

NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of **Prime Focus Limited** will be held at Prime Focus Office, Main Frame IT Park, Building – H, Royal Palms, Near Aarey Colony, Goregaon (East), Mumbai – 400 065 on Thursday, September 30, 2010 at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. Adoption of Annual Accounts, etc. for 2009-2010 -

To receive, consider and adopt the Balance Sheet of the Company as at March 31, 2010, the Profit and Loss Account for the year ended on that date together with the Reports of the Board of Directors and Auditors thereon.

2. Re-appointment of Mr. Rakesh Jhunjunwala as Director –

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

3. Re-appointment of Mr. Rivkaran Chadha as Director –

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

4. Appointment of Statutory Auditors –

To appoint M/s. S. R. Batliboi & Co., Chartered Accountants, Mumbai, as Statutory Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

To consider and if thought fit, to pass with or without modification, the following resolutions:

5. Re-appointment of Mr. Naresh Malhotra as Chairman and Whole time Director for the period of Five Years -

As a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 302, 309, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force) the consent of the Company be and is hereby accorded to the re-appointment of Mr. Naresh Malhotra as the Chairman and Whole Time Director for a period of Five Years with effect from 1st April, 2010 at a monthly remuneration upto Rs. 5,00,000/- (Rupees Five Lakhs only).

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to revise, increase the remuneration or modify, change, vary any of the terms and conditions for re-appointment.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to do all such acts, deeds, matters and things as in its absolute discretion, it may consider necessary, expedient or desirable, and to settle any question, or doubt that may arise in relation thereto to give effect to the foregoing resolution, or as may be otherwise considered by it to be in the best interest of the Company."

6. Re-appointment of Mr. Namit Malhotra as Managing Director for the period of Five Years-

As a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 302, 309, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force) the consent of the Company be and is hereby accorded to the re-appointment of Mr. Namit Malhotra as a Managing Director for a period of Five Years with effect from 1st April, 2010 at a monthly remuneration upto Rs. 5,00,000/- (Rupees Five Lakhs only).

RESOLVED FURTHER THAT the duties of the Managing Director shall be over all supervision of the functioning of the company, handling day to day affairs of the Company, operating bank accounts as permitted by the board separately, regularly reporting to the Board on the

activities of the Company and to perform all other duties that the Board may delegate to the managing director and which arises in day to day affairs of the company from time to time.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to revise, increase the remuneration or modify, change, vary any of the terms and conditions of the re-appointment.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to do all such acts, deeds, matters and things as in its absolute discretion, it may consider necessary, expedient or desirable, and to settle any question, or doubt that may arise in relation thereto to give effect to the foregoing resolution, or as may be otherwise considered by it to be in the best interest of the Company."

7. Alteration of Articles of Association by deleting Article No. 191 to 194 of Section B of Part II-

As a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and rules and regulations enacted under the Act, (including any statutory modification or amendment or re-enactment thereof for the time being in force), subject to the consents, approvals, permissions and sanctions as may be necessary under any law or agreement, the consent of the Company be and is hereby accorded to delete Articles No. 191 to 194 of Section B of Part II of Articles of Association of the Company.

RESOLVED FURTHER THAT the Board of Directors (hereinafter called "the Board" which term shall be deemed to include any Committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by its Resolution) be and is hereby authorized to settle any questions, doubt or difficulty that may arise in this regard, to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary and think fit to give effect to this Resolution and to delegate all or any of the powers herein conferred to any Committee of Directors or the Chairman and Managing Director or any Director or any other officer of the Company."

8. Increase in Authorized Share Capital of the Company.

As a Special Resolution

"RESOLVED THAT in accordance with the provisions of Section 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof, for the time being in force), the Authorised Share Capital of the Company, be and is hereby increased from Rs. 15,00,00,000/- (Rupees Fifteen Crores) divided into 1,50,00,000 (One Crore Fifty Lacs) Equity shares of Rs. 10/- (Rupees Ten) each to Rs. 20,00,00,000/- (Rupees Twenty Crores) divided into 2,00,00,000 (Two Crore Lacs) Equity shares of Rs. 10/- (Rupees Ten) each and consequently the existing Clause V of the Memorandum of Association of the Company relating to Share capital, be and is hereby altered by deleting the same and substituting in its place the following as new Clause V :

V. The Authorised Share Capital of the company is Rs. 20,00,00,000 (Rupees Twenty Crores) divided into 2,00,00,000 (Two Crore) Equity shares of Rs. 10/- (Rupees Ten) each with power to increase and reduce the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special right, privileges or conditions as may be determined or in accordance with the Articles of Association of the Company and to vary, modify, or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company."

"RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs. 10/- per equity share

bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights of obligations of the shareholders."

9. Issue of 10,00,000 Warrants, convertible into Equity Shares, on preferential basis to Promoters -

As a Special Resolution:

"RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force), the Memorandum and Articles of Association of the Company, Listing Agreements entered into by the Company with the Stock Exchanges where the equity shares of the Company are listed, Chapter VII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("**SEBI (ICDR) Regulations**") and other applicable Regulations/ Guidelines including Foreign Exchange Management Act, 1999, wherever applicable, such other approvals, permissions, sanctions, consents as may be necessary or expedient under the applicable laws, rules and regulations and subject to such terms, conditions, alterations and modifications as may be considered appropriate by the Board of Directors, (hereinafter referred to as "Board" which shall include any Committee of Directors) consent of the Company be and is hereby accorded to the Board to offer, issue and allot, on preferential basis, Warrants not exceeding 10,00,000 in number convertible into equity share of the Company of face value of Rs. 10/- (hereinafter referred to as the "Warrants"), in one or more tranches on preferential basis, at a price not less than the minimum price determined in accordance with the provisions of Chapter VII of the SEBI (ICDR) Regulations, to Mr. Namit Malhotra (the "Warrant holder"), the Promoter of the Company.

RESOLVED FURTHER THAT the "Relevant Date" under SEBI (ICDR) Regulations for preferential Issue in relation to Warrants for the purpose of determining the issue price shall be **31st August, 2010**, i.e. 30 days prior to the date of passing this Resolution.

RESOLVED FURTHER THAT the issue of Warrants, if any, as above, shall be subject to the following terms and conditions:

1. The Warrants shall be convertible (at the option of the warrant holders) at any time within a period of 18 months from the date of allotment of Warrants.
2. Each warrant shall be convertible into one equity share of nominal value of Rs. 10/- each at a price not less than the minimum price determined in accordance with the provision of Chapter VII of SEBI (ICDR) Regulations.
3. The Warrant holder shall, on the date of allotment of Warrants, pay an amount equivalent to 25% of the total consideration per warrant.
4. The conversion of Warrants into equity shares shall be made in one or more tranches within a period of 18 months from the date of allotment of Warrants.
5. The amount referred in (3) above shall be forfeited, if the option to acquire shares is not exercised within a period of 18 months from the date of allotment of Warrants.
6. The number of Warrants and the price per Warrant shall be appropriately adjusted, subject to the Companies Act, 1956 and SEBI guidelines, for corporate actions such as bonus issue, rights issue, stock split, merger, demerger, transfer of undertaking, sale of a division or any such capital or corporate restructuring.
7. The lock in of shares acquired by exercise of Warrants shall be for a period of three years.

RESOLVED FURTHER THAT the offer, issue and allotment of the aforesaid Warrants shall be made within 15 days from the date of passing of this resolution subject to the applicable statutory regulatory provisions and the SEBI (ICDR) Regulations.

RESOLVED FURTHER THAT the equity shares so issued and allotted on conversion of Warrants into equity shares

shall rank *pari passu* with then existing equity shares of the Company in all respects including dividend.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised to agree, make and accept all such term(s), condition(s), modification(s) and alteration(s) as it may deem fit, including, condition(s), modifications(s) and alteration(s) stipulated or required by any relevant authorities or by their bye-laws, rules, regulations or guidelines, and the Board is also hereby authorised to resolve and settle all questions, difficulties or doubts that may arise in regard to such offer, issue and allotment, to finalise and execute all agreements, documents and writings and to do all acts, deeds and things in this connection and incidental as the Board in its absolute discretion deem fit without being required to seek any further consent or approval of the Company or otherwise to the end and intent that they shall be deemed to have given approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers conferred by this resolution on it, to any Committee of Directors or the Chairman or any other Director(s) or officer(s) of the Company to give effect to the aforesaid resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to finalise all matters incidental thereto as it may in its absolute discretion think fit, in accordance with all applicable laws, rules and regulations for the time being in force issue and allot the Equity shares and apply for listing of such securities on the Stock Exchanges where the Equity shares of the Company are already listed as and when the Equity shares are issued and allotted through conversion of Warrants issued through this resolution."

10. Raising of funds by issue via Placement to Qualified Institutional Buyers (QIB) / ADR / GDR / FCCB and / or any other Convertible instrument(s) and also preferential allotment of shares or warrants or other convertible instruments to the extent of USD 50 million -

As a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and/or Section 81(4), (if applicable), and other applicable provisions, if any, of the Companies Act, 1956, ("Act"), as amended, and all other applicable laws and regulations including the Foreign Exchange Management Act, 1999, the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, as amended, and applicable statutes, policies, schemes, rules, regulations, guidelines, notifications, press notes, or circulars, if any, issued by the Government of India, the Securities and Exchange Board of India, ("SEBI"), the Reserve Bank of India, ("RBI"), and any other applicable laws, rules and regulations, as amended and the enabling provisions in the Memorandum and Articles of Association of the Company and Listing Agreements entered into by the Company with the stock exchanges where the equity shares of the Company are listed, and subject to such approvals, consents, permissions and sanctions of relevant statutory, regulatory, governmental authorities, (including any court, tribunal or any other judicial and/or quasi-judicial authority), ("**Concerned Authorities**"), in this regard, as may be required and applicable and further subject to such terms and conditions or modifications thereto as may be prescribed or imposed by any of the Concerned Authorities while granting such approvals, and permissions as may be necessary or which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "**Board**", which term shall include any committee constituted by the Board or any person(s) authorized by the Board to exercise the powers conferred on the Board by this Resolution), the consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot, in one or more trench (ies), in one or more foreign markets or domestic markets, to persons and entities whether such persons and/or entities are shareholders of the Company or not, including to Qualified Institutional Buyers, (as defined in the SEBI (ICDR) Regulations), (collectively "**Investors**"):

- a) equity shares; and/or
- b) equity shares through depository receipts including American Depository Receipts, Global Depository Receipts; and/or
- c) non convertible debentures; and/or
- d) convertible bonds, convertible debentures, fully or partly, and/or;
- e) foreign currency convertible bonds; and/or
- f) other securities convertible into equity shares at the option of the Company and/or the holder(s) of such securities;
- g) and/or securities linked to equity shares; and/or
- h) securities with or without detachable/non-detachable warrants and/or warrants with a right exercisable by the warrant-holder to subscribe for equity shares; and/or
- i) any instruments or securities representing either equity shares, secured premium notes, and/or any other financial instruments which would be converted into/ exchanged with equity shares at a later date, (collectively referred to as "**Securities**"),

as the Board at its sole discretion or in consultation with underwriters, merchant bankers, financial advisors or legal advisors may at any time decide, by way of one or more:

- a) public issue;
- b) private offerings;
- c) through qualified institutions placement in accordance with the provisions of Chapter VIII of the SEBI (ICDR) Regulations, ("**Qualified Institutions Placement**");
- d) by any one or more or a combination of the above model/methods or otherwise;

and at such time or times and in one or more tranches, whether rupee denominated or denominated in foreign currency, in the domestic and/or one or more international market(s), with or without an option to retain oversubscription of Securities, and including provisions for reservation on firm and/or competitive basis, of such part of issue and for such categories of persons including employees of the Company as may be permitted, as may be deemed appropriate by the Board and permitted under applicable statutory and regulatory requirements, resulting in the issue of up to an aggregate amount of US\$ 50 million (United States Dollars Fifty Million Only) or the Indian Rupee equivalent thereof or its equivalent in any other currency, including premium on conversion, exercise and/or exchange of such Securities, together with the aggregate value of the Securities retained for oversubscription, if any, and on such terms and conditions and timing of the issue(s)/offering(s) including the investors to whom the Securities are to be issued, issue price, number of Securities to be issued, creation of mortgage/ charge in accordance with Section 293(1)(a) of the Act, in respect of any Securities as may be required either on pari-passu basis or otherwise, the stock exchanges on which such Securities will be listed, finalization of allotment of the Securities on the basis of the subscriptions received, face value, rate of interest, redemption period, manner of redemption, amount of premium on redemption, the number of equity share to be allotted on redemption/conversion, the ratio, period of conversion, fixing of record date or book closure dates, and any other matter in connection with, or incidental to, the issue, in consultation with the merchant bankers or other advisors or otherwise, as the Board at its sole discretion may decide together with any amendments or modifications thereto (the "**Issue**").

RESOLVED FURTHER THAT

- (i) the Securities to be created, issued, offered and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company and the equity shares allotted in terms of this resolution shall rank *pari passu* in all respects with the existing equity shares of the Company.

- (ii) the number and /or conversion price in relation to equity shares that may be issued and allotted or conversion of Securities that may be issued through a Qualified Institutional Placement pursuant to the SEBI (ICDR) Regulation as mentioned above shall be appropriately adjusted in accordance with the provisions of Chapter VIII of the SEBI (ICDR) Regulations.
- (iii) Subject to applicable statutory and/or regulatory requirements, the Board be and is hereby authorized on behalf of the Company to finalise the pricing, terms and conditions relating to the issue of the Securities and any other matter in connection with, or incidental to, the issue of the Securities as the Board, in its absolute discretion, deems necessary or desirable, together with any amendments or modifications thereto.

RESOLVED FURTHER THAT if the Issue or any part thereof is made for a Qualified Institutional Placement, the Securities issued for such purpose shall be fully paid-up and the allotment of such Securities shall be completed within twelve months from the date of this resolution or such other time as may be allowed under the SEBI (ICDR) Regulations from time to time, and that the pricing of the Securities shall be made subject to and in compliance with all applicable statutory and/or regulatory requirements and the Securities shall not be eligible to be sold for a period of twelve months from the date of allotment, except on a recognized stock exchange, or except as may be permitted from time to time under the SEBI (ICDR) Regulations at such price being not less than the price determined in accordance with the requirements relating to pricing as prescribed under the SEBI (ICDR) Regulations.

RESOLVED FURTHER THAT in the event of issue of Securities by way of a Qualified Institutional Placement the relevant date on the basis of which price of the resultant shares shall be determined as specified under applicable law, shall be the date of the meeting in which the Board or the committee of directors duly authorized by the Board decides to open the proposed issue of Securities or such other time as may be allowed under the SEBI (ICDR) Regulations, from time to time, and such price shall be subject to appropriate adjustments in accordance with the applicable SEBI (ICDR) Regulations.

RESOLVED FURTHER THAT without prejudice to the generality of the above, subject to applicable laws and subject to approval, consents, permissions, if any of any governmental body, authority or regulatory institution including any conditions as may be prescribed in granting such approval or permissions by such governmental authority or regulatory institution, the aforesaid Securities may have such features and attributes or any terms or combination of terms that provide for the tradability and free transferability thereof in accordance with the prevailing practices in the capital markets including but not limited to the terms and conditions for issue of additional Securities and such of these Securities to be issued as are not subscribed may be disposed of by the Board in such manner and/or on such terms including offering or placing them with banks/financial institutions/ mutual funds or otherwise, as the Board may deem fit and proper in its absolute discretion.

RESOLVED FURTHER THAT without prejudice to the generality of the foregoing, the Board be and is hereby authorized to prescribe with respect to the aforesaid issue of the Securities all or any of the terms or any combination of terms thereof in accordance with local and/or international practice including but not limited to conditions in relation to the offer, issue and allotment of the Securities, payment of interest, dividend, premium and redemption or early redemption of Securities, debt service payments and any other payments whatsoever, voting rights and all such terms as are provided in domestic and/or international offerings of this nature including terms for such issue, or variation of the price or period of conversion of any Securities into equity shares or issue of equity shares during the duration of the Securities or terms pertaining to early redemption of Securities and/or conversion into equity shares as the Board may in its sole discretion deem appropriate.

