US, Canada
9		Playrific	Worldwide
10		Craftstone Group Ltd.	All of Europe excluding Germany and German Speaking Europe including Austria and Switzerland) and Asia
11		Gruppo Cartorama	Italy
12		Wimpy Marketing	South Africa, Swaziland, Botswana, Mauritius, Namibia
13		Dragon-I Toys Limited	Global excluding U.S., Canada, SA, AUS & New Zealand
14		Harlequinn International Group Pty Ltd	Australia
15		Jilcroft Pty Ltd (MJM Australia Imports)	Australia
16		Brand Licensing South Africa CC	Africa & S. Africa
17		Synergy IT	EMEA, North America, South America, Australia
18		Spafax Airline Network	Inflight Entertainment only
19		Universal Music for JB 2	Worldwide

S. NO	PROPERTY	LICENCEES	TERRITORIES
20	JUNGLE BOOK	King Trade Limited (A unit of King Animation)	Latin America excluding Arzentina, Uruguary, bolivia, Mexico, China, south Korea and Japan, Phillippines, Malaysia , Thailand, Singapore, Vietnam, HongKong, Taiwan
21		Great Chance Limited	Middle east + Northern Africa
22		Jayna Mid East FZE	East Europe, CIS including Russia
23		22D Music Group	Worldwide
24	PETER PAN	RanocchioRe	Italy, San Marino, Vatican City
25		Nestle	Italy, San Marino, Vatican City
26		Tendenze srl	Italy, San Marino, Vatican City
27		22D Music Group	Worldwide
28	FELUDA TV SPECIAL - The detective series - 60 Mins - (L & M)	Smart Silver Limited	UAE, Bahrain, Oman, Qatar, Kuwait, Saudi Arabia, Iran, Lebanon, Jordan & Egypt.
29	FELUDA TV SPECIAL - The detective series Television rights and Home video rights		UAE, Bahrain, Oman, Qatar, Kuwait, Saudi Arabia, Iran, Lebanon, Jordan & Egypt.
30	SURYA PUTRA - "The star Boy" - (L & M)	King Trade Limited	USA and EUROPE
31	SURYA PUTRA - "The star Boy" - Television rights and Home video rights		USA and EUROPE

OUR KEY STRATEGIC PRIORITIES FOR THE FORTHCOMING YEAR INCLUDE:

- VFX for Hollywood live action movies especially.
- Exploitations of IP's through Digital Media Distribution channels such as YouTube, Amazon, Hulu etc.
- Mobile gaming for IOS and Android platforms
- Accelerate distribution in untapped markets such as Eastern Europe and Latin America

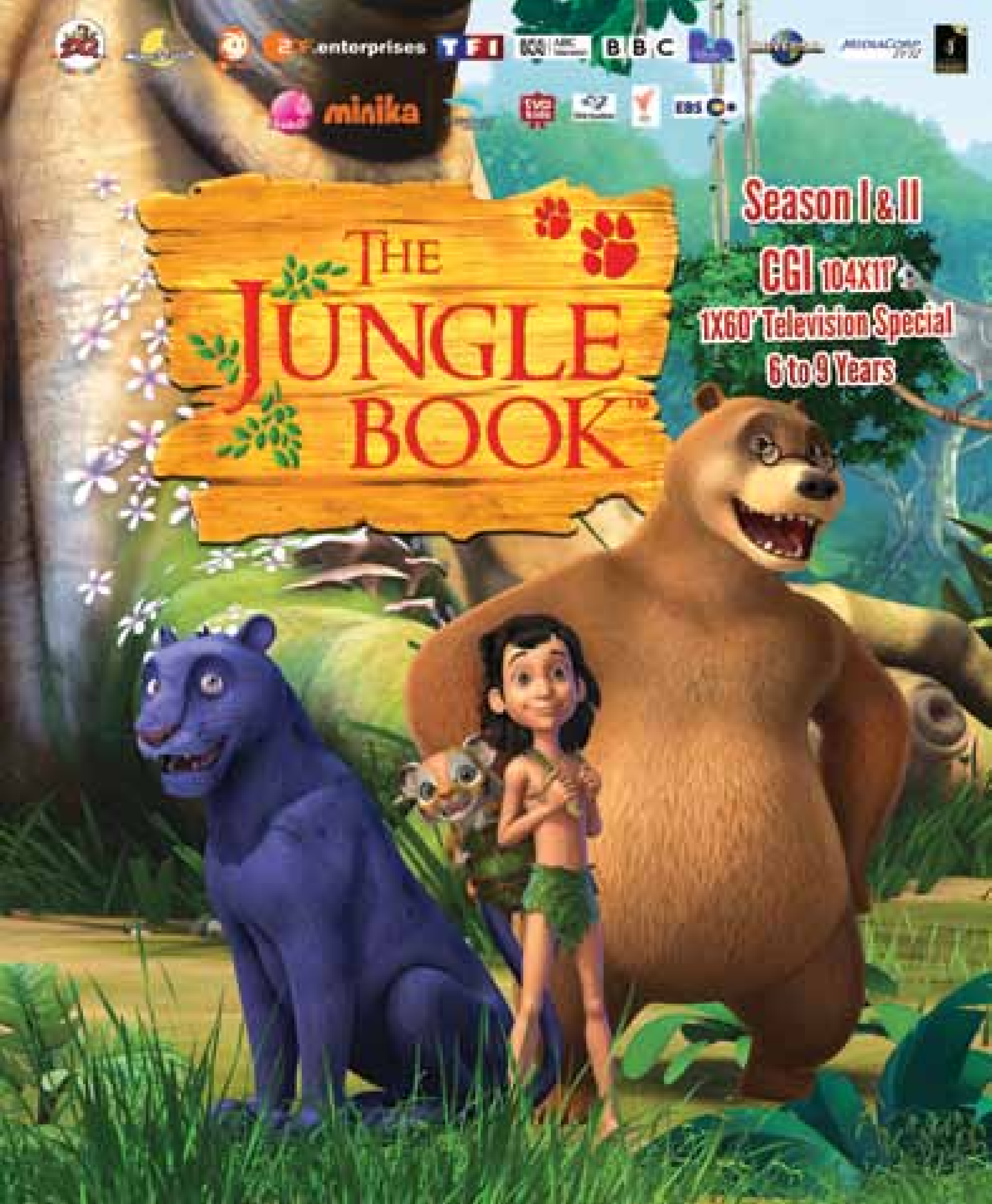
OUTLOOK :

Our focus markets are primarily in Europe, USA and Canada followed by Asia, Middle East and Latin America. US surely has moved forward from subdued conditions while Europe is still under recessionary conditions though production improvements have been seen in France, Germany, UK and Italy. We remain optimistic with US and Canada leading the growth path for TV and animated feature film markets which your company is taking full advantage.

APPRECIATION :

I sincerely thank our valued stakeholders and board members, as well as our partners' worldwide and valued clients, business associates, bankers and government authorities for their continuous support and trust.

Tapaas Chakravarti
CMD & CEO
30 May 2014



INDUSTRY OVERVIEW

INDUSTRY OVERVIEW

GLOBAL ANIMATION INDUSTRY

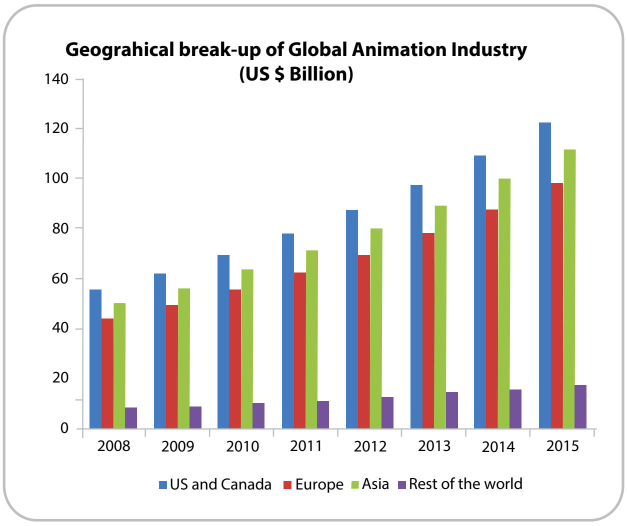
The demand for animated entertainment has expanded with the increase in broadcasting hours by cable and satellite TV along with the growing popularity of the Internet. Animation generally does not become outdated as quickly as live action programming, allowing an animated program to be enjoyed by each new generation of children and generally providing a longer life cycle for merchandising and licensing of products relating to such programming.

In the past, animation series were aimed at children aged nine and below. TV stations have been producing animation series for teenagers, adults and the whole family. The rapid advancement of computer technology has made computer animation available to the masses.

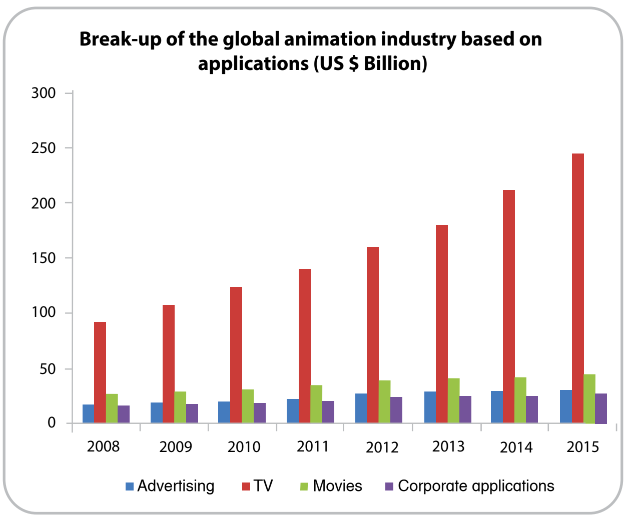
The size of the global animation industry was estimated to be about USD 278 billion in 2013. The major animation markets include the United States, Canada, Japan, China, France, Britain, Korea and Germany. Most of the segments in the animation industry are growing at the rate of 7% YoY. The outsourced computer animation production market is increasingly being tapped by North American and European film and television program producers. The major animation markets include the United States, Canada, Japan, France, Britain, Korea and Germany. The emerging animation countries are China and India.

The outsourced computer animation production market is increasingly being tapped by North American film and television program producers. The major factors behind outsourcing of animation content to the Asia/Pacific region are the availability lower labor rates. The bulk of the outsourcing happens for 2D animation content with some amount of 3D content.

The animation market is exploding worldwide. It currently represents 25% of the world audiovisual market, a figure that is only set to increase with the introduction of new delivery systems, changing scheduling patterns, and a proliferation of new media forms. Animation is poised to take advantage of the new media landscape, because the format lends itself to a highly graphic digital environment. This flows through from established cinema to TV and on to commercial applications and sites on the internet. Because not only are more live action features using increasingly sophisticated digital animation technologies, but the visual and digital nature of contemporary animation content is well suited to use in online applications.



Source:Global Animation Industry Report



Source:Global Animation Industry Report

Animation production is a very labor-intensive business process that can be segmented in different stages some of which are highly suitable to outsourcing to lower-cost locations.

In two dimensional (2D) animation, labor accounts for 70 percent to 80 percent of total costs. Even for three-dimensional (3D) animation, in which software and hardware play an important role, labor still accounts for 60 percent of the cost. Content for film & TV are the major animation consumption segments and accounts for about half of the total global computer animation production. This comprises of movies for TV, home videos etc.

2D ANIMATION

This constitutes the largest segment in the global animation industry. 2D animation production is a labor intensive process, which involves building up animated sequences by hand. Most of the effort goes into drawing, inking and coloring of the individual animated characters for each of the frames.

3D ANIMATION

3D animation allows one to create within a 3D space, and almost no film today is devoid of 3D animation and special effects. Three-dimensional animation involves constructing a virtual world in which characters and objects move and interact. The 3D animation market comprises of the 3D movies, 3D animated serials and 3D interactive games. The explosive growth of 3D animation is triggered by the digital games industry.

VISUAL EFFECTS

Visual Effects relate to all animation techniques. It is present in all types of media as rain, dust, smoke, water, explosions and so on. Visual effects incorporate into classical, puppet and live action movies, covering everything from animated sequences, animated characters conversing with real characters to graphical finishing of a sequence.

With Digital animation entering the live action movie realm, and the urge for Live Action movies to contain fictitious characters similar to those created in a purely digital space growing, fine tuning Motion Capture was the next logical step.

WEB ANIMATION

Web animation has the potential to grow to a large segment. This is enabled by the increasing availability of broadband Internet. As bandwidth increases, networked games will become more and more popular. This will again cause an upsurge in the production of interactive 3D games, and demand for production will rise.

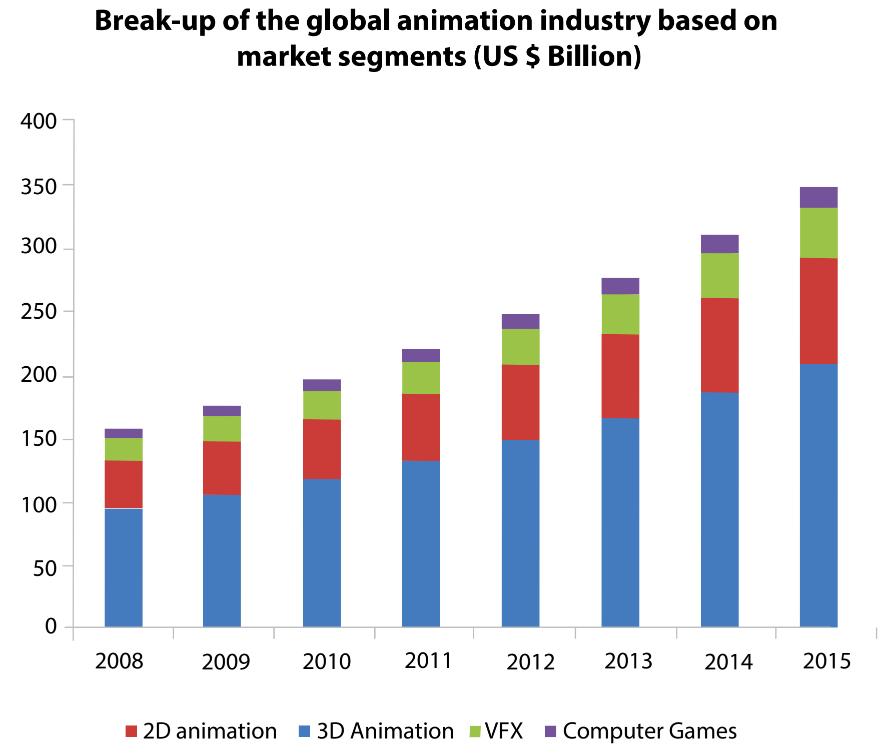
Computer Games

The games market can be segmented into three broad categories:

- Game machines, starting in the 1970's with Pong and Space Invader machines in pubs, leading to today's games arcades full of specialised machines that offer a single game.

- Game consoles such as Sega's Dreamcast, Nintendo's GameCube, Sony's PlayStation and Microsoft's X-Box. These machines are essentially high-performance computers with hardware graphics engines to boost their performance and several have DVD drives.

- Games that run on (high-end) home computers, mobiles & tablets.



Source:Global Animation Industry Report

DISTRIBUTION OF ANIMATION CONTENT

The three key channels for distribution of animation content are television, feature films and home videos.

1.TELEVISION:

Suppliers of television programming include the production divisions of major motion picture studios, independent production companies, broadcast television networks, station owners and advertising agencies. These suppliers sell programming to broadcast networks or television stations for a fixed cash fee per episode, by barter or by a combination of cash and barter. Broadcasters of children's television programming consist primarily of networks (both over the air broadcast television networks and basic cable networks) and independent television stations. Distributors of children's programming generally sell television series to networks on a cash basis. Networks typically pay a distributor a fixed cash license fee that entitles the network to a specified number of runs of a series over a defined period of time. Networks are generally entitled to retain 100% of the advertising revenues generated by the broadcast of a series and sell advertising spots to advertisers on the basis of guaranteed ratings.

2.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 can position 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 will expand 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.

3.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.

4.OTHER CHANNELS

Other channels of distribution include video-on-demand (VOD), pay-per-view, pay television, network, basic cable and syndication, non-theatrical exhibition, such as airlines, schools and armed forces facilities etc.

Certain characteristics of successful animated feature films tend to enhance their overall financial prospects. For example, the themes and characters of these films often transcend traditional cultural boundaries thereby enhancing the prospects for international appeal. Moreover, the family orientation of these films, coupled with the propensity of children for repetitive viewing, make these films well suited for home video purchase and rental. As a result, home video sales of successful animated feature films may also result in substantial proceeds.

ANIMATION FEATURE MARKETS

Movie box office sales in the U.S. and Canada climbed to $10.9 billion in 2013 and of this the major studios in the US accounted for about 90% of the market. In the US, animated programming as a % of television programming accounts for about 30%. This is distributed by television broadcast networks such as ABC, CBS, Fox, WB, UPN and PBS, which account for 55% of all television viewing. Animation heavy cable stations such as Nickelodeon, Cartoon Network, Disney Channel, ABC Family, MTV and Comedy Central augment the major networks. Among the list, Cartoon Network as well as Disney are positioned as pure animation channels. The market size of animation content is augmented by the growing DVD sales and rentals.

Rank	Title	Studio	Lifetime Gross	Theaters	Opening	Year
1	Shrek 2	DW	$441,226,247	4223	$108,037,878	2004
2	The Lion King	BV	$422,783,777	2624	$1,586,753	1994
3	Toy Story 3	BV	$415,004,880	4028	$110,307,189	2010
4	Frozen	BV	$399,445,248	3742	$243,390	2013
5	Finding Nemo	BV	$380,843,261	3425	$70,251,710	2003
6	Despicable Me 2	Uni	$368,061,265	4003	$83,517,315	2013

Rank	Title	Studio	Lifetime Gross	Theaters	Opening	Year
7	Shrek 3	P/DW	$322,719,944	4172	$121,629,270	2007
8	UP	BV	$293,004,164	3886	$68,108,790	2009
9	Monster Inc	BV	$289,916,256	3646	$62,577,067	2001
10	Monster University	BV	$268,492,764	4004	$82,429,469	2013
11	Shrek	DW	$267,665,011	3715	$42,347,760	2001
12	The Incredibles	BV	$261,441,092	3933	$70,467,623	2004
13	The LEGO Movie	WB	$251,560,804	3890	$69,050,279	2014
14	Despicable Me	Uni	$251,513,985	3602	$56,397,125	2010
15	Toy Story 2	BV	$245,852,179	3257	$300,163	1999

Source: www.boxofficemojo.com

ASIAN ANIMATION INDUSTRY

The mature animation production countries in Asia are Japan, South Korea, the Philippines and Taiwan. The emerging animation countries in Asia are

- China
- India
- Vietnam
- Taiwan
- Malaysia and
- Singapore

The Asian animation industry is growing at the rate of between 10- 20% YoY. Growth is driven by animation outsourcing from North America and Europe. China and India have one of the lowest labor rates, which make these countries an attractive destination for animation outsourcing. There are about 1700 animation studios in Asia, majority of them are in Japan and Korea.

VFX INDUSTRY: RAPIDLY MATURING

After conquering 3D animation, India is diving into the VFX world by starting with CG work on domestic, live-action feature films.

The VFX/CG industry in India is driven by fully 3D-animated entertainment productions, mainly outsourced from U.S. or European companies. But there is a growing trend toward the creation of VFX, with an initial focus on domestic, live-action feature films.

Bollywood movies traditionally have been low budget and not reliant on VFX. Film producers are starting to consider integrating VFX in certain cases, however, although their use is often limited to a few scenes.

A relatively new trend is the outsourcing of feature VFX work from Hollywood, sometimes through straight work-for-hire agreements and other times through co-productions or joint ventures. In large part, the initial focus has been on labor-intensive tasks such as wire removal or rotoscoping, due to the lack of experience the industry has in high-end effects.

The volume of VFX in Indian movies will grow to a large extent, as Indian studios move up the value chain.

GROWTH FACTORS

One element that has attracted global producers to the Indian service market is its low cost. While cost comparisons are difficult, being dependent on a range of factors such as quality, in-kind value contributed through co-productions, and subsidies offered in other countries, ***a rule of thumb is that CG and VFX work in India can be done for about 30% to 35% of the cost in Europe or North America.***

Unlike in other animation centers, from South Korea and China to Canada, France and the U.K., India's governments offer no support to the industry in the form of tax breaks or subsidies, with the exception of a few state governments.

RISKS FACED BY ANIMATION STUDIOS

The television, video/DVD and feature film industries historically have involved a substantial degree of risk.

Some of the key risks faced by animation studios:

- Television program, video/DVD, and feature film costs may exceed their budgets, sometimes significantly in the case of feature films.
- Some studios are critically dependent on the services of certain key personnel and hence their success would to a large extent depend upon the skill and efforts of its management and upon its ability to attract and retain qualified management personnel.
- Global distribution of animation content is subject to risks associated with local economic conditions, currency fluctuations, changes in local regulatory requirements, compliance with a variety of foreign laws and regulations, cultural barriers and political stability.
- Timing of the release of related products into their respective markets, such as home videos, television, and merchandising is key.
- Availability of appropriate talent is a critical factor.
- Piracy and the unauthorized recording, transmission and distribution of animation content are increasing challenges.
- Animation studios are dependent on a complex system of hardware and software to enable content creation.

DEMAND DRIVERS OF THE INDUSTRY

The key demand drivers of the industry are the following:

- The number of basic Cable Households is expected to grow at a healthy pace.
- As more cable channels serve a large audience, content is the basic factor in maintaining and increasing viewership.
- Innovations such as HDTV, which is the next technology leap would be a key demand driver.
- In future, movies on demand would be done through the Broadband Internet owing to its reach.
- Worldwide we are witnessing an increasing consumer interest for computer animation and computer generated effects.

MARKET OPPORTUNITY

- The total value of global animation production was US $ 222 billion in 2013 and is projected to reach US $ 245 billion by 2015
- Most of the segments in the animation industry are growing at a very healthy rate of 10% YoY
- Film revenues are increasing at a rate every year with Global movie ticket sales set a new record in 2013, climbing to $35.9 billion in box office revenue and movie box office sales in the U.S. and Canada climbed to $10.9 billion in 2013
- The production cost per movie ranges anywhere between US $ 20 Million to 200 Million.
- The spend on special effects as a percent of production cost is about 20%-25%

HUMAN RESOURCES @ DQE

HUMAN RESOURCES AT DQE

HR VISION

To equip DQE and all its stakeholders with continuous HR service excellence, in an endeavor to:

- Provide innovative modern solutions to enhance individual and organizational capability.
- Support the Core Leadership Team and Associates in developing a culture of service and continuous learning.
- Contribute to the well-being and contentment of our Associates while having them respected, challenged, valued and fairly treated.

HR MISSION

To equip DQE with empowered Associates by creating passionate and creative work environment.

