

CREST ANIMATION STUDIOS LIMITED

CREST ANIMATION STUDIOS LIMITED						
Registered Office : 401 & 501, Raheja Plaza, L.B.S.Marg, Ghatkopar (W), Mumbai 400 086						
UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30TH, SEPT 2013						
						(Rs. In Lakhs)
	Particulars	Unaudited			Unaudited	
		Quarter Ended	Quarter Ended	Quarter Ended	Half Year Ended	Half Year Ended
		30.09.2013	30.06.2013	30.09.2012	30.09.2013	30.09.2012
1	(a) Income from operations	-	4.34	682.74	4.34	1,312.10
	(b) Other operating income	-	-	-	-	-
2	Expenditure	-	4.34	682.74	4.34	1,312.10
	(a) (Increase) / Decrease in work in process	-	-	(610.68)	-	(604.55)
	(b) Employees cost	91.69	235.62	318.72	327.30	588.15
	(c) Retainership fees	45.35	154.34	284.55	199.69	527.52
	(d) Depreciation and amortisation	45.58	75.19	102.46	120.77	207.40
	(e) Rent	36.77	54.40	130.44	91.17	250.49
	(f) Loss on sale of Investments	-	-	-	-	-
	(g) Inventories / Unbilled revenue written off	-	138.49	-	138.49	-
	(h) Other Expenditure	55.81	71.57	120.04	127.38	246.63
	(i) Foreign Exchange Loss	-	-	157.53	-	-
	(j) Provision for Demutation in value of Investment	171.43	24.52	19.93	195.95	19.93
3	Profit / (Loss) from operations before other Income & interest (1-2)	446.63	754.13	522.98	1,200.75	1,235.57
4	Other income	215.08	321.54	32.11	536.62	250.05
5	Profit / (Loss) before interest (3+4)	(231.54)	(428.25)	191.87	(659.79)	326.58
6	Interest	81.51	159.71	166.32	241.21	333.44
7	Profit / (Loss) after interest before tax (5-6)	(313.05)	(587.96)	25.55	(901.01)	(6.86)
8	Tax expense	-	-	-	-	-
9	Profit / (Loss) for the period (9+10)	(313.05)	(587.96)	25.55	(901.01)	(6.86)
10	Paid-up equity share capital (Face Value Rs.10 per share)	4,421.22	4,421.22	4,421.22	4,421.22	4,421.22
11	Reserves excluding revaluation reserves (net of debit balance in profit and loss account)	-	-	-	-	-
12	Earnings per share in Rs. (not annualised) Basic and diluted	(0.71)	(1.33)	0.06	(2.04)	(0.02)

SELECTED INFORMATION FOR THE QUARTER AND YEAR ENDED 30TH, SEPT 2013							
A	PARTICULARS OF SHAREHOLDING						
1	Public shareholding						
	a) Number of shares	40,457,641	40,457,641	39,603,327	40,457,641	39,603,327	40,457,641
	b) Percentage of shareholding	91.51%	91.51%	89.58%	91.51%	89.58%	91.51%
2	Promoter and Promoter group shareholding						
	a) Pledged / encumbered						
	- Number of shares	450,000	450,000	1,870,000	450,000	1,870,000	450,000
	- Percentage of shares	11.99%	11.99%	40.57%	11.99%	40.57%	11.99%
	(as a % of the total shareholding of promoter & promoter group)						
	- Percentage of shares (as a % of the total share capital of the Company)	1.02%	1.02%	4.23%	1.02%	4.23%	1.02%
	b) Non Pledged / non-encumbered						
	- Number of shares	3,304,495	3,304,495	2,738,809	3,304,495	2,738,809	3,304,495
	- Percentage of shares	88.01%	88.01%	59.43%	88.01%	59.43%	88.01%
	(as a % of the total shareholding of promoter & promoter group)						
	- Percentage of shares (as a % of the total share capital of the Company)	7.47%	7.47%	6.19%	7.47%	6.19%	7.47%

Particulars		For Quarter ended Sept' 13
B	INVESTOR COMPLAINTS	
	Pending at the beginning of the quarter	Nil
	Received during the quarter	Nil
	Disposed of during the quarter	Nil
	Remaining unresolved at the end of the quarter	Nil





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STATEMENT OF ASSETS AND LIABILITIES
PURSUANT TO CLAUSE 41 OF THE LISTING AGREEMENT