RESOLVED FURTHER THAT the Board be and is hereby authorized to finalize and approve the preliminary as well as the final offer documents, if required, for the proposed issue of the Securities and to authorize any director or directors of the Company or any other officer or officers of the Company to sign the above documents for and on behalf of the Company together with the authority to amend, vary or modify the same as such authorized persons may consider necessary, desirable or expedient and for the purpose aforesaid, to give such declarations, affidavits, certificates, consents and/or authorities as may, in the opinion of such authorized person, be required from time to time, and to arrange for the submission of the preliminary and final placement document, and any amendments and supplements thereto, with any applicable government and regulatory authorities, institutions or bodies, as may be required.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do such acts, deeds and things as the Board in its absolute discretion deems necessary or desirable in connection with the issue of the Securities and to give effect to these resolutions, including, without limitation, the following:

- (i) seeking, if required, the consent of the Company's lenders, parties with whom the Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in or outside India, and any other consents that may be required in connection with the issue and allotment of the Securities;
- (ii) giving or authorizing the giving of such declarations, affidavits, certificates, consents and authorities as may be required from time to time by concerned persons; and
- (iii) settling any questions, difficulties or doubts that may arise in regard to any such issue or allotment of Securities as it may in its absolute discretion deem fit.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution and any offer, issue and allotment of Securities, the Board be and is hereby authorized to take all such actions, give such directions and to do all such acts, deeds and things as may be necessary, desirable or incidental thereto and matters connected therewith including without limitation the entering into of arrangements including arrangements for underwriting, marketing, listing, trading, appointment of lead manager(s)/merchant banker(s), underwriter(s), guarantor(s), depository(ies), custodian(s), stabilising agent(s), banker(s), advisor(s), registrar(s), paying and conversion agent(s), trustee(s), and other agents as may be required in order to facilitate or consummate the Issue, and to approve and execute all deeds, documents, instruments and writings and to pay any fees, commission, costs, charges and other outgoings in relation thereto and to settle all questions whether in India or abroad, for the Issue and to do all requisite filings with SEBI, the stock exchanges, the Government of India, the Reserve Bank of India, if required and any other concerned authority in India or outside, and to do all such acts and things as may be necessary and expedient for, and incidental and ancillary to the Issue, and to give such directions that may be necessary or arise in regard to or in connection with any such offer, issue or allotment of Securities and utilization of the issue proceeds, as it may, in its absolute discretion, deem fit and any such action, decision or direction of the Board shall be binding on all shareholders.

RESOLVED FURTHER THAT any director or directors of the Company or any other officer or officers of the Company as may be authorized by the Board, be and is or are hereby authorized to sign, execute and issue consolidated receipt/s for the Securities, listing, application, various agreements (including but limited to subscription agreement, depository agreement, trustee agreement), undertaking, deeds, declarations and all other documents and to do all such things, deeds and acts and to comply with all the formalities as may, in the opinion of such authorized person, be required in connection with or incidental to the aforesaid offering of Securities, including post Issue formalities.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred, to any Committee or a person or persons, as it may deem fit in its absolute discretion, in order to give effect to this Resolution.

RESOLVED FURTHER THAT the allotment of Securities under any Qualified Institutional Placement shall only be to qualified institutional buyers within the meaning of Regulation 2(1)(zd) of the SEBI (ICDR) Regulations, such Securities shall be fully paid-up and the allotment of such Securities shall be completed within 12 months from the date of this resolution or such other time as may be allowed by SEBI (ICDR) Regulations from time to time.

RESOLVED FURTHER THAT the Board be and is hereby authorized to open one or more bank accounts in the name of the Company in Indian currency or foreign currency (ies) with such bank or banks in India as may be required in connection with the aforesaid issue, subject to requisite approvals from Reserve Bank of India, if any, and the director or directors of the Company or other officer or officers of the Company authorized by the Board be and is or are hereby authorized to sign and execute the application form and other documents required for opening the account, to operate the said account, and to give such instructions including closure thereof as may be required and deemed appropriate by these signatories, and that the said bank/s be and is/ are hereby authorized to honor all cheques and other negotiable instruments drawn, accepted or endorsed and instructions given by the aforesaid signatories on behalf of the Company.

RESOLVED FURTHER THAT the common seal of the Company, if required to be affixed in India on any agreement, undertaking, deed or other document, the same be affixed in the presence of anyone or more of the directors of the company or anyone or more of the officers of the company as may be authorized by the Board in accordance with the Articles of the Association of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do such acts, deeds and things as the Board in its absolute discretion deems necessary or desirable in connection with the issue of the Securities, including, without limitation, the following:

- i. finalization of the allotment of the Securities on the basis of the bids/applications received;
- ii. finalization of and arrangement for the submission of the preliminary and final offer document(s), and any amendments supplements thereto, with any applicable statutory and/or regulatory authorities, institutions or bodies, as may be required;
- iii. approval of the preliminary and final offer document (including amending, varying or modifying the same, as may be considered desirable or expedient) as finalized in consultation with the lead manager(s)/underwriter(s)/advisor(s), in accordance with all applicable statutory and/or regulatory requirements;
- iv. finalization of the basis of allotment in the event of over-subscription;
- v. acceptance and appropriation of the proceeds of the issue of the Securities;
- vi. authorization of the maintenance of a register of holders of the Securities;
- vii. authorization of any director or directors of the Company or other officer or officers of the Company, including by the grant of power of attorneys, to do such acts, deeds and things as authorized person in its absolute discretion may deem necessary or desirable in connection with the issue and allotment of the Securities;
- viii. seeking, if required, the consent of the Company's lenders, parties with whom the Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in India, and any other consents that may be required in connection with the issue and allotment of the Securities;

- ix. seeking the listing of the Securities on any Indian stock exchange, submitting the listing application to such stock exchange and taking all actions that may be necessary in connection with obtaining such listing;
- x. giving or authorizing the giving by concerned persons of such declarations, affidavits, certificates, consents and authorities as may be required from time to time; and
- xi. deciding the pricing and terms of the Securities, and all other related matters,

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary or desirable, including without limitation to settle any question, difficulty or doubt that may arise in regard to the offer, issue and allotment of the Securities.

RESOLVED FURTHER THAT the Board be and is hereby authorized to accept any modifications in the proposal as may be required by the authorities involved in such issues but subject to such conditions as the SEBI/GOI/RBI or such other appropriate authority, may impose at the time of their approval and as agreed to by the Board."

RESOLVED FURTHER THAT the acts, deeds and things already done by the Board or any designated officer of the Company in this regard be and are hereby confirmed, approved and ratified.

11. Approval of Employees Stock Option Plan (ESOP) –

As an **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "SEBI Guidelines"), Foreign Exchange Management Act, 1999, the Listing Agreement entered into with the Stock Exchanges where the securities of the Company are listed and other relevant authorities, from time to time, to the extent applicable and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Remuneration Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution) to create, offer, issue and allot at any time to the benefit of such person(s) who are in permanent employment of the Company, whether working in India or abroad, including any Director of the Company, whether whole-time or otherwise, options exercisable into not more than 10,00,000 (Ten Lac) equity shares of the Company of Rs. 10/- each, either directly or through a Trust, under one or more Employee Stock Option Schemes, in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant Authority.

RESOLVED FURTHER THAT in case of any corporate action (s) such as rights issues, bonus issues, merger and sale of division and others, if any additional equity shares are issued by the Company to the Option Grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of 10,00,000 (Ten Lac) equity shares of the Company shall be deemed to be increased to the extent of such additional equity shares issued

RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot Equity shares upon exercise of options from time to time in accordance with the employee stock option scheme and such Equity shares shall rank pari passu in all respects with the then existing Equity Shares of the Company.

RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition payable by the option grantees under the schemes shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs.10/- per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of securities allotted under the said schemes on the stock exchanges, where the securities of the Company are listed, as per the provisions of the Listing Agreement executed with the concerned stock exchanges and other guidelines, rules and regulations as may be applicable.

RESOLVED FURTHER THAT the Board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the said schemes as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board acting on its own or through the Remuneration Committee be and is hereby authorised to do all acts, matters, deeds and things and to take all steps and to do all things and give such directions as may be necessary, expedient, or desirable and also to settle any question or difficulties that may arise in such manner and the Board/ Remuneration Committee / such authorised person in its/ his absolute discretion may deem fit and take steps which are incidental and ancillary in this connection without requiring the Board to secure any further consent or approval of the shareholders of the Company."

12. Approval of Employees Stock Option Plan (ESOP) to Employees of Subsidiary Companies including Step Down Subsidiaries–

As a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "SEBI Guidelines"), Foreign Exchange Management Act, 1999, the Listing Agreement entered into with the Stock Exchanges where the securities of the Company are listed and other relevant authorities, from time to time, to the extent applicable and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Remuneration Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution) to extend the benefits of one or more Employee Stock Option Schemes of the Company as proposed in the Resolution No. 11 in this Notice to such person(s) who are in permanent employment of the following subsidiaries, whether working in India or abroad, including any Director of the Company, whether whole-time or otherwise -

1. Prime Focus London, Plc.
2. Prime Focus Technologies Private Limited
3. Flow Post Solutions Private Limited
4. Prime Focus Investments Limited
5. GVS Software Private Limited
6. Prime Focus Motion Pictures Limited
7. Prime Focus North America, Inc (Formerly known as Post Logic Studios, Inc)

8. 1800 Vine Street LLC (Subsidiary of Prime Focus North America, Inc)
9. Prime Focus VFX Services I Inc
10. Prime Focus VFX Services II Inc
11. Prime Focus VFX Technology Inc
12. Prime Focus VFX Pacific Inc
13. Prime Focus VFX USA Inc
14. Prime Focus VFX Australia Pty Limited
15. Blue Post Production Limited
16. VTR Media Investments Limited
17. Machine Effects Limited
18. The Hive Animation Limited (Subsidiary of VTR Media Investments Limited)
19. Clipstream Limited (Subsidiary of VTR Media Investments Limited)
20. United Sound & Vision Limited (Subsidiary of VTR Media Investments Limited)
21. 37 Dean Street Limited ((Subsidiary of Prime Focus London Plc)

on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant Authority."

13. Stock Split/Sub-Division of Equity Shares -

As an **Ordinary Resolution**:

"RESOLVED THAT pursuant to section 94(1)(d) and all other applicable provisions of the Companies Act, 1956 and subject to the provisions of the Articles of Association of the Company and the Listing Agreement with the stock exchanges where the equity shares of the company are listed, each of the existing 1,28,22,588 Equity Shares of Rs. 10/- each in the capital of the Company on which the sum of Rs. 10/- is credited as fully paid up be sub-divided into 12,82,25,880 equity shares of Re. 1/- each of which the sum of Re. 1/- shall be credited as fully paid up.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to issue new shares certificates representing the sub divided shares with new distinctive numbers in the aforesaid proportion, subject to the Rules as laid down in the Companies (Issue of Share Certificate) Rules, 1960 without physically exchanging the share certificates, by considering the old share certificates as deemed to be cancelled and also to inform the Registrar and Transfer Agent of the Company and the Depository to take necessary action to give effect to the above.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby further authorized to take steps to expedient or desirable to give effect to this resolution.

RESOLVED FURTHER THAT the Clause V of the Memorandum of Association be altered accordingly so as to give effect to the said sub-division of the equity shares into smaller denomination as stated hereinabove."

By order of the Board of Directors

Vicky M. Kundaliya
Company Secretary

Place: Mumbai
Date : August 27, 2010

Notes for members' attention:

1. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect to the Item Nos. 5 to 12 of the Notice is annexed hereto. As required under Clause 49 of the listing agreement, brief information of Directors seeking re-appointment at the ensuing Annual General Meeting are also annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT PROXY/PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY/PROXIES NEED NOT BE A MEMBER OF THE COMPANY.** Proxies in order to be effective, should be duly filled, stamped, signed and deposited at the Registered Office of the Company not later than 48

hours before the commencement of the meeting. Proxies submitted on behalf of limited companies, societies, partnership firms, etc. must be supported by appropriate resolution / authority as applicable, issued on behalf of the appointing organization. A form of Proxy and Admission Slip is enclosed with the report.

3. The Register of Members and the Share Transfer Books of the Company will remain closed from **September 23, 2010 to September 30, 2010** (both days inclusive).
4. The Company or its Registrar and Share Transfer Agent (RTA) cannot act on any request received directly from the members holding equity shares in dematerialized form for any change of bank particulars or bank mandates. Such changes are to be advised only to the respective Depository Participants of the Members.
5. The Company has appointed M/s. Link Intime India Private Limited, as its Registrars and Share Transfer Agents. Members are requested to correspond with them for any queries at their below mentioned address:
Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound, L.B.S. Marg
Bhandup (W), Mumbai 400 078
6. Members desirous of obtaining any information concerning the accounts and operations of the company are requested to send their queries to the Company Secretary at least ten days before the date of the meeting, so that the information required by the members can be made available at the meeting venue.
7. Members are requested to:
 - a. Notify immediately any change in their registered address to the Depository Participant with whom they maintain the demat account for shares held in electronic mode and to the Company's Registrar and Transfer Agent for shares held in physical mode.
 - b. Quote Ledger Folio No. /DP ID and Client ID numbers in all correspondence.
 - c. Bring with them at the meeting their copy of Annual Report and attendance slip.
8. In case of joint holders attending the meeting only such joint holder who is higher in the order of names will be entitled to vote.
9. Copies of all documents referred to in the Notice and Explanatory Statement annexed thereto are available for inspection at the Registered Office of the Company between 11:00 am to 1:00 pm on all working days upto the date of the Annual General Meeting.
10. Members are requested to visit the website of the company viz. www.primefocusworld.com/india/ for viewing the quarterly and annual financial results and to know about more about the company.

By order of the Board of Directors

Vicky M. Kundaliya
Company Secretary

Place: Mumbai
Date : August 27, 2010

ANNEXURE TO NOTICE

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

Item No. 5 and 6

The Board of Directors of the Company vide Circular Resolution dated 30th March, 2010 has reappointed Mr. Naresh Malhotra as the "Chairman and Whole-time Director" of the Company and Mr. Namit Malhotra as the "Managing Director" of the Company for a period of 5 (Five) years with effect from 1st April, 2010. The remuneration of Mr. Naresh Malhotra and Mr. Namit Malhotra as approved by Remuneration Committee was approved by the Board of Directors and is subject to the approval of shareholders at the ensuing General Meeting.

Remuneration:

The Board of Directors has approved the remuneration upto Rs. 5,00,000/- per month to Mr. Naresh Malhotra and remuneration upto Rs. 5,00,000/- per month to Mr. Namit Malhotra , with such increment(s) as the Board may decide from time to

time, within the parameters of the applicable provisions of the Companies Act, 1956.

Brief Profile:

Mr. Naresh Malhotra, aged 66 years, well known in the Indian Film and Television industry, he commenced his career as an Associate Director and Controller of Production with director Ashit Sen. In 1990, sensing the potential boom in the television industry, he ventured into the business of providing services for the production of TV programmes and ad films. Over the years, he has been recognized as a pioneer in the Entertainment and Media industry. He is also director in Prime Focus Motion Pictures Limited and several other Private Limited companies.

Mr. Namit Malhotra, aged 34 years, is the founder of Prime Focus. A compulsive entrepreneur, Namit hails from a family that has been part of the film business for three generations. Namit is highly tech savvy, and his deep understanding and passion for technology has ensured that the company is always ahead of the technology curve. By integrating all the various technology / service profiles, under one roof, he has created India's and one of Asia's largest end to end services company for post production and visual effects. He is also director in Prime Focus Motion Pictures Limited and several other Private Limited companies.

The aggregate of the salary, allowances and perquisites in any financial year shall be subject to the limits prescribed under sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956 as may for the time being in force or otherwise as may be applicable and permissible at law.

In the event of loss or inadequacy of profits in any financial year during the aforesaid period, the payment of the remuneration shall be governed by the limits prescribed in Schedule XIII of the Companies Act, 1956

Yours Board of Directors recommends the passing of the Special Resolutions as set out at Agenda Item No. 5 & 6 in the above Notice in the interest of the Company. None of the Directors, except Mr. Naresh Malhotra, Chairman and Whole time Director, and Mr. Namit Malhotra, Managing Director, in each other re-appointment as father and son, are in any way concerned or interested in the said resolution.

Item No. 7

Article No. 191 to 194 of the Articles of Association of the Company of Part II Section B, which relates to provisions

relating to Agreement between Adlabs & Company. The Article No 194 of Articles of Association of the Company, which is related to Expiry of the provisions of Section B and contains the provisions stating that upon termination of the Agreement by mutual consent of Adlabs and Company, the provisions of this Section shall expire and cease to have effect. The said Agreement has been terminated by both parties by mutual consent and therefore the said Section has become inoperative.