HR VALUES

- Integrity
- Dedication
- Excellence
- Sensitivity
- Openness & Trust

HR AT DQE

DQ Entertainment, over the years, has evolved into a leading Animation Company. Today, it is well recognized as the most preferred employer in the Animation sector that employs over 2000 Animation professionals globally from diverse backgrounds. The HR team has played a significant role in this evolution and has also facilitated positive change in this long journey. We believe that our Associates are the heart of our organization; hence a large part of our management focus is to care and support our Associates.

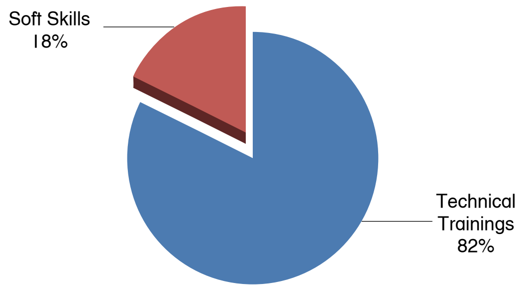
Our relationship with our Associates is based on mutual trust and respect and we continue to maintain the same spirit at all times. Our aim is to create and nourish the best in class leadership and provide them unlimited opportunities for career enhancement and growth. We have implemented training initiatives and performance evaluation that are tailored to address the needs of each of our business segments. We continue to fulfill all requirements and commitments as required across various business segments. The HR initiatives have ensured that the morale of the Associates remained intact throughout.

During the Financial Year 2013-14, enhancement of the Productivity/Output and multiskilling initiatives for Associates remained integral. The primary focus was to enhance productivity/output through leverage of technology and a focused approach towards improving Associate capabilities while supporting the workflow streamlining, redundancy reduction, sensitive process time expeditiousness and enhancement of relevant system data integrity.

STEPS FOR RETAINING ASSOCIATES

ILead (Training & Development):
Competencies such as performance, results orientation, assertiveness, leadership, reliability, communication and creativity form the basis for mainstay for Training. Associates & Reporting Authorities receive help in recognizing, enhancing and applying their individual strengths for the benefit of the Company. Each individual success also contributes to the sustained success of the Company.

TRAINING SESSIONS FY 2013 -14



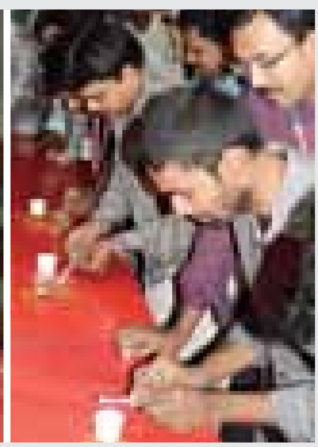
As a part of our approach for enhancing multi-skilling capability of our Associates, the iLead team has organized for many technical training sessions in Quarter 1 and Quarter 2 FY2013-14. Associates were trained on cross-functional skillsets in these sessions. The soft skills trainings on various topics like Floor Etiquettes, Listening Skills and communication Skills were integrated with the HR Connect Sessions and conducted across all projects.

Associate Engagement Initiatives:
Associate engagement as a function is an inclusive and empowering platform that connects Associates with leaders as well as peer groups. A host of newsletters were created internally by respective functions to keep all stakeholders abreast of latest developments and initiatives. Information on people policies and practices are made available to all Associates on the DQEPORTAL; revisions to policies are updated regularly as well. The HR Team has also initiated team wise meetings at all levels to motivate the work force and to ensure that the morale is high.

HR Connect Sessions:
Team wise HR Connect sessions (open house meetings) are being conducted once in every fortnight. These sessions are a platform for the Associates to express their views and concerns in a group to the respective HR Manager. Doubts, concerns and issues raised in these meetings are discussed and clarified in the same group to ensure better Associate and Management relationships. As a part of these sessions, Associates are also being groomed on E-Mail and Floor Etiquettes & Listening Skills.

Online Grievance Forum:
To maintain a transparent grievance solving mechanism, an online grievance forum in provided for all the Associates where they can raise any kind of grievance which will be escalated to the respective Project HR and the HR In-charge. Respective HR ensures that such raised grievances are solved within the stipulated time. Feedback on the solution is also obtained from the Associates to check the quality of the solution and the responsiveness of the HR team. This initiative will help us excel in our HR operational interactions with employees.

Fun at Work:
HR at DQE strongly believes the "Laughter is the only effective weapon on the human race which eliminates the stress levels and replaces them with high spirits". Most of the time, it's evident that a pleasant and happy workplace with happy Associates always results in more loyal and productive workforce. The absenteeism and tardiness rate decrease as people look forward to going to work. The turnover rate also decreases, as Associates feel content and loyal to the organization. And the cost associated with illness decrease as people experience the positive physiological and psychological effects of laughter. Hence to ensure a happy workplace and to balance the stress levels at work, on a bi-monthly basis several fun activities are being organized for all the Associates of DQE across all the locations.



One minute Games & Activities

DQ SMILE FOUNDATION (CSR WING OF DQE)

DQ Smile Foundation is the CSR wing of DQE which believes in the philosophy of contributing and giving back to the community it operates in. It endeavors 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.

Below are the statistics of the CSR activities done during FY2013-14

DQ SMILE FOUNDATION CSR ACTIVITIES FY2013-14	
No of CSR Activities	13
Estimated no of people benefited	1220
Volunteers (DQE) participated	240

ACTIVITIES:

- Blood Donation Camp to support AP Central Blood Bank on 14-Apr-13 at DLF facility.
- Donations to schools:
  - Rs 32,800 to Amaleswari Vidyaniketan, Rustumbada, Machilipatnam
  - Donated 100 Kgs of rice to Abhayakshethram in Renigunta, Chittoor District of Andhra Pradesh
  - DQ Smile Foundation donated 10 Dining Tables to Family Services, NGO in Hyderabad.
  - Donated Rs 15,000 to Govt. School at Sunnambatti, Secunderabad.
- Sessions on Right parenting skills at Natco Govt. School Borabanda by Ms. Manisha Dayanand, a renowned Learning and Development specialist
- Sessions on empowering the under privileged in three Government schools
- Visits & Donations to an orphanage & the home for the Aged.

Blood Donation Camp
DLF 14th Apr 2013

Introductory Session on Right Parenting Skills, Natco Govt. School, Borabanda
29th Oct 2013

II Session on Right Parenting Skills at Natco Govt. School, Borabanda
27th Nov 2013

Session on Empowering the Under Privileged, Mekalamandi Govt. School
30th Aug 2013

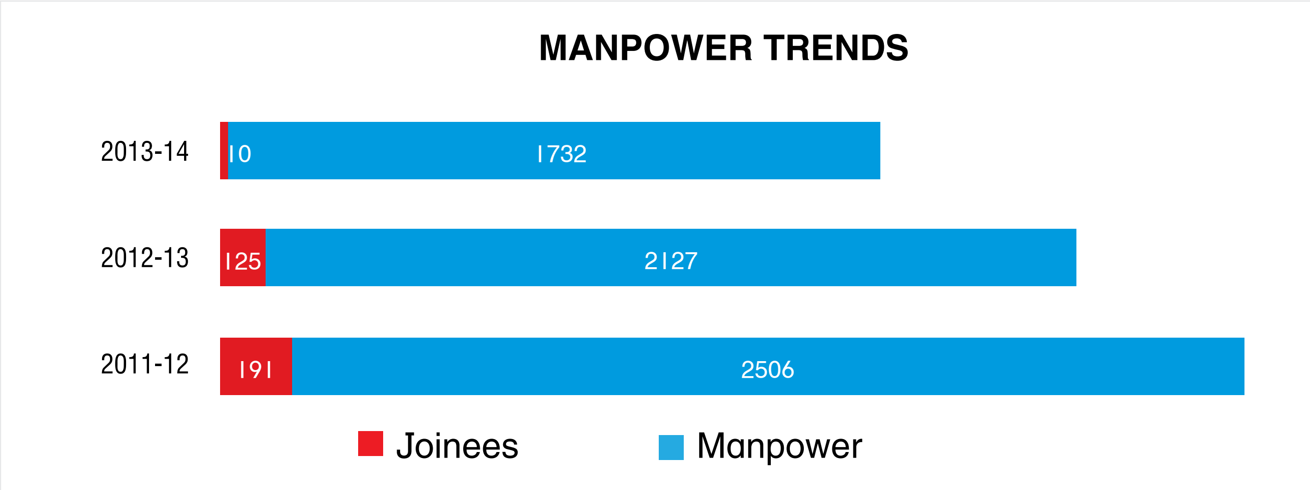
Visit to the home for the aged Musheerabad
19th Dec 2013

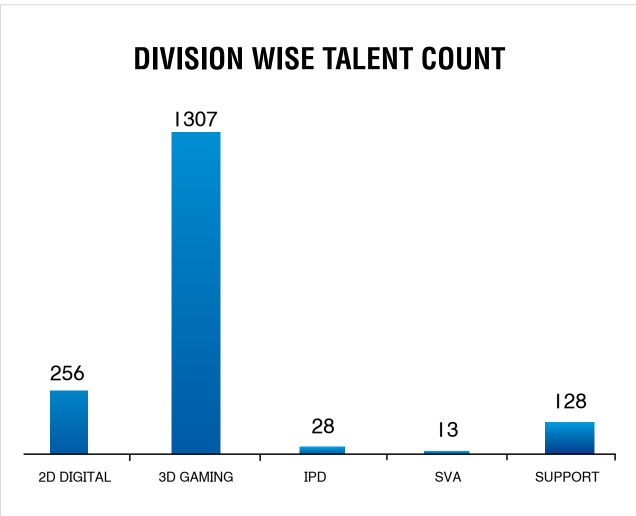
Workshop on right parenting skills (session #3) at Natco Govt. School, Borabanda
18Th Dec 2013

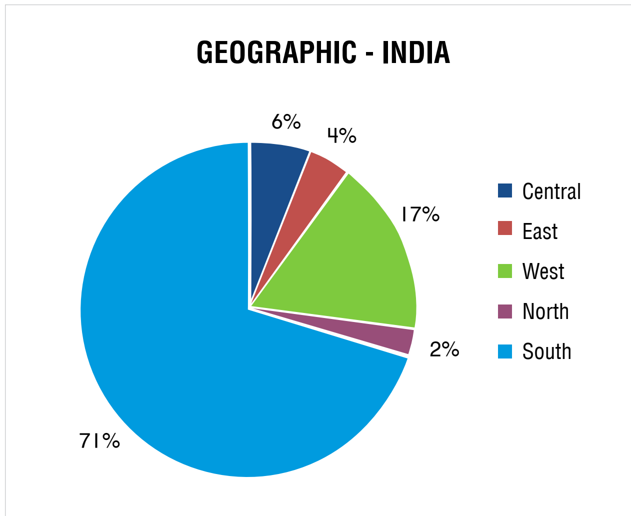
Visit to Manchikalalu Orphanage West Marredpally
28Th Feb 2014

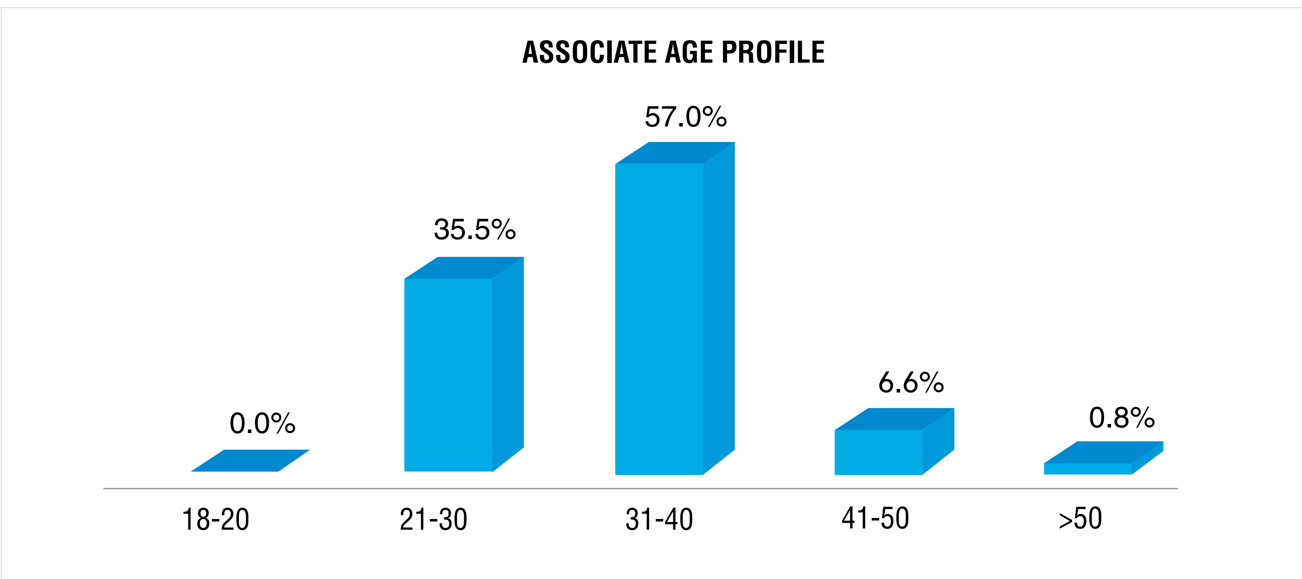
Right Parenting Skills, Natco Govt. School, Borabanda

DEMOGRAPHICS (AS ON MARCH 31ST 2014):









EVENTS & ACTIVITIES - GALLERY

Loyalty awards 2013

Loyalty awards 2013

5 &10 Years Awards

Dental-Camp

Medical Camp

Medical Camp @ AC6

Champions Trophy 2013 ‘ WINNERS ’

NFL3 Animation Completion
Cake CuttingAc1

Champions Trophy 2013 ‘ Runners ’

Rose Day Celebrations

Valentines Day Celebrations

FUN @ Work - EK Minute

Ladies Day Outing

Cookery Contest

Christmas Celebrations @ AC6

Diwali Traditional day @ DLF

Christmas Celebrations @ AC1

WOMENS DAY CELEBRATIONS @ DLF

BOARD OF DIRECTORS

BOARD OF DIRECTORS

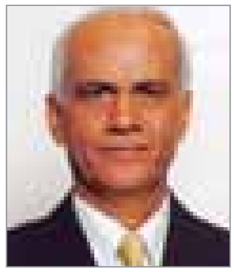
TAPAAS CHAKRAVARTI
CMD & CEO

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

V. SANTHANARAMAN

Non-Executive Independent Director

V. Santhanaraman brings with him over three decades of extensive experience in corporate banking, treasury, risk management, project finance, foreign exchange operations and the inspection and audit of banks. He was associated with Indian Bank for about 36 years and retired as an Executive Director of Bank of Baroda (one of the largest banks of India) working closely with the Chairman of the bank. He is also a Certified Associate of the Indian Institute of Bankers and has earned extensive goodwill and networking in the banking circles of India.

Starting his banking career as an officer in 1970 in a Nationalised Bank, he has handled various levels of responsibilities in officer and executive level positions. As an Executive Director of Bank of Baroda he led their Corporate Banking, Treasury, Risk Management, Balance Sheet Management, Information Technology, Inspection and Audit & Corporate Planning activities. He was instrumental in implementation of various technological, product deliveries, process changing initiatives at the bank. During his tenure, the business of the bank (deposit and advances) almost doubled and profits increased substantially. He was the Chairman of the Bank of Baroda's international subsidiaries in Kenya, Tanzania and Uganda.

He was an integral part of the top level executive team at Indian Bank. The measures initiated under his leadership include organizational/ financial restructuring, revamping of human resources policies, introduction of new credit products and revamping of policies related to credit sanction/ monitoring and building up of strong customer relationship. Such initiatives and strategies adopted resulted in the turnaround of the institution within a short span.

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.

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, investing in IT and BPO Services companies.

Girish has a over 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.

NEELESH WAGLE

Alternate Non-Executive Independent Director to Girish Kulkarni

Neelesh Wagle is the 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.

MANJIRI BHALERAO

Nominee Director

Manjiri Bhalerao is a Deputy General Manager, in Export-Import Bank of India, which is a financial institution formed by an Act of Parliament to finance, facilitate and promote India's international trade and investment. She is currently working with the Corporate Banking Department of the Bank. Her current role entails project evaluation and relationship management. In her banking career of 17 years in Export-Import Bank of India, she has handled various levels of responsibilities such as Corporate Banking, Recovery, Corporate Debt Restructuring, Structured Finance, Project Finance in India and Overseas Finance and Risk Management. She has handled projects in a cross section of industries, pan India and overseas. She is on the Board of various Companies in India, in capacity as a Nominee Director of Export-Import Bank of India.

She received Bachelor's Degree in Engineering from Indian Institute of Technology, Roorkee in 1995 and a Master's Degree in International Business from Indian Institute of Foreign Trade, New Delhi in 1997. She is also a Certified Associate of the Indian Institute of Bankers. She is also a qualified assessor for the CII-EXIM Bank Award for Business Excellence which is based on the internationally recognised European Framework for Quality Management (EFQM) Excellence Model.

Directors' Report

To the members,
DQ Entertainment (International) Limited

Your directors have pleasure in presenting the Seventh annual report on the business and operations of DQ Entertainment (International) Limited ("the Company") and its subsidiaries (together referred to as the Group or DQE) for the period ended March 31, 2014.

1. FINANCIAL HIGHLIGHTS

₹ in Millions

Particulars	For the year ended	For the year ended
	31-Mar-14	31-Mar-13
Income from Production	1,873	1,820
Income from Distribution	523	474
Other Income	249	34
Total Income	**2,645**	**2,328**
Total Expenditure	2,197	1,915
Profit before tax	**448**	**413**
Tax Expense (Current Tax+ Deferred Tax [Net of MAT credit entitlement])	20	40
Profit after tax	**428**	**373**

2. PERFORMANCE REVIEW

During the last couple of years, DQE has remained focused on building its own television content production and distribution business while also leveraging its resources to benefit from alternate channels and platforms.

The animation production market continues to face difficult times due to lack of financial support on account of the overall depressed conditions globally. However, your Company has been able to sustain itself and grow, though marginally. While the revenue from production has been flat, the revenue from distribution has increased by 10% as compared to the previous year. Profit before tax has increased by 21% over the previous year. This is because of the cost efficiencies brought in terms of manpower costs.

During the year we have completed and delivered 13 projects, while we have signed 5 new projects that will go into production in this current year. Currently 14 projects are in production.

Furthermore, we continue to develop and progress on our feature film production which will complement our existing production pipeline and also adding several new intellectual properties to our portfolio that comprise the foundation of our business.

Our licensing and distribution group has performed well, concluding 23 new agreements with international broadcast partners as well as 31 licensing deals for variety of merchandise products.

3. DIVIDEND

Your Company has earned reasonable profits, and continues to invest its internal accruals in the development of the IP's so as to build a strong IP portfolio to ensure sustainability and growth for the future. In view of the above, the directors have not recommended any dividend to the equity shareholders for the financial year 2013-14.

4. SUBSIDIARIES

Our Company has three wholly owned subsidiaries, DQ Entertainment (Ireland) Limited, DQ Powerkidz Private Limited and DQE ITES Park Private Limited.

Pursuant to the general exemption granted by the Central Government under the provisions of Section 212(8) of the Companies Act, 1956; the Company has not included the detailed financial statements of its subsidiaries in this Annual Report. The detailed financial statements and audit reports of each of the subsidiaries are available for inspection at the registered office of the Company during office hours between 11 am to 1 pm and upon written request from a shareholder, your Company will arrange to send the financial statements of subsidiary companies to the said shareholder.

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.

5. DIRECTORS

In accordance with the Articles of Association, Ms. Rashida Adenwala, shall retire by rotation at the ensuing Annual General Meeting and being eligible, has offered herself for re-appointment. Details regarding directors proposed to be appointed at the Annual General Meeting to be held on September 30, 2014, due to changes arising from the implementation of the Companies Act, 2013 are provided in the annexure to the Notice convening the Annual General Meeting.

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

6. AUDITORS

M/s. MZSK & Associates, 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 reappointed.

7. FIXED DEPOSITS

During the year under review, the Company has not accepted any public deposits. As such no amount of principal or interest was outstanding as on the Balance Sheet date.

8. 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.

9. 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 Millions

Particulars	For the year ended	For the year ended
	31-Mar-14	31-Mar-13
Earnings in Foreign Currency		
Income from production	1,799	1,632
License Fees / Others income	183	314
Expenditure in Foreign Exchange		
(Subject to deduction of tax where applicable)		
Travel	7	12
Production Expenses	2	8
Financial Charges	15	17

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

10. DIRECTORS' RESPONSIBILITY STATEMENT

On behalf of the directors, we confirm that as required under Section 217 (2AA) of the Companies Act, 1956,

a) In the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures are made from the same;

b) We have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for the period;

c) We have taken proper and sufficient care 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; and

d) We have prepared the annual accounts on a going concern basis.

11. CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

As per clause 49 of the Listing Agreements entered into with the Stock Exchanges, Corporate Governance Report and Management Discussion and Analysis are attached and form part of this report.

12. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The CSR initiatives taken by the Company continued during the year under review. A detailed mention of the CSR activities carried out by the Company through its CSR wing - DQ Smile Foundation is given as a part of the HR report on Page 31.

13. GREEN INITIATIVE

Out of our total shareholders, almost 50% receive shareholder communications by e-mail. 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.

We encourage the other shareholders and request them to support us on this nationwide 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. ACKNOWLEDGEMENT

Your directors would like to take this opportunity to express their sincere gratitude to all the employees, clients, vendors, investors, advisors, bankers, government authorities and local bodies for their support. The directors appreciate and value the contributions made by every member of the DQE family globally and look forward to their continued support in the future.

The Annual General Meeting of the Company will be held on Tuesday, September 30, 2014.