Particulars	30.09.2013	31.03.2013
	Unaudited	Audited
<u>EQUITY AND LIABILITIES</u>		
<i>Shareholders' Funds</i>		
Share capital	4421.21	4,421.21
Reserves and surplus	3771.02	4,672.17
<i>Non Current Liabilities</i>		
Long-term Borrowings	5.24	1.98
Long-term Provisions	86.33	95.76
<i>Current Liabilities</i>		
Short-term Borrowings	7160.94	6,653.57
Trade Payables	893.65	842.78
Other Current Liabilities	2657.90	2,074.33
Short-term Provisions	20.46	5.45
Total	19,016.76	18,767.25
<u>ASSETS</u>		
<i>Non Current Assets</i>		
Fixed Assets		
Tangible Assets	449.89	543.82
Intangible Assets	67.16	92.51
Non Current Investments	6281.94	6,477.89
Long-term Loan and Advances	83.77	96.00
<i>Current Assets</i>		
Inventories	4254.00	4,338.25
Trade Receivables	1503.34	1,647.40
Cash and Bank Balance	14.14	22.10
Short-term Loan and Advances	4180.12	3,610.47
Other Current Assets	2182.40	1,938.82
Total	19,016.76	18,767.25





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Notes:

1. The above financial results were reviewed by the Audit Committee and taken on record by the Board of Directors at their meeting held on 06th December, 2013.
2. On November 23, 2010, the Company's US step down subsidiary, Crest Animation Holdings Inc. (CAH, now merged with the Company), entered into a Film Financing transaction with Bayrakkale LTD STI (Bayrakkale) for the purposes of co-financing the Company's animated feature film. Pursuant to the agreement, CAH had deposited US\$ 320,000 (Rs. 20,033,600/-) into an escrow account and also entered into a loan, security and pledge agreement and related promissory note with Newbridge Film Capital LLC (Newbridge) for a deposit of US\$ 5,930,000 (Rs. 371,247,650/-) into the escrow account for onward payment to Bayrakkale under the terms of the agreement. The agreement with Newbridge is secured by a letter of credit favoring Newbridge from Deutsche Bank issued on behalf of Bayrakkale as well as CAH's interest in the film. However, Bayrakkale has failed to fund the film in accordance with the co-financing agreement and is in material breach of the same. Further Deutsche Bank has refused to honor the letter of credit. Newbridge and the Company had elected to move forward against Deutsche Bank to pursue causes of action against the bank relating to the letter of credit, and intend to toll any potential causes of action against each other pending resolution of the matter with Deutsche Bank. The Company is pursuing all available legal options and is confident of recovering the outstanding dues. Till date, Bayrakkale has reimbursed US\$ 300,000 for interests and costs associated with their late payments. Pending final outcome of the matter, company has not provided the interest on the loan from Newbridge amounts to Rs.24,689,169/- for the quarter ended 30th September, 2013 and has considered the same as contingent liability which as at 30th September, 2013 amounts to Rs. 201,854,621/-. Interest claim on Bayrakkale has also not been recognized. The auditors have qualified their report for the quarter ended 30th September, 2013 for the non accounting of interest and for the recoverability of the advance of US\$ 6,250,000 (Rs. 391,281,250/-) as at 30th September, 2013 from Bayrakkale. Further their audit report for the year ended 31st March, 2013 and the limited review report for the quarter ended 30th June, 2013 was also qualified for this matter.

Newbridge has been taken over by Partner Re, who have on 12th December 2012 filed legal proceedings against Deutsche Bank/ Bayrakkale Ltd., for recovery of amounts due. District court in USA vide it's order dated 29th April, 2013 denied to dismiss the non jurisdiction claim of Deutsche Bank. The outcome of the proceedings thereafter is awaited.

3. As on 30th September, 2013, the company has Rs. 76,351,040/- invested in Norm LLC, a special purpose vehicle which is formed for the purpose of feature film Norm of the North. For Norm Financing LLC the company also has outstanding receivables of Rs. 90,558,352/-, unbilled revenue of Rs. 203,025,748/- and Work in process of Rs. 60,247,558/-. In addition, company has an investment of Rs.123,261,932/- in a subsidiary company which has receivable as at 30th September, 2013 of Rs. 154,055,412/- due from norm Financing LLC.

Work on this project was suspended due to the uncertainty prevailing on the financing arrangements of the same, which is being pursued and is available subject to the final outcome of litigation mentioned in paragraph 2 above. In the view of the management, these amounts are considered to be recoverable and therefore no provision is considered necessary. The auditors have qualified their limited review report for the quarter ended 30th September, 2013. Further their audit report for the year ended 31st March, 2013 and the limited review report for the quarter ended 30th June, 2013 was also qualified for this matter.