Yours Board of Directors recommends the passing of the Special Resolution as set out at Agenda Item No. 7 in the above Notice in the interest of the Company. None of the Directors of the Company are in any way concerned or interested in the said resolution.

Item No. 8

The Company is planning to go raise funds through allotment of Warrants, Raising of funds. For this it requires to increase its Authorised Share Capital.

As per the provisions of the Companies Act, 1956, for increasing the Authorized share capital of the Company, approval of members in General meeting is required.

Yours Board of Directors recommends the passing of the Special Resolution as set out at Agenda Item No. 8 in the above Notice in the interest of the Company. None of the Directors of the Company are in any way concerned or interested in the said resolution.

Item No. 9

I. Objects of the issue through Preferential Offer

With a view to augment the resources, it is proposed to issue and allot 10,00,000 (Ten lakhs) Warrants on Preferential Basis to the proposed allottees as detailed in this resolution.

II. The proposal of the promoters, directors or key management personnel to subscribe to the offer:

The person who intends to subscribe to the Warrants proposed to be issued:

Sr. No.	Name of the proposed allottee	No. of Warrants to be subscribed
1	Namit Malhotra	10,00,000
	Total	10,00,000

The party to the proposed allotment is a Promoter and Managing Director of the Company.

III. Shareholding pattern before and after the Preferential Issue

Category		Pre-Preferential issue Shareholding (as of 20th August, 2010)		Post-Preferential issue Shareholding (after allotment of equity shares)*	
		No.	%	No.	%
A	Promoter's Holding				
	(i) Indian Promoters	6906272	53.86	7906272	57.20
	(a) Individual	-	-	-	-
	(b) Bodies Corporate	-	-	-	-
	(c) Others	-	-	-	-
	(ii) Foreign Promoters				
	- Bodies Corporate	-	-	-	-
	Sub Total (i) + (ii)	6906272	53.86	7906272	57.20
B	Non Promoters Holding				
	Mutual Fund/UTI	18300	0.14	18300	0.13
	FIs/Banks	500	0.00	500	0.00
	FIIIs	1309642	10.21	1309642	9.48
	Bodies Corporate	2142624	16.71	2142624	15.50
	Residents Individuals	2219558	17.31	2219558	16.06
	NRI	69451	0.54	69451	0.50
	Overseas Corporate Bodies	-	-	-	-
	Hindu Undivided Families	-	-	-	-
	Clearing Members	156241	1.22	156241	1.13
	Trusts	-	-	-	-
	Sub Total	5916316	46.14	5916316	42.80
	Grand Total (A+ B)	12822588	100.00	13822588	100.00

*The post-issue shareholding pattern has been arrived on the assumption that the entire 10,00,000 Warrants proposed to be issued to Promoter would be converted into equity shares.

IV. Proposed time within which the allotment shall be completed

The allotment and issue of Warrants are proposed to be completed within a maximum period of 15 days from the date of passing of the resolution at the general meeting or where the approval of any statutory authority is pending or required, the allotment will be completed within 15 days from date of such approval.

V. Identity of the proposed allottee and the percentage of post preferential issue capital

Sr. No.	Name of allottee	No of Warrants to be allotted	% of post issue equity capital (including pre-issue holding)
1	Mr. Namit Malhotra	10,00,000	16.20
	TOTAL	10,00,000	16.20

The proposed allottee has not sold any shares during the 6 months period prior to the relevant date.

VI. Undertaking

The Company undertakes to re-compute the price of the specified securities in terms of the provisions of SEBI (ICDR) Regulations where it is required to do so.

The Company further undertakes that if the amount payable on account of the re-computation of price is not paid within the time stipulated in the SEBI (ICDR) Regulations, the Warrants shall continue to be locked in till the time such amount is paid by the allottees.

VII. Lock In period

In terms of the SEBI (ICDR) Regulations, Equity Shares allotted on conversion of Warrants issued on preferential basis shall be subject to prescribed lock-in-period.

VIII. Terms of Conversion

The Warrants will be convertible into Equity Shares at the option of the Warrant holder within 18 months from the date of its allotment.

IX. Issue Price

The price at which each Warrant will be issued will not be less than the minimum price determined in accordance with the provisions of Chapter VII of the SEBI (ICDR) Regulations.

X. Terms of payment

25% of the issue price of the Warrants will be paid on the date of allotment of the Warrants. In case the option to convert Warrants into Equity Shares is not exercised within 18 months from the date of its allotment, this amount shall be forfeited.

The balance 75% of the issue price of the Warrants is payable at the time of allotment of the Equity Shares pursuant to the exercise of the conversion right of the Warrant holder.

XI. Other terms of Warrants

- Each Warrant will be convertible into 1 (one) Equity Shares of par value of RS. 10 each. Equity Shares to be allotted on conversion / exercise of right attached to the Warrants issued in terms of this resolution shall rank pari-passu inter-se and with then existing Equity Shares of the Company in all respects including dividend.
- Save and except the right of subscription to the Company's Equity Shares as per the terms of the issue of Warrants, the Warrant holder(s) shall have no other rights or privileges such as entitlement of voting rights, dividend, bonus issue or rights issue or similar benefits declared by the Company.

XII. Statutory Auditor's Certificate

The Company is obtaining certificate from the Statutory Auditor of the Company that above issue is being made in accordance with the requirements contained in the aforesaid SEBI (ICDR) Regulations. A copy of which shall be made available for inspection at the Registered Office of the Company on any working day till the date of the Annual General Meeting during business hours between 3.00 PM to 5.00 PM and will also be placed before the meeting.

Section 81 of the Companies Act, 1956 provides, inter alia, that when it is proposed to increase the subscribed capital of a Company by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company unless shareholders in general meeting decide otherwise by passing a special resolution. Hence, consent of the shareholders by way of a Special Resolution is being sought.

The proposed allotment on preferential basis, if made, will not result in change in management or control of the Company as per the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and amendments thereof.

Yours Board of Directors recommends the passing of the Special Resolution as set out at Agenda Item No. 9 in the above Notice in the interest of the Company. None of the Directors, except Mr. Namit Malhotra, Managing Director and Mr. Naresh Malhotra, Chairman and Whole time Director, are in any way concerned or interested in the said resolution.

Item No. 10

The proposed resolution will enable your Company to issue / offer equity and / or equity related instruments / Depository Receipts / Foreign Currency Convertible Bonds (FCCB), or such other instrument as may be finalized by the Board or Committee thereof in the course of domestic / international offering, in the aggregate amount not exceeding USD 50 million or equivalent sum in Indian Rupees/in any other currency in the manner set out in the resolution. The issue proceeds will enable the Company inter alia finance acquisitions, other strategic initiatives and / or other general corporate purposes.

The detailed terms and conditions for the offer will be determined in consultation with the Advisors, Lead Managers and Underwriters and such other authority or authorities as may be required, considering the prevailing market conditions and other regulatory requirements.

The Special Resolution seeks to empower the Board of Directors to issue securities in such tranche at such time or times, at such price or prices and to such persons including institutions and/or corporate bodies and/or individuals or otherwise as the Board may in its absolute discretion, deem fit and / or also to undertake a qualified institutional placement with qualified institutional buyers as defined by SEBI (ICDR) Regulations. The Board of Directors may in their discretion adopt this mechanism as prescribed under Chapter VII of the SEBI (ICDR) Regulations for raising funds for the Company, without seeking fresh approval from the shareholders.

As the pricing of the offering cannot be decided except at a later stage, it is not possible to state the price or the exact number of securities or shares to be issued. However, the same would be in accordance with SEBI (ICDR) Regulations and / or Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 as amended from time to time or any other guidelines / regulations as may be applicable.

For the reasons stated aforesaid, an enabling resolution is being passed to give adequate flexibility and discretion to the Board to finalize the terms of the issue.

Under Section 81 of the Companies Act, 1956 (the Act) shareholders' approval by a special resolution is required for issue of shares to persons other than existing shareholders of the Company. Similarly Listing Agreement provides inter alia that the Company in the first instance should offer all securities to be issued by the Company for subscription pro-rata to the existing equity shareholders unless the shareholders in a General Meeting decide otherwise.

The said special resolution, if passed, shall have the effect of allowing the Board on behalf of the Company to issue and allot the securities otherwise than on pro-rata basis to the existing shareholders.

Therefore, consent of the shareholders is being sought pursuant to the provisions of Section 81 and other applicable provisions of the Act.

Yours Board of Directors recommends the passing of the Special Resolution as set out at Agenda Item No. 10 in the above Notice in the interest of the Company. None of the Directors of the Company are in any way concerned or interested in the said resolution.

Item No. 11 and 12

The Company recognizes and appreciates the critical role played by the employees of the Company, its subsidiaries in bringing about growth of the organization. It strongly feels that the value created by them should be shared with them. To promote the culture of employee ownership in the Company, approval of the shareholders is being sought for issue of stock options to the employees of the Company, its subsidiaries either directly or through a Trust.

The main features of the employee stock option schemes are as under:

1. Total number of options to be granted:

Employee Stock Options exercisable into not more than 10,00,000 (Ten Lac) equity shares of the Company of Rs.10/- each would be available for being granted to eligible employees of the Company, the subsidiaries, either directly or through a Trust, under one or more Employee Stock Option Schemes. Each option when exercised would be converted into one Equity share of Rs.10/- each fully paid-up.

Vested options that lapse due to non-exercise or unvested options that get cancelled due to resignation of the employees or otherwise, would be available for being re-granted at a future date.

SEBI guidelines require that in case of any corporate action (s) such as rights issues, bonus issues, merger and sale of division and others, a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if any additional equity shares are issued by the Company to the Option Grantees for making such fair and reasonable adjustment, the ceiling of 10,00,000 (Ten Lac) equity shares of the Company shall be deemed to be increased to the extent of such additional equity shares issued.

2. Identification of classes of employees entitled to participate in the Employee Stock Option Scheme(s):

All permanent employees including the Directors of the Company, the subsidiaries, but excluding the promoters of the Company, as may be decided by the Remuneration Committee from time to time, would be entitled to be granted stock options under the ESOP Scheme(s).

3. Transferability of employee stock options:

The stock options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of an employee stock option holder while in employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

4. Requirements of vesting and period of vesting:

The Options granted shall vest so long as the employee continues to be in the employment of the Company, its subsidiaries, as the case may be. The Remuneration Committee may, at its discretion, lay down certain performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance-based vesting, and the proportion in which options granted would vest (subject to the minimum and maximum vesting period as specified below).

The options would vest not earlier than one year and not later than five years from the date of grant of options.

5. Maximum period within which the options shall be vested:

The options would vest not later than five years from the date of grant of options. The exact proportion in which and the exact period over which the options would vest would be determined by the Remuneration Committee, subject to the minimum vesting period of one year from the date of grant of options

6. Exercise Price:

The options will be granted at a price equal to the market price, being latest available closing price, prior to the date of the meeting of the Board of Directors, in which options are granted, on the stock exchange on which the shares of the Company are listed. If the shares are

listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered.

7. Exercise Period and the process of Exercise:

The Exercise period would commence from the date of vesting and will be not more than three years from the date of vesting of options.

The options will be exercisable by the Employees by a written application to the Company / Trust, in such manner, and on execution of such documents, as may be prescribed by the Remuneration Committee from time to time. The options will lapse if not exercised within the specified exercise period.

8. Appraisal Process for determining the eligibility of the employees to ESOP:

The appraisal process for determining the eligibility of the employee will be specified by the Remuneration Committee, and will be based on criteria such as criticality of the role, designation, length of service, past performance record, future potential of the employee and/or such other criteria that may be determined by the Remuneration Committee at its sole discretion.

9. Maximum number of options to be issued per employee and in aggregate:

The total number of options that may be granted to any specific employee under one or more Schemes during any one year shall not be equal to or exceed 1% of the issued capital (excluding outstanding warrants and conversions) at the time of grant and in aggregate shall not exceed 10,00,000 (Ten Lac) equity shares of the Company of Rs. 10/- each.

10. Maximum number of options to be granted to Non-Executive directors (including independent directors) in any financial year and in aggregate:

The Company shall not grant options to any Non-Executive director (including any independent director) of the Company.

11. Disclosure and Accounting Policies:

The Company shall comply with the disclosure and the accounting policies prescribed as per SEBI Guidelines and other concerned Authorities.

12. Method of option valuation

To calculate the employee compensation cost, the Company shall use the Fair Value Method for valuation of the options granted.

In case the Company calculates the employee compensation cost using the Intrinsic Value of the stock options, the difference between the employee compensation cost so computed and the cost that shall have been recognized if it had used the Fair Value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

As the employee stock option schemes provide for issue of shares to be offered to persons other than existing shareholders of the Company, consent of the members is being sought pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 and the SEBI Guidelines.

Yours Board of Directors recommends the passing of the Special Resolutions as set out at Agenda Item No. 11 & 12 in the above Notice in the interest of the Company. None of the Directors of the Company are in any way concerned or interested in the said resolution.

Item No. 13

The existing Authorized Share Capital of the Company is Rs.15,00,00,000/- (Rupees Fifteen Crores Only) divided into 1,50,00,000 (One Crore Fifty Lacs only) Equity Shares of the Face Value of Rs. 10/- each and the existing Issued, Subscribed and Paid-up Capital of the Company is Rs. 12,82,25,880 (Rupees Twelve Crores Eighty Two Lacs Twenty Five Thousand Eight Hundred and Eighty only) divided into 1,28,22,588 (One Crore Twenty Eight Lacs Twenty Two Thousand Five Hundred and Eighty Eight) Equity Shares of Rs. 10/- each.

A number of companies have in the recent past subdivided their equity shares and reduced the par value from Rs.10/-

to smaller denominations. This reduces the face value of a share and increases the number of outstanding shares without altering the total paid up capital. The availability of a large number of shares improves the liquidity of the share, which in turn enhances market valuation and promotes Members' interest.

It is proposed to subdivide the Company's Equity Shares of Rs.10/- each fully paid up into Equity Shares of Re. 1/- each fully paid up. The Company would issue 10 Equity Shares with face value of Re. 1/- each fully paid up for every one Equity Share of Rs. 10/- each fully paid up held by a Member.

The proposed sub-division of the Equity Shares into shares of smaller denominations as aforesaid would facilitate easy accessibility to the Company's Equity Shares by small investors and enhance the liquidity of shares on the Stock Exchanges.

The proposed sub-division of the Equity Shares of the Company

requires amendments to the Memorandum of Association of the Company. Accordingly, Clause V of the Memorandum of Association of the Company is proposed to be amended in the manner set out in Item No. 8 whereby the Authorized Capital would be changed to Rs. 15,00,00,000/- (Rupees Fifteen Crores Only) divided into 15,00,00,000 Equity shares of Re. 1/- each.

Yours Board of Directors recommends the passing of the Ordinary Resolution as set out at Agenda Item No. 13 in the above Notice in the interest of the Company. None of the Directors of the Company are in any way concerned or interested in the said resolution.

By order of the Board of Directors

Vicky M. Kundaliya
Company Secretary

Place: Mumbai
Date : August 27, 2010

Additional Information:

Details of Directors seeking appointment /re- appointment at the forthcoming Annual General Meeting of the Company (pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges).