May 30, 2014

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

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, 2014
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, 2014	17,266,315 Shares of Euro 1 each
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, 2014	-
	➢ 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, 2014	₹ 49,023,532
	➢ for the previous financial years of the subsidiary company since it became the holding company's subsidiary	₹ 113,933,899
7.	Exchange rate as at March 31, 2014	Closing Rate : INR-Euro 82.2559
8.	Issued and subscribed share capital	17,266,315 Shares of Euro 1 each
9.	Reserves	₹ 841,910,306
10.	Total Assets	₹ 5,313,540,205
11.	Total Liabilities	₹ 3,304,126,633
12.	Investments	
	(a) Long term	
	(b) Current	
	Total	NIL
13.	Turnover	₹ 1, 039,175,774
14.	Profit/(Loss) before taxation	₹ 55,486,804
15.	Provision for taxation	(₹ 64,63,273)
16.	Profit/(Loss) after taxation	₹ 49,023,532
17.	Proposed dividend	NIL

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

For and on behalf of the Board

Tapaas Chakravarti
(CMD & CEO)

V. Santhanaraman
(Director)

Place: Hyderabad
Date: 30 May, 2014

Sindhu M.S.
(Company Secretary)

Sanjay Choudhary
(Chief Financial Officer)

Statement pursuant to Section 212 of the Companies Act, 1956

Sl. No	Particulars	
1.	Name of Subsidiary	**DQ Powerkidz Private Limited**
2.	Financial year ended	31st March, 2014
3.	Date from which it became a subsidiary	October 5, 2012
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,2014	10,000 Share of INR. 10 each
6.	Net aggregate amount of M/s. DQ Powerkidz Private 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, 2014	-
	➢ 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, 2014	₹ (37,497)
	➢ for the previous financial years of the subsidiary company since it became the holding company's subsidiary	₹ 2,077
7.	Exchange rate as at March 31, 2014	-
8.	Issued and subscribed share capital	₹100,000
9.	Reserves	₹ (35,420)
10.	Total Assets	₹ 94,033
11.	Total Liabilities	₹ 29,453
12.	Investments	
	(a) Long term	NIL
	(b) Current	NIL
	Total	NIL
13.	Turnover	NIL
14.	Profit/(Loss) before taxation	₹ (37,497)
15.	Provision for taxation	Nil
16.	Profit/(Loss) after taxation	₹ (37,497)
17.	Proposed dividend	NIL

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

For and on behalf of the Board

Tapaas Chakravarti
(CMD & CEO)

V. Santhanaraman
(Director)

Place: Hyderabad
Date: 30 May, 2014

Sindhu M.S.
(Company Secretary)

Sanjay Choudhary
(Chief Financial Officer)

Statement pursuant to Section 212 of the Companies Act, 1956

Sl. No	Particulars	
1.	Name of Subsidiary	**DQE ITES Parks Private Limited**
2.	Financial year ended	31st March, 2014
3.	Date from which it became a subsidiary	October 19, 2012
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,2014	10,000 Share of INR. 10 each
6.	Net aggregate amount of M/s. DQE ITES Parks Private 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, 2014	-
	➢ 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 period ended on 31st March, 2014	₹ (10,000)
	➢ for the period ended on 31st December, 2013 of the subsidiary company since it became the holding company's subsidiary	₹ (30,322)
7.	Exchange rate as at March 31, 2014	-
8.	Issued and subscribed share capital	₹ 100,000
9.	Reserves	₹ (40,322)
10.	Total Assets	₹ 100,000
11.	Total Liabilities	₹ 40,322
12.	Investments	-
	(a) Long term	-
	(b) Current	-
	Total	-
13.	Turnover	Nil
14.	Profit/(Loss) before taxation	₹ (10,000)
15.	Provision for taxation	Nil
16.	Profit/(Loss) after taxation	₹ (10,000)
17.	Proposed dividend	Nil

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

For and on behalf of the Board

Tapaas Chakravarti
(CMD & CEO)

V. Santhanaraman
(Director)

Place: Hyderabad
Date: 30 May, 2014

Sindhu M.S.
(Company Secretary)

Sanjay Choudhary
(Chief Financial Officer)

Management's Discussion and Analysis

of Financial Condition and Results of Operations

1. FORWARD LOOKING STATEMENTS

Statements in this Management Discussion and Analysis of Financial Condition and Results of Operations of the Company describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Forward looking statements are based on certain assumptions and expectations of future events.

The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company assumes no responsibility to publicly amend, modify or revise forward-looking statements, on the basis of any subsequent developments, information or events. Actual results may differ materially from those expressed in the statements. Important factors that could influence the Company's operations include changes in government regulations, tax laws, economic developments within the country and such other factors globally.

The financial statements are prepared under historical cost convention, on accrual basis of accounting, and in accordance with the provisions of the Companies Act, 1956 (the Act) and comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 read with the Companies (Accounting Standards) Rules, 2006. The management of DQ Entertainment (International) Limited has used estimates and judgments relating to the financial statements on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the state of affairs and profit for the year.

The following discussions on our financial condition and result of operations should be read together with our audited consolidated financial statements and the notes to these statements included in the Annual Report.

Unless otherwise specified or the context otherwise requires, all references herein to "we", "us", "our", "the Company", "DQE","DQ Entertainment", "DQE Group" are to DQ Entertainment (International) Limited and its subsidiaries and associates.

2. INDUSTRY STRUCTURE AND DEVELOPMENTS

The detailed discussion on the Industry structure has been covered under the section VFX from pages 2 to 9 and Industry Overview from pages 19 to 26.

State Governments' and other associations' initiatives for the sector

Animation, Visual Effects, Gaming and Comics ('AVGC') policy:
Karnataka became the first Indian state in early 2012 to unveil a policy for the AVGC sector, recognising its growth potential. The policy's salient features include focusing on bridging the demand-supply gap for people in the sector, attracting global companies in the field, capturing a larger share of outsourced international AVGC work and facilitating a legal framework for IP creation and protection. In addition, the policy envisages an environment that promotes growth of indigenous digital content, education and entertainment for masses, and the setting up of a center of excellence with state-of-the-art facilities. The policy acts as a catalyst for the industry and for developing AVGC parks similar to a special economic zone model.

Gaming, Animation, Media and Entertainment ('GAME') city:
Andhra Pradesh is also giving the gaming and animation segment a new thrust, seeking to build a 'GAME City' in Hyderabad on the lines of the Dubai Media City and Media City U.K. in Manchester. It is expected to have several

IT offices, academic institutions, an incubation centre and plug-and-play built-up office space for entrepreneurs. With a view to promote local animation films and content, efforts are under way not only to create a venture capital funding mechanism and extend seed capital assistance but also to provide fiscal incentives and subsidies on production cost, lease rental, stamp duty, electricity, staff cost and reimbursement of Input Value Added Tax ('VAT')/Sales tax/Central Sales Tax/Andhra Pradesh General Sales Tax for products/films/ services made in Andhra Pradesh. The companies would also get recruitment assistance for employing a minimum of 100 employees within a year of beginning commercial operations.

Annual Graphics and Animation Film Awards ('AGAFA'):
AGAFA is a new initiative of the Society for Animation in Delhi ('SAID'), instituted in 2013 with the objective of encouraging quality and creative production of Animation and related arts. The awards are given on the results of an annual competition in the field of thematic Graphic Design, Digital Painting and 'Animation with a purpose'. The Jury is independent and selected from among eminent arts personalities in these fields.

3. DQE GROUP – BUSINESS OVERVIEW

A. Company Vision and Strategy
DQ Entertainment's strategy is to be the largest independent children's media company with a comprehensive portfolio of existing and developed franchise properties supported by a technologically advanced and cost effective platform. The Company's brands and intellectual property are and will be platform agnostic, global in appeal and will benefit from an existing and growing global licensing and distribution infrastructure.

The company's business model currently monetizes its intellectual property across TV, online, mobile, feature film, gaming, merchandising in the global marketplace and will seek to accelerate and enhance the 360 degree monetization strategy.

B. Business segments:
DQ Entertainment ("DQE" or the "Company") is a global children's animation content production and distribution company operating in two main business segments:

i) Production Services:

- Under this segment it produces animated content either by way of:
- Outsourcing Services: The Company provides production services to third parties on a fee-for-service basis.
- Co-production Services: Partnerships with other content owners to create and produce animated content.
- The Animation Production Services segment generates and co-designs animated content across a variety of media.
- DQ Entertainment has end-to-end production capability of translating scripts and storyboards into completed 'Broadcast ready' Animated TV series, TV features or Animation theatricals.
- DQE provides services in all genre's of animation; 2D, 2D Digital, 3D and 3D stereoscopic, CGI, Visual Effects (VFX), Game art and in-game animation and other high end outputs such as rotoscopy, motion capture etc.

ii) Distribution and Licencing

- DQE's investment in co-owned content provides DQE exclusive rights in specified territories.
- The Company participates in profits from licensing and distribution of the content, from direct monetization in exclusive territories as well as 'back end participation' in worldwide revenues.
- Some of the well-known co-owned properties include: Iron Man, Charlie Chaplin, Glactik Football, Twisted Whiskers, Casper and Lanfeust Quest.
- DQE now is focused in developing and producing its own original animated content distribution to broadcasters globally and for 360 degree monetization by way of licensing, merchandising, publishing, e-books, mobile games and many more including feature films.

- When developing its own content, the Company has historically focused on public domain content that has broad international appeal and has been historically successful namely : Jungle Book, Peter Pan, Lassie, Robinhood to name a few.

- The majority of DQE's IP's are featured on several well-known television networks including: The Disney Channel, Cartoon Network, ZDF Group, B-Channel, France Television, BBC, and ABC Australia.

- DQE produced content is distributed internationally across North America, Europe, Latin America, Africa and Asia.

4. RISKS AND MITIGATION MEASURES

DQE is exposed to specific risks that are particular to its businesses and the environment within which it operates, including competition risk, interest rate volatility, human resource risk, execution risk and economic cycle.

a) Competition Risk:
The media and entertainment sector industry is becoming increasingly competitive and the Company's growth will depend on its ability to compete effectively and produce content of international quality having global appeal. Further liberalization of the Indian media and entertainment sector could lead to a greater presence or entry of new foreign players offering a wider range of products and services. The Company's competitors may have greater resources than it does and, in some cases, may be able to raise debt in a more cost-efficient manner. The Company's growth will depend on its ability to compete effectively in this context. 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.

The Company's strong brand image, wide distribution network, diversified service offering and strong partner relationships with large production houses places it in a strong position to deal with competition effectively.

b) Human Resource Risk:
The Company's success depends largely upon the quality and competence of its management team and key personnel. Attracting and retaining talented professionals is therefore a key element of the Company's strategy and a significant source of competitive advantage. While the Company has a salary and incentive structure designed to encourage employee retention, a failure to attract and retain talented professionals, or the resignation or loss of key management personnel, may have an adverse impact on the Company business.

DQE has its own School of Visual Arts which provides courses in latest technologies in animation to cater to international quality. DQE recruits the best of the talents from its school and has a large data bank of suitable talent available for recruitment as and when the need arises.

c) Operational Risk:
The Company may encounter operational and control difficulties when commencing businesses in new markets. Such risks could have a materially adverse effect on the Company's financial position and the results of its operations. An extensive system of internal controls is practiced by DQE to ensure that all its assets are safeguarded and protected against loss from unauthorized use or disposition and all transactions are authorized, recorded and reported correctly.

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.

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.

d) 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.

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.

Our primary market risk exposure is the foreign currency exchange rate risk. 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.

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.

e) Economic Risk:
A slowdown in economic growth in India and globally could cause the business of the Company to suffer. The performance and the growth of the operating company businesses are necessarily dependent on the health of the overall economy.

5. OPPORTUNITIES

a) Overall, due to changing demographics coupled with consumers willing to spend more on variety of leisure and entertainment services, the animation entertainment and licensing and merchandising business is set to grow in the years to come.

b) Digital technology continues to revolutionize content creation & media distribution – be it increased number of VFX oriented films, rapid growth of Direct to Home video and the promise of digital cable, or increased digitization of film exhibition. The digital media ecosystem is evolving rapidly. Continued growth in internet penetration and mobile device access is expected to drive consumption. Digitization has enabled wider and cost effective reach across diverse and regional markets, and the development of targeted media content

c) There exists a substantial opportunity for catering to international outsourcing of work for foreign production studio and media clients as there is a possibility to leverage cost arbitrage. Cost of animation production in India is one fourth of that in North America

d) The Indian Digital Post Production market which includes services like colour grading, digital intermediate, VFX, etc is to the tune of approximately Rs. 1000 Crore. The domestic market is expanding at 30-35% with production budgets of films and commercials as also the spending on special and digital effects increasing exponentially

6. THREATS

a) Lack of government initiative in India versus benefits provided by other countries
Overseas animation markets such as Malaysia, China and Philippines are turning out to be more attractive destinations than India for outsourcing work due to the advantage of the many Government driven grants and incentives.
For example, the Malaysian Government provides various incentives such as:

- Content funding support which includes support for documentaries and films production (local or co-productions).

- Incentives and financing – through cash rebates, entertainment tax rebates and creation of an investment arm to spur Malaysia's creative industry via strategic and innovative funding in the form of equity or debt investments.

- Market Export Support - In order to assist SMEs to expand to overseas market, the Government of Malaysia through the Market Development Grant ('MDG') provides grants to companies to partially defray the high cost of export promotion.

On similar lines, the Chinese government has announced preferential VAT and Business Tax ('BT') policies beginning retrospectively on January 1, 2013 where animation enterprises are subjected to 17 per cent VAT rate for the domestic sale of self developed and manufactured animation software. The export of animation software is VAT exempted at 3 per cent; BT rate applies to animation enterprises providing certain services.12 The Indian animation industry could benefit considerably from Government support through measures such as reservation of a certain number of hours of domestically produced content on channels, tax benefits and treaties

b) Lack of universal storylines
The lack of universally accepted storytelling techniques is further making Indian animation a distant dream. Apart from improving quality of animated films, filmmakers need to create characters that are loved by the Indian audiences, moving probably beyond mythological characters. However, the challenge with the industry is the divide between the storyteller, producer and studio. Indian filmmakers and audiences still may need to mature to become a serious market. India is far behind international standards on the ideation side. Though Indian filmmakers are just beginning to produce content that is finding wide favour with Indian audiences, it is still at a very nascent stage in writing stories that can be understood by the entire world; however it is at par with international standards in production. The content which is consumed by the western world and India are very different, the world does not identify with Indian content as the stories are complex and the story telling also is complex, even though the biggest market for animation is based in India. On the other hand, the stories told by the American studios are simple and universal. Probably use of characters that generation next relate to could help drive more Indian audiences to the theatres.

c) IP Protection
Rampant piracy within the distribution channel eats into a major share of revenues for the producers and distributors. This along with slack IP laws and weak enforcement serves as a deterrent to animation players in India to produce their own IP.

Obsolescence of technology is one of the significant risk for technology-based companies or companies with offerings that are based on technological advantages. This can also extend to the risk that certain costs laid out for obsolete products or services cannot be recouped.

7. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has adequate internal control procedures commensurate with its size and nature of business. The business control procedures ensure efficient use and protection of Company's resources and compliance with policies, procedures and statutory requirements. Further Internal auditors are appointed to carry audit assignments and to periodically review the transactions across the divisions and evaluate effectiveness of internal control systems

8. CONSOLIDATED FINANCIAL POSITION

A. EQUITY AND LIABILITIES:

I. Shareholder funds
a. Share Capital: The authorized share capital is Rs.800.00 million divided into 80,000,000 Equity Shares of Rs.10/- each. The Issued, Subscribed and Paid up equity share capital is Rs.792.83 million divided into 79,283,000 Equity Shares of face value Rs.10/- each as at March 31, 2014. During the year there is no movement in share capital.

b. Reserves and Surplus: The Reserves and Surplus has increased from Rs. 3,528.32 million to Rs. 4,243.35 million, an increase of Rs.715.03 million. The increase is on account of current year Profits of Rs.427.70 million foreign currency translation of Rs. 287.33 million.

II. Non-current Liabilities
a. Long term borrowings: The borrowings are classified based on its maturity period. Loans that

are due for repayment within one year from 31 March 2014 are classified under current liabilities as 'current maturity of long term borrowings' and the balance are placed under 'long term borrowings'. The total amount of long term borrowings including current maturity value are Rs. 1,772.95 million as on 31st March 2014 as against Rs. 1,474.08 million for the corresponding period in previous year. During the year, there is a net increase in the secured borrowings from the banks by Rs. 298.87 million. This increase is on account of new loans obtained to the tune of Rs. 510.78 million and offset by repayments made during current year to the extent of Rs.306.53 million, and the differential movement of Rs. 94.62 million in loan is due to foreign currency translation adjustment.

b. Deferred Tax Liability: There is a deferred tax liability of Rs.74.85 million as on 31 March 2014 as against Rs. 139.23 million for the corresponding period in previous year. The decrease of Rs.64.38 million is due to recognition of deferred tax asset on fixed assets as on 31st March 2014.

c. Other Long term liabilities: The other long term liabilities include liabilities to the extent of Rs. 129 million in the nature of minimum guarantee & distribution payable for the distribution rights obtained and the balance of Rs.234.06 million is the advance paid by DQ Films to DQ Ireland.

d. Long term provisions: The long term provisions consist of the provisions for employee benefits viz., gratuity, leave encashment and sick leave which are valued as per Accounting Standard 15. This provision has decreased in current year due to reversal of previous year provisions on account of attrition of associates.

III. Current Liabilities

a. Short term borrowings: The short term borrowings are towards working capital needs as on 31st March 2014 and the outstanding amount stands at Rs.889.31 million.

b. Trade Payable: It mainly includes the Sundry creditors for services and expenses

c. Other current liabilities: It consists of –

- Current maturities of long term borrowings to the extent of Rs. 383.39 million.
- Salary payable - Rs. 80.27 million
- Other current liabilities for services - Rs.66.10 million
- Statutory dues payable of Rs 66.40 million,
- Advance from customers of Rs.10.95 million.
- Interest accrued of Rs. 13.48 million.
- Income received in Advance of Rs.117.90 million.

d. Short term provisions: It consists of current portion of employee benefits, provision for taxation (net) and provision for retakes. This provision has increased by Rs. 119.36 million (net) and is mainly due to increase in provision for tax.

B. ASSETS

I. Non-current Assets

a. Fixed Assets:

i. 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 2014 is Rs. 147.00 million as against Rs. 263.26 million in previous year. During the year the Company added assets worth of Rs. 0.41 million and sold/written off of assets worth Rs. 52.35 million

ii. Intangible Assets: Intangible assets consist of distribution rights to the extent of Rs. 2,379.03 million and computer software to the extent of Rs.364.87 million. During the year the company capitalized intangible assets to the extent of Rs. 147.25 million and sold/write off of assets worth of Rs.290.25 million. The Net block of intangible assets is Rs. 1,332.35 million as against Rs.1,558.83 million in previous year.

iii. The capital work in progress is towards land development and there is no movement in it during current year.

iv. Intangible asset under construction – It consists of intangible assets in development / production. These assets once fully developed / produced, they shall be capitalized and then amortized. As on 31 March 2014 Rs. 4,386.54 millions are in Intangible assets under construction as against Rs. 3,058.81 million in the previous year.

b. 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 as on 31 March 2014 is Rs. 322.97 million as against Rs. 233.10 million during the previous year.

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

II. Current Assets

a.Trade Receivable: All receivables are good and where ever required management has provided for provision for doubtful debts (trade receivables are net of provision for bad and doubtful debts) The increase in trade receivables when compared to previous year is due to slow down in collections due to the overall slowdown of economic condition in Europe and USA markets.

Total receivables as on 31 March 2014 is INR 2,598.00 million as against Rs. 1,624.30 million in the previous year. Receivables more than 180 days for the current year amounted to Rs. 1,321.82 million.

b. Cash and bank balances: Consists of balances with banks in current account, Remittance in transit, Cash on hand. The balance as at 31 March 2014 is Rs. 10.90 million as against the balance of Rs. 24.46 million of previous year.

c. Short term loan and advances: It consists of interest accrued on deposits, advance tax paid other advances and current portion of prepaid expenses. The balance as at March 2014 is Rs. 48.02 million as against Rs. 39.05 million of previous year.

d. Other current assets: It consist of unbilled revenue of Rs.320.31 million which contains revenue pertaining to projects for which work is in progress but invoice is not raised as the prescribed milestones as per the agreement are not achieved.

C. RESULT OF OPERATIONS

I. 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 2014	Fiscal 2013	Fiscal 2014	Fiscal 2013	Fiscal 2014	Fiscal 2013	Fiscal 2014	Fiscal 2013
	₹ in millions		% of revenue		₹ in millions		% of segmental results	
Animation	1873.42	1820.12	78.16	79.34	1,111.10	986.91	87.88	89.16
Distribution	523.37	473.96	21.84	20.66	153.20	120.00	12.12	10.84
Total	**2396.79**	**2294.08**	**100**	**100**	**1,264.30**	**1106.91**	**100**	**100**
Unallocated expenses	-	-	-	-	(564.66)	(484.80)	-	-
Interest and finance expense	-	-	-	-	(251.65)	(209.43)	-	-
Profit before tax	-	-	-	-	447.99	412.68	-	-

II. Revenue

The financial year 2013-14 has witnessed a very marginal increase of 4.47% in the total revenue to Rs. 2,396.79 million from Rs. 2,294.08 million in financial year 2012-13.

Animation revenue has increased by 2.9% from Rs.1,820.12 million in 2012-13 to Rs.1.873.42 million in 2013-14 and distribution revenue is also increased by 10.42% from Rs. 473.96 million in 2012-13 to Rs. 523.37 million in 2013 -14.

III. Expenses:

Production expenses: Production expenses have increased from Rs.178.61 million in financial year 2012-13 to Rs.192.50 million in the financial year 2013-14. The said increase is mainly due to increase in number of projects outsourced to third parties.

Personnel Costs: The breakup of personnel costs is as follows

(₹ in Millions)

Personal Costs	31 March 2014	31 March 2013
Salaries and wages	668.99	780.19
Contribution to provident fund	44.79	50.88
Staff welfare expenses	7.25	6.74
Gratuity	1.96	29.14
Compensated absences	(3.43)	8.89
Total	**719.56**	**875.84**

The main reason for decrease in personal cost during the current year is because the total manpower was reduced by 405 associates during the year. As on 31st March 2014 the numbers of associates employed are 1743 as compared to 2148 associates in previous year. There is an overall increase in productivity of employees which has resulted in achieving sales close to last year in spite of reduction of manpower.

Administrative and Other Expenses:

Primarily consists of professional and consultancy charges, repairs and maintenance, rates and taxes, Auditors remuneration, selling and distribution expenses, directors remuneration, travelling and conveyance expenses etc. The increase when compared to previous year is mainly due to the additional provision for bad and doubtful debts (net) of Rs.230.82 million provided during the year ended 31 March 2014.

Interest and Financial Charges:

Consists of Interest on borrowings (both term loans and working capital loans), Bank charges etc. Interest and Financial Charges have increased from Rs.209.44 million in 2012-13 to Rs.251.65 million in 2013-14. The increase is on account of new loans taken and a general increase in interest rates for all loans, during the year.

Depreciation and Amortization:

(₹ in Millions)

Assets	31 March 2014	31 March 2013
Tangible Assets	111.43	122.24
Intangible Assets	441.17	404.75
Total	**552.6**	**526.99**

Increase in depreciation & amortization cost is mainly on account of impairment of intangible assets. During the year ended 31 March 2014 Rs. 176.59 million is the impairment charge in intangible assets as against Rs.140.60 million in previous years. The movement of Depreciation and Amortization after exclusion of impairment provision from both the years is not significant.