4. The Company has long-term investments of Rs. 7,140,500 in a joint SPV which is having film properties under development for more than 3 years. Pending the final outcome of the decision to be taken by the joint SPV partner on the development of the film properties held by the investee, Management is of the view that there is no permanent diminution in the value of this long term-investment. The ultimate outcome of the above mentioned matter cannot presently be determined, and no provision has been made for diminution in this investments. The auditors have included matter of emphasis for this matter in their limited review report for the quarter ended 30th September, 2013. Further matter of emphasis was also included in their audit report for the year ended 31st March, 2013 and limited review report for the quarter ended 30th June, 2013.
5. The Company has accumulated losses of Rs. 535,239,467/- as at 30th September, 2013. The company could not deliver on any of the contracts during the quarter. Recovery of past receivables was almost negligible. These situations have forced company to temporary suspend the operations. Most of the employees have been layed off. Employees' union have lodged complaint against the company for recovery of dues to employees. All the credit facilities of Rs. 342,057,452/- with banks and private parties have become due for payment.





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Management continues discussions with prospective investors to raise funds to meet its working capital requirement. Also, Management is evaluating options including disposal of inventories/intellectual properties, in addition to raising of the fresh financial resources. However, given the formidable market condition, the company is likely to face significant financial pressures to meet its obligations. These financial results, inspite of significant uncertainties, have been prepared on the basis of going concern assumption. The auditors are unable to comment on going concern assumption and have qualified the limited review report for the quarter ended 30th September, 2013 and 30th June, 2013 and included a matter of emphasis in their audit report for the year ended 31st March, 2013.

6. During the previous year, company has initiated work on one projects on which cost of Rs. 18,710,046/- have been incurred up to 30th September 2013 which is carried in Inventory. The work of the project was initiated based on the terms negotiated with customer. The company is in the process of executing the binding contractual agreements with customer. The auditors have included matter of emphasis for this matter in their review report for the quarter ended 30th September, 2013 and 30th June, 2013. Further matter of emphasis was included for this matter in their audit report for the year end 31st March, 2013.
7. As at 30th September 2013, the company carries in it's inventory cost of Rs. 23,82,42,309/- (approximately 90% of the total budgeted production cost) incurred on the production of animated feature film in India. Due to paucity of funds, and to prioritize completion of committed contractual projects, the said project has been temporarily suspended. Though the project is delayed over a significant period of time, but considering the completion stage and positive response from several animation studios, management is confident that the project would able to recover it's present carrying value. The auditors have included matter of emphasis for this matter in their review report for the quarter ended 30th September, 2013 and 30th June, 2013. Further matter of emphasis was included for this matter in their audit report for the year end 31st March, 2013.
8. The company's long term investments, includes Rs. 36,58,71,077/- for beneficial interest in CAS Benefit Trust, which as at 30th September, 2013, holds 8,904,805 equity shares of the company allotted under a scheme of arrangement effective from 26th July, 2011 having appointed date 1st April, 2010. The realizable value of these shares has been substantially reduced due to fall in market price of the shares as at year end. However management is of the view that such reduction is temporary in nature there is no diminution, other than temporary, in the value of this long term-investment. The auditors have qualified the limited review report for the quarter ended 30th September, 2013 and 30th June, 2013 for the said matter and included a matter of emphasis in their audit report for the year ended 31st March, 2013.
9. The Company's business activities fall within a single segment, Animation only.
10. The other income comprises of foreign exchange gain of Rs. 215.08 lacs for the quarter ended 30th September 2013 and Rs. 321.54 lacs for the previous quarter ended 30th June, 2013.
11. Figures for the previous period have been regrouped, wherever necessary, to make them comparable with current period.

For CREST ANIMATION STUDIOS LIMITED

Place: Mumbai
Date: 06th December, 2013

SEEMHA RAMANNA
MANAGING DIRECTOR



Limited Review Report

Review Report to
The Board of Directors
Crest Animation Studios Limited

1. We have reviewed the accompanying statement of unaudited unconsolidated financial results of Crest Animation Studios Limited ('the Company') for the quarter and half year ended September 30th, 2013 (the "Statement"), except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been reviewed by us. This statement is the responsibility of the Company's management and has been approved by the Board of Directors/Committee of Board of Directors. Our responsibility is to issue a report on the Statement based on our review.
2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, Review of Interim Financial Information performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of company personnel and an analytical procedure applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
3. *As indicated in Note 2 of the accompanying statement of unaudited unconsolidated financial results, at September 30, 2013, the company has not accounted for interest of Rs. 246.89 lacs and Rs. 465.33 lacs for the quarter and half year ended 30th September, 2013 respectively on a secured loan as the company intends to litigate the applicability of the interest given the recoverability of the advances referred in Paragraph 4 is uncertain. Had the company recorded the interest, the loss for the quarter and half year ended September 30, 2013 would have been higher by Rs. 218.44 lacs and Rs. 465.33 lacs respectively.*
4. *As discussed in Note 2 of the accompanying statement of unaudited unconsolidated financial results, as at September 30, 2013, loans and advances include Rs.3912.81 Lacs (recorded in the company's books of accounts pursuant to scheme of arrangement effective from July 26,2011) due from a company against which the company intends to initiate legal action to recover the advance. The ultimate outcome of the recoverability of the advance cannot be presently be determined and we are unable to comment on the extent of non-recoverability of this balance and their consequent impact, if any, on the company's profit for the quarter and half year ended September 30, 2013.*
5. *As indicated in Note 3 of the accompanying statement of the unaudited unconsolidated financial result, the recoverability of the following assets is impacted due to uncertainty relating to the financial condition of the company :-*
 - a. *Investment of Rs. 763.51 lacs in an animation production company executing an animation film project, debtor of Rs. 905.58 lacs, unbilled revenue of Rs. 2030.26 lacs due from this company and the inventory of Rs. 602.48 lacs relating to this film.*