Name of director	Mr. Rakesh Jhunjhunwala	Mr. Rivkaran Chadha	Mr. Naresh Malhotra	Mr. Namit Malhotra
Date of Birth	July 5, 1960	August 17, 1976	October 2, 1944	April 2, 1976
Date of Appointment	August 22, 2004	May 27, 2005	Since Incorporation	Since Incorporation
Expertise in specific functional areas	He is a Chartered Accountant. He has been profiled as one of India's best five investors by Business India magazine in 1998. He is a partner in Rare Enterprises.	He is a MBA in finance from Cardiff University, England and Wales. He provides valuable inputs in framing and implementation of financial strategies.	Mr. Naresh Malhotra , well known in the Indian Film and Television industry, he commenced his career as an Associate Director and Controller of Production with director Ashit Sen. In 1990, sensing the potential boom in the television industry, he ventured into the business of providing services for the production of TV programmes and ad films. Over the years, he has been recognized as a pioneer in the Entertainment and Media industry.	Mr. Namit Malhotra , is the founder of Prime Focus Limited. A compulsive entrepreneur, Namit hails from a family that has been part of the film business for three generations. Namit is highly tech savvy, and his deep understanding and passion for technology has ensured that the company is always ahead of the technology curve. By integrating all the various technology / service profiles, under one roof, he has created India's and one of Asia's largest end to end services company for post production and visual effects.
Qualifications	C.A.	B.COM., M.B.A.	B. COM.	B. COM.
Directorship held in other public companies (including subsidiaries of public companies and excluding foreign and private companies) as on March 31, 2010.	1. A2Z Maintenance & Engineering Service Pvt. Ltd. 2. Aptech Limited 3. Autoline Industries Limited 4. Future Ventures Limited 5. Geojit BNP Paribas Financial Services Limited 6. Maneesh Pharmaceuticals Limited 7. Mid Day Multimedia Limited 8. Metro Shoes Limited 9. Nagarjuna Construction Co. Ltd. 10. Viceroy Hotels Limited	NIL	1. Prime Focus Motion Pictures Ltd. 2. Flow Post Solutions Pvt. Ltd. 3. GVS Software Pvt. Ltd.	1. Prime Focus Motion Pictures Ltd. 2. Flow Post Solutions Pvt. Ltd. 3. GVS Software Pvt. Ltd.
Memberships / Chairmanships of *Committees across public companies as on March 31, 2010	Member of Shareholder / Investor Grievance Committee: 1. Mid Day Multimedia Limited	NIL	NIL	NIL

* The Committee includes the Audit Committee, the Remuneration Committee and Shareholders/Investors Grievance Committee.

By order of the Board of Directors

Place: Mumbai
Date: August 27, 2010

Vicky M. Kundaliya
Company Secretary

PRIME FOCUS LIMITED

Registered Office: 2nd Floor, Main Frame IT Park,
Building - H, Royal Palms, Near Aarey Colony,
Goregaon (East), Mumbai -400 065

ATTENDANCE SLIP

PLEASE FILL THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

DP ID No.	L. F. No.
Client ID No.	No. of Shares held

I/We hereby record my/our presence at the 13th Annual General Meeting of the Company held at Prime Focus Office, Main Frame IT Park, Building – H, Royal Palms, Near Aarey Colony, Goregaon (East), Mumbai – 400 065 on Thursday, September 30, 2010 at 11.30 a.m.

Name of the equity shareholder/proxy/representative

(First Name) (Second Name) (Surname)

Signature of the equity shareholder/proxy/representative _____

Note: Shareholders/Proxy holders are requested to bring the Attendance Slip with them when they come to the meeting and hand it over at the gate after affixing their signature on it.

PRIME FOCUS LIMITED

Registered Office: 2nd Floor, Main Frame IT Park,
Building - H, Royal Palms, Near Aarey Colony,
Goregaon (East), Mumbai -400 065

DP ID No.	L. F. No.
Client ID No.	No. of Shares held

PROXY FORM

I/We _____ of _____
being a member/members of PRIME FOCUS LIMITED
hereby appoint _____ of _____ or failing him _____ of _____
as my/our proxy to vote for me/us and on my/our behalf at the 13th Annual General Meeting of the Company to be held on Thursday, September 30, 2010 at 11.30 a.m or at any adjournment thereof.

Signed: _____

Date: _____

Affix
Re. 1/-
Revenue
Stamp

- Note: 1. The proxy form duly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.
2. The proxy need not be a Member.



Delivering the Vision.

PRIME FOCUS LIMITED
ANNUAL REPORT 2009-10

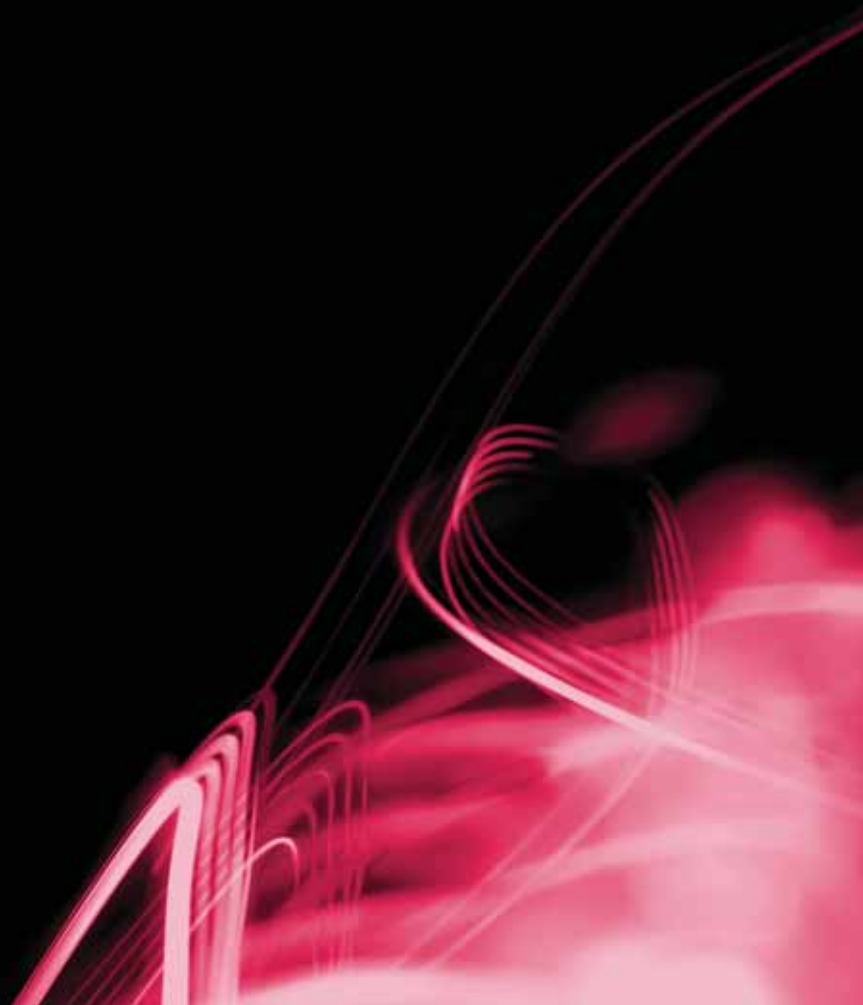
PRIME FOCUS IS A GLOBAL VISUAL
PROVIDE CREATIVE AND TECHNICAL
COMMERCIALS GAMING INTERNET
ENTERTAINMENT SERVICES IS A N
WHERE TECHNOLOGY VISUAL DELIV

**DELIVERING
THE VISION.**

CONVERGING AND EVO
TO END SOLUTION
DELIVERY INCLUDING PRE-VISU-
EFFECTS VIDEO AND AUDIO POST-P
DIGITAL ASSET MANAGEMENT AN
BUSINESS MODEL 'WORLD SOURCIN
THEIR EXPERTISE ACROSS PROJE



PRIME
FOCUS



CONTENTS

04. WHO WE ARE
06. DELIVERING THE VISION
08. PROJECTS DELIVERED IN 2009-2010
22. LETTER TO SHAREHOLDERS
28. FINANCIAL SNAPSHOT
30. CORPORATE INFORMATION
31. DIRECTORS' REPORT
35. MANAGEMENT DISCUSSION AND ANALYSIS
46. CORPORATE GOVERNANCE REPORT
60. AUDITOR'S REPORT ON STANDALONE FINANCIAL STATEMENTS
64. STANDALONE FINANCIAL STATEMENTS
98. STATEMENT RELATING TO SUBSIDIARY COMPANIES
102. AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS
104. CONSOLIDATED FINANCIAL STATEMENTS

WHO WE ARE

PRIME FOCUS IS A GLOBAL VISUAL
ENTERTAINMENT SERVICES GROUP.
WE PROVIDE CREATIVE AND
TECHNICAL SERVICES TO THE FILM,
BROADCAST, COMMERCIALS,
GAMING, INTERNET AND MEDIA
INDUSTRIES.

AVATAR-TWENTIETH CENTURY FOX FILM CORPORATION

We combine our global cost advantages, resources and international talent pool with our local knowledge and expertise to anticipate and meet the needs of our diverse clients around the world.

We offer a genuine end-to-end solution from pre-production to final delivery including pre-visualisation, equipment hire, visual effects, video and audio post-production, digital intermediate, digital asset management and distribution.

We capture, create, craft, circulate and conserve content to enable our clients to engage, entertain, educate and excite their audiences.

MISSION STATEMENT

To build a globally competitive business through the use of talent and technology.

To provide a platform for our people where growth = focus + hardwork.

To provide our customers greater levels of service by adapting and learning from them constantly.

To earn profit respectably by always delivering greater value for money.

To be a leader in the business by harnessing creativity and passion with a zeal to change convention through conviction.

To deliver to our shareholders a commitment to working with full integrity and intelligence at all times.

OUR VALUES

Diversity - our strength lies in the qualities and diversity of our people.

Family - we are a family of differing backgrounds and experiences that share a common purpose and goal.

Hunger - our hunger for creative and commercial success means that we constantly strive for improvement.

Adventure - our people share a sense of adventure and a thirst for knowledge. We listen, question and use our insight to make good ideas even better.

Full-blooded - we share a full-blooded passion for our work which means we will always go the extra mile in the pursuit of excellence.

Visionary - our visionary outlook, talent and commitment means we are able to meet any challenge and succeed.

DELIVERING THE GROWTH VISION.

Much of the success of major feature films today is down to visual effects (VFX) and post-production: 70% of production budgets today are spent in this area. And this is precisely our area of expertise. Our focus. Our market.

In the last two years, Prime Focus has been building a global enterprise, redefining ourselves and our place in this dynamic industry. We have refocused our operations to deliver a world-class service with a unique competitive edge.

We will lead the Visual Entertainment Services sector with an innovative global delivery business model. We call it WorldSourcing™.

By bringing together creative talent, technology and a seamlessly integrated network across North America, Europe and Asia, we can deliver unmatched quality, time and cost savings for our clients.

And now we are delivering on that vision.

Since our launch as a single global brand under the Prime Focus name in October 2009, we are already being talked about as one of the world's top four players in the industry alongside such giants as Technicolor, Deluxe and Ascent Media.


We have strong, growing relationships with the world's major film studios, broadcasters, content owners, advertisers and their agencies.

In the past year, Prime Focus was heavily involved in delivering VFX shots for James Cameron's Oscar-winning epic blockbuster 'Avatar'. We were the only Asian company to work on this mega-project, already the highest-grossing feature film of all time (USD 2.75 billion).

In April 2010 Prime Focus made film history as the first company in the world to convert an entire, full-length feature film ('Clash of the Titans') from 2D to stereo 3D. And, remarkably, it was completed in only eight short weeks using Prime Focus resources in USA, Canada and India.

Having earlier provided 80% of the VFX for 'New Moon', the second episode in the 'Twilight' feature film series, Prime Focus was again involved widely in the recent third episode 'Eclipse'.

In UK we provided VFX for Ridley Scott's epic feature film 'Robin Hood' starring Russell Crowe and won a prestigious Emmy award for audio post production on 'America. The Story of Us' for the History Channel.



Our existing capabilities and global delivery model are receiving close attention from Europe's film, broadcast and advertising communities. And to complement our strong core services, we have added a range of new services in London: an expanded VFX and 2D | 3D conversion division; animation production; digital agency services; and film financing and production.

Most recently we have begun to actively leverage the strength of our London knowledge, skills and client relationships to tap the New York advertising market - a new and potentially lucrative market for us.

In India we are recognised as 'thought leaders' and innovators in the industry.

In the last 12 months, Prime Focus has worked on the biggest Bollywood features: 'Wake Up Sid'; 'Housefull'; 'My Name is Khan'; 'Ajab Prem Ki Ghazab Kahani'; 'Wanted'; and 'Raavan'.

Beyond handling individual VFX and post-production for advertising commercials, we have recently forged preferential relationships with the top ad agencies in the market to provide creative production and technology support.

In the pioneering spirit that drives Prime Focus we are investing to reshape the way the visual entertainment services industry works. While our Indian operations continue as the post-production market leader for the Indian film industry and for the re-energised Indian national/regional advertising sector, they have a crucial new role: as an 'offshoring' hub for our worldwide VFX and 2D | 3D conversion offerings, working closely with North America and Europe.

This is the beginning of the next phase of our evolution.

To our current studio footprint in Mumbai, Chennai, Hyderabad, Bangalore and Goa we have now added the new 65,000 sq. ft. global headquarters in Mumbai. Probably the largest integrated post-production facility in the world today, this is both a symbol and tangible evidence that Prime Focus leads the way and is pushing forward again with a potent, fully-functioning infrastructure and a clear vision for the future of the Visual Entertainment Services industry worldwide.

Prime Focus is committed to drive and grow its VFX and post-production business globally. We have the credibility, the relationships and the business model to win an even greater share of the market.



AVATAR

CLASH OF THE TITANS

INTERNATIONAL THE A-TEAM

PROJECTS CATS AND DOGS

ROBIN HOOD

THE TWILIGHT SAGA:NEW MOON

THE TWILIGHT SAGA:ECLIPSE

THE A-TEAM-TWENTIETH CENTURY FOX FILM CORPORATION





MY NAME IS KHAN

BOLLYWOOD WAKE UP SID

PROJECTS HOUSEFULL

AJAB PREM KI GHAZAB KAHANI

RAAVAN

WAKE UP SID-DHARMA PRODUCTIONS



A person wearing a helmet and riding a motorcycle is in the foreground, looking towards the camera. They are on a bridge with a metal railing. In the background, another motorcycle is visible, and the scene is lit with the warm, golden light of sunset. The bridge's structure, including vertical supports and horizontal rails, is visible on the left side of the frame.

INDIGO 'ON TIME'

CADBURY 'SILK'

COMMERCIAL SAMSUNG 'WAVE'

PROJECTS TBZ 'THE ORIGINAL'

VOLKSWAGEN BEETLE 'VALET'

BINGO 'FLYING KISS'

RELIANCE MOBILE 'SIMPLY'

NOKIA 'HAPPY NAVIGATORS'

NOKIA-HAPPY NAVIGATORS/WIEDEN+KENNEDY





DELIVERING THE FUTURE VISION.

The future is 3D. The impact of stereo 3D in the last few months is phenomenal. 3D is taking the entertainment industry by storm.

This new wave of stereo 3D - led by James Cameron's epic 'Avatar' in December 2009 - has ignited a renewed interest in movie-going, driving both increased audience attendance and higher box office revenues. This has led to the fastest growth rate in cinema audiences since 2005 with attendance reaching 1.4 billion and revenues breaching the USD 10 billion mark in North America alone with audiences ready to pay a premium.

The five major 3D releases since December last year have already generated an unprecedented USD 5.75 billion in sales. Significantly these numbers were achieved when only one third of cinema screens were capable of stereoscopic 3D projection at the time.

Experts in the stereoscopic 3D space, having previously delivered VFX for 'Journey to the Centre of the Earth' Prime Focus was heavily involved in creating VFX for James Cameron's 'Avatar' sensation.

In a market-changing move, Prime Focus has developed a unique new offering - View-D™ - a revolutionary process that enables conversion of 2D moving images into stereo 3D. This ground-breaking proprietary process combines innovative technology with client-driven creative services.

Used to convert 'Clash of the Titans' in only eight weeks, View-D™ is rapidly becoming recognised as the leading solution in this space by Hollywood's top studios. The process offers dramatic advantages over alternative conversion systems, including superior quality of converted imagery, shorter production times



and attractive pricing. Most importantly, more than just an automated conversion system, it allows creative control with the flexibility of more iterations.

As audiences, filmmakers and content owners inevitably embrace 3D, we see huge potential for ViewD™ as the 2D|3D conversion process of choice for film, broadcast TV, advertising and games content providers. The process works equally well for converting both new 2D footage and the legacy catalogue materials.

In another pioneering initiative move, Prime Focus has developed CLEAR™.

CLEAR™ is the world's first 'hybrid-cloud' multi-platform content operations solution. It allows content owners to securely produce, process, manage and deliver content for revenue-generating multi-platform opportunities.


Designed to be applicable across a broad range of sectors, CLEAR™ offers a next generation solution for broadcasters, newscentres, library archives, product marketers, marketing communications and advertising agencies and sports content owners.

Already in use at Sony, Hindustan Lever, BCCI, Star TV, Global Cricket Ventures, Balaji Telefilms, ESPN Star Sports and Disney among others, CLEAR™ was used with notable success for the production of all web and mobile deliverables for the latest Indian Premier League (IPL) T20.