IV Profit before interest, depreciation and tax ("PBIDT")

The PBIDT for the year under review stands at Rs.1,252.24 million as compared to Rs.1,149.10 million in the previous year. PBIDT as a % of total revenue has decreased from 49.35% in the previous year to 47.33% for the current year ended 31 March 2014. The increase in PBIDT in spite of marginal increase in sales is attained by operational efficiency due to reduction in over all expenses and gain on foreign exchange fluctuations.

V. Profit after tax:

There is a 14.65% increase in profit after tax from Rs.373.07 million in 2012-13 to Rs.427.71 million in 2013-14

9. HUMAN RESOURCES

Please refer to the HR report on pages 27 to 34 in the said Annual Report for a detailed report on human resources.

10. OUTLOOK FOR THE FUTURE

- The outlook of DQE is to develop content that is platform independent, global in appeal and to benefit from an expanding global licensing and distribution infrastructure.
- To develop a 360 degree global monetization strategy across TV, Online, Mobile, Gaming, Feature Film and Merchandising.
- Expand its list of content distribution partners.
- Monetize content through new product development, such as video games, toys and e-books .
- Continued identification of characters and brands that are popular across generations and internally develop those characters and brands into global franchises.
- Focus on Visual Effects (VFX) development used mainly in live action movies.
- Develop Apps for all android and mobile platforms.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

DQE works with the vision of effective corporate governance practices constituting the strong foundations on which successful commercial enterprise is built. The Company's philosophy on corporate governance oversees business strategies and ensures fiscal accountability, ethical corporate behavior and fairness to all stakeholders comprising regulators, employees, customers, vendors, investors and the society at large.

In this report we provide our guiding principles and practices followed by your Company which encompass all stakeholders. These Policies seek to focus on enhancement of our relationship with the shareholders as a long term commitment, without compromising on Ethical Standards and Corporate Social Responsibilities. These practices form an integral part of the company's operating plans.

2. CODE OF CONDUCT:

In its pursuit for excellence, the Company has 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. All the Board members and Senior Management personnel have affirmed compliance with the code for the financial year ending 31st March 2014.

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, risk management and other significant areas of management.

(i) As on March 31, 2014, the Company has 5 Directors and 2 Alternate Directors. Of the 7 Directors, five (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, 2014 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 30, 2013; August 08, 2013; November 15, 2013; February 14, 2014.

(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 as on 31st March, 2014 are as follows:

Name of the Director	Age	Director-ships*	Committee Membership*	Chairperson of Committees
Mr. Tapaas Chakravarti	58	5	Nil	Nil
Ms. Rashida Adenwala	50	3	Nil	Nil
Mr. K. Balasubramanian	71	5	5	3
Mr. Girish Kulkarni	48	11	2	Nil
Mr. S. Sundar	54	Nil	Nil	Nil
Mr. Neelesh Wagle	44	3	Nil	Nil
Mr.V.Santhanaraman	65	4	Nil	Nil

Notes:
(a) There are no inter-se relationships between our Board of Directors.

*(b)*Excluding directorship/committee membership in the Company and its subsidiaries.*

(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
Mr. Tapaas Chakravarti	CMD & CEO	4	4
Ms. Rashmi Chakravarti (resigned w.e.f 18.04.2013)	Executive, Non-Independent Director	Nil	N.A
Ms. Rashida Adenwala	Professional, Non-Independent Director	3	3
Mr. K. Balasubramanian	Non-Executive, Independent Director	2	2
Mr. Girish Kulkarni	Non-Executive, Independent Director	Nil	Nil
Mr. S. Sundar	Non-Executive, Independent Director	4	4
Mr. Neelesh Wagle (Alternate to Mr.Girish Kulkarni)	Non- Executive, Independent Director	1	1
Mr.V. Santhanaraman (Alternate to Mr.K. Balasubramanian)	Non-Executive, Independent Director	2	2

Note: Mr. Tapaas Chakravarti, Ms. Rashida Adenwala, Mr. K. Balasubramanian were present for the previous Annual General Meeting of the Company held on September 27, 2013.

4. AUDIT COMMITTEE:

The Audit Committee comprises:
(i) Mr. K. Balasubramanian, Chairman;
(ii) Mr. S. Sundar
(iii) Mr. Girish Kulkarni
(iv) Ms. Rashida Adenwala

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management financial reporting process, to ensure accurate and timely disclosures with the highest level of transparency, integrity and quality.

All the Audit Committee members are financially literate and bring in expertise in the fields of finance, economics and management. Also, the Chief Financial Officer, the Statutory Auditors and Internal Auditors attend the Committee meetings as invitees.

The terms of reference of the Audit Committee are broadly as under:

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

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

(iii) Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion 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 on:

a. any changes in accounting policies and practices;
b. major accounting entries based on exercise of judgement 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 management, external and internal auditors, the adequacy of internal control systems.

(vii) Reviewing the adequacy of internal audit function, including the audit character, 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 of any significant findings and follow up thereon.

(ix) Reviewing the findings of any internal investigations by the internal auditors into the 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 depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

(xi) Reviewing compliances as regards the Company's Whistle Blower Policy.

The Audit Committee met four times during the year on May 30, 2013, August 8, 2013, November 15, 2013 and February 14, 2014.

5. REMUNERATION COMMITTEE

The Remuneration Committee comprises:
(i) Mr. S. Sundar - Chairman
(ii) Mr. K. Balasubramanian
(iii) Mr. Girish Kulkarni

The Remuneration Committee has been empowered with the role and functions as per the provisions specified under Clause 49 of the Listing Agreement including the appointment and finalizing the remuneration of senior level employees of our Company. The purpose of the Committee is to monitor the Company's nomination process of the senior level management and to identity and review the individuals capable of serving at the board level or senior management team of the Company.

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

6. DETAILS OF REMUNERATION TO DIRECTORS/RELATED PARTY TRANSACTIONS:

(i) 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.

(ii) The details of the salary paid to the executive/professional directors of the Company are as follows:

(a) Remuneration to whole-time Director of the Company:
Salary and allowance Rs.4,469,698
Other perquisites Rs.1,008,000
Commission Rs. 7,791,165
Total Rs.13,268,863

(b) Remuneration paid to non-whole time Directors of the Company:
Sitting fees Rs.330,000
Professional fees Rs.120,000
Total Rs.450,000

(iii) No stock options were granted to the Directors during the financial year 2013-14.

(iv) The details of the related party transactions are given in the notes to the financial statements.

7. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Investors 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 agreement 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 2013 TO MARCH 31 2014 ARE AS FOLLOWS.

Opening Balance	Received during the year	Resolved during the year	Closing Balance
0	2	2	0

9. GENERAL SHAREHOLDER INFORMATION

(i) Annual General Meeting:
Date: Tuesday, September 30, 2014
Time: 2.30 p.m.
Venue: Hotel Haritha Plaza 6-3-870, Balayogi Paryatak Bhavan, Greenlands, Begumpet, Hyderabad - 500 016.

(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 reappointment at the forthcoming Annual General Meeting (AGM) are given in the Notice of the AGM.

(iv) Date of Book Closure: 23rd day of September 2014 to 30th day of September 2014.

(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 400 051.

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 2013-14 has been paid to all the Stock Exchanges, where the shares of the Company are listed.

12. CORPORATE IDENTIFICATION NUMBER (CIN) OF THE COMPANY:

L92113TG2007PLC053585

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
2012-13	27.09.2013	Hotel NKM's Grand 6-3- 563/31/1, Somajiguda, Erramanzil, Hyderabad	2.30 p.m.	Nil
2011-12	10.08.2012	THE SQUARE HYDERABAD, # 6-3-870, Balayogi Paryatak Bhavan, Begumpet, Hyd-500 016	2.30 p.m.	Nos: One Re-appointment of Mr.Tapaas Chakravarti
2010-11	23.09.2011	Hotel NKM's Grand 6-3- 563/31/1, Somajiguda, Eramanzil, Hyderabad	2.30 p.m.	Nos: Three (i) Appointment of Ms. Nivedita Chakravarti (ii) Payment of remuneration to Ms.Rashida Adenwala. (iii)Appointment of M/s R & A Associates,Company Secretaries.

(ii) Extra-Ordinary General Meetings:
There were no extra-ordinary general meetings held during the previous three financial years.

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/Surya (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, 2013 to March 31, 2014 are as follows:

	Bombay Stock Exchange of India (BSE)		National Stock Exchange of India (NSE)	
Month	High Price	Low Price	High Price	Low Price
April 2013	11.80	9.58	11.75	9.20
May 2013	10.00	7.60	11.00	7.50
June 2013	8.50	5.65	8.35	5.60
July 2013	9.38	6.80	9.30	6.75
August 2013	12.55	6.67	12.35	6.50
September 2013	17.54	10.99	17.40	11.10
October 2013	14.60	11.85	14.95	11.95
November 2013	22.07	12.95	22.10	12.90
December 2013	45.70	21.60	45.90	22.00
January 2014	50.30	33.55	50.55	33.80
February 2014	39.55	31.30	39.45	30.10
March 2014	36.45	27.00	36.80	26.85

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, 2014. 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, 2014, 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 31, Road No 5, Jubilee Hills, Hyderabad 500033	Production Centre
4.	DLF Cybercity, SEZ Zone,Block-3, Ground floor, APHB Colony, Gachibowli, Hyderabad – 500 019	Production Centre
5.	Module No 312-315, SDF Building, Salt Lake Electronics Complex, Software Technology Park Zone, Sector V, Bidhan Nagar, Kolkata 700091	Production Centre
6.	Plot No.5, Block-BP, Sector V, Salt Lake, Bidhannagar, Kolkata-700091.	DQ School of Visual Arts

21. SHAREHOLDING PATTERN OF THE COMPANY AS ON MARCH 31, 2014

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 PLEDGED 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	6	246	246	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) :	**6**	**246**	**246**	**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)	Qualified Foreign Investor	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(2) :	**1**	**59461972**	**59461972**	**75.00**	**75.00**	**0**	**0.00**
	Total A=A(1)+A(2)	**7**	**59462218**	**59462218**	**75.00**	**75.00**	**0**	**0.00**
(B)	**PUBLIC SHAREHOLDING**							
(1)	INSTITUTIONS							
(a)	Mutual Funds /UTI	5	3290995	3290995	4.15	4.15		
(b)	Financial Institutions /Banks	1	418000	418000	0.53	0.53		
(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	2	31196	31196	0.04	0.04		
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0.00		
(h)	Qualified Foreign Investor	0	0	0	0.00	0.00		
(i)	Others	0	0	0	0.00	0.00		
	Sub-Total B(1) :	**8**	**3740191**	**3740191**	**4.72**	**4.72**		

(2)	NON-INSTITUTIONS							
(a)	Bodies Corporate	345	4841839	4841839	6.11	6.11		
(b)	Individuals							
	(i) Individuals holding nominal share capital upto Rs.1 lakh	13845	6245728	6245725	7.88	7.88		
	(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	111	4263697	4263697	5.38	5.38		
(c)	Others							
	NON RESIDENT INDIANS	83	567658	567658	0.72	0.72		
	CLEARING MEMBERS	40	33045	33045	0.04	0.04		
	FOREIGN COMPANIES	1	128624	0	0.16	0.16		
(d)	**Qualified Foreign Investor**	**0**	**0**	**0**	**0.00**	**0.00**		
	Sub-Total B(2) :	**14425**	**16080591**	**15951964**	**20.28**	**20.28**		
	Total B=B(1)+B(2) :	**14433**	**19820782**	**19692155**	**25.00**	**25.00**		
	Total (A+B) :	14440	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) :	**14440**	**79283000**	**79154373**	**100.00**	**0.00**	**0**	**0.00**

22. 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.

The Company has complied with all the mandatory requirements and adopted part of the non-mandatory requirements.

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. Sindhu M.S., Company Secretary & Compliance Officer

Address for correspondence:
644, Aurora Colony,
Road No.3, Banjara Hills, Hyderabad - 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, 2014, 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: 30 May, 2014

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.

e) 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) :

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

(ii) 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.

(iii) 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.

(iv) There is 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, there have been no material weakness in internal controls over financial reporting including any corrective actions with regard to deficiencies.

f) 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.

g) 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, 2014.

Hyderabad	**Tapaas Chakravarti**	**Sanjay Choudhary**
May 30, 2014	CMD & CEO	Chief Financial Officer

AUDITORS’ REPORT

INDEPENDENT AUDITORS' REPORT

To
The Members of DQ Entertainment (International) Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of DQ Entertainment (International) Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014

(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 the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

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

c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;

e. on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For MZSK & Associates
Chartered Accountants
Firm Registration No.105047W

Ananthakrishnan G
Partner
Membership No.205226

Hyderabad, May 30, 2014

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, 2014]

(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) a) As per the information and explanations given to us, the Company has not granted secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

b) As per the information and the explanations given to us, the company has taken unsecured loan of Rs. 75,000,000 from the CMD of the company during the year. Balance Outstanding as at March 31, 2014 is Rs, 17,500,000. The loan is interest free and there were no other stipulations.

(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 except for the following:

Name of the statute	Nature of dues	Amount (₹)	Period to which the amount relates
Income Tax Act, 1961	Income Tax	48,376,199	AY 2013-14
Income Tax Act, 1961	Interest on Tax	5,807,361	AY 2013-14

(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
Service Tax	Interest & Penalty on import payments	13,201,091	2006-07 to 2008 - 09	CESTAT

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 been regular in repayment of dues to a financial institution and banks except for the last quarter dues of Rs. 5,721,190 (including interest of Rs. 104,304) to one of the banks. 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. 1,060,397,701/- 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 company has not raised any money from public during the year. Accordingly, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(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 MZSK & Associates
Chartered Accountants
Firm Registration No.105047W

Ananthakrishnan G
Partner
Membership No. 205226

Hyderabad, May 30, 2014

Balance Sheet as at 31 March, 2014

Amount in ₹

	Notes	As at 31 March 2014		As at 31 March 2013	
I. EQUITY AND LIABILITIES					
(1) Shareholders' Funds					
(a) Share capital	3	792,830,000		792,830,000	
(b) Reserves and surplus	4	3,444,425,876		3,080,865,036	
			4,237,255,876		3,873,695,036
(2) Non-Current Liabilities					
(a) Long-term borrowings	5	583,667,174		541,754,800	
(b) Deferred tax liability (Net)	6	74,852,448		139,231,454	
(c) Long term provisions	7	116,138,844		133,434,100	
			774,658,466		814,420,354
(3) Current Liabilities					
(a) Short term borrowings	8	574,878,031		411,979,260	
(b) Trade payables	9	61,443,729		40,657,611	
(c) Other current liabilities:					
(i) Current Maturity of long term borrowings		189,011,212		379,040,422	
(ii) Others	10	302,266,460		226,926,403	
(d) Short term provisions	11	207,687,969		72,373,193	
			1,335,287,401		1,130,976,889
Total			**6,347,201,743**		**5,819,092,279**
II. ASSETS					
(1) Non-Current Assets					
(a) Fixed assets	12				
(i) Tangible assets		147,002,265		263,258,459	
(ii) Intangible assets		980,158,646		1,241,895,080	
(iii) Capital work-in-progress		1,166,745		1,166,745	
(iv) Intangible asset under construction	12.1	417,898,540		284,948,752	
(b) Non-current investments	13	1,256,948,595		1,113,202,762	

(c) Long-term loans and advances	14	537,243,008		548,169,778	
(d) Other non-current assets	15	91,369,728		100,306,520	
			3,431,787,527		3,552,948,096
(2) Current Assets					
(a) Trade receivables	16	2,673,176,212		1,829,860,832	
(b) Cash and bank balances	17	2,133,567		22,406,064	
(c) Short-term loans and advances	18	7,001,863		8,800,785	
(d) Other Current Assets - Unbilled revenue		233,102,574		405,076,502	
			2,915,414,216		2,266,144,183
Total			**6,347,201,743**		**5,819,092,279**
Significant accounting policies	1				
Notes to accounts	2 - 38				

The notes are an integral part of the financial statements

Vide our report of date attached

For and on behalf of the Board

For MZSK & Associates
Chartered Accountants
FRN 105047 W

Tapaas Chakravarti
(CMD & CEO)

V. Santhanaraman
(Director)

Ananthakrishnan G
Partner
(M.No 205226)

Sindhu M. S.
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Place: Hyderabad
Date: 30-05-2014

Statement of Profit and Loss for the year ended 31 March, 2014

Amount in ₹

	Notes	For the year ended	
		31 Mar 2014	31 March 2013
Income:			
Revenue from operations	19	1,798,097,939	1,988,065,407
Other income	20	219,731,392	64,190,292
Total revenue		**2,017,829,331**	**2,052,255,699**
Expenses:			
Production expenses	21	37,403,714	71,101,429
Personnel cost	22	716,229,746	873,938,738
Administrative and other expenses	23	181,427,740	160,368,411
Finance cost	24	196,241,334	174,707,897
Depreciation and amortisation expenses	12	509,143,927	486,626,719
Less: Expenditure transferred to capital account		-	(4,594,622)
		1,640,446,461	**1,762,148,572**
Profit before tax		**377,382,870**	**290,107,127**
Tax expense:			
Current tax		(110,595,093)	(62,301,581)
Earlier year taxes		(38,937,678)	-
Less: MAT credit entitlement		102,260,835	57,606,639
Less: MAT credit entitlement earlier year		(30,929,100)	-
Deferred tax		64,379,006	(14,825,263)
Profit after Tax		**363,560,840**	**270,586,922**
Earnings Per Equity Share (Refer Note 35)			
Basic -		4.59	3.41
Diluted -		4.59	3.41
Significant accounting policies	1		
Notes to accounts	2 - 38		

The notes are an integral part of the financial statements

Vide our report of date attached

For and on behalf of the Board

For MZSK & Associates
Chartered Accountants
FRN 105047 W

Ananthakrishnan G
Partner
(M.No 205226)

Tapaas Chakravarti
(CMD & CEO)

V. Santhanaraman
(Director)

Sindhu M. S.
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Place: Hyderabad
Date: 30-05-2014

Cash Flow Statement for the year ended 31 March 2014

Amount in ₹

		31-Mar-14		31-Mar-13	
A	**Cash flow from Operating Activities**				
	Profit Before Tax		377,382,870		290,107,127
	Adjustments for				
	Depreciation and amortisation	509,143,927		486,626,719	
	Depreciation transferred to capital account	-		79,541	
	Interest income	(27,500,823)		(33,892,973)	
	Liabilities no longer required written back	(901,646)		(377,750)	
	Provision for bad and doubtful debts and other non cash items	56,099,775		34,858,569	
	Income from mutual funds	-		(2,369,257)	
	Interest expenses	168,103,469		145,390,651	
	(Profit) / Loss on sale of fixed assets	(3,938,219)		5,220,262	
	Unrealised gain due to exchange differences	(103,619,640)		(10,816,911)	
			597,386,843		624,718,851
	Operating profit before working capital changes		974,769,713		914,825,978
	Adjustments for changes in				
	Trade and other receivables	(549,052,403)		(673,765,018)	
	Trade payables, other liabilities and provisions	21,279,376		8,059,553	
		(527,773,027)		(665,705,465)	
	Income tax paid	(8,710,734)		(22,297,887)	
			(536,483,761)		(688,003,352)
	Net Cash from Operating activities		**438,285,952**		**226,822,626**
B	**Cash flow from Investing Activities**				
	Purchase of fixed assets - Tangibles	(407,630)		(46,835,872)	
	Purchase of fixed assets - Intangible	(200,601,298)		(369,166,422)	
	Proceeds from Sale of fixed assets	9,170,374		706,201	
	Investment in Joint Venture company	(89,345,336)		-	
	Investment in Subsidiary	-		(501,996,322)	
	Income from mutual funds	-		2,369,257	

	Proceeds from sale of mutual funds	-		58,259,353	
	Proceeds/(Investments) in maturity of long term deposits	8,936,792		(85,190,275)	
	Interest received on deposits with banks and other deposits etc.,	7,204,939		37,881,869	
	Net Cash used in Investing activities		**(265,042,159)**		**(903,972,211)**
C	**Cash flow from Financing Activities**				
	Interest and financing charges paid	(166,595,938)		(129,157,225)	
	Proceeds from borrowings from term loans	116,715,126		236,611,536	
	Repayment of term loans	(306,534,249)		(167,639,101)	
	Proceeds on account of working capital Loans (Net)	162,898,771		96,394,088	
	Net Cash from Financing activities		**(193,516,290)**		**36,209,298**
	Net increase/(decrease) in cash and cash				
	equivalents (A+B+C)		**(20,272,497)**		**(640,940,287)**
	Cash and cash equivalents as at the beginning of the year		**22,406,064**		**663,353,538**
	Net foreign exchange difference		-		(7,187)
	Cash and cash equivalents as at the end of the year		**2,133,567**		**22,406,064**
	(refer note 17)				

The notes are an integral part of the financial statements

Vide our report of date attached

For and on behalf of the Board

For MZSK & Associates
Chartered Accountants
FRN 105047 W

Tapaas Chakravarti
(CMD & CEO)

V. Santhanaraman
(Director)

Ananthakrishnan G
Partner
(M.No 205226)

Sindhu M. S.
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Place: Hyderabad
Date: 30-05-2014

Accounting Policies and Notes on Accounts

I. 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 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 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 an Accounts for the year ended 31 March 2014

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 2014	31 March 2013
Authorised		
80,000,000 Equity shares of Rs.10/- each (31.03.2013: 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 (31.03.2013: 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 2014	31 March 2013
Opening balance	79,283,000	79,283,000
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, 2014):

Particulars	Year (Aggregate No. of Shares)					
	31-Mar-14	31-Mar-13	31-Mar-12	31-Mar-11	31-Mar-10	31-Mar-09
Bonus shares *	58,011,920	58,011,920	58,011,920	58,011,920	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 2014	31 March 2013
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	1,126,137,096	855,550,174
Add: Profit for the year	363,560,840	270,586,922
Closing balance	1,489,697,936	1,126,137,096
Other Reserves		
Capital subsidy *	800,000	800,000
	3,444,425,876	**3,080,865,036**

** Erstwhile DQ Entertainment Limited was sanctioned a Capital subsidy of Rs. 800,000 (31.03.2013: Rs.800,000) under clause 7(f) of ICT Incentive policy of the Government of Andhra Pradesh*

5. Long Term Borrowings

Amount in ₹

	As at	
Particulars	**31 March 2014**	**31 March 2013**
Term loans - Secured		
From banks	583,667,174	541,754,800
	583,667,174	**541,754,800**

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. Nil (31.03.2013: Rs.139,119,986) are secured by First pari passu charge on fixed asstes of DQ India both present and future (excluding vehicles), Second pari-passu charge on the current assets of DQ India and guarantee of a director.	12 Quarterly Installments from the date of disbursement. BPLR + 3.50% p.a payable monthly
The term loans from bank for Rs. 21,093,749 (31.03.2013: Rs. 7,003,035) are secured by First pari passu charge on fixed asstes of DQ India both present and future (excluding vehicles), Second pari-passu charge on the current assets of DQ India and guarantee of a director .	4 Quarterly Installments from Jan 2015. BR Plus 5.75%+.50% p.a payable monthly
The term loans from bank for Rs. 275,684,632 (31.03.2013: Rs. 231,935,595) are secured by First pari passu charge on fixed asstes of DQ India both present and future (excluding vehicles), Second pari-passu charge on the current assets of DQ India and guarantee of a director.	14 Quarterly Installments from Mar 2015. BR Plus 5.75%+.50% p.a payable monthly
The term loans from bank for Rs. 25,386,677 (31.03.2013: Rs. Nil) are secured by First pari passu charge on fixed asstes of DQ India both present and future (excluding vehicles), Second pari-passu charge on the current assets of DQ India and guarantee of a director.	15 Quarterly Installments from Jan 2015. BR Plus 5.75%+.50% p.a payable monthly
The term loans from bank for Rs. 261,444,788 (31.03.2013: Rs. 163,440,000) isSecured by first charge on the entire fixed assets pari-passu with existing lenders . Personal Guarantee of Mr. Tapaas Chakravarthi	11 Quarterly Installments of $ 0.375 MN for term loan from June'15 and 12 Quarterly Installments of $ 0.045 MN for FITL loan from June'15 6M Libor+500 bps payable Qtrly
The term loans from bank for Rs. 57,328 (31.03.2013: Rs. 256,184) is secured by hypothecation of vehicles.	Repayable over a period of 3 years from the date of disbursements. Interest rate on these loans ranging from 6.99% to 11% p.a.