- b. In addition, the company has an investment of Rs. 1232.62 lacs in a subsidiary company, carried in its books based on the carrying value of the net assets of this subsidiary. The net assets includes receivable as at September 30, 2013 of Rs. 1540.55 lacs due from the above mentioned animation production company.

The ultimate outcome of the matters cannot presently be determined and we are unable to comment on the extent of non-recoverability of these balances and their consequent impact, if any, on the company's result for the quarter and half year ended September 30, 2013.

6. We draw attention to Note 8 of the accompanying statement of unaudited unconsolidated financial results. Under a scheme of arrangement effective from July 26, 2011 having appointed date of April 1, 2010, 1,20,00,000 shares were allotted to CAS Benefit Trust which held the shares for the benefit of the company and its shareholders. The trust hold 8,904,805 equity shares of the company as at September, 2013 having carrying value of Rs 3658.71 lacs. The realisable value of these shares has been substantially reduced due to fall in market price. However, for the reason stated in said note, management is of the view that there is no diminution, other than temporary, in the value of this long term-investment. The ultimate outcome of the above mentioned matter cannot presently be determined, and we are unable to comment on the extent of recoverability of these investments and the provision required for diminution in its value.
7. We draw attention to Note 5 of the accompanying statement of unaudited unconsolidated financial results. Without considering the effects / possible effects of the matters stated in paragraph 3, 4, 5 and 6 above, the Company has incurred a net loss of Rs. 313.05 lacs for the three months ended September 30, 2013, while the accumulated losses aggregate to Rs. 5352.39 lacs. During the quarter, company could not deliver on any contract. During the quarter, Company continued to face increased liquidity constraints. The company had to lay off majority of employee and suspend the operation on temporary basis. For the reasons stated in note no. 5, management in spite of significant uncertainties has prepared these financial statements on going concern assumption. Considering the situation described in the note, we are unable to comment on the appropriateness of the going concern assumption in preparation of these financial results.
8. Without qualifying our opinion we state that, as at 30th September 2013, the Company has long-term investments of Rs. 71.41 lacs in a joint venture company which is having film properties under development for more than 3 years. For the reasons stated in Note 4, pending the final outcome of the decision to be taken by the joint venture partner on the development of the film properties held by the investee, management is of the view that there is no permanent diminution in the value of this long term investment. The ultimate outcome of the above mentioned matter cannot presently be determined, and no provision has been made in the financial statements for diminution in this investment.
9. We draw attention to Note 6 of the accompanying statement of unaudited unconsolidated financial results. Company has incurred cost of Rs 187.10 lacs on one project which has been recognised as inventory pending the execution of a binding contract for carrying out the work. Our opinion is not qualified in respect of this matter.



10. We draw attention to Note 7 of the accompanying statement of unaudited unconsolidated financial results. Inventories include Rs 2382.42 lacs towards the cost incurred for production of the animated feature film in India. This film project has been substantially delayed due to reasons stated in Note 7 of the accompanying financial statements. Pending completion of the film, management is of the view that there is no diminution in the value of project and impairment provision should not be made. The ultimate outcome of the above cannot be presently determined, and no provision has been made in the financial statements for impairment. Our opinion is not qualified in respect of this matter.
11. Based on our review conducted as above, *except for the possible effects of the matters stated in para 3, 4, 5, 6 and 7 above*, nothing has come to our attention that causes us to believe that the accompanying Statement of unaudited unconsolidated financial results prepared in accordance with recognition and measurement principles laid down in Accounting Standard 25 "Interim Financial Reporting", notified pursuant to the Companies (Accounting Standards) Rules, 2006, and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed or that it contains any material misstatement.



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

A handwritten signature in black ink, appearing to read "Amit Chaturvedi", written over a horizontal line.

Amit Chaturvedi
Partner
Membership No.: 103141
Date: 06th Dec, 2013
Place: Mumbai