Prime Focus is at the leading-edge of the industry, melding creativity with exciting new technologies. ViewD™ and Clear™ show dramatically how our technology leadership is driving tomorrow.



AVATAR-TWENTIETH CENTURY FOX FILM CORPORATION



THE FUTURE IS 3D. THE IMPACT OF
STEREO 3D IN THE LAST FEW MONTHS IS
PHENOMENAL. 3D IS TAKING THE
ENTERTAINMENT INDUSTRY BY STORM.



DELIVERING


THE WORLDSOURCING™ VISION.

Worldsourcing™ is about delivering truly integrated services for our clients, by creating a seamless network of collaborative facilities, strong in their own right locally and with their own intensely personal relationships with their clients, yet leveraging the benefits of the global network.

Our pioneering WorldSourcing™ business model enables clients to tap Prime Focus resources across continents and time zones with major cost and time saving benefits. With our global footprint in key production markets - Hollywood, London and Mumbai

– we are ‘multi-local’, offering best-in-class local talent and facilities backed by a strong, collaborative network.

We offer 16 facilities across three continents and five time zones. Our lead hubs are in London, Hollywood, New York and Mumbai. We have supporting facilities in Vancouver, Hyderabad, Chennai and Goa, and technology development centres in Bangalore and Winnipeg. In film VFX and broadcast, it means being able to work concurrently in multiple locations to deliver more VFX shots in the same time using LA,



Vancouver, London and Mumbai. Our new Vancouver facility can output four times more volume than the previous space and is already becoming a magnet for new productions.

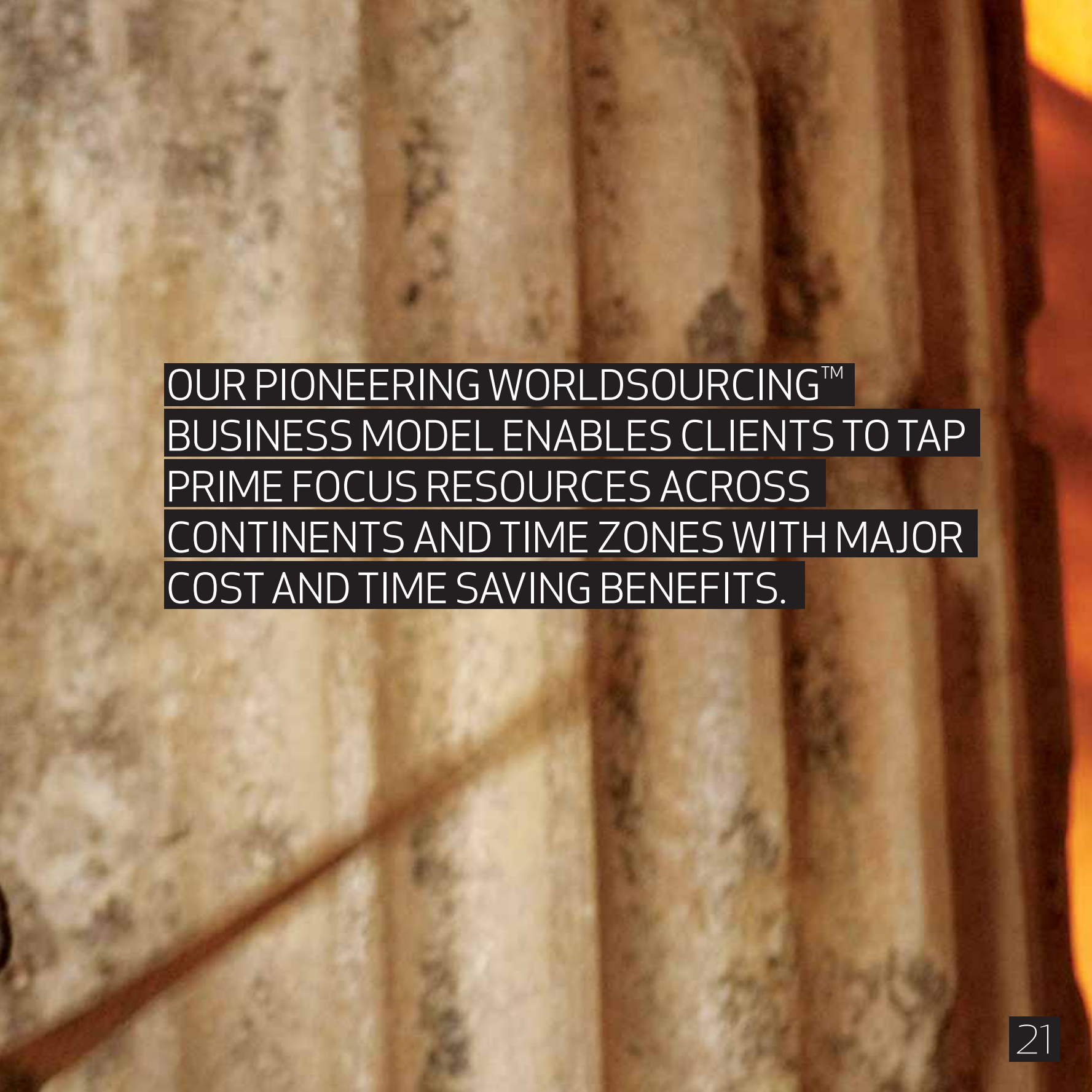
Our brand new facility in Mumbai is dramatically increasing capacity both to handle local and international work. One of the biggest in Asia at 65,000 sq. ft., it houses 600 VFX seats and four floors of post-production and sound studios. Our facility in Goa specialises in film restoration and is already working on international projects for LA and London.

On the advertising commercials front it means bringing our Hollywood feature film VFX experience to a US TV spot for McDonald's through DDB Chicago, pre-producing and shot in LA and then post-produced in London!

We are delivering on our Worldsourcing™ promise. The delivery of Clash of the Titans 2D to 3D conversion in just eight weeks, utilising Prime Focus facilities in North America and India, demonstrates the strengths of the Worldsourcing™ offering.



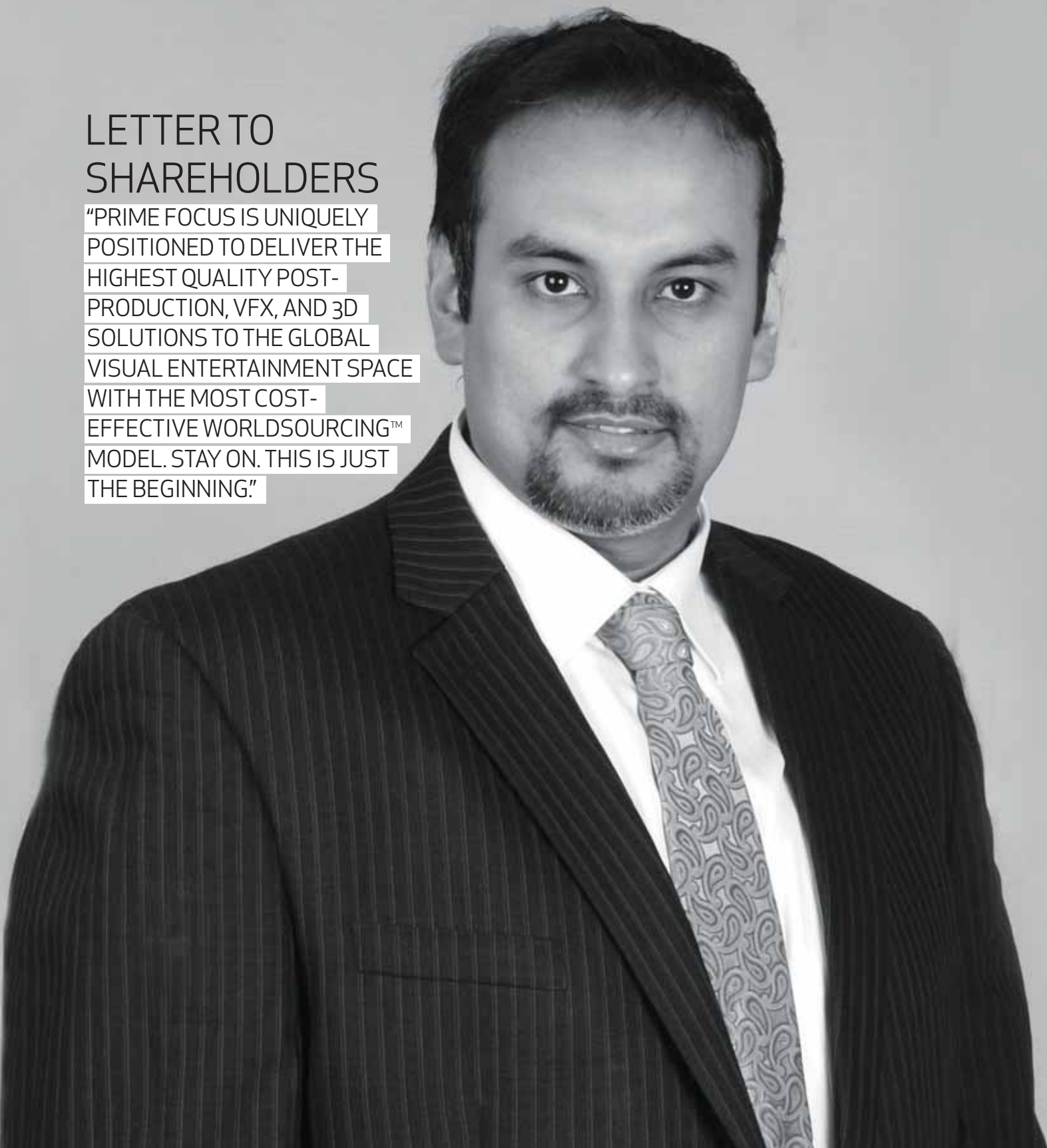
CLASH OF THE TITANS-WARNER BROS.



OUR PIONEERING WORLDSOURCING™
BUSINESS MODEL ENABLES CLIENTS TO TAP
PRIME FOCUS RESOURCES ACROSS
CONTINENTS AND TIME ZONES WITH MAJOR
COST AND TIME SAVING BENEFITS.

LETTER TO SHAREHOLDERS

"PRIME FOCUS IS UNIQUELY
POSITIONED TO DELIVER THE
HIGHEST QUALITY POST-
PRODUCTION, VFX, AND 3D
SOLUTIONS TO THE GLOBAL
VISUAL ENTERTAINMENT SPACE
WITH THE MOST COST-
EFFECTIVE WORLDSOURCING™
MODEL. STAY ON. THIS IS JUST
THE BEGINNING."



Dear Shareholders,

Prime Focus is at an inflection point. Your company began as a dream in a small garage in 1997. Today, in under 13 years, it is amongst the top four post-production and VFX studios in the world. More so, it is the only truly Global Visual Entertainment company with production studios in three continents.

What we are today is a manifestation of a dream that we saw way back. That dream became a vision and we are pleased that we are at the end of the beginning. Hereon, with our Worldsourcing™ model in place, and the world coming out of a difficult economic slowdown, Prime Focus is all set to deliver the vision.

First, an overview of our financial performance. These are the highlights.

- Consolidated revenues up by 25.75%
- Consolidated EBITDA margins up by 24.85%
- Consolidated PAT at ₹ 393.93 mn.

The Global Visual Entertainment Services industry, that follows the investment in the cinema, advertising, mobile and the gaming industry, is witnessing an interesting game changer.

The game changer is the impact of 3D. The impact of 3D has taken the Global Visual Entertainment Services industry by storm. The acceptance of 3D as a story

telling medium has even led to 3D TV entering homes. That means more content in 3D. 3D movies totalled USD 10.1 billion in 2009. Success follows success. 3D has opened up a new and large revenue avenue for Prime Focus. Prime Focus worked on Avatar and Clash of the Titans, where it converted the 2D movie experience into 3D in less than eight weeks. This created credibility in craftsmanship for Prime Focus, and more importantly, the team developed a proprietary View-D™ programme that converts existing 2D library into 3D with very high quality, competitively. We believe that the conversion of 2D into 3D will be a large market to service besides the regular movies being made in 3D. We also see advertisements, gaming and mobile media using 3D.

Prime Focus is all set to dominate the 3D space with its unique Worldsourcing™ model. Delivering high quality 3D across the world leveraging the competitive India advantage.

The global entertainment industry is also looking up. After two difficult years due to the global slowdown, the industry is expected to grow at 2-3%. Importantly, 70% of the movie production cost today is in post-production. This is expected to remain the same given the importance, and success, of movies with great VFX. The industry is looking at getting 'more for less'. This means pressure is on the post-production companies to deliver better quality at lower cost.

This is good news for Prime Focus.

Being the only player in the industry with a Worldsourcing™ model with studios and talent in three continents and an India base, we believe that our time is now. We have been preparing for this. The acquisitions in the USA and the UK and the subsequent aligning of the acquisitions and bringing them under the common Worldsourcing™ delivery model during the slowdown has prepared us for tomorrow.

This is the beginning of the next phase of our evolution, led by India and symbolised by our new 65,000 sq. ft. global headquarters in Mumbai. Prime Focus has always led the way in India - now we are pushing forward again, with a fully functional global infrastructure - and an eye on new opportunities in the Middle East and Singapore. We are also leveraging our London knowledge, skills and contacts to tap the New York advertising market, a new and potentially lucrative market for Prime Focus.

Prime Focus is on the industry's radar. We are talking to the biggest clients in our space, from all the major Hollywood studios to the biggest Bollywood producers, to the world's biggest advertisers.

We have also invested in building strong and quality talent. Prime Focus today has 1,522 talent servicing the Global Visual Entertainment industry.

We are at an inflection point. It's time to deliver our vision.

Prime Focus is uniquely positioned to deliver the highest quality post-production, VFX, and 3D solutions to the Global Visual Entertainment space with the most cost-effective Worldsourcing™ model. Stay on. This is just the beginning.

I want to thank all stakeholders – global entertainment industry, the media, our people, our customers, our vendors and our investors across the world for believing in our vision. We have built a unique company with a unique business model. We took the time to create something distinctive.

We are now ready to deliver our vision.

Namit Malhotra

Managing Director

A man in a dark suit and purple shirt is leaning over a large tiger that is lying on a brown sofa. The man is looking towards the camera with a slight smile. The background consists of a window with white frames, through which a dark night sky is visible, decorated with strings of small, glowing blue lights.

BEING THE ONLY PLAYER IN
THE INDUSTRY WITH A
WORLD SOURCING™ MODEL
WITH STUDIOS AND TALENT IN
THREE CONTINENTS AND AN
INDIA BASE, WE BELIEVE
THAT OUR TIME IS NOW.



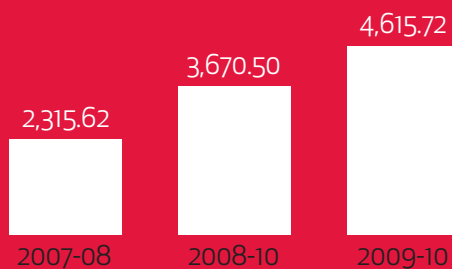
ROBIN HOOD-UNIVERSAL PICTURES



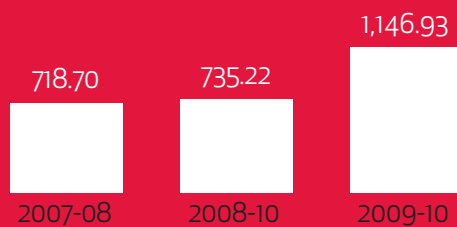
FINANCIAL SNAPSHOT

	(₹ in million)		
Particulars	2009-10	2008-09	2007-08
KEY OPERATING FIGURES			
Total Income	4,615.72	3,670.50	2,315.62
Total Expenditure	3,468.79	2,935.28	1,596.92
Earnings Before Interest, Tax and Depreciation (EBITDA)	1,146.93	735.22	718.70
Profit Before Tax	502.72	146.11	319.76
Profit After Tax (Before Minority Interest)	393.93	157.64	317.59
KEY FINANCIAL FIGURES			
Net Worth	1,925.37	1,751.23	1,886.19
Net Current Assets	1,382.94	1,816.67	2,833.28
Reserves and Surplus	1,797.83	1,623.68	1,758.76
Cash and Bank Balances	212.37	613.59	408.16
Gross Block	7,431.56	7,339.56	4,761.77
Net Block	4,816.05	4,528.88	2,415.17
Share Capital	128.23	128.23	127.23
Earnings Per Share - Basic (In ₹)	30.72	11.45	23.22

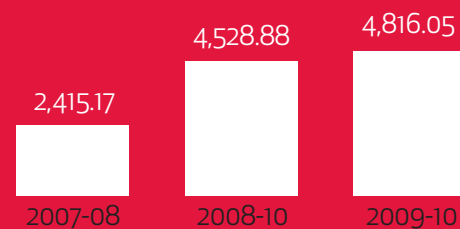
TOTAL INCOME (₹ IN MILLION)



EBITDA (₹ IN MILLION)



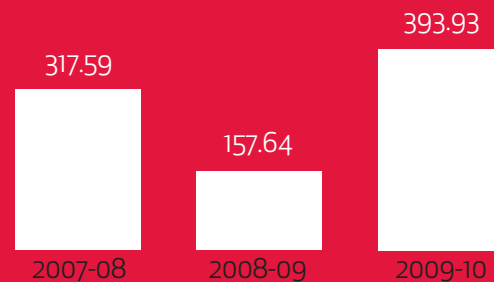
NET BLOCK (₹ IN MILLION)



EARNINGS PER SHARE - BASIC (IN ₹)



PAT - BEFORE MINORITY INTEREST (₹ IN MILLION)



CORPORATE INFORMATION

BOARD OF DIRECTORS.