6. Deferred Tax

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

Timing Differences	(Liability) / Asset at 31 March 2013 (Rs.)	Current year (Charge) / Credit (Rs.)	(Liability) / Asset at 31 March 2014 (Rs.)
Depreciation	(185,689,641)	64,379,006	(121,310,635)
Gratuity	29,150,326	-	29,150,326
Leave encashment	13,439,215	-	13,439,215
Sick leaves	583,317	-	583,317
Provision for doubtful debts	2,727,495	-	2,727,495
IPO expenses u/s 35 D	557,834	-	557,834
Deferred Tax Liability - Net	**(139,231,454)**	**64,379,006**	**(74,852,448)**

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 2014	31 March 2013
Provision for employee benefits (Refer Note 34)	116,138,844	133,434,100
	116,138,844	**133,434,100**

8. Short Term Borrowings

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Working capital loans repayable on demand from banks - Secured	557,378,031	399,479,260
Loans and advances from related parties - Un-secured	17,500,000	12,500,000
	574,878,031	**411,979,260**

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. 50,510,382 (31.03.2013: Rs. 50,320,517) is secured by first charge on all current assets and second charge on all fixed Assets (excluding vehicles) both present and future of DQ India on pari-passu basis and guarantee of a director.	Repayable on demand with base rate plus 3.50% p.a. payable monthly.
The working capital loans from bank for Rs. 100,997,714 (31.03.2013: Rs. 101,220,346) is secured by first charge on all current assets and second charge on all fixed Assets (excluding vehicles) both present and future of DQ India on pari-passu basis and guarantee of a director.	Repayable on demand with base rate plus 5.75% p.a. payable monthly.
The working capital loans from bank for Rs. 405,869,935 (31.03.2013: Rs. 247,938,397) is secured by first charge on all current assets and second charge on all fixed Assets (excluding vehicles) both present and future of DQ India on pari-passu basis and guarantee of a director.	Repayable on demand with SBAR plus 2.25%

9. Trade Payables

Amount in ₹

Particulars	As at 31 March 2014	As at 31 March 2013
Dues to micro enterprises and small enterprises *	-	-
Due to others		
Sundry creditors		
for services	43,773,807	35,872,764
for others	17,669,922	4,784,847
	61,443,729	**40,657,611**

* 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 2014	As at 31 March 2013
Others:		
Interest accrued but not due	592,100	2,447,427
Interest accrued and due to banks	7,016,065	18,379,683
Other Payables:		
Statutory dues payable	66,400,063	20,686,493
Advance from customers	10,955,815	7,525,945
Employee benefits payable	80,263,563	80,013,387
Income received in advance	117,907,071	75,885,300
Services	19,131,783	21,988,168
	302,266,460	**226,926,403**

11. Short Term Provisions

Amount in ₹

Particulars	As at 31 March 2014	As at 31 March 2013
Provision for employee benefits (Refer Note: 34)	10,913,280	6,206,237
Others:		
Taxation (Net of Advance Tax of Rs. 130,258,224 (31.03.2013 : 118,003,370))	183,748,310	44,891,825
Retakes (Refer Note 1(k)		
Opening balance	21,275,131	28,224,149
Add: Additional provision for the year	17,667,849	12,750,766
Less: Utilised during the year (including reversals)	(25,916,601)	(19,699,784)
Closing balance	13,026,379	21,275,131
	207,687,969	**72,373,193**

12. Please refer page number 95 for schedule on Fixed Assets.

13. Non Current Investment

Amount in ₹

Particulars	As at 31 March 2014	As at 31 March 2013
Other Investments:		
Investment in Equity Instruments- at cost - Unquoted	1,167,503,270	1,113,102,772
In 100% wholly owned subsidiary company -DQ Entertainment (Ireland) Limited		
(17,266,315 (31.03.2013 : 16,517,115) ordinary shares of face value Euro 1, fully paid)		
(Nil (31.03.2013 : 7,116,315) ordinary shares of face value Euro 1, fully paid was acquired during the current year)		
In 100% wholly owned subsidiary company - DQ ITES Parks Private Limited	99,990	-
(9,999 (31.03.2013 : 9,999) ordinary shares of face value Rs. 10/- fully paid)		
In 100% wholly owned subsidiary company -DQ Powerkidz Private Ltd.	99,990	99,990
(9,999 (31.03.2013 : 9,999) ordinary shares of face value Rs. 10/- fully paid)		
Investment in DQ Entertainment (International) Films Limited	89,245,345	-
(1155553 (31.03.2013 : Nil) ordinary shares of face value Euro. 1/- fully paid)		
	1,256,948,595	1,113,202,762
Aggregate amount of quoted investments and Market Value thereof	-	-
Aggregate amount of unquoted investments	1,256,948,595	1,113,202,762
Aggregate provision for diminution in the value of investments	-	-

14. Long Term Loans and Advances

Amount in ₹

Particulars	As at 31 March 2014	As at 31 March 2013
(Unsecured, Considered Good)		
Capital advances	800,000	861,875
Security deposits	11,156,846	16,151,326
Loan and Advances to related party - to DQ Entertainment (Ireland) Limited		
Loans	246,718,313	265,590,000
Share application money	-	54,400,496
Other advances:		
Prepaid expenses	-	3,204
Claims receivable	22,970,878	24,779,137
MAT credit entitlement	255,596,971	186,383,740
	537,243,008	**548,169,778**

15. Other Non-current assets:

Amount in ₹

Particulars	As at 31 March 2014	As at 31 March 2013
Long term deposits with banks with maturity period more than 12 months	91, 369, 728	100, 306, 520
	91, 369, 728	**100, 306, 520**

16. Trade Receivable

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
(Unsecured)		
A)Debts outstanding for a period exceeding six months		
Considered good	1,609,679,303	809,308,805
Considered doubtful	76,941,993	21,457,324
B)Other debts		
Considered good	1,063,496,909	1,020,552,027
Considered doubtful	-	-
	2,750,118,205	1,851,318,156
Less: Provision for bad and doubtful debts	(76,941,993)	(21,457,324)
	2,673,176,212	**1,829,860,832**

17. Cash and Bank Balances

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Cash and Cash Equivalents:		
Balances with Banks		
Current Accounts	2,107,460	887,029
Remittance in transit	-	21,350,712
Cash on hand	26,107	168,323
	2,133,567	**22,406,064**

18. Short Term Loans and Advances

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Unsecured considered good		
Others :		
Interest accrued on deposits	42,523	-
Other advances	4,644,827	3,412,892
Prepaid expenses	2,314,513	5,387,893
	7,001,863	**8,800,785**

19. Revenue from Operations

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Production : Export	1,626,950,015	1,686,010,319
: Domestic	11,330,912	14,887,775
Distribution income	159,817,012	287,167,313
	1,798,097,939	**1,988,065,407**

20. Other Income

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Interest Income and others (including TDS of Rs. 896,989 (31.03.2013 : Rs.1,567,578))	27,500,823	33,892,973
Profit on sale of fixed assets	3,938,219	-
Income from mutual fund	-	2,369,257
Liabilities no longer required written back	901,646	377,750
Foreign exchange fluctuation gain (net)	180,182,880	19,928,083
Miscellaneous income	7,207,824	7,622,229
	219,731,392	**64,190,292**

21. Production Expenses

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Production expenses - Direct	5,339,044	33,039,596
Power and fuel	32,064,670	38,061,833
	37,403,714	**71,101,429**

22. Personnel Costs

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Salaries and wages	665,662,810	778,298,729
Contribution to provident fund	44,792,389	50,878,411
Staff welfare expenses	7,251,475	6,735,636
Gratuity*	1,960,240	29,138,196
Compensated absences*	(3,437,168)	8,887,766
	716,229,746	**873,938,738**

* Refer Note 34

23. Administrative and Other Expenses

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Communication expenses	6,565,953	8,386,877
Printing and stationery	1,662,008	1,630,970
Professional and consultancy charges	17,925,711	16,685,911
Repairs and Maintenance :		
Building	6,363,804	5,791,388
Plant and Machinery	5,303,061	8,748,392
Others	2,236,932	2,829,040
Insurance	3,151,430	3,040,040
Business promotion	5,991,190	6,970,176
Rates and taxes	2,423,207	1,580,440
Rent	30,254,557	40,016,597
Auditors remuneration	2,450,000	2,450,000
Directors remuneration	13,281,165	13,281,165
Selling and distribution expenses	910,326	1,724,060
Recruitment expenses	14,421	-
Travelling and conveyance expenses	17,899,806	17,225,233
Loss on sale of assets	-	5,220,262
Provision for bad and doubtful debts (net)	55,870,464	14,035,745
Miscellaneous expenses	9,123,705	10,752,115
	181,427,740	**160,368,411**

24. Finance Costs

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Interest on borrowings		
Terms loans	98,279,381	93,774,451
Working capital loan	69,824,088	51,616,200
Loss on Forward Contract	13,731,125	-
Loss on foreign currency transactions	(1,558,266)	97,470
Bank charges	6,385,946	20,822,056
Interest on Others	9,579,060	8,397,720
	196,241,334	**174,707,897**

25. The company's operations are conducted in units set up in Software Technology Parks (STPs) and Special Economic Zones (SEZs). 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.

26. Disclosure required by clause 32 of the Listing Agreements

Amount in ₹

Amount of loans & advances outstanding from subsidiaries as at 31 March 2014	Outstanding as at 31 March 2014	Maximum amount outstanding during the year	Outstanding as at 31 March 2013	Maximum amount outstanding during the year
Wholly Owned Subsidiary company - DQ Entertainment (Ireland) Limited	246,718,313	301,725,000	265,590,000	317,081,250

Amount in ₹

27.	Particulars	31 March 2014	31 March 2013
	Contingent Liabilities (to the extent not provided for)		
	a) Bonds executed in favour of customs and excise authorities	2,770,049	2,162,500
	b) Letters of Credit (includes guarantee on behalf of DQ Entertainment Ireland Rs. 1,060,397,701 (31.03.2013: 449,525,000)	1,224,909,501	777,476,625
	c) Income tax assessment of DQ Entertainment (International) Limited has been completed till Assessment Year 2009-10 (financial year 2008-09).		

Amount in ₹

28.	Particulars	31 March 2014	31 March 2013
	Earnings in Foreign Currency - Accrual basis		
	Income from production	1,798,923,950	1,632,039,348
	Other income	25,699,250	27,968,340
	Distribution Income	157,560,923	285,539,396
29.	**Expenditure in Foreign currency - Accrual basis**	**31 March 2014**	**31 March 2013**
	(Subject to deduction of tax where applicable)		
	Overseas business travel	6,557,339	11,880,493
	Production Expenses	2,426,880	8,254,887
	Financial Charges	15,445,987	17,396,505
	TOTAL	**24,430,206**	**37,531,885**

30.	Particulars	31 March 2014	31 March 2013
	Payment to auditors as:		
	Audit fees	2,250,000	2,250,000
	Tax audit	150,000	150,000
	Others	50,000	50,000
		2,450,000	**2,450,000**

Amount in ₹

31.	Particulars	31 March 2014	31 March 2013
	Directors remuneration		
	Salaries and allowances	4,032,000	4,032,000
	Other perquisite	1,008,000	1,008,000
	Commission	7,791,165	7,791,165
		12,831,165	**12,831,165**
	Remuneration to Non - Whole-time Director		
	Sitting fees	330,000	330,000
	Professional fees	120,000	120,000
	Total remuneration	**13,281,165**	**13,281,165**

The above figures does not include provision for gratuity and leave encashment liability actuarially 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
c. DQ Entertainment (Ireland) Limited - Subsidiary company
d. DQ Powerkidz Private Limited - Subsidiary company
e. DQ Entertainment (International) Films Limited - Joint Venture company by DQE India and DQE Plc
f. DQE ITES Parks Private Limited - Subsidiary 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 Director is a partner

R & A Associates

vi) Relative of a director

Mr. Hatim Adenwala - Senior Vice president Human Resources

32.2 Transactions with above in the ordinary course of business

Amount in ₹

Particulars	31 March 2014	31 March 2013
i) Subsidiary Company		
Investment in DQE ITES Parks Private Limited	99,990	-
Investment in DQ Entertainment (International) Films Limited	89,245,345	-
Investment in DQ Entertainment (Ireland) Limited	-	1,167,503,269
Production consultancy provided to DQ Entertainment (Ireland) Limited	538,700,538	295,274,742
Professional consultancy & Others to DQ Entertainment (Ireland) Limited	25,699,250	27,968,340
ii) Key management personnel		
Loan from Managing Director & Chief Executive Officer	17,500,000	12,500,000
Remuneration	12,831,165	12,831,165
iii) Relative of key management personnel and Director		
Remuneration	8,292,000	8,292,000
iv) Associate of the Ultimate Holding Company		
Revenue from Animation	59,437,596	157,933,627
Revenue from Distribution	-	57,284,844
v) Professional fee to a director	120,000	120,000
Professional fee to a Firm in which a Director is a partner	2,880,000	2,880,000

32.3 Balances outstanding

Amount in ₹

Particulars	As at 31st March 2014	As at 31st March 2013
i) Ultimate Holding Company		
Amount receivable at year end - DQ Entertainment Plc	1,495,250	-
ii) Subsidiary Company		
Amount receivable at year end - DQ Entertainment (Ireland) Limited	854,301,143	334,082,940
Loan to Subsidiary - DQ Entertainment (Ireland) Limited	246,718,313	265,590,000
iii) Key management personnel		
Amount payable to Managing Director & Chief Executive Officer	17,500,000	12,500,000
iv) Associate of the Ultimate Holding Company		
Amounts receivable	180,282,646	291,526,832

33. Leases

The Company's 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. 29,710,099 (31.03.2013: Rs.38,204,573).

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 ₹

	Year ending 31 March 2014		Year ending 31 March 2013	
Particulars	**Leave Encashment**	**Gratuity**	**Leave Encashment**	**Gratuity**
Present Value of DBO at the beginning of the year	41,504,340	95,783,458	34,945,379	70,566,187
Current Service Cost	(6,757,726)	12,455,280	6,602,447	14,481,710
Interest Cost	3,403,356	7,854,244	3,040,248	6,039,259
Actuarial Losses /(Gains)	(82,798)	(18,349,284)	(754,929)	8,617,227
Benefits paid	(3,340,773)	(7,592,722)	(2,328,805)	(3,920,925)
Present Value of DBO at the end of the year	**34,726,399**	**90,150,976**	**41,504,340**	**95,783,458**
Expense Recognized in the statements of Profit & Loss account for the year ended				
Current Service Cost	(6,757,726)	12,455,280	6,602,447	14,481,710
Interest Cost	3,403,356	7,854,244	3,040,248	6,039,259
(Gain) / Actuarial Losses	(82,798)	(18,349,284)	(754,929)	8,617,227
Expense recognized in the Statement of Profit and loss account	**(3,437,168)**	**1,960,240**	**8,887,766**	**29,138,196**
Actual Contribution and Benefit Payments				
Actual Benefit Payments	3,340,773	7,592,722	2,328,805	3,920,925
Actual Contributions	-	-	-	-
Assumptions				
Discount Rate %	9.10%	9.10%	8.20%	8.20%
Salary Escalation %	4.00%	4.00%	4.00%	4.00%

35.

Amount in ₹

Particulars	**31 March 2014**	**31 March 2013**
Earnings Per Share (EPS)		
a) Net Profit available for Equity Shareholders	363,560,840	270,586,922
b) Nominal Value Per Share	10	10
c) Basic Earning Per Share	4.59	3.41
d) Diluted Earning Per Share	4.59	3.41
	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 Segmental Reporting as per Accounting standard 17:

36.1 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 2014 is as follows:

Amount in ₹

	Animation	Distribution	Total
Revenue from operation	1,638,280,927	159,817,012	1,798,097,939
	1,700,898,094	*287,167,313*	*1,988,065,407*
Total Revenue	**1,638,280,927**	**159,817,012**	**1,798,097,939**
	1,700,898,094	*287,167,313*	*1,988,065,407*
Depreciation and Amortisation	-	354,182,724	354,182,724
		307,972,302	*307,972,302*
Segment result	1,031,057,480	(198,228,752)	832,828,728
	975,186,062	*(26,423,301)*	*948,762,761*
Unallocated expenses			(259,204,524)
			(483,947,737)
Operating Profit			573,624,204
			464,815,024
Net financing costs			(196,241,334)
			(174,707,897)
Income Tax expense			(13,822,030)
			(19,520,205)
Profit after tax			**363,560,840**
			270,586,922
Segment assets	2,663,098,637	1,605,664,854	4,268,763,491
	1,946,698,054	*1,451,222,237*	*3,397,920,291*
Unallocated assets			2,078,438,252
			2,421,171,988
Total assets			**6,347,201,743**
			5,819,092,279
Segment liabilities	105,163,248	317,087	105,480,335
	85,088,941	*215,558*	*85,304,499*
Unallocated liabilities			2,004,465,532
			1,860,092,744
Total liabilities			**2,109,945,867**
			1,945,397,243
Capital expenditure			
Tangible Fixed Assets			407,630
			46,835,872
Intangible Assets			200,601,298
			369,166,422

Note: Figures in italics represent previous year

36.2 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	380,984,841	690,663,747	566,632,339	1,638,280,927
	116,339,960	*1,066,166,028*	*518,392,106*	*1,700,898,094*
Distribution	66,989,598	299,901	92,527,513	159,817,012
	3,671,437	*28,492,800*	*255,003,076*	*287,167,313*
Total Revenue	447,974,439	690,963,648	659,159,852	1,798,097,939
	120,011,397	*1,094,658,828*	*773,395,182*	*1,988,065,407*
Total Assets	1,543,588,383	332,991,215	4,470,622,145	6,347,201,743
	330,857,025	*1,261,885,695*	*4,226,349,559*	*5,819,092,279*
Capital expenditure				
Tangible Fixed Assets				407,630
				46,835,872
Intangible Assets				200,601,298
				369,166,422

Note: Figures in italics represent previous year

37.Commitments

Amount in ₹

Particulars	**31 March 2014**	**31 March 2013**
Estimated amount of contracts remaining to be executed on capital account not provided for, net of advances	573,369,856	1,044,091,204

Note: Figures in italics represent previous year

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

For and on behalf of the Board

For MZSK & Associates
Chartered Accountants
FRN 105047 W

Tapaas Chakravarti
(CMD & CEO)

V. Santhanaraman
(Director)

Ananthakrishnan G
Partner
(M.No 205226)

Sindhu M. S.
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Place: Hyderabad
Date: 30-05-2014

Schedules forming part of the Balance Sheet
12. Fixed Assets.

Amount in ₹

Particulars	Gross Block				Depreciation/Amortisation				Net Block	
	As at 1 April 2013	Additions	Deletions/ write off	As at 31 March 2014	As at 1 April 2013	For the year	Deletions/ write off	As at 31 March 2014	As at 31 March 2014	As at 31 March 2013
Tangible Assets										
Leasehold Land	14,350,000	-	-	14,350,000	1,950,071	434,805	-	2,384,876	11,965,124	12,399,929
Leasehold improvements	17,186,000	4,000	-	17,190,000	8,023,356	3,161,806	-	11,185,162	6,004,838	9,162,644
Plant & Machinery	821,802,175	336,290	37,042,234	785,096,231	612,295,732	98,587,835	34,702,120	676,181,447	108,914,784	209,506,443
Office equipments	11,826,676	67,340	275,666	11,618,350	4,031,542	1,158,292	259,875	4,929,959	6,688,391	7,795,134
Furniture, Fixtures & Interiors	32,289,399	-	3,573,648	28,715,751	17,927,567	3,334,605	3,573,650	17,688,522	11,027,229	14,361,832
Vehicles	27,905,683	-	11,454,732	16,450,951	17,873,206	4,754,324	8,578,481	14,049,049	2,401,902	10,032,477
Total	925,359,933	407,630	52,346,280	873,421,283	662,101,474	111,431,667	47,114,126	726,419,015	147,002,268	263,258,459
Intangible Assets										
Distribution rights*	1,994,816,205	123,474,625	290,247,223	1,828,043,607	819,521,939	354,182,724	290,247,221	883,457,442	944,586,165	1,175,294,266
Computer software	352,367,497	12,501,204	-	364,868,701	285,766,683	43,529,536	-	329,296,219	35,572,482	66,600,814
Total	2,347,183,702	135,975,829	290,247,223	2,192,912,308	1,105,288,622	397,712,260	290,247,221	1,212,753,661	980,158,647	1,241,895,080
Grand Total	3,272,543,635	136,383,459	342,593,503	3,066,333,591	1,767,390,096	509,143,927	337,361,347	1,939,172,676	1,127,160,915	1,505,153,539
Previous year figures	2,925,568,548	443,806,368	96,831,281	3,272,543,635	1,371,668,195	486,626,719	90,904,818	1,767,390,096	1,505,153,539	-

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 38 series (31.03.2013: 52) of Animation rights have been acquired for different territories across the globe. The Company has performed testing for impairment of distribution rights which resulted in an impairment loss of Rs. 176,587,978 (31.03.2013: Rs.134,283,734) on account of recoverable amount of distribution rights being less than its carrying amount. The accumulated Impairment Loss as at 31.03.2014 on distribution rights amounted to Rs. 405,951,337 (31.03.2013: Rs.229,363,359).