Mr. Naresh Malhotra
Chairman & Whole-time Director

Mr. Namit Malhotra
Managing Director

Mr. Rakesh Jhunjhunwala
Non Executive Director

Mr. Chandir Gidwani
Non Executive Director

Mr. Kodi Raghavan Srinivasan
Independent and Non Executive Director

Mr. Rivkaran Chadha
Independent and Non Executive Director

Mr. Hariharan Padmanabhan
Independent and Non Executive Director

Mr. Padmanabha Gopal Aiyar
Independent and Non Executive Director

CHIEF FINANCIAL OFFICER.

Mr. Nishant Fadia

COMPANY SECRETARY AND COMPLIANCE OFFICER.

Mr. Vicky M. Kundaliya

AUDITORS.

M/s. S. R. Batliboi & Associates, Chartered
Accountants

BANKERS.

Industrial Development Bank of India

ICICI Bank Limited

Yes Bank Limited

Kotak Mahindra Bank Limited

The Ratnakar Bank Limited

REGISTRAR & TRANSFER AGENTS.

Link Intime India Private Limited

REGISTERED OFFICE.

2nd Floor, Main Frame IT Park, Building – H,

Royal Palms, Near Aarey Colony,

Goregaon (East), Mumbai – 400 065,

DIRECTORS' REPORT

Dear Members,

Your directors are pleased to present the Annual Report of the Company along with the audited Accounts for the year ended March 31, 2010:

1. Financial Performance:

The Standalone and Consolidated Audited Financial Results for the year ended March 31, 2010 are as follows:

(₹ in lacs)

	Consolidated		Standalone	
Particulars	2009-10	2008-09	2009-10	2008-09
Income from Operations	45,278.38	35,437.20	9,527.26	9,109.53
Other Income	878.85	1,267.82	504.28	1,174.85
Total Income	46,157.23	36,705.02	10,031.54	10,284.38
Less: Expenditure	34,687.88	29,352.78	4,949.02	5,150.84
Profit Before Interest, Depreciation and Tax	11,469.35	7,352.24	5,082.52	5,133.54
Less: Interest	2,183.40	2,100.22	1,235.60	1,409.29
Profit After Interest, Before Depreciation and Tax	9,285.95	5,252.02	3,846.92	3,724.25
Less: Depreciation	4,258.70	3,790.95	1,934.97	1,820.01
Profit Before Tax (PBT)	5,027.25	1,461.07	1,911.95	1,904.24
Less: Provision For Tax				
Current Tax	852.30	1.09	613.25	—
Deferred Tax	235.64	(133.51)	26.04	552.92
Fringe Benefit Tax	—	17.14	—	16.67
Profit After Tax	3,939.31	1,576.35	1,272.66	1,334.65
Less: Minority Interest	596.93	117.97	—	—
Profit After Tax (after adjustment of minority interest)	3,342.38	1,458.38	1,272.66	1,334.65
Add: Balance Brought Forward from previous year	7,509.54	7,796.33	8,854.26	7,519.61
Less: Adjustment pursuant to court permission received by subsidiary	—	1,745.17	—	—
Profit available for appropriation	10,851.92	7,509.54	10,126.92	8,854.26
Balance Carried To Balance Sheet	10,851.92	7,509.54	10,126.92	8,854.26

2. Operations Review:

On a standalone basis, Income from Operations increased by ₹ 417.73 Lacs in comparison to previous year. Operational efficiency and reduced interest cost resulted in Profit before Tax and Depreciation of ₹ 3,846.92 Lacs which is higher by ₹ 122.67 Lacs in comparison to previous year.

On a consolidated basis, the total income increased by ₹ 9,452.21 Lacs in 2009-10 an increase of 25.75% over previous year. Profit before Tax increased by 244.08% compared to previous year and Company posted Profit before tax of ₹ 5,027.25 Lacs during the financial year under review.

DIRECTORS' REPORT

3. Dividend:

In order to preserve funds for future activities, the Board of Directors of your Company do not recommend any Dividend for the year ended March 31, 2010.

4. Appropriations:

No appropriations are proposed to be made for the year under consideration.

5. Consolidated Financial Statements:

Ministry of Corporate Affairs, Government of India has granted approval under Section 212 (8) of the Companies Act, 1956 that the requirements to attach various documents in respect of subsidiary companies, as set out in Sub-section (1) of Section 212 of the Companies Act, 1956, shall not apply to the Company. Accordingly, the balance sheet, profit and loss account and other documents of the subsidiary companies are not being attached with the balance sheet of the Company. However financial information of the subsidiary companies, as required by the said approval, is disclosed in the Annual Report. The annual accounts of the companies and the detailed information will be made available to any member of the Company / its subsidiaries, who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept for inspection by any member at the Company's Registered Office and that of the respective subsidiary companies.

The Annual Report of the Company contains the consolidated audited financial statements prepared pursuant to Clause 41 of the listing agreement entered into with the stock exchanges and prepared in accordance with the accounting standards prescribed by the Institute of Chartered Accountants of India.

6. Directors:

Mr. Rakesh Jhunjhunwala, Non Executive Director and Mr. Rivkaran Chadha, Independent and Non Executive Director of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. As stipulated in terms of Clause 49 of the listing agreement with the stock exchanges, the brief resume of Mr. Rakesh Jhunjhunwala and Mr. Rivkaran Chadha, is provided in the Notice convening 13th Annual General Meeting of the Company.

7. Corporate Governance Report and General Shareholder Information:

As required by Clause 49 (VI) of the listing agreement entered into by the Company with the stock exchanges, a detailed report on Corporate Governance is provided as Annexure which forms part of the Directors' Report. The General Shareholders Information has been provided as Annexure which also forms part of the Directors' Report. The Company is in compliance with the requirement and disclosures that have to be made in this regard. The Practicing Company Secretary's Certificate on compliance with corporate governance requirements by the Company is attached to the Corporate Governance Report and forms part of the Directors Report.

8. Foreign Currency Convertible Bonds (FCCBs):

The Company had issued Zero Coupon FCCB of \$ 55 mn on December 12, 2007 and during the year under review, no bonds have been converted into equity shares of the Company.

DIRECTORS' REPORT

9. Public Deposits:

During the year under review, the Company did not accept any Deposits within the meaning of the provisions of Section 58-A of the Companies Act, 1956.

10. Particulars of employees:

In terms of provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure forming part of the Directors Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Report and Accounts being sent to all the shareholders of the Company excluding the Statement of particulars of employees u/s. 217(2A) of the said Act. Any Shareholder interested in obtaining copy of this statement may write to Company Secretary, at the Registered Office of the Company.

11. Directors' Responsibility statement u/s 217 (2AA) of the Companies Act, 1956:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm to their best knowledge and belief that:

- In the preparation of annual accounts, the applicable accounting standards have been followed and there are no material departures;
- They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010 and of the profit and loss account of the Company for the year ended on that date;
- They 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;
- They have prepared the annual accounts on a going concern basis.

12. Awards and Achievements:

During the year, the Company has received the following awards:

1. FICCI BAF Awards 2010 'Special Jury Award' for 'Chandni Chowk to China'
2. FICCI BAF Awards 2010 'VFX Shot of the Year' for 'Tum Mile'
3. Apsara Awards for Blue
4. 'INDY'S Award for Best Visual Effects (Global)'

During the year, the Company was also a part of some of the most prestigious industry events and supported Camera Assessment Series in India and India's biggest VFX and Animation Expo – CGT Expo 2010.

Prime Focus Limited was Key Sponsors at Goafest 2010 and also sponsored Creative ABBYs with Prime Focus Film Craft Awards.

MANAGEMENT DISCUSSION AND ANALYSIS

13. Auditors and Auditors' Report:

M/s. S.R Batliboi & Associates, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. They have confirmed their eligibility and willingness to accept the office, if re-appointed.

As regards the emphasis and qualifications made by the Auditors as stated in paragraph number 4 of their report on the accounts of Prime Focus Limited and paragraph 5 of their report on the Consolidated Financial Statements of the Company respectively, attention is invited to Note No. 15 of Schedule 16 on Significant Accounting Policies and notes forming part of the Accounts of the Company and Note No. 15 of Schedule 18 of the Consolidated Financial Statements of the Company, wherein the detail explanation has been provided which in the opinion of the Board of Directors are self explanatory.

14. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

i. Conservation of Energy and Technology Absorption:

Since the Company does not have any manufacturing activities, the other particulars as required by Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to the Company.

ii. Foreign Exchange Earnings and Outgo:

(₹ in lacs)

Particulars	2009-2010	2008-09
Foreign Exchange Earned:		
Technical Service receipts	484.81	518.55
Foreign Exchange Outgo:		
Payment on other accounts	324.00	158.86

15. Acknowledgements:

The Directors wish to place on record their appreciation for the co-operation and support received from the Government and semi – government agencies.

The Directors are thankful to all the bankers and financial institutions for their support to the Company. The Board places on record its appreciation for continued support provided by the esteemed customers, suppliers, consultants and shareholders.

The Directors also acknowledge the hard work, dedication and commitment of the employees. The enthusiasm and unstinting efforts of the employees have enabled the Company to continue to be a leading player in the industry.

For and on behalf of the Board of Directors

Place: Mumbai
Date: August 27, 2010

Naresh Malhotra
Chairman and Whole-time Director

MANAGEMENT DISCUSSION AND ANALYSIS

1. ECONOMY OVERVIEW

The economy and market conditions have begun to stabilize in most countries and are showing signs of improvement in others. With the expected Government funding, strong domestic demand and the resilience of the emerging economies, the global GDP is projected to increase by 3.3% in 2010 and 2011 and by 3.5% in 2012.

According to predictions made by the IMF (International Monetary Fund), the emerging economies are expected to grow by 6.5% in 2010. This would mark a recovery from merely 2.5% in 2009. While economies in Europe are estimated to grow in the range of 1.1% to 3.3%, Asia overall is expected to grow at 7%, fuelled largely by India and China which are expected to grow at 8.8% and 10% respectively.

Despite the impact of a deficient monsoon on agricultural production, GDP growth in India for 2009-10 has been estimated at 7.4%, up from 6.7% recorded in 2008-09.

Domestic demand continued to improve as investment and consumption recovered. Growth in corporates sales, after remaining significantly depressed over four consecutive quarters, staged a strong recovery in Q3 of 2009-10, indicating improving private demand conditions.

Besides, the improving external demand environment, even though it remains below normal, also began to favourably affect industrial activity and exports. During 2009-10, foreign exchange reserves increased by \$ 27.1 billion.

With market activity returning to the pre-global crisis level, volatility in the domestic financial markets was much lower during 2009-10 than in the year before, when the crisis erupted.

2. INDUSTRY OVERVIEW

The economic recession that began in late 2008 and continued into 2009 impacted the Media and Entertainment industry at large. While there was pressure on margins, the year brought renewed focus on managing costs, innovation and creativity. Changing consumer behavior is also impacting all segments of the entertainment and media industry, as companies search for the right role and positioning in the digital value chain that is now taking shape.

Advertising as a segment was impacted in line with the challenging economic condition as corporates reduced their budgets. Leadership across segments was tested. Some emerged resilient while others renewed their focus on their core business strategy. However, 2010 has been welcomed with a renewed sense of hope and a fresh perspective replete with the learnings of 2009.

In spite of the uncertain global environment, 2009 recorded substantial box office revenues for the motion picture industry world over. This trend could be attributed to people looking for an escape during difficult economic times

MANAGEMENT DISCUSSION AND ANALYSIS

coupled with strong film product. During the past five recessionary cycles, the U.S. box office revenues grew at an average rate of 7.8%. While the quantity of films may be reduced, it is the quality and commercial success of a more limited number of films that has helped the industry surface through this slowdown.

The UK industry has in general weathered the recession well, partly thanks to the emergence of 3D. However, impacts have been hard felt amongst smaller independent producers. Overall, the core UK film industry contributed over £4.5 billion to UK GDP in 2009, taking into account its multiplier impacts.

The 2009 release of *Avatar* expanded the demographic base of movie-goers by generating interest among non-core customers through the use of cutting-edge 3D technology. There were only a dozen 3D movies released throughout the year, but their impact was significant. 3D product generated a renewed interest in movie going and drove people into theatres generating both increased attendance and box office revenues.

There is now a trend amongst studios to increasingly produce film franchises. The result is that such features typically attract large audiences, generating strong box office revenues and benefitting the entire value chain.

Another shift in trend witnessed during the year was studios spacing out strong releases throughout the year, rather than just concentrating on the holiday season. This has led to increasing revenues during periods which have traditionally seen lower attendance.

In general, 2009-10 marked a year of growing digitization, increasing spends on post-production and visual-effects and marking the potential power of 3D.

Indian Markets

For the Indian Media and Entertainment (M&E) industry, the year 2009 was an inflection point. While the industry registered a modest growth of around 1.4% as compared to 12% registered during 2008, it was a year marked with innovation and a focus on cost efficiencies. Newer content formats and strategies adopted by the players in the industry helped ensure that customers had more choices which led to the evolution of the industry.

According to the FICCI KPMG 2010 report, the film sector registered a negative growth, while the TV industry showed a good growth rate, and Internet, Gaming and Animation, registered double digit growth rates, albeit on a smaller base.

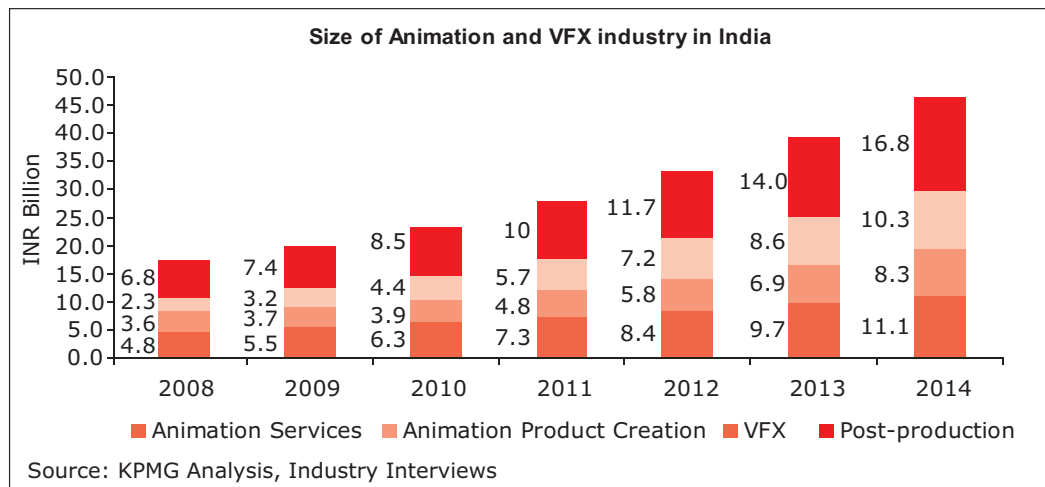
In 2009, the film industry is estimated to have declined by nearly 14% to ₹ 89.3 billion from ₹ 104.4 billion in 2008. This was largely on account of a dearth of good quality content and the multiplex strike which led to lower domestic theatrical collections in 2009 compared to the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

Indian Animation and VFX

In 2009, the Indian animation industry grew by approximately 9% over 2008.

On its release, '*Avatar*' became the largest Hollywood grosser in India indicating that Indian audiences are interested in computer animated content. The Hindi, Tamil and Telugu dubbed versions of the film did equally well, highlighting the extremely responsive regional market for animated content in India.



The revenue composition of the animation industry indicates that the commoditised outsourcing model continues to dominate the Indian animation arena.

The use of VFX in live action films has also seen a steady and significant growth over the years. Many live action films today include VFX sequences and the sheer duration of these screen shots has also risen substantially. While the demand for VFX in films continues to grow, over 50% of the work is currently created for ad film productions.

3. Business Overview

Prime Focus Limited (Prime Focus) is a global Visual Entertainment Services group. The Company specialises in providing creative and technical services for the Film, Broadcast, Commercials, Gaming, Internet and Media industries.

Over the last 12 months, Prime Focus has been on a journey to [re] define what the Company is all about, what it does, what it stands for, why it's different and what it can offer to its clients which is unique and valuable to their business.

MANAGEMENT DISCUSSION AND ANALYSIS

This achievement was made possible due to various acquisitions and strategic initiatives. The Company acquired leading studios and boutique firms in the US and UK to expand horizons and gain access to cutting edge technologies.

To mark that change the Company redesigned its visual identity and redefined it's positioning and values, to better represent who it is and what it does. The Company also launched a global website www.primefocusworld.com. This new identity also formally brought together all the different parts of the Company to form a cohesive, unified body under one brand - PRIME FOCUS - and one visual identity worldwide.

Today, Prime Focus offers a unique proposition – a state of the art infrastructure and Global Digital Pipeline™ working across all of the world's major media markets, giving access to the industry's leading worldwide talent and global workflows, and allowing clients to realise substantial time and cost savings.

Operational Highlights

The Company commenced operations at its new global headquarters in Mumbai. This state-of-the-art, 65,000 square feet headquarters houses seven theaters and over 600 artist seats, along with a complete slate of visual effects and post-production services.

The Company derives revenue from providing creative and technical services to film studios, advertising agencies, broadcasters and other media companies across the globe. During 2009-10, the Company earned total income of ₹ 4,615.72 million.

Some of the key projects executed during the year include:

Bollywood

- | | |
|--------------------------------------------|----------------------------------|
| 1. Raavan [VFX] | 7. Blue [DI and VFX] |
| 2. Houseful [DI and VFX] | 8. Tum Mile [DI and VFX] |
| 3. My Name is Khan [DI] | 9. Wanted [DI and VFX] |
| 4. 3 Idiots [Cameras] | 10. Wake up Sid [DI and VFX] |
| 5. Paa [DI and VFX] | 11. Prince [DI, VFX and cameras] |
| 6. Ajab Prem Ki Ghazab Kahani [DI and VFX] | |

Commercials

- | | |
|-----------------------|------------------------------|
| 1. Indigo: On time | 5. Volkswagen Beetle 'Valet' |
| 2. Cadbury 'Silk' | 6. Bingo 'flying kiss' |
| 3. Samsung 'Wave' | 7. Reliance Mobile 'Simply' |
| 4. TBZ 'The original' | |

MANAGEMENT DISCUSSION AND ANALYSIS

International projects

- | | |
|--------------------------------|--------------------------------|
| 1. Avatar | 5. Robin Hood |
| 2. Clash of the Titans | 6. The Twilight Saga: Eclipse |
| 3. A - Team | 7. The Twilight Saga: New Moon |
| 4. G.I. Joe: The Rise of Cobra | |

The Company has also partnered with the Indian Premier League (IPL) to produce and deliver live streaming and Video on Demand (VoD) packages for the IPL 2010 tournament to both YouTube and IPL's Mobile Internet platform. The Company had deployed the creative and technical services alongside ground-breaking proprietary technology platform CLEAR Live to produce and deliver this package.

Technology and Services

All of Prime Focus' 16 international locations are connected over its Global Digital Pipeline™. At its heart is CLEAR™, the Group's proprietary Content Lifecycle Management platform that acts as a collaborative digital workspace where media assets can be archived, accessed, managed and ultimately distributed.

During the year, the Company took several initiatives to enhance its position as a global leader in the global visual entertainment space.

View-D

Given the increasing 3D moviemaking trend and its effect on the international box office, the Company launched View-D, a proprietary 2D to 3D conversion process that allows filmmakers to efficiently create stereoscopic 3D movies from source material shot on virtually any medium. View-D offers the industry an exciting new production method to convert both library titles and new releases to terrific stereoscopic quality in considerably less time than other methods. This is the technology the Company used to convert 'Clash of the Titans' from 2D to stereo 3D in an unprecedented eight week timeframe - and is being used across the global network too.

S3D

In response to the growing demand for high-quality Stereoscopic S3D (S3D) content, the Company undertook significant capital investment and expansion of the S3D pipeline.

The facility at Mumbai now houses seven S3D theaters and over 600 artist seats.

At the Hollywood studio, the Company is re-focusing on delivering S3D creative services for entertainment clients in film, television, advertising, and mobile content. To support this expansion, the Company is building out 200 new artist seats and has upgraded much of its pre-existing post infrastructure (DI suites, telecine bays and theatres) into S3D-enabled spaces.

MANAGEMENT DISCUSSION AND ANALYSIS

At Prime Focus in London, a 2D-to-3D conversion pipeline has recently been installed, and the Company plans to expand into a new space to accommodate an additional 200 visual effects artists.

Datalab

As part of the full service offering as a visual entertainment services company, the Company launched a new Datalab department to process client's data assets for delivery within Prime Focus or to any other editing house globally. The department will bring together existing knowledge and equipment from across Prime Focus' London facilities. It will be able to manage any type of data and will offer clients a smooth workflow whether they have shot wholly or partly in data.

The Company also released the latest version of Deadline, the popular render management software tool, and strengthened its EQR (Equipment Rental) division in India by moving it to a purpose built 10,000 square feet premises in Film City, the heart of Bollywood film-making.

Awards won during the year

1. FICCI BAF Awards 2010 'Special Jury Award' for 'Chandni Chowk to China'
2. FICCI BAF Awards 2010 'VFX Shot of the Year' for 'Tum Mile'
3. Apsara Awards for Blue
4. 'INDY'S Award for Best Visual Effects (Global)'

During the year, the Company was also a part of some of the most prestigious industry events and supported Camera Assessment Series in India and India's biggest VFX and Animation Expo – CGT Expo 2010. Prime Focus Limited was Key Sponsors at Goafest 2010 and also sponsored Creative ABBYs with Prime Focus Film Craft Awards.

4. Opportunities and Threats

The new media landscape is filled with plenty of opportunities largely driven by the speed of digital spending, the changing consumer behaviour as well as the technology available to deliver the same.

There is an urgent need to manage, adapt, repurpose and distribute content across media and geography digitally. Over the next five years, digital technologies will become increasingly pervasive across all segments of entertainment and media, as the digital migration seen to date continues to expand and accelerate.

Opportunities such as the new wave of 3D technology are set to galvanise the movie/film industry. In 2009, 17 films were released with 3D versions and the same is expected to increase to 30 in 2010. The underlying box office market will be enhanced by a growing share of 3D releases that generate higher prices and higher ticket sales than standard

MANAGEMENT DISCUSSION AND ANALYSIS

2D films do. Television is also developing 3D capability. Screens are being converted to digital and 3D compatible, in anticipation of an increase in 3D releases.

In India, more than half of all screens are expected to have digital projection by 2013.

However, the potential for 3D is currently limited by a shortage of screens. At the same time, the benign economic environment will continue to impact film financing, causing studios to cut back on their production schedule.

Bollywood in general still has low budget for VFX, and the average budget for a Bollywood movie is almost a fourth of that of Hollywood movies. However, with the growing popularity of VFX internationally, Bollywood movies are looking more and more towards utilizing sophisticated technology to provide a better viewing experience to the movie-watchers.

5. RISK MANAGEMENT

The Company views effective risk management as integral to the delivering of superior returns to shareholders. Principal risks and uncertainties facing the business and the processes through which the Company aims to manage those risks are as below:

- I. Adverse economic conditions, like the recent worldwide credit crisis make it difficult for motion picture producers and television programmers to maintain prior levels of productions activity. Demand for the Company's services is driven in large part by the volume of motion picture and television content being created and distributed. A substantial decrease in such production activities would have an adverse effect on its business and financial results.

While the Company and industry at large are vulnerable to the economic conditions, it is also resilient due to its enduring value and appeal. The industry is constantly evolving due to aspects like digital entertainment and consolidation within. Factors like newer technologies and deeper penetration enable it to adapt to adverse conditions and provide a positive outlook for the industry.

- II. The entertainment and media industry is highly competitive and service-oriented. The Company competes in each of its local markets with other national and regional players and independent studios. If the Company is unable to differentiate its services from those of the competitors, the competitive pressures could negatively impact the revenue and profitability.

The Company believes that the important competitive factors to operate in this industry include the range of services offered, creativity, reputation for quality and innovation, pricing and long-term relationships with customers. Prime Focus is competitively placed with respect to most of the factors listed. The Company operates across the entire Visual Entertainment sector in every major market and at every stage of the project's

MANAGEMENT DISCUSSION AND ANALYSIS

development. The Company believes its global cost advantages, resources and talent pool combined with local knowledge and expertise provides the Company with a strategic advantage in developing deep, long-term relationships with customers and will continue to do so in the future.

- III. The post-production industry is characterized by technological change, evolving customer needs and emerging technical standards. Besides, digital technology poses additional risks including increased capital costs, increased maintenance costs and changing requirements for digital hardware. The Company's inability to adapt to the changing technologies may limit the competitiveness and demand for services.

Prime Focus believes in keeping up to the latest technology trends and has always expended significant amounts of capital to stay ahead of the technology curve. Over the years, the Company has acquired and adapted to technologies such as CLEAR, View-D™ and Nuke. The Company is continually upgrading systems and infrastructure to meet business needs. The new facilities at Mumbai and Vancouver are equipped with state-of-the-art technologies and highly superior in terms of infrastructure and scale.

The Company believes that it will be able to effectively implement technologies and offer services based on the newest technologies on a cost-effective and timely basis.

- IV. Due to global operations, the Company derives revenues in USD, GBP and INR. The Company has also certain capital commitment in foreign currencies. This exposes the Company to the risk from changes in currency exchange rates and impacting the profitability.

The Company has a hedging strategy in place to protect itself, to the extent possible, against foreign currency exposure; but, other than the use of financial products to deliver on the hedging strategy, the Company does not trade derivative financial instruments. While the Company believes that it has effective management processes in place in each office worldwide, any or all of these risks could impact our global business operations and cause our profitability to decline.

- V. The loss of any key personnel, an increase in the Company's personnel turnover rate, or the inability to attract and retain talent could adversely affect the ability to grow the Company successfully and may negatively impact the results of operations.

The Company believes that its success depends upon the ability to attract and retain highly skilled personnel and key members of the Management team. Over the years, the Company has been able to successfully attract and retain highly reputed and qualified personnel from the industry thanks to the solid culture, strong values and vision. The Company believes that it is a preferred employer in the space it operates in. Over the past two years, the Company has increased its staff strength by almost 42% and is now a team of more than 1200 people across three continents. The attrition rates of the Company are also in line with the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

6. OUTLOOK

Prime Focus is fast establishing a strong reputation for its expertise in the visual entertainment services space. The Company is particularly well-positioned to capitalize on the explosive growth of visual effects (VFX) and stereoscopic 3D in feature film, broadcast TV, music video and advertising. Today VFX clearly holds the key to the success of major feature films with the post-production component now averaging 70% of total production budgets for the top grossing US films.

The new wave of stereo 3D has ignited a renewed interest in movie-going, driving both increased audience attendance and higher box office revenues. This has led to the fastest growth rate in cinema audiences since 2005 with attendance reaching 1.4 billion in North America alone. The five major films released in stereo 3D since December 2009 have already generated an unprecedented \$ 5.75 billion* in box office ticket sales. Importantly this revenue was achieved when only one third of total cinema theatre screens were capable of stereoscopic 3D projection at the time.

**[Avatar: \$ 2.75 billion; Alice in Wonderland: \$ 1.0 billion; Toy Story 3: \$ 1.0 billion; Clash of The Titans: \$ 0.5 billion; How To Train Your Dragon: \$ 0.5 billion]*

Within months of release, James Cameron's *Avatar* has become the highest grossing film of all time, and *Alice in Wonderland* and *Toy Story 3* have already achieved Top 5 status. Sure indicators of the major potential for stereo 3D in the film world. Industry watchers are hailing stereo 3D as a 'game-changer' and the future for film making. Twenty eight 3D films are slated to be released in stereo 3D in 2010.

But stereo 3D also has a major potential beyond feature films. Alternative programming such as sporting events, concerts, theatrical presentations as well as advertising will be broadcast widely in stereo 3D in the near future.

The growth rate in the domestic Indian M&E industry in 2010 is also expected to be back to almost the pre-downturn levels of around 11%. Further, the long term growth forecast still remains strong and the industry is expected to grow at a CAGR of 13% between 2009-14.

All this provides Prime Focus with the opportunity to grow fast on the back of VFX production, 2D|3D conversion and its array of strong core post-production services.

Driven by the PF global 'WorldSourcing™' business model which brings together a seamless, collaborative network of studios across India, UK and North America, revenues and profit for the Group have grown exponentially in the first quarter.

Individual markets and business lines are performing positively as the industry finally emerges from the global economic recession.

And the ability to share substantial high-profile projects between territories using the PF 'Global Digital Pipeline™' offering unmatched quality, value and time benefits to clients is clearly bearing fruit.

MANAGEMENT DISCUSSION AND ANALYSIS

In early April 2010, Warner Bros released its major epic feature 'Clash of the Titans' which rapidly became the highest grossing Easter film of all time generating box-office revenues of \$ 500 million.

Originally shot in 2D, Prime Focus converted the entire film to stereoscopic 3D in an unprecedented eight weeks using its patented 'View-D™' 2D|3D conversion process.

This unique proprietary system combines innovative technology with client-driven creative services and is rapidly being recognised as the lead solution in this space.

On the back of this achievement, Prime Focus now has a full slate of 2D|3D conversion projects in the pipeline for Hollywood studios including Warner Bros, Dreamworks and other leading film houses.

Beyond cinema features, Prime Focus is already working with top TV broadcasters and advertisers to convert legacy TV and advertising content to stereoscopic 3D.

Other recent highlights include completing visual effects (VFX) shots for cinema blockbusters 'The A-Team'; 'The Twilight Saga|Eclipse'; Ridley Scott's 'Robin Hood'; and Bollywood's 'Raavan', 'Badmaash Company', and 'Housefull'. And a slate of TV programs including the Emmy-winning documentary 'America. The Story of Us' for which Prime Focus was honoured for 'Outstanding Sound Editing'.

To provide the capacity and quality required to deliver these major projects, Prime Focus has swiftly ramped up resources across the world – most lately in UK and India where 950 additional artists have been recruited over the last four months.

The new studio in Mumbai is the world's largest integrated facility of its kind providing a complete post-production resource to the film, broadcast and advertising industry both domestically in India and in support of Prime Focus operations in North America and Europe. This resource is pivotal to the View-D™ process.

In summary, the future for Prime Focus has never looked brighter with core services prospering and new market-leading products and services coming on-line.

7. Human Resources

One of the key pillars of the Company's success is its people. Prime Focus has always recognised the importance of human capital and valued it highly. Lot of emphasis and efforts are made to create a working environment that will encourage innovation, enhance work satisfaction and build a merit driven organisation. The Company's human resource vision is to create a committed workforce through people enabling processes and knowledge sharing practices based upon its value system.

MANAGEMENT DISCUSSION AND ANALYSIS

As on March 31, 2010, the Company had a staff strength of 977. Prime Focus's future success will depend, in part, on its ability to continue to attract, retain and motivate highly qualified technical and management personnel, for whom competition is intense. The Company does not anticipate material turnover at this time or in the reasonably foreseeable future, especially among their technical personnel.

8. Financial Performance

The Company recorded total income of ₹ 4,615.72 million, as compared to ₹ 3,670.50 million for the previous year, a growth of 25.75%. The EBIDTA stood at ₹ 1,146.93 million against ₹ 735.22 million in 2008-09, an increase of 56%. Profit before tax increased from ₹ 146.11 million to ₹ 502.73 million representing an increase of 244.08%. The Profit After Tax (PAT) of the Company increased from ₹ 157.64 million in 2008-09 to ₹ 393.93 million an increase of 149.89%.