Distribution Rights for 14 series with gross block of Rs.225,230,900 and amortisation/impairment of Rs.225,230,900 have been written off during the year. These are fully amortised/impaired and there will be no impact on P & L account.

12.1 (a) Intangible assets under construction are the projects under development to be exploited as Television 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 1 project (2013: 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 capitalised as mentioned below

Amount in ₹

Particulars	31.03.2014	31.03.2013
Total Interest cost incurred during the year	108,741,780	101,383,033
Less: Amount capitalized as borrowing cost as per AS 16	10,462,399	7,608,582
Net Interest cost transferred to Profit and Loss Account	98,279,381	93,774,451

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of DQ Entertainment (International) Limited ("the Company") and its subsidiaries (the Company, its subsidiaries constitute "the Group") which comprise the consolidated balance sheet as at March 31, 2014, the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation of these consolidated financial statements on the basis of separate financial statements and other financial information regarding components that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

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", Accounting Standards (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures" as notified pursuant to the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate financial statements of DQ Entertainment (International) Limited, its subsidiaries, associates and joint ventures.

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries, associates and joint ventures as mentioned in the 'Other Matter' paragraph below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2014;
(b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
(c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

OTHER MATTER

We did not audit the financial statements of

1. DQ Entertainment (Ireland) Limited (subsidiary), whose financial statements reflect total assets (net of elimination) of Rs. 5,270,721,141 (PY Rs. 2,843,154,585) as at March 31, 2014, total revenues of Rs. 984,513,903 (PY Rs. 755,819,074) and net cash inflow amounting to Rs. 2,114,522 (PY Net Cash outflow Rs. 25,533,664) for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors.

2. DQ Entertainment (International) Films Limited (Joint Venture), whose financial statements reflect total assets (net of elimination) as at March 31, 2014 of Rs. 222,686, no revenues and net cash inflow amounting to Rs. 222,686 for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors.

Our opinion is not qualified in respect of these matters.

For MZSK & Associates
Chartered Accountants
Firm Registration No.105047W

Ananthakrishnan G
Partner
Membership No.205226

Hyderabad, May 30, 2014

Consolidated Balance Sheet as at 31 March, 2014

Amount in ₹

	Notes	As at 31 March 2014		As at 31 March 2013	
I. EQUITY AND LIABILITIES					
(1) Shareholders' Funds					
(a) Share capital	3	792,830,000		792,830,000	
(b) Reserves and surplus	4	4,243,353,919		3,528,316,905	
			5,036,183,919		4,321,146,905
(2) Non-Current Liabilities					
(a) Long-term borrowings	5	1,389,552,409		1,095,038,296	
(b) Deferred tax liability (Net)	6	74,852,448		139,231,454	
(c) Other long term liabilities	7	363,063,202		203,378,433	
(d) Long term provisions	8	116,138,844		133,434,100	
			1,943,606,903		1,571,082,283
(3) Current Liabilities					
(a) Short term borrowings	9	889,309,434		678,949,644	
(b) Trade payables	10	444,093,209		253,658,032	

(c) Other current liabilities:					
(i) Current maturity of long term borrowings		383,395,337		379,040,422	
(ii) Others	11	355,108,091		254,607,506	
(d) Short term provisions	12	206,920,833		87,564,384	
			2,278,826,904		1,653,819,988
Total			**9,258,617,726**		**7,546,049,176**
II. ASSETS					
(1) Non-Current Assets					
(a) Fixed assets	13				
(i) Tangible assets		147,002,266		263,258,459	
(ii) Intangible assets		1,332,346,611		1,558,827,948	
(iii) Capital work-in-progress		1,166,745		1,166,745	
(iv) Intangible asset under construction	13.1	4,386,535,427		3,058,811,312	
(b) Long-term loans and advances	14	322,967,686		233,101,712	
(c) Other non-current assets	15	91,369,728		100,306,520	
			6,281,388,463		5,215,472,696
(2) Current Assets					
(a) Trade receivables	16	2,597,997,956		1,624,296,853	
(b) Cash and bank balances	17	10,901,077		24,465,781	
(c) Short-term loans and advances	18	48,021,406		39,048,665	
(d) Other Current Assets - Unbilled revenue		320,308,824		642,765,181	
			2,977,229,263		2,330,576,480
Total			**9,258,617,726**		**7,546,049,176**
Significant accounting policies	1				
Notes to accounts	2 - 35				

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 MZSK & Associates
Chartered Accountants
FRN 105047 W

Tapaas Chakravarti
(CMD & CEO)

V. Santhanaraman
(Director)

Ananthakrishnan G
Partner
(M.No 205226)

Sindhu M. S.
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Place: Hyderabad
Date: 30-05-2014

Consolidated Statement of Profit and Loss for the year ended 31 March, 2014

Amount in ₹

		For the year ended	
	Notes	31 March 2014	31 March 2013
Revenue from operations	19	2,396,794,745	2,294,077,283
Other income	20	248,694,014	34,266,074
Total revenue		**2,645,488,759**	**2,328,343,357**
Expenses:			
Production expenses	21	192,501,701	178,605,838
Personnel cost	22	719,560,138	875,834,113
Administrative and other expenses	23	481,537,666	250,238,890
Finance cost	24	251,649,337	209,435,049
Depreciation and amortisation expenses	13	552,599,892	526,987,481
Expenditure transferred to capital account		(351,537)	(125,440,090)
		2,197,497,197	**1,915,661,281**
Profit before tax		**447,991,562**	**412,682,076**
Tax expense:			
Current tax		(117,058,366)	(82,398,306)
Earlier year taxes		(38,937,678)	-
Less: MAT credit entitlement		102,260,835	57,606,639
Less: MAT credit entitlement - earlier year		(30,929,100)	-
Deferred tax		64,379,006	(14,825,263)
Profit after Tax		**427,706,259**	**373,065,146**
Earnings Per Equity Share (Refer Note 33)			
Basic -		5.39	4.71
Diluted -		5.39	4.71
Significant accounting policies	1		
Notes to accounts	2 - 35		

For and on behalf of the Board

For MZSK & Associates
Chartered Accountants
FRN 105047 W

Tapaas Chakravarti
(CMD & CEO)

V. Santhanaraman
(Director)

Ananthakrishnan G
Partner
(M.No 205226)

Sindhu M. S.
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Place: Hyderabad
Date: 30-05-2014

Consolidated Cash Flow Statement for the year ended 31 March 2014

Amount in ₹

		For the year ended 31 March 2014		For the year ended 31 March 2013	
A	**Cash flow from Operating Activities**				
	Profit Before Tax		447,991,562		412,682,076
	Adjustments for				
	Depreciation and amortisation	552,599,892		526,987,481	
	Depreciation transferred to capital account	(17,743)		79,541	
	Interest income	(8,968,769)		(13,546,862)	
	Liabilities no longer required written back	(1,125,147)		(377,750)	
	Provision for bad debts and others non cash items	231,047,821		34,858,569	
	Income from mutual funds	-		(2,369,257)	
	Interest expenses	200,829,616		167,995,258	
	Loss on sale of fixed assets	(3,938,219)		5,220,262	
	Unrealised gain due to exchange differences	(170,389,038)		(11,993,147)	
			800,038,413		706,854,095
	Operating profit before working capital changes		1,248,029,975		1,119,536,171
	Adjustments for changes in				
	Trade and other receivables	(799,240,447)		(632,957,191)	
	Trade payables, other liabilities and provisions	227,585,226		44,424,349	
		(571,655,221)		(588,532,842)	
	Income tax paid	(34,182,535)		(25,550,545)	
			(605,837,756)		(614,083,387)
	Net Cash from Operating activities		**642,192,219**		**505,452,784**
B	**Cash flow from Investing Activities**				
	Purchase of fixed assets - Tangibles	(407,630)		(46,835,872)	
	Purchase of fixed assets - Tangibles	(1,071,519,182)		(1,136,409,571)	
	Proceeds from Sale of fixed assets	9,170,372		706,201	
	Receipts - Joint Venture company	234,060,179		-	
	Income from mutual funds	-		2,369,257	
	Proceeds from sale of mutual funds	-		58,259,353	

	Proceeds/(Investments) in maturity of long term deposits	8,936,792		(85,190,275)	
	Interest received on deposits with banks and other deposits etc.,	7,204,939		37,881,869	
	Net Cash used in Investing activities		**(812,554,530)**		**(1,169,219,038)**
C	**Cash flow from Financing Activities**				
	Interest and financing charges paid	(194,505,478)		(158,470,548)	
	Proceeds from borrowings from term loans	510,778,999		412,067,844	
	Proceeds from borrowings from Holding company	-		163,450,117	
	Repayment of Group Company loan	(20,142,208)		-	
	Repayment of term loans	(306,534,249)		(558,044,926)	
	Proceeds on account of short term borrowings (Net)	162,898,771		143,089,112	
	Net Cash from Financing activities		152,495,835		2,091,599
	Net increase/(decrease) in cash and cash				
	equivalents (A+B+C)		(17,866,476)		(661,674,655)
	Cash and cash equivalents as at the beginning of the year		24,465,781		690,963,135
	Net foreign exchange difference		4,301,772		(4,822,699)
	Cash and cash equivalents as at the end of the year (refer note 17)		10,901,077		24,465,781

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 MZSK & Associates
Chartered Accountants
FRN 105047 W

Tapaas Chakravarti
(CMD & CEO)

V. Santhanaraman
(Director)

Ananthakrishnan G
Partner
(M.No 205226)

Sindhu M. S.
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Place: Hyderabad
Date: 30-05-2014

Accounting Policies and Notes on Accounts

I. 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

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

(v) 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 2014

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 2014	31 March 2013
Authorised		
80,000,000 Equity shares of Rs.10/- each (31.03.2013: 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 (31.03.2013: 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 2014	31 March 2013
Opening balance	79,283,000	79,283,000
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, 2014):

Amount in ₹

Particulars	Year (Aggregate No. of Shares)				
	31-March-14	31-March-13	31-March-12	31-March-11	31-March-10	31-March-09
Bonus shares *	58,011,920	58,011,920	58,011,920	58,011,920	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 2014	31 March 2013
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	1,500,833,453	1,127,768,307
Add: Profit for the year	427,706,259	373,065,146
Closing balance	1,928,539,712	1,500,833,453
Other Reserves		
Capital subsidy *	800,000	800,000
Foreign currency translation reserve	360,086,267	72,755,512
	4,243,353,919	**3,528,316,905**

* Erstwhile DQ Entertainment Limited was sanctioned a Capital subsidy of Rs. 800,000 (31.03.2013: 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 2014	31 March 2013
Term loans		
From banks - Secured	966,587,452	718,814,774
From DQ Entertainment Plc. - Un secured	422,964,957	376,223,522
	1,389,552,409	**1,095,038,296**

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. Nil (31.03.2013: Rs.139,119,986) are secured by First pari passu charge on fixed assets of DQ India both present and future (excluding vehicles), Second pari-passu charge on the current assets of DQ India and guarantee of a director	12 Quarterly Installments from the date of disbursement. BPLR + 3.50% p.a payable monthly
The term loans from bank for Rs. 21,093,749 (31.03.2013: Rs. 7,003,035) are secured by First pari passu charge on fixed assets of DQ India both present and future (excluding vehicles), Second pari-passu charge on the current assets of DQ India and guarantee of a director	4 Quarterly Installments from Jan 2015. BR Plus 5.75%+.50% p.a payable monthly
The term loans from bank for Rs. 275,684,632 (31.03.2013: Rs. 231,935,595) are secured by First pari passu charge on fixed assets of DQ India both present and future (excluding vehicles), Second pari-passu charge on the current assets of DQ India and guarantee of a director	14 Quarterly Installments from Mar 2015. BR Plus 5.75%+.50% p.a payable monthly
The term loans from bank for Rs. 25,386,677 (31.03.2013: Rs. Nil) are secured by First pari passu charge on fixed assets of DQ India both present and future (excluding vehicles), Second pari-passu charge on the current assets of DQ India and guarantee of a director	15 Quarterly Installments from Jan 2015. BR Plus 5.75%+.50% p.a payable monthly
The term loans from bank for Rs. 261,444,788 (31.03.2013: Rs. 163,440,000) are secured by First pari passu charge on fixed assets of DQ India both present and future (excluding vehicles), Second pari-passu charge on the current assets of DQ India and guarantee of a director	11 Quarterly Installments of $ 0.375 MN for term loan from June'15 and 12 Quarterly Installments of $ 0.045 MN for FITL loan from June'15 6M Libor+500 bps payable Qtrly
The term loans from bank for Rs. 57,328 (31.03.2013: Rs. 256,184) is secured by hypothecation of vehicles.	Repayable over a period of 3 years from the date of disbursements. Interest rate on these loans ranging from 6.99% to 11% p.a.
The term loans from bank for Rs. Nil (31.03.2013: Rs.177,059,974) is secured SBLC issued by a bank, which is in turn secured by first pari passu charge on fixed assets of DQ India both present and future (excluding vehicles), Second pari-passu charge on the current assets of DQ India and guarantee of a director	Repayable in 6 equal installment after 18months Moratorium and it carry a LIBOR (on date of drawdown) +2.5% per Annum.
The term loans from bank for Rs. 199,601,096 (31.03.2013: Rs. Nil) is secured SBLC issued by a bank, which is in turn secured by first pari passu charge on fixed assets of DQ India both present and future (excluding vehicles), Second pari-passu charge on the current assets of DQ India and guarantee of a director	6 monthly installments after 30 months from First Draw down Date, 2.8% Plus 3M USD LIBOR Rate
The term loans from bank for Rs. 183,319,182 (31.03.2013: Rs. Nil) is secured SBLC issued by a bank, which is in turn secured by first pari passu charge on fixed assets of DQ India both present and future (excluding vehicles), Second pari-passu charge on the current assets of DQ India and guarantee of a director	12 Equal Quarterly Instalments after a moratorium of 2yrs, 3% Plus 6 M USD LIBOR

6. Deferred Tax

Amount in ₹

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

Timing Differences	(Liability) / Asset at 31 March 2013 (Rs.)	Current year (Charge) / Credit (Rs.)	(Liability) / Asset at 31 March 2014 (Rs.)
Depreciation	(185,689,641)	64,379,006	(121,310,635)
Gratuity	29,150,326	-	29,150,326
Leave encashment	13,439,215	-	13,439,215
Sick leaves	583,317	-	583,317
Provision for doubtful debts	2,727,495	-	2,727,495
IPO expenses u/s 35 D	557,834	-	557,834
Deferred Tax Liability - Net	(139,231,454)	64,379,006	(74,852,448)

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 2014	31 March 2013
Other Long Term Liability	363,063,202	203,378,433
	363,063,202	**203,378,433**

8. Long Term Provisions

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Provision for employee benefits (Refer Note 31)	116,138,844	133,434,100
	116,138,844	**133,434,100**

9. Short Term Borrowings

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Working capital loans repayable on demand from banks - Secured	871,809,434	666,449,644
Loans and advances from related parties - Un-secured	17,500,000	12,500,000
	889,309,434	**678,949,644**

9. 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. 50,510,382 (31.03.2013: Rs. 50,320,517) is secured by first charge on all current assets and second charge on all fixed Assets (excluding vehicles) both present and future of DQ India on pari-passu basis and guarantee of a director	Repayable on demand with base rate plus 3.50% p.a. payable monthly
The working capital loans from bank for Rs. 100,997,714 (31.03.2013: Rs. 101,220,346) is secured by first charge on all current assets and second charge on all fixed Assets (excluding vehicles) both present and future of DQ India on pari-passu basis and guarantee of a director	Repayable on demand with base rate plus 5.75% p.a. payable monthly
The working capital loans from bank for Rs. 405,869,935 (31.03.2013: Rs. 247,938,397) is secured by first charge on all current assets and second charge on all fixed Assets (excluding vehicles) both present and future of DQ India on pari-passu basis and guarantee of a director	Repayable on demand with SBAR+2.25%
The working capital loans for Rs. 314,431403 (31.03.2013: Rs. 266,970,384) is secured by SBLC issued by a bank which is in turn secured by first pari passu charge on fixed asstes of DQ India both present and future (excluding vehicles), Second pari-passu charge on the current assets of DQ India and guarantee of a director	6 Equal Monthly Instalments from Oct'14 and 2.5% plus 6 Months Euro Libor

10. Trade Payables

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Dues to micro enterprises and small enterprises *	-	-
Due to others		
Sundry creditors		
for services	426,389,187	248,873,185
for others	17,704,022	4,784,847
	444,093,209	**253,658,032**

* Micro, Small and Medium Enterprises Development Act, 2006

The Company has sent confirmation letters to "suppliers" requesting for confirmations regarding their status under the Micro, Small & Medium Enterprises Category under the Micro, Small and Medium Enterprises Development Act 2006. The Company has not received any response 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 2014	**31 March 2013**
Others:		
Interest accrued but not due	592,100	2,447,427
Interest accrued and due to banks	12,889,126	20,188,253
Other Payables:		
Others Payable	-	
Statutory dues payable	66,400,063	14,689,038
Advance from customers	10,955,815	7,525,945
Employee benefits payable	80,263,556	80,013,387
Income received in advance	117,907,071	75,885,300
Services	66,100,360	53,858,156
	355,108,091	**254,607,506**

12. Short Term Provisions

Amount in ₹

Particulars	As at	
	31 March 2014	**31 March 2013**
Provision for employee benefits (Refer Note: 31)	10,913,280	6,206,237
Others:		
Taxation (Net of Advance Tax of Rs. 132,500,268 (31.03.2013 : 132,500,268))	182,981,174	60,083,016
Retakes (Refer Note 1(j)		
Opening balance	21,275,131	28,224,149
Add: Additional provision for the year	17,667,849	12,750,766
Less: Utilised during the year	(25,916,601)	(19,699,784)
Closing balance	13,026,379	21,275,131
	206,920,833	**87,564,384**

13. Please refer page number 122 for schedule on Fixed Assets.

14. Long Term Loans and Advances

Amount in ₹

Particulars	As at	
	31 March 2014	**31 March 2013**
Unsecured, Considered Good		
Capital advances	800,000	1,219,005
Security deposits	11,156,846	16,151,326
Other advances:		
Prepaid expenses	32,442,991	4,568,504
Claims receivable	22,970,878	24,779,137
MAT credit entitlement	255,596,971	186,383,740
	322,967,686	**233,101,712**

15. Other Non-current assets

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Long term deposits with banks with maturity period more than 12 months (including Rs. 91,369,728 (2013: Rs. 43,071,118) under lien to banks)	91,369,728	100,306,520
	91,369,728	**100,306,520**

16. Trade Receivable

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Unsecured		
A)Debts outstanding for a period exceeding six months		
Considered good	1,321,824,693	821,208,534
Considered doubtful	76,941,993	21,457,324
B)Other debts		
Considered good	1,276,173,263	803,088,319
Considered doubtful	-	-
	2,674,939,949	1,645,754,177
Less: Provision for bad and doubtful debts	(76,941,993)	(21,457,324)
	2,597,997,956	**1,624,296,853**

17. Cash and Bank Balances

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Cash and Cash Equivalents:		
Balances with Banks		
Current Accounts	10,693,535	2,846,756
Remittance in transit	-	21,450,702
Cash on hand	207,542	168,323
	10,901,077	**24,465,781**

18. Short Term Loans and Advances

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Unsecured considered good		
Others:		
Interest accrued on deposits	42,523	-
Other advances	37,549,236	22,984,778
Prepaid expenses	10,429,647	16,063,887
	48,021,406	**39,048,665**

19. Revenue from Operations

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Production : Export	1,862,087,866	1,805,215,158
: Domestic	11,330,912	14,906,314
Distribution income	523,375,967	473,955,811
	2,396,794,745	**2,294,077,283**

20. Other Income

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Interest Income and others (including TDS of Rs. 896,989 (31.03.2013 : Rs.1,567,578))	8,968,769	13,546,862
Profit on sale of fixed assets	3,938,219	-
Income from mutual fund	-	2,369,257
Liabilities no longer required written back	1,125,147	377,750
Foreign exchange fluctuation gain (net)	234,621,251	17,972,205
Miscellaneous income	40,628	-
	248,694,014	**34,266,074**

21. Production Expenses

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Production expenses - Direct	160,437,031	140,544,005
Power and fuel	32,064,670	38,061,833
	192,501,701	**178,605,838**

22. Personnel Costs

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Salaries and wages	668,993,202	780,194,104
Contribution to provident fund	44,792,389	50,878,411
Staff welfare expenses	7,251,475	6,735,636
Gratuity*	1,960,240	29,138,196
Compensated absences*	(3,437,168)	8,887,766
	719,560,138	**875,834,113**

* Refer Note 31

23. Administrative and Other Expenses

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Communication expenses	6,741,513	8,426,888
Printing and stationery	1,662,008	1,630,970
Professional and consultancy charges	92,464,224	61,695,835
Repairs and Maintenance :		
Building	6,363,804	5,791,388
Plant and Machinery	5,303,061	8,748,392
Others	2,236,932	2,816,344
Insurance	3,151,430	3,040,040
Business promotion	6,258,014	11,312,062
Rates and taxes	2,552,896	1,580,440
Rent	35,875,714	44,922,734
Auditors remuneration	7,207,671	5,668,936
Directors remuneration	13,718,863	13,658,872
Selling and distribution expenses	39,132,221	31,891,186
Travelling and conveyance expenses	18,273,865	17,852,280
Loss on sale of assets	-	5,220,262
Provision for bad and doubtful debts (net)	230,818,510	14,035,745
Miscellaneous expenses	9,776,940	11,946,516
	481,537,666	**250,238,890**

24. Finance Costs

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Interest on borrowings		
Terms loans	131,005,528	110,593,548
Working capital loan	69,824,088	57,401,710
Loss on Forward Contract	13,731,125	-
Loss on foreign currency transactions	(1,471,863)	97,470
Bank charges	28,981,399	32,944,601
Interest on Others	9,579,060	8,397,720
	251,649,337	**209,435,049**

25. The company's operations are conducted in units set up in Software Technology Parks (STPs) and Special Economic Zones (SEZs). 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.

26.

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Contingent Liabilities (to the extent not provided for)		
a) Bonds executed in favour of customs and excise authorities	2,770,049	2,162,500
b) Letters of Credit (includes guarantee on behalf of DQ Entertainment Ireland Rs. 1,060,397,701 (2013: Rs. 449,525,000)	1,224,909,501	777,476,625
c) Income tax assessment of DQ Entertainment (International) Limited has been completed till Assessment Year 2009-10.		

27. Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Payment to auditors as:		
Audit fees	5,096,401	3,768,862
Tax audit	150,000	150,000
Company law matters	1,941,270	1,750,074
	7,187,671	**5,668,936**

28. Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
Directors remuneration		
Salaries and allowances	4,469,698	4,409,707
Other perquisite	1,008,000	1,008,000
Commission	7,791,165	7,791,165
	13,268,863	**13,208,872**
Remuneration to Non - Whole-time Director		
Sitting fees	330,000	330,000
Professional fees	120,000	120,000
Total remuneration	**13,718,863**	**13,658,872**

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

29 Related party disclosures

29.1 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
c. DQ Entertainment (Ireland) Limited - Subsidiary company
d. DQ Powerkidz Private Limited - Subsidiary company
e. DQ Entertainment (International) Films Limited - Joint Venture company formed by DQ Entertainment (International) Limited and DQ Entertainment Plc.
f. DQ Entertainment ITES Parks Private Limited - Subsidiary 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, France

v) **Firm in which a director is a partner**
R & A Associates

vi) **Relative of a director**
Mr. Hatim Adenwala - Senior Vice president Human Resources

29.2 Transactions with above in the ordinary course of business

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
i) Holding Companies		
Consultancy charges - DQ Entertainment (Mauritius) Limited	62,710,293	44,568,825
ii) Key management personnel		
Loan from Managing Director & Chief Executive Officer	17,500,000	12,500,000
Remuneration	12,831,165	12,831,165
iii) Relative of key management personnel and Director		
Remuneration	8,292,000	8,292,000
iv) Associate of the Ultimate Holding Company		
Revenue from animation	59,437,596	157,933,627
Revenue from distribution	-	57,284,844
v) Professional fee to a director	120,000	120,000
Professional fee to a firm in which a Director is a partner	2,880,000	2,880,000

29.3 Balances outstanding

Amount in ₹

Particulars	As at	
	31 March 2014	31 March 2013
i) Holding Companies		
Amount payable towards loan and interest at year end - DQ Entertainment Plc	428,838,018	378,032,092
Amount payable at year end - DQ Entertainment (Mauritius) Limited	128,839,029	61,918,816
Amount receivable at year end - DQ Entertainment Plc	1,495,250	-
ii) Key management personnel		
Amount payable to Managing Director & Chief Executive Officer	17,500,000	12,500,000
iii) Associate of the Ultimate Holding Company		
Amounts receivable at the year end	180,282,646	291,526,832

30 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. 35,331,256 (31.03.2013: Rs.41,998,774).

31 Employee benefits as required under Accounting Standard 15:

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

Amount in ₹

	Year ending 31 March 2014		Year ending 31 March 2013	
Particulars	**Leave Encashment**	**Gratuity**	**Leave Encashment**	**Gratuity**
Present Value of DBO at the beginning of the year	41,504,340	95,783,458	34,945,379	70,566,187
Current Service Cost	(6,757,726)	12,455,280	6,602,447	14,481,710
Interest Cost	3,403,356	7,854,244	3,040,248	6,039,259
Actuarial Losses /(Gains)	(82,798)	(18,349,284)	(754,929)	8,617,227
Benefits paid	(3,340,773)	(7,592,722)	(2,328,805)	(3,920,925)
Present Value of DBO at the end of the year	**34,726,399**	**90,150,976**	**41,504,340**	**95,783,458**
Expense Recognized in the statements of Profit & Loss account for the year ended				
Current Service Cost	(6,757,726)	12,455,280	6,602,447	14,481,710
Interest Cost	3,403,356	7,854,244	3,040,248	6,039,259
(Gain) / Actuarial Losses	(82,798)	(18,349,284)	(754,929)	8,617,227
Expense recognized in the Statement of Profit and loss account	(3,437,168)	1,960,240	8,887,766	29,138,196
Actual Contribution and Benefit Payments				
Actual Benefit Payments	3,340,773	7,592,722	2,328,805	3,920,925
Actual Contributions	-	-	-	-
Assumptions				
Discount Rate %	9.10%	9.10%	8.70%	8.70%
Salary Escalation %	4.00%	4.00%	4.00%	4.00%

32

Amount in ₹

Particulars	**31 March 2014**	**31 March 2013**
Earnings Per Share (EPS)		
a) Net profit available for equity shareholders	427,706,259	373,065,146
b) Nominal value per share	10	10
c) Basic earning per share	5.39	4.71
d) Diluted earning per share	5.39	4.71
	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

33 Segmental Reporting as per Accounting standard 17:

33.1 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 2014 is as follows:

Amount in ₹

	Animation	Distribution	Total
Revenue from operation	1,873,418,778	523,375,967	2,396,794,745
	1,820,121,472	*473,955,811*	*2,294,077,283*
Total Revenue	**1,873,418,778**	**523,375,967**	**2,396,794,745**
	1,820,121,472	*473,955,811*	*2,294,077,283*
Depreciation and Amortisation	-	366,311,073	366,311,073
		348,333,064	*348,333,064*
Segment result	1,111,097,345	153,201,855	1,264,299,200
	986,911,870	*120,004,441*	*1,106,916,311*
Unallocated expenses			(564,658,301)
			(484,799,186)
Operating Profit			699,640,899
			622,117,125
Net financing costs			(251,649,337)
			(209,435,049)
Tax expense			(20,285,303)
			(39,616,930)
Profit after tax			**427,706,259**
			373,065,146
Segment assets	2,447,745,407	6,171,872,002	8,619,617,409
	1,875,227,068	*2,727,305,393*	*4,602,532,461*
Unallocated assets			639,000,317
			2,943,516,715
Total assets			**9,258,617,726**
			7,546,049,176
Segment liabilities	347,069,292	140,009,703	487,078,995
	1,044,164,136	*226,134,571*	*1,270,298,707*
Unallocated liabilities			3,735,354,812
			1,954,603,564
Total liabilities			**4,222,433,807**
			3,224,902,271
Capital expenditure			
Tangible Fixed Assets			407,630
			46,835,872
Intangible Assets			1,071,519,182
			1,136,409,571

Note: Figures in italics represent previous year

33.2 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	445,400,046	818,076,570	609,942,162	1,873,418,778
	369,120,399	*1,152,731,509*	*298,269,564*	*1,820,121,472*
Distribution	68,357,835	57,949,234	397,068,898	523,375,967
	4,930,942	*159,775,704*	*309,249,165*	*473,955,811*
Total Revenue	513,757,881	876,025,804	1,007,011,060	2,396,794,745
	374,051,341	*1,312,507,213*	*607,518,729*	*2,294,077,283*
Total Assets	790,027,427	4,732,736,998	3,735,853,301	9,258,617,726
	739,497,390	*1,540,081,400*	*5,266,470,386*	*7,546,049,176*
Capital expenditure				
Tangible Fixed Assets				407,630
				46,835,872
Distribution rights				1,071,519,182
				1,136,409,571

Note: Figures in italics represent previous year

34 Commitments

Particulars	**31 March 2014**	**31 March 2013**
Estimated amount of contracts remaining to be executed on capital account not provided for, net of advances	575,369,856	1,044,091,205

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

For and on behalf of the Board

For MZSK & Associates
Chartered Accountants
FRN 105047 W

Tapaas Chakravarti
(CMD & CEO)

V. Santhanaraman
(Director)

Ananthakrishnan G
Partner
(M.No 205226)

Sindhu M.S.
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Place: Hyderabad
Date: 30-05-2014

13 FIXED ASSETS

Amount in ₹

Sl	Particulars	Gross Block					Depreciation/Amortisation					Net Block	
		As at 1 April 2013	Additions	Deletions / Write off	Translation adjustment	As at 31 March 2014	Up to 1 April 2013	For the year	Deletions / Write Off	Translation adjustment	Up to 31 March 2014	As at 31 March 2014	As at 31 March 2013
A	**Tangible Assets**												
1	Leasehold land	14,350,000	-	-	-	**14,350,000**	1,950,071	434,805	-	-	**2,384,876**	**11,965,124**	12,399,929
2	Leasehold improvements	17,186,000	4,000	-	-	**17,190,000**	8,023,356	3,161,806	-	-	**11,185,162**	**6,004,838**	9,162,644
3	Plant & Machinery	821,802,175	336,290	37,042,231	-	**785,096,234**	612,295,732	98,587,835	34,702,120	-	**676,181,447**	**108,914,787**	209,506,443
4	Office equipments	11,826,676	67,340	275,666	-	**11,618,350**	4,031,542	1,158,295	259,875	-	**4,929,962**	**6,688,388**	7,795,134
5	Furniture, Fixtures & Interiors	32,289,399	-	3,573,648	-	**28,715,751**	17,927,567	3,334,605	3,573,650	-	**17,688,522**	**11,027,229**	14,361,832
6	Vehicles	27,905,683	-	11,454,733	-	**16,450,950**	17,873,206	4,754,324	8,578,480	-	**14,049,050**	**2,401,900**	10,032,477
	Total	**925,359,933**	**407,630**	**52,346,278**	**-**	**873,421,285**	**662,101,474**	**111,431,670**	**47,114,125**	**-**	**726,419,019**	**147,002,266**	**263,258,459**
B	**Intangible Assets**										-		
7	Distribution rights*	2,435,765,555	147,246,580	290,247,223	86,266,716	**2,379,031,628**	943,538,421	397,638,686	290,247,221	31,327,613	**1,082,257,499**	**1,296,774,129**	1,492,227,134
8	Computer software	352,367,497	12,501,204	-	-	**364,868,701**	285,766,683	43,529,536	-	-	**329,296,219**	**35,572,482**	66,600,814
	Total	**2,788,133,052**	**159,747,784**	**290,247,223**	**86,266,716**	**2,743,900,329**	**1,229,305,104**	**441,168,222**	**290,247,221**	**31,327,613**	**1,411,553,718**	**1,332,346,611**	**1,558,827,948**
	Grand Total	**3,713,492,985**	**160,155,414**	**342,593,501**	**86,266,716**	**3,617,321,614**	**1,891,406,578**	**552,599,892**	**337,361,346**	**31,327,613**	**2,137,972,737**	**1,479,348,877**	**1,822,086,407**
	Previous year figures	3,270,735,206	543,301,166	96,831,281	(3,712,106)	3,713,492,985	1,463,915,413	526,987,481	90,904,818	(8,591,498)	1,891,406,578	1,822,086,407	

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 (31.03.2013: 58) of Animation rights have been acquired for different territories across the globe. The Company has performed testing for impairment of distribution rights which resulted in an impairment loss of Rs.176,587,978 (31.03.2013: Rs. 140,601,518) on account of recoverable amount of distribution rights being less than its carrying amount. The accumulated Impairment Loss as at 31.03.2014 on distribution rights amounted to Rs. 449,123,981 (31.03.2013: Rs.272,536,003).

Distribution Rights for 14 series with gross block of Rs.225,230,900 and amortisation/impairment of Rs.225,230,900 have been written off during the year. These are fully amortised/impaired and there will be no impact on P & L account.

13.1

(a) Intangible assets under construction are the projects under development to be exploited as Television 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 1 project (2013: 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

Amount in ₹

Particulars	31.03.2014	31.03.2013
Total Interest cost incurred during the year	141,467,927	118,202,130
Less: Amount capitalized as borrowing cost as per AS 16	10,462,399	7,608,582
Net Interest cost transferred to Profit and Loss Account	131,005,528	110,593,548

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

[As per Schedule VI, Part IV of the Companies Act 1956]

I. Registration Details	
Registration No.	L92113TG2007PLC053585
State Code (Refer Code List)	01
Balance Sheet Date	31st March 2014
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	4,243,353,919
Non-current liabilities	1,943,606,903
Application of Funds	
Total Assets	
Net Fixed Assets	5,867,051,049
Long term loans and advances	322,967,686
Other Non-current assets	91,369,728
Net Current Assets	698,402,359
Misc. Expenditure	-
Accumulated Losses	-
IV. Performance of Company (Amount in ₹)	
Turnover	2,645,488,759
Total Expenditure	2,197,497,197
Profit Before Tax	447,991,562
Profit After Tax	427,706,259
Earning Per Share	Basic- ₹ 5.39, Diluted- ₹ 5.39
Dividend rate (%)	-
V. Generic Names of Three Principal Products/ Services of Company (as per monetary terms)	
1. Item Code No.	NIL
(ITC Code)	
Product Description	
2. Item Code No.	NIL
(ITC Code)	
Product Description	
3. Item Code No.	NIL
(ITC Code)	
Product Description	

For DQ Entertainment (International) Limited

Tapaas Chakravarti
CMD & CEO


METHOD
ZDF.enterprises
minika
The new adventures of
PETER PAN
STEREOSCOPIC ANIMATED SERIES
3D
26x22'

AGM NOTICE

AGM NOTICE

NOTICE is hereby given that the Seventh Annual General Meeting of DQ Entertainment (International) Limited will be held on Tuesday, September 30, 2014, at 02.30 p.m. IST at Hotel Haritha Plaza 6-3-870, Balayogi Paryatak Bhavan, Greenlands, Begumpet, Hyderabad-500 016, to transact the following businesses:

ORDINARY BUSINESS

Item no. 1 – Adoption of financial statements

To receive, consider and adopt the audited statement of Profit and Loss for the year ended March 31, 2014 and the Balance Sheet as at that date, together with the Reports of the Board of Directors and the Auditors thereon.

Item no. 2 – Appointment of Director

To appoint a Director in place of Ms. Rashida Adenwala (DIN 00008212), who retires by rotation and, being eligible, seeks re-appointment.

Item no. 3 – Appointment of Auditors

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

"**RESOLVED THAT** pursuant to the provisions of section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time, M/s. MZSK & Associates, Chartered Accountants (Firm Registration No. 105047W), be and is hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the fourth consecutive AGM of the Company (subject to ratification of their appointment at every AGM), at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors."

SPECIAL BUSINESS:

Item no. 4 – Appointment of Mr. K. Balasubramanian as Independent Director of the Company

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

"**RESOLVED THAT** pursuant to the provisions of Sections 149,150,152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors), Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. K. Balasubramanian (DIN 00009132), Director of the Company whose period of office is liable to retirement by rotation as per the Companies Act, 1956 and who has submitted a declaration that he meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company, whose term shall not be subject to retirement by rotation, to hold office for a term up to September 29, 2019."

Item no. 5 – Appointment of Mr. Girish Kulkarni as Independent Director of the Company

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

"**RESOLVED THAT** pursuant to the provisions of Sections 149,150,152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors), Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Girish Kulkarni (DIN 00062382), Director of the Company whose period of office is liable to retirement by rotation as per the Companies Act, 1956 and who has submitted a declaration that he meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company, whose term shall not be subject to retirement by rotation, to hold office for a term up to September 29, 2019."

Item no. 6 – Appointment of Mr. S. Sundar as Independent Director of the Company

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

"**RESOLVED THAT** pursuant to the provisions of Sections 149,150,152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors), Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. S. Sundar (DIN 03170456), Director of the Company whose period of office is liable to retirement by rotation as per the Companies Act, 1956 and who has submitted a declaration that he meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company, whose term shall not be subject to retirement by rotation, to hold office for a term up to September 29, 2019."

Item no. 7 – Appointment of Mr. V. Santhanaraman as Independent Director of the Company

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

"**RESOLVED THAT** pursuant to the provisions of Sections 149,150,152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. V. Santhanaraman (DIN 00212334), who was appointed as an Additional Director of the Company by the Board of Directors with effect from May 30, 2014, in terms of Section 161(1) of the Companies Act, 2013 and Article 100 of the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and who has submitted a declaration that he meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and who is eligible for appointment and, in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company, whose term shall not be subject to retirement by rotation, to hold office for a term up to September 29, 2019."

By Order of the Board of Directors
For **DQ Entertainment (International) Limited**

Hyderabad, May 30, 2014

Sindhu M.S.
Company Secretary

Registered Office:
644, Aurora Colony, Road No. 3, Banjara Hills, Hyderabad – 500 034
Telephone: +91-40-23553726&27, Fax No. +91-40-23552594
Website: www.dqentertainment.com
CIN No: L92113TG2007PLC053585

IMPORTANT NOTES:

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Special Business at the meeting, is annexed hereto.

2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY/ PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. SUCH A PROXY/ PROXIES NEED NOT BE A MEMBER OF THE COMPANY. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company.

3. The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. A Proxy form is sent herewith. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolution/authority, as applicable.

4. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.

5. Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their appointment/re-appointment.

6. Electronic copy of the Notice of the 7th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/ Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 7th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.

7. Members may also note that the Notice of the 7th Annual General Meeting and the Annual Report for 2014 will also be available on the Company's website www. dqentertainment.com, for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Hyderabad for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post, free of cost. For any communication, the shareholders may also send requests to the Company's investor email id: investors@dqentertainment.com.

8. Voting through electronic means

In terms of Clause 35 B of the Listing Agreement, the Company is pleased to provide the facility to Members to exercise their right to vote by electronic means. The e-voting period will commence from Wednesday, September 24, 2014 at 9.00 am and will end at 6.00 pm on Friday, September 26, 2014. The e-voting module will be disabled on September 26, 2014 at 6.00 pm. During this period, the Members, whose names appear in the Register of Members / list of Beneficial Owners as on 29th day, August, 2014, may cast their vote electronically.

The Company has appointed Mr. R. Ramakrishna Gupta, Practicing Company Secretary, Partner, R&A Associates, Company Secretaries, to act as the Scrutinizer, to scrutinize the e-voting process in a fair and transparent manner. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.

The Company has entered into an arrangement with Karvy Computershare Private Limited (Karvy) for facilitating e-voting at the AGM. The instructions for e-voting are as under:

1. Open your web browser during the voting period and navigate to 'https://evoting.karvy.com'

2. Enter the login credentials (i.e. user-id & password)

User-ID:
For Shareholder(s)/ Beneficial Owner(s) holding Shares in Demat Form:-

- **For NSDL**:- 8 Characters DP ID followed By 8 Digits Client ID'
- **For CDSL**:- 16 Digits Beneficiary ID

For Members holding shares in Physical Form:-

- EVEN No. followed by the Folio Number registered with the company

Password: Your Unique password is mentioned in the electronic notice forwarded by email or physical copies sent by post along with the Annual Report and Notice calling the Annual General Meeting.

Captcha: Enter the Verification code for security reasons i.e., please enter the alphabets and numbers in the exact way as they are displayed.

3. After entering these details appropriately, click on "LOGIN".

4. Members holding shares in Demat/Physical form will now reach password change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z).one lower case (a-z), one numeric value (0-9) and a special character (like *,#,@ etc.). Kindly note that this password can be used by the Demat holders for voting for resolution of any other Company on which they are eligible to vote, provided that Company opts for e-voting through Karvy Computershare Private Limited e-Voting platform. System will prompt you to change your password and update any contact details like mobile #, email ID etc on 1st login. You may also enter the Secret Question and answer of your choice to retrieve your password in case you forget it. Kindly ensure that you keep your password confidential and note down your password for future reference.

5. You need to login again with the new credentials.

6. On successful login, system will prompt to select the 'Event' i.e., ' **DQ Entertainment (International) Limited** '.

7. If you are holding shares in Demat form and had logged on to **https://evoting.karvy.com** and casted your vote earlier for any other company, then your existing login id and password are to be used.

8. On the voting page, you will see Resolution Description and against the same the option '**FOR/AGAINST/ABSTAIN**' for voting. Enter the number of shares under '**FOR/AGAINST/ABSTAIN**' or alternatively you may partially enter any number in '**FOR**' and partially in '**AGAINST**', but the total number in '**FOR/AGAINST**' taken together should not exceed your total shareholding. If the shareholder does not want to cast any vote, the shareholder may select '**ABSTAIN**'.

9. After selecting the resolution if you have decided to cast vote on the same, click on "**SUBMIT**" and a confirmation box will be displayed. If you wish to confirm your vote, click on "**OK**", else to change your vote, click on "**CANCEL**" and accordingly modify your vote.

10. Once you '**CONFIRM**' your vote on the resolution, you will not be allowed to modify your vote.

11. Corporate/Institutional Members (corporate /FIs/FIIs/Trust/Mutual Funds/Banks, etc) are required to send scanned copy (PDF format) of the relevant Board Resolution to the Scrutinizer through e-mail to ramakrishna@rna-cs.com with a copy to evoting@karvy.com. The file scanned image of the board resolution should be in the naming format " Corporate Name _ EVEN No."

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 4 - 7

The Company had, pursuant to the provisions of clause 49 of the Listing Agreement, appointed Mr. K. Balasubramanian, Mr. Girish Kulkarni, and Mr. S. Sundar, as Independ ent Directors at various times, in compliance with the requirements of the clause. The period of office of these Directors was liable to determination by retirement by rotation under the erstwhile applicable provisions of the Companies Act, 1956.

Mr. V. Santhanaraman was appointed as Additional Director on May 30, 2014, in terms of Section 161 (1) of the Companies Act, 2013, in the category of 'Non-Executive Independent' and is continuing as 'Independent Director'. In terms of the aforesaid section of the Companies Act, 2013, an Additional Director shall hold office upto the date of the next AGM and be eligible for appointment to the office of a director at any General Meeting in terms of Section 160 of the Companies Act, 2013.

Pursuant to the provisions of Section 149 and other applicable provisions of the Companies Act, 2013 with respect to appointment and tenure of the Independent Directors which came into effect from April 1, 2014, the Independent Directors shall be appointed for not more than two terms of five years each and shall not be liable to retire by rotation. The Nomination and Remuneration Committee and, the Board of Directors have recommended the appointment of these directors as Independent Directors of the Company.

Mr. K. Balasubramanian, Mr. Girish Kulkarni, Mr. S. Sundar, and Mr. V. Santhanaraman, Non-Executive Directors of the Company, have given a declaration to the Board that they meet the criteria of independence as provided under section 149(6) of the Act, and being eligible, offer themselves for appointment as Independent Directors for a term as stated in the Resolutions.

In the opinion of the Board, each of these Directors fulfill the conditions specified in the Act and the Rules framed thereunder for appointment as Independent Director and they are independent of the management. Notice have been received from member(s) signifying their intention to propose appointment of these Directors along with a deposit of Rupees One lakh each.

A brief profile of Independent Directors to be appointed, including nature of their expertise and other disclosures as required under Clause 49 of the Listing Agreement, are provided in the Annexure to this Notice.

In compliance with the provisions of section 149 read with Schedule IV of the Act, the appointment of these directors as Independent Directors is now being placed before the Members for their approval.

Except these Directors, being appointees, none of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolutions set out at item Nos. 4 - 7

By Order of the Board of Directors
For **DQ Entertainment (International) Limited**

Hyderabad, May 30, 2014

Sindhu M.S.
Company Secretary

Registered Office:
644, Aurora Colony, Road No. 3, Banjara Hills, Hyderabad – 500 034
Telephone: +91-40-23553726&27, Fax No. +91-40-23552594
Website: www.dqentertainment.com
CIN No: L92113TG2007PLC053585

ADDITIONAL INFORMATION ON DIRECTORS

Details of the Directors seeking appointment/re-appointment at the Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement)

Name of Director	Ms. Rashida Adenwala	Mr. K. Balasubramanian	Mr. Girish Kulkarni	Mr. S. Sundar	Mr. V. Santhanaraman
Age	50 years	71 years	48 years	54 years	65 years
Qualification	Graduate in Commerce & law and a qualified Company Secretary.	Graduate in Commerce and has done an advanced Management Program from Harvard Business School.	Bachelor of Engineering from IIT Mumbai and Master of Business Administration from IIM Ahmedabad.	Fellow Chartered Accountant & passed the Information Systems Audit-ISA.	Graduate in Commerce and C.A.I.I.B (Certified Associate of Indian Institute of Bankers).
Expertise	Legal, Corporate Affairs, Corporate Governance, Finance & Internal Audit.	International Banking and Finance.	Operating and Investment experience in different aspects of capital markets.	Statutory audit and Internal audit of public sector & government organizations.	Corporate Banking, treasury, risk management, project finance and foreign exchange operations.
Directorships held in other companies *	R & A Corporate Consultants India Private Limited	i)Parrys Sugar Industries Limited ii)Easyaccess Financial Services Limited iii)Raxa Security Services Limited iv)GMR Aviation Private Limited	i) KSK Energy Ventures Limited ii) GNS Outsourcing Private Limited iii) Topwave Trading Company Private Limited iv) Suyash Outsourcing Private Limited v) Serviont Global Solutions Limited vi) Enzen Global Solutions Private Limited vii)Suyash IT Services Private Limited viii)Gatil Properties Private Limited ix) Phoenix Living Spaces Private Limited x) Empays Payment Systems India Private Limited xi)Cocoberry Restaurants and Distributors Private Limited	-	(i)GMR Energy Limited (ii)GMR Infrastructure Limited (iii)Rajapalayam Mills Limited
Chairman/ Member of Committees as on March 31, 2014	-	(i) Easy Access Financial Services Limited (ii) Parrys Sugar Industries Limited (iii) Raxa Security Services Limited (iv) GMR Aviation Private Limited	(i) KSK Energy Ventures Limited (ii) Serviont Global Solutions Limited	-	-
Number of shares held in the Company as on March 31, 2014	Nil	Nil	Nil	Nil	Nil

*Note: * This does not include position in foreign companies, position as an advisory board member and position in companies under Section 25 of the Companies Act, 1956 (corresponding to companies under Section 8 of Companies Act 2013) but includes private limited companies.*

COMPANY INFORMATION

COMPANY INFORMATION

DIRECTORS

Tapaas Chakravarti
Chairman, Managing Director and Chief Executive Officer

Rashida Adenwala
Professional and Non – Independent Director

K. Balasubramanian
Non – Executive and Independent Director

V. Santhanaraman
Non – Executive and Independent Director

Girish Kulkarni
Non – Executive and Independent Director

S. Sundar
Non – Executive and Independent Director

Manjiri Bhalerao
Nominee Director

Neelesh Wagle
Alternate Non – Executive and Independent Director to Girish Kulkarni

REGISTERED OFFICE

644, Aurora Colony, Road No. 3,
Banjara Hills, Hyderabad – 500034
Telephone: +91-40-23553726&27
Fax No. +91-40-23552594
Website: www.dqentertainment.com
CIN No: L92113TG2007PLC053585

STATUTORY AUDITORS

M/s MZSK & Associates,
Chartered Accountants
Suite 211, Block II, White House,
Begumpet, Hyderabad – 500 016.

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

Sindhu M.S.
644, Aurora Colony,
Road No.3, Banjara Hills,
Hyderabad – 500 034.

DQ ENTERTAINMENT (INTERNATIONAL) LIMITED

Regd Office: 644, Aurora Colony, Road No.3, Banjara Hills, Hyderabad-500 034, Telangana, INDIA.

CIN: L92113TG2007PLC053585 Website: www.dqentertainment.com Tel: 91-40-23553726 & 27

ATTENDANCE SLIP

Seventh Annual General Meeting, Tuesday, 30 September, 2014 at 2.30 p.m.

at Hotel Haritha Plaza 6-3-870, Balayogi Paryatak Bhavan, Greenlands, Begumpet, Hyderabad - 500 016

Folio No. .... DP ID No.................................Client ID No............................

Name of the Member..Signature..

Name of the Proxyholder ....Signature...

1. Only Member/Proxyholder can attend the Meeting.
2. Member/Proxyholder should bring his/her copy of the Annual Report for reference at the Meeting.

....Please tear here...

DQ ENTERTAINMENT (INTERNATIONAL) LIMITED

Regd Office: 644, Aurora Colony, Road No.3, Banjara Hills, Hyderabad-500 034, Telangana, INDIA.

CIN: L92113TG2007PLC053585 Website: www.dqentertainment.com Tel: 91-40-23553726 & 27

PROXY FORM - MGT - 11

(Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014)

Name of the Member (s): ....

Registered Address: ....

E-mail Id: .... Folio No / Client Id: .... DP ID: ....

I / We, being the member(s) holding .... shares of the above mentioned company, hereby appoint

1. Name: .... E-mail id:...
   Address:..
   .... Signature:...
   or failing him/her
2. Name: .... E-mail id:...
   Address:..
   .... Signature:...
   or failing him/her
3. Name: .... E-mail id:...
   Address:..
   .... Signature:...

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 7th Annual General Meeting of the Company to be held on **Tuesday, the 30th day of September 2014 at 2.30 p.m.** at Hotel Haritha Plaza 6-3-870, Balayogi Paryatak Bhavan, Greenlands, Begumpet, Hyderabad - 500 016 and at any adjournment thereof, in respect of such resolutions as are indicated below:

	Vote (see Note 2) For	Against
Ordinary Business		
Resolution No. 1 : Adoption of Audited Financial Statements for the financial year ended March 31, 2014		
Resolution No. 2 : Re-appointment of Ms. Rashida Adenwala as a Director of the Company		
Resolution No. 3 : Appointment of Auditors		
Special Business		
Resolution No. 4 : Appointment of Mr. K. Balasubramanian as Independent Director of the Company		
Resolution No. 5 : Appointment of Mr. Girish Kulkarni as Independent Director of the Company		
Resolution No. 6 : Appointment of Mr. S. Sundar as Independent Director of the Company		
Resolution No. 7 : Appointment of Mr. V. Santhanaraman as Independent Director of the Company		

Signed this .... day of ...., 2014

Signature of Shareholder (s) ....Signature of Proxy Holder (s)..................................

Affix 15 paise revenue stamp

Note:

1. This form of proxy in order to be effective should be duly completed, signed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

2. It is optional to indicate your preference. If you leave the for/ against column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he/ she may deem appropriate.

Imagination and Beyond

DQ ENTERTAINMENT (INTERNATIONAL) LIMITED

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

INDIA | FRANCE | USA | UK | IRELAND

AGM Notice

NOTICE is hereby given that the Seventh Annual General Meeting of DQ Entertainment (International) Limited will be held on Tuesday, September 30, 2014, at 02.30 p.m. IST at Hotel Haritha Plaza 6-3-870, Balayogi Paryatak Bhavan, Greenlands, Begumpet, Hyderabad-500 016, to transact the following businesses:

ORDINARY BUSINESS

Item no. 1 – Adoption of financial statements
To receive, consider and adopt the audited statement of Profit and Loss for the year ended March 31, 2014 and the Balance Sheet as at that date, together with the Reports of the Board of Directors and the Auditors thereon.

Item no. 2 – Appointment of Director
To appoint a Director in place of Ms. Rashida Adenwala (DIN 00008212), who retires by rotation and, being eligible, seeks re-appointment.

Item no. 3 – Appointment of Auditors
To consider and, if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution:**

"**RESOLVED THAT** pursuant to the provisions of section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time, M/s. MZSK & Associates, Chartered Accountants (Firm Registration No. 105047W), be and is hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the fourth consecutive AGM of the Company (subject to ratification of their appointment at every AGM), at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors."

SPECIAL BUSINESS:

Item no. 4 – Appointment of Mr. K. Balasubramanian as Independent Director of the Company

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

"**RESOLVED THAT** pursuant to the provisions of Sections 149,150,152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors), Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. K. Balasubramanian (DIN 00009132), Director of the Company whose period of office is liable to retirement by rotation as per the Companies Act, 1956 and who has submitted a declaration that he meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company, whose term shall not be subject to retirement by rotation, to hold office for a term up to September 29, 2019."

Item no. 5 – Appointment of Mr. Girish Kulkarni as Independent Director of the Company

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

"**RESOLVED THAT** pursuant to the provisions of Sections 149,150,152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors), Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Girish Kulkarni (DIN 00062382), Director of the Company whose period of office is liable to retirement by rotation as per the Companies Act, 1956 and who has submitted a declaration that he meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company, whose term shall not be subject to retirement by rotation, to hold office for a term up to September 29, 2019."

Item no. 6 – Appointment of Mr. S. Sundar as Independent Director of the Company

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

"**RESOLVED THAT** pursuant to the provisions of Sections 149,150,152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors), Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. S. Sundar (DIN 03170456), Director of the Company whose period of office is liable to retirement by rotation as per the Companies Act, 1956 and who has submitted a declaration that he meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company, whose term shall not be subject to retirement by rotation, to hold office for a term up to September 29, 2019."

Item no. 7 – Appointment of Mr. V. Santhanaraman as Independent Director of the Company

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

"**RESOLVED THAT** pursuant to the provisions of Sections 149,150,152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. V. Santhanaraman (DIN 00212334), who was appointed as an Additional Director of the Company by the Board of Directors with effect from May 30, 2014, in terms of Section 161(1) of the Companies Act, 2013 and Article 100 of the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and who has submitted a declaration that he meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and who is eligible for appointment and, in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company, whose term shall not be subject to retirement by rotation, to hold office for a term up to September 29, 2019."

By Order of the Board of Directors
For **DQ Entertainment (International) Limited**

Hyderabad, May 30, 2014

Sindhu M.S.
Company Secretary

Registered Office:
644, Aurora Colony, Road No. 3, Banjara Hills, Hyderabad – 500 034
Telephone: +91-40-23553726&27, Fax No. +91-40-23552594
Website: www.dqentertainment.com
CIN No: L92113TG2007PLC053585

IMPORTANT NOTES:

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Special Business at the meeting, is annexed hereto.

2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY/ PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. SUCH A PROXY/ PROXIES NEED NOT BE A MEMBER OF THE COMPANY. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company.

3. The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. A Proxy form is sent herewith. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolution/authority, as applicable.

4. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.

5. Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their appointment/re-appointment.

6. Electronic copy of the Notice of the 7th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/ Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 7th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.

7. Members may also note that the Notice of the 7th Annual General Meeting and the Annual Report for 2014 will also be available on the Company's website www. dqentertainment.com, for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Hyderabad for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post, free of cost. For any communication, the shareholders may also send requests to the Company's investor email id: investors@dqentertainment.com.

8. Voting through electronic means

In terms of Clause 35 B of the Listing Agreement, the Company is pleased to provide the facility to Members to exercise their right to vote by electronic means. The e-voting period will commence from Wednesday, September 24, 2014 at 9.00 am and will end at 6.00 pm on Friday, September 26, 2014. The e-voting module will be disabled on September 26, 2014 at 6.00 pm. During this period, the Members, whose names appear in the Register of Members / list of Beneficial Owners as on 29th day, August, 2014, may cast their vote electronically.

The Company has appointed Mr. R. Ramakrishna Gupta, Practicing Company Secretary, Partner, R&A Associates, Company Secretaries, to act as the Scrutinizer, to scrutinize the e-voting process in a fair and transparent manner. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.

The Company has entered into an arrangement with Karvy Computershare Private Limited (Karvy) for facilitating e-voting at the AGM. The instructions for e-voting are as under:

1. Open your web browser during the voting period and navigate to 'https://evoting.karvy.com'

2. Enter the login credentials (i.e. user-id & password)

User-ID:
For Shareholder(s)/ Beneficial Owner(s) holding Shares in Demat Form:-

- **For NSDL**:- 8 Characters DP ID followed By 8 Digits Client ID'

- **For CDSL**:- 16 Digits Beneficiary ID

For Members holding shares in Physical Form:-

- EVEN No. followed by the Folio Number registered with the company

Password: Your Unique password is mentioned in the electronic notice forwarded by email or physical copies sent by post along with the Annual Report and Notice calling the Annual General Meeting.

Captcha: Enter the Verification code for security reasons i.e., please enter the alphabets and numbers in the exact way as they are displayed.

3. After entering these details appropriately, click on "LOGIN".

4. Members holding shares in Demat/Physical form will now reach password change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z).one lower case (a-z), one numeric value (0-9) and a special character (like *,#,@ etc.). Kindly note that this password can be used by the Demat holders for voting for resolution of any other Company on which they are eligible to vote, provided that Company opts for e-voting through Karvy Computershare Private Limited e-Voting platform. System will prompt you to change your password and update any contact details like mobile #, email ID etc on 1st login. You may also enter the Secret Question and answer of your choice to retrieve your password in case you forget it. Kindly ensure that you keep your password confidential and note down your password for future reference.

5. You need to login again with the new credentials.

6. On successful login, system will prompt to select the 'Event' i.e., ' **DQ Entertainment (International) Limited** '.

7. If you are holding shares in Demat form and had logged on to **https://evoting.karvy.com** and casted your vote earlier for any other company, then your existing login id and password are to be used.

8. On the voting page, you will see Resolution Description and against the same the option '**FOR/AGAINST/ABSTAIN**' for voting. Enter the number of shares under '**FOR/AGAINST/ABSTAIN**' or alternatively you may partially enter any number in '**FOR**' and partially in '**AGAINST**', but the total number in '**FOR/AGAINST**' taken together should not exceed your total shareholding. If the shareholder does not want to cast any vote, the shareholder may select '**ABSTAIN**'.

9. After selecting the resolution if you have decided to cast vote on the same, click on "**SUBMIT**" and a confirmation box will be displayed. If you wish to confirm your vote, click on "**OK**", else to change your vote, click on "**CANCEL**" and accordingly modify your vote.

10. Once you '**CONFIRM**' your vote on the resolution, you will not be allowed to modify your vote.

11. Corporate/Institutional Members (corporate /FIs/FIIs/Trust/Mutual Funds/Banks, etc) are required to send scanned copy (PDF format) of the relevant Board Resolution to the Scrutinizer through e-mail to ramakrishna@rna-cs.com with a copy to evoting@karvy.com. The file scanned image of the board resolution should be in the naming format " Corporate Name _ EVEN No."

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 4 - 7

The Company had, pursuant to the provisions of clause 49 of the Listing Agreement, appointed Mr. K. Balasubramanian, Mr. Girish Kulkarni, and Mr. S. Sundar, as Independ ent Directors at various times, in compliance with the requirements of the clause. The period of office of these Directors was liable to determination by retirement by rotation under the erstwhile applicable provisions of the Companies Act, 1956.

Mr. V. Santhanaraman was appointed as Additional Director on May 30, 2014, in terms of Section 161 (1) of the Companies Act, 2013, in the category of 'Non-Executive Independent' and is continuing as 'Independent Director'. In terms of the aforesaid section of the Companies Act, 2013, an Additional Director shall hold office upto the date of the next AGM and be eligible for appointment to the office of a director at any General Meeting in terms of Section 160 of the Companies Act, 2013.

Pursuant to the provisions of Section 149 and other applicable provisions of the Companies Act, 2013 with respect to appointment and tenure of the Independent Directors which came into effect from April 1, 2014, the Independent Directors shall be appointed for not more than two terms of five years each and shall not be liable to retire by rotation. The Nomination and Remuneration Committee and, the Board of Directors have recommended the appointment of these directors as Independent Directors of the Company.

Mr. K. Balasubramanian, Mr. Girish Kulkarni, Mr. S. Sundar, and Mr. V. Santhanaraman, Non-Executive Directors of the Company, have given a declaration to the Board that they meet the criteria of independence as provided under section 149(6) of the Act, and being eligible, offer themselves for appointment as Independent Directors for a term as stated in the Resolutions.

In the opinion of the Board, each of these Directors fulfill the conditions specified in the Act and the Rules framed thereunder for appointment as Independent Director and they are independent of the management. Notice have been received from member(s) signifying their intention to propose appointment of these Directors along with a deposit of Rupees One lakh each.

A brief profile of Independent Directors to be appointed, including nature of their expertise and other disclosures as required under Clause 49 of the Listing Agreement, are provided in the Annexure to this Notice.

In compliance with the provisions of section 149 read with Schedule IV of the Act, the appointment of these directors as Independent Directors is now being placed before the Members for their approval.

Except these Directors, being appointees, none of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolutions set out at item Nos. 4 - 7

By Order of the Board of Directors
For **DQ Entertainment (International) Limited**

Hyderabad, May 30, 2014

Sindhu M.S.
Company Secretary

Registered Office:
644, Aurora Colony, Road No. 3, Banjara Hills, Hyderabad – 500 034
Telephone: +91-40-23553726&27, Fax No. +91-40-23552594
Website: www.dqentertainment.com
CIN No: L92113TG2007PLC053585

ADDITIONAL INFORMATION ON DIRECTORS

Details of the Directors seeking appointment/re-appointment at the Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement)

Name of Director	Ms. Rashida Adenwala	Mr. K. Balasubramanian	Mr. Girish Kulkarni	Mr. S. Sundar	Mr. V. Santhanaraman
Age	50 years	71 years	48 years	54 years	65 years
Qualification	Graduate in Commerce & law and a qualified Company Secretary.	Graduate in Commerce and has done an advanced Management Program from Harvard Business School.	Bachelor of Engineering from IIT Mumbai and Master of Business Administration from IIM Ahmedabad.	Fellow Chartered Accountant & passed the Information Systems Audit-ISA.	Graduate in Commerce and C.A.I.I.B (Certified Associate of Indian Institute of Bankers).
Expertise	Legal, Corporate Affairs, Corporate Governance, Finance & Internal Audit.	International Banking and Finance.	Operating and Investment experience in different aspects of capital markets.	Statutory audit and Internal audit of public sector & government organizations.	Corporate Banking, treasury, risk management, project finance and foreign exchange operations.
Directorships held in other companies *	R & A Corporate Consultants India Private Limited	i)Parrys Sugar Industries Limited ii)Easyaccess Financial Services Limited iii)Raxa Security Services Limited iv)GMR Aviation Private Limited	i) KSK Energy Ventures Limited ii) GNS Outsourcing Private Limited iii) Topwave Trading Company Private Limited iv) Suyash Outsourcing Private Limited v) Serviont Global Solutions Limited vi) Enzen Global Solutions Private Limited vii)Suyash IT Services Private Limited viii)Gatil Properties Private Limited ix) Phoenix Living Spaces Private Limited x) Empays Payment Systems India Private Limited xi)Cocoberry Restaurants and Distributors Private Limited	-	(i)GMR Energy Limited (ii)GMR Infrastructure Limited (iii)Rajapalayam Mills Limited
Chairman/ Member of Committees as on March 31, 2014	-	(i) Easy Access Financial Services Limited (ii) Parrys Sugar Industries Limited (iii) Raxa Security Services Limited (iv) GMR Aviation Private Limited	(i) KSK Energy Ventures Limited (ii) Serviont Global Solutions Limited	-	-
Number of shares held in the Company as on March 31, 2014	Nil	Nil	Nil	Nil	Nil

*Note: * This does not include position in foreign companies, position as an advisory board member and position in companies under Section 25 of the Companies Act, 1956 (corresponding to companies under Section 8 of Companies Act 2013) but includes private limited companies.*

DQ ENTERTAINMENT (INTERNATIONAL) LIMITED
Regd Office: 644, Aurora Colony, Road No.3, Banjara Hills, Hyderabad-500 034, Telangana, INDIA.
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ATTENDANCE SLIP

Seventh Annual General Meeting, Tuesday, 30 September, 2014 at 2.30 p.m.
at Hotel Haritha Plaza 6-3-870, Balayogi Paryatak Bhavan, Greenlands, Begumpet, Hyderabad - 500 016

Folio No. .... DP ID No....................................Client ID No.............................

Name of the Member..Signature...

Name of the Proxyholder ....Signature...

1. Only Member/Proxyholder can attend the Meeting.
2. Member/Proxyholder should bring his/her copy of the Annual Report for reference at the Meeting.

....Please tear here..

DQ ENTERTAINMENT (INTERNATIONAL) LIMITED
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PROXY FORM - MGT - 11

(Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014)

Name of the Member (s): ....
Registered Address: ....
E-mail Id: .... Folio No / Client Id: .... DP ID: ....

I / We, being the member(s) holding .... shares of the above mentioned company, hereby appoint

1. Name: .... E-mail id:..
   Address:..
   .... Signature:...
   or failing him/her
2. Name: .... E-mail id:..
   Address:..
   .... Signature:...
   or failing him/her
3. Name: .... E-mail id:..
   Address:..
   .... Signature:...

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 7th Annual General Meeting of the Company to be held on **Tuesday, the 30th day of September 2014 at 2.30 p.m.** at Hotel Haritha Plaza 6-3-870, Balayogi Paryatak Bhavan, Greenlands, Begumpet, Hyderabad - 500 016 and at any adjournment thereof, in respect of such resolutions as are indicated below:

	Vote (see Note 2) For	Against
Ordinary Business		
Resolution No. 1 : Adoption of Audited Financial Statements for the financial year ended March 31, 2014		
Resolution No. 2 : Re-appointment of Ms. Rashida Adenwala as a Director of the Company		
Resolution No. 3 : Appointment of Auditors		
Special Business		
Resolution No. 4 : Appointment of Mr. K. Balasubramanian as Independent Director of the Company		
Resolution No. 5 : Appointment of Mr. Girish Kulkarni as Independent Director of the Company		
Resolution No. 6 : Appointment of Mr. S. Sundar as Independent Director of the Company		
Resolution No. 7 : Appointment of Mr. V. Santhanaraman as Independent Director of the Company		

Signed this .... day of ...., 2014

Affix 15 paise revenue stamp

Signature of Shareholder (s) ………………...……………………..Signature of Proxy Holder (s)…………………..........

Note:
1. This form of proxy in order to be effective should be duly completed, signed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. It is optional to indicate your preference. If you leave the for/ against column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he/ she may deem appropriate.

DQ ENTERTAINMENT (INTERNATIONAL) LIMITED

644, Aurora colony, Road No.3, Banjara Hills, Hyderabad -500 034. INDIA
Tel : +91-40-23553726 & 27 Fax : +91-40-23552594
URL : www.dqentertainment.com CIN :- L92113~~AP~~TG2007PLC053585

FORM A

1	Name of the company	**DQ Entertainment (International) Limited**
2	Annual financial statements for the year ended	31st March 2014
3	Type of Audit observation	Un-qualified
4	Frequency of observation	---
5	Signed by- Mr. Tapaas Chakravarti (CMD & CEO) Mr. Sanjay Choudhary (CFO) Mr. G. Ananthakrishnan Partner, MZSK & Associates (Statutory Auditor) Mr. V. Santhanaraman	