9. Cautionary Statement

Statement in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could influence the Company's operations include economic developments within the country, demand and supply conditions in the industry, input prices, changes in government regulations, tax laws and other factors such as litigation and industrial relations.

CORPORATE GOVERNANCE REPORT

(As required by Clause 49 of the Listing Agreement of the Stock Exchanges)

1. Company's Philosophy on Code of Governance:

The Company's corporate governance philosophy rests on the pillars of integrity, accountability, equity, transparency and environmental responsibility that conform fully with laws, regulations and guidelines. The company's philosophy on corporate governance is to achieve business excellence and maximizing shareholder value through ethical business conduct. The Company's philosophy also includes building partnerships with all stakeholders – employees, customers, vendors, service providers, local communities and government. The Company has always set high targets for the growth, profitability, customer satisfaction, safety and environmental performance and continues its commitment to high standards of corporate governance practices. During the year under review, the Board continued its pursuit of achieving its objectives through the adoption and monitoring of corporate strategies and prudent business plans.

The Company is in compliance with all the requirements of the corporate governance code as per Clause 49 of the Listing Agreement with the Stock Exchanges.

2. Board of Directors:

a) Composition of Board of Directors and details of other directorships held

The company's policy is to maintain optimum combination of executive and non- executive directors in compliance of the requirement of Clause 49 (I) (A) of the Listing Agreement.

The Company is managed by the Board of 8 Directors detailed as under:

Sr. No	Name of Director	Status of Director	No. of outside Directorship held in Public Limited Companies* As on 31st March,2010	Membership held in Committee of Directorship #As on 31st March,2010	Chairmanship held in Committee of Directors # As on 31st March,2010
1.	Mr. Naresh Malhotra	Executive Director	3	Nil	Nil
2.	Mr. Namit Malhotra	Executive Director	3	Nil	Nil
3.	Mr. Rakesh Jhunhunwalla	Non - Executive Director	10	1	Nil
4.	Mr. Chandir Gidwani	Non - Executive Director	4	1	1
5.	Mr. Kodi Raghavan Srinivasan	Non - Executive Director (Independent)	Nil	Nil	Nil
6.	Mr. G P Aiyar	Non - Executive Director (Independent)	Nil	Nil	Nil
7.	Mr. Rivkaran Chadha	Non - Executive Director (Independent)	Nil	Nil	Nil
8.	Mr. Hariharan Padmanabhan	Non - Executive Director (Independent)	1	Nil	Nil

CORPORATE GOVERNANCE REPORT

- * This excludes directorship held in Private Companies, Foreign Companies, Companies formed under section 25 of the Companies Act, 1956 and directorship held as an alternate director. But, this includes Directorship held in Subsidiaries of the Public Companies.
- # Committees includes Audit Committee, Shareholders/Investors Grievance Committee and Remuneration Committee only.
The above does not include Directorship/Membership/Chairmanship in Companies/Committee of Directors of Prime Focus Limited.

b) Board Meetings:

During the year 2009-2010, the Board met Seven times on April 2, 2009; June 30 2009; July 31, 2009; October 16, 2009 (adjourned to October 30, 2009); November 16, 2009; January 22, 2010 and January 29, 2010. The gap between two board meetings did not exceed four months. Apart from physical meetings, the Board of Directors also considered and approved certain matters by circular resolutions, which were as a matter of good corporate practice ratified at the next meeting of the Board.

Attendance of each Director at Board Meetings for the year 2009-10 and last Annual General Meeting:

Name of the Director	No. of Meetings held	No. of Meetings Attended	Attendance at last Annual General Meeting
Mr. Naresh Malhotra	7	7	Present
Mr. Namit Malhotra	7	7	Absent
Mr. Kodi Raghavan Srinivasan	7	2	Absent
Mr. Rakesh Jhunhunwalla	7	—	Absent
Mr. G P Aiyar	7	2	Absent
Mr. Rivkaran Chadha	7	4	Present
Mr. Hariharan Padmanabhan	7	1	Absent
Mr. Chandir Gidwani	7	—	Absent

3. Board Committees:

A. Audit Committee:

The Audit Committee of the Company has been constituted as per the requirements of Clause 49 of the Listing Agreement. The composition of the audit committee is in compliance of Clause 49(II) (A) of the Listing Agreement. As on date, it consists of three members. The Chief Financial Officer, representatives of the statutory auditors and senior officials of the company are invited to attend the meetings of the Audit Committee from time to time, as and when required. The Company Secretary of the Company acts as the secretary to the Audit Committee.

CORPORATE GOVERNANCE REPORT

- i. As on date, the Audit Committee comprises of the following members of the Board:

Sr. No	Name of the Member	Particulars	Category
1.	Mr. Rivkaran Chadha	Chairman	Independent & Non-Executive Director
2.	Mr. Kodi Raghavan Srinivasan	Member	Independent & Non-Executive Director
3.	Mr. Namit Malhotra	Member	Executive Director

- ii. During the year 2009-10 the Audit Committee met four times on the following dates:

June 30, 2009; July 31, 2009; October 16, 2009 and January 28, 2010.

- iii. Attendance of the Directors in the Audit Committee Meeting:

Name of the Director	No. of Meeting Attended
Mr. Rivkaran Chadha	4
Mr. Kodi Raghavan Srinivasan	4
Mr. Namit Malhotra	4

- iv. Terms of Reference:

The broad terms of reference includes the following as is mandated in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommend to the Board, the appointment, re-appointment and, if required, replacement or removal of Statutory Auditors and fixation of Audit fees.
- Approval of payment to statutory auditors for any other services rendered by them.
- Review with the management the annual and quarterly financial statements before submission to the Board for approval.
- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal

CORPORATE GOVERNANCE REPORT

audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

- h. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- i. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- k. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- l. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
- m. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

B. Remuneration Committee:

As on 31st March, 2010, the Remuneration Committee comprising of Non Executive Independent Directors viz. Mr. Kodi Raghavan Srinivasan, Mr. Hari Padmanabhan and Mr. Rivkaran Chadha. Mr. Rivkaran Chadha is the Chairman of the Committee. The Committee deals with the remuneration policy for the Directors of the Company. During the year 2009-2010, the Remuneration Committee met for 5 Meetings on April 2, 2009; June 30 2009; October 16, 2009; October 30, 2009 and March 29, 2010.

Attendance of each Director at Remuneration Committee Meetings for the year 2009-10:

Name of the Director	No. of Meetings held	No. of Meetings Attended
Mr. Rivkaran Chadha	5	5
Mr. Kodi Raghavan Srinivasan	5	5
Mr. Hariharan Padmanabhan	5	Nil

CORPORATE GOVERNANCE REPORT

Detail of Directors Remuneration paid for the year ended March 31, 2010 is as below:

Name of Director	Remuneration Paid (₹)	Sitting Fees(₹)	Total (₹)
Mr. Naresh Malhotra	30,00,000/-	Nil	30,00,000/-
Mr. Namit Malhotra	30,00,000/-	Nil	30,00,000/-
Mr. Rakesh Jhunjhunwala	Nil	Nil	Nil
Mr. G. P Aiyar	Nil	40,000/-	40,000/-
Mr. Rivkaran Chadha	Nil	80,000/-	80,000/-
Mr. Kodi Raghavan Srinivasan	Nil	40,000/-	40,000/-
Mr. Hariharan Padmanabhan	Nil	20,000/-	20,000/-
Mr. Chandir Gidwani	Nil	Nil	Nil

C. Shareholders'/Investors' Grievance Committee:

The Board of Directors had constituted 'Shareholders'/Investors' Grievance Committee' which functions with the objective of looking into redressal of Shareholders'/Investors' grievances. The Committee consists of:-

Chairman	Mr. Rivkaran Chadha
Members	Mr. Kodi Raghavan Srinivasan Mr. Hariharan Padmanabhan

4. Management Discussion and Analysis Report:

Management Discussion and Analysis Report forms part of the Annual Report.

5. General Body Meetings:

i. General Meeting

a. Annual General Meeting:

Location and time, where last three Annual General Meetings were held is given below:

Financial Year	Date	Location	Time
2006-2007	September 28, 2007	Hotel Rangsharda Natyamandir, K.C. Marg, Bandra Reclamation, Bandra West, Mumbai – 400 050	3.00 p.m
2007-2008	December 31, 2008*	Ramee Guestline Hotel, Regent Hall, 757, S. V. Road, Khar West, Mumbai – 400 052.	11.00.a.m
2008-2009	September 25, 2009	Ramee Guestline Hotel, Regent Hall, 757, S. V. Road, Khar West, Mumbai – 400 052.	11.00 a.m

* Necessary approval was received from Registrar of Companies, Mumbai, for extension of time for holding this Annual General Meeting.

CORPORATE GOVERNANCE REPORT

b. Extraordinary General Meeting:

There were no Extra Ordinary General Meeting held in the Financial Year 2009-2010.

ii. **Postal Ballot**

There were no resolution passed by postal ballot in the Financial year 2009-2010

iii. **Special Resolutions:**

Details of special resolutions passed in the General Meetings during the last three financial years are as follows:

Date of General Meeting	Number of Special Resolutions passed	Details of Special Resolutions
September 28, 2007	3	1. Revision in Remuneration of Chairman and Whole Time Director 2. Revision in Remuneration of Managing Director 3. Raising of funds by issue via Placement to Qualified Institutional Buyers (QIB) / ADR /GDR / FCCB and / or any other Convertible instrument(s), and also preferential allotment of shares, or warrants or other convertible instruments to the extent of \$ 55 million

6. **Disclosures:**

a. Related Parties transactions

There were no transactions of a material nature undertaken by your Company with its promoters, directors or the management, their subsidiaries or relatives that may have a potential conflict with the interests of the Company. Suitable disclosures as required by the Accounting Standard (AS 18) have been made in the Annual Report.

b. Compliances by the Company

There are no instances of non - compliance by your Company of penalties, strictures imposed by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets during the last three years.

c. Whistle Blower Policy

Though there is no formal Whistle Blower Policy, the Company takes cognizance of complaints made and suggestions given by the employees and others. No employees have been denied access to the Audit Committee in this regard.

d. CEO/CFO certification

In terms of requirements of Clause 49 (V) of the listing agreement, the Managing Director and the Chief Financial Officer of the Company certifies to the Board in the prescribed format for the year under review and the same has been reviewed by the Audit Committee and taken on record by the Board.

CORPORATE GOVERNANCE REPORT

- e. Compliance with mandatory and non mandatory requirements

The Company has complied with all the mandatory requirements of Clause 49 of the listing agreement. The Company has complied with the non-mandatory requirements of constitution of the Remuneration Committee.

7. Code of Conduct:

The Company has laid down a Code of Conduct for all its Board Members and Senior Management Personnel for avoidance of conflicts of interest and ensuring the highest standard of honesty, dedication and professionalism in carrying out their functional responsibilities. The Code of Conduct is in consonance with the requirements of Clause 49 of Listing Agreement. The Code of Conduct is posted on the Company's website. The Code has been circulated to all the members of the Board and the Senior Management and the Compliance of the same have been affirmed by them.

The Annual Report of the Company contains a declaration to this effect duly signed by the Managing Director and the same is annexed to this report.

8. Means of Communication:

- a. The Board of Directors of the Company approves and takes on record the quarterly, half yearly and yearly financial results in the format prescribed by Clause 41 of the Listing Agreement within prescribed time limit of the close of the respective period. Quarterly results are submitted to the Stock Exchanges in terms of the requirements of Clause 41 of the Listing Agreement.
- b. Quarterly results are published in the Free Press Journal and Navshakti.
- c. The Company has its own website and all the vital information relating to the Company is displayed on the said website. The address of the website is www.primefocusworld.com/india/

9. General Shareholder Information:

a. Annual General Meeting: Date, time and venue –

On September 30, 2010 at 11.30 a.m. at: Prime Focus Office, Main Frame IT Park, Building –H, Royal Palms, Near Aarey Colony, Goregaon (East), Mumbai- 400 065.

b. Financial Calendar: April 1, 2010 to March 31, 2011

c. Date of Book Closure: September 23, 2010 to September 30, 2010 (both days inclusive)

d. Listing on Stock Exchanges:

CORPORATE GOVERNANCE REPORT

The Company's equity shares are listed on the following exchanges:

- i. Bombay Stock Exchange Limited (BSE)
Phiroze Jeejobhoy Towers
Dalal Street, Fort, Mumbai – 400 001.
Tel: + 91 - 22 - 22721233 / 34
Fax: + 91 - 22 - 22723719 / 2272 3027
- ii. National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex
Bandra East, Mumbai – 400 051
Tel: +91 - 22 - 26598100-8114
Fax: +91 - 22 - 26598237/38

The Company's Zero Coupon Foreign Currency Convertible Bonds are listed on the following exchange:

Singapore Exchange Securities Trading Limited (SGX-ST),
2, Shenton Way, # 19-00, SGX Centre I, Singapore 068804.
ISIN Code XS0335455175

The annual listing fees have been paid to all Exchanges as applicable.

e. Stock Code:

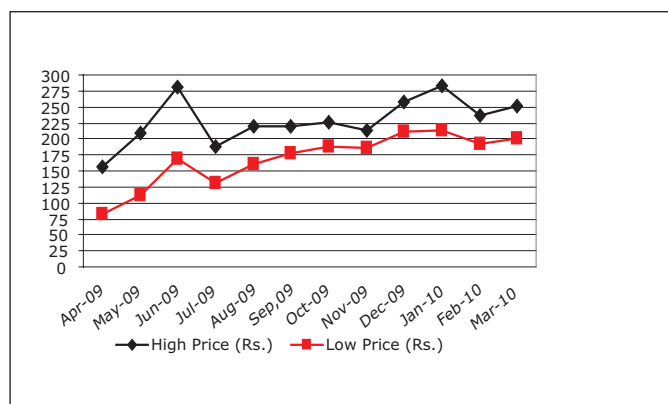
Bombay Stock Exchange Limited	:	532748
National Stock Exchange of India Limited	:	PFOCUS
ISIN	:	INE367G01020

CORPORATE GOVERNANCE REPORT

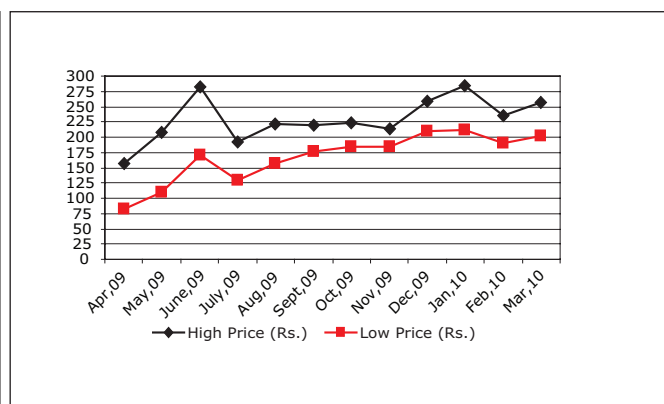
- f. **Market Price Data:** The price of the Company's Share-High, Low during each month in the last financial year on the Stock Exchanges were as under:

Month	Bombay Stock Exchange Limited			National Stock Exchange		
	High Price (₹)	Low Price (₹)	Volume (No. of Shares)	High Price (₹)	Low Price (₹)	Volume (No. of Shares)
April-2009	156.80	82.00	4,39,620	156.50	82.60	6,00,269
May-2009	208.50	112.10	4,31,313	207.90	110.25	5,82,448
June-2009	281.90	169.70	4,01,857	281.90	169.95	5,47,880
July-2009	188.90	130.00	1,49,577	192.00	129.00	1,60,128
August-2009	219.95	160.00	3,50,182	221.85	157.65	3,02,368
September-2009	219.90	176.50	2,92,769	219.00	176.05	4,41,523
October-2009	225.35	188.00	2,96,407	224.35	184.60	3,10,158
November-2009	214.00	185.50	1,56,245	214.25	184.90	2,09,607
December-2009	257.90	211.00	6,09,010	258.00	210.15	6,80,530
January-2010	283.70	212.50	3,31,139	283.80	212.00	5,26,153
February-2010	235.70	191.35	1,01,057	235.95	190.05	1,44,263
March-2010	251.90	201.00	1,81,429	256.00	201.00	2,92,664

Bombay Stock Exchange (In ₹ per share)



National Stock Exchange (In ₹ per share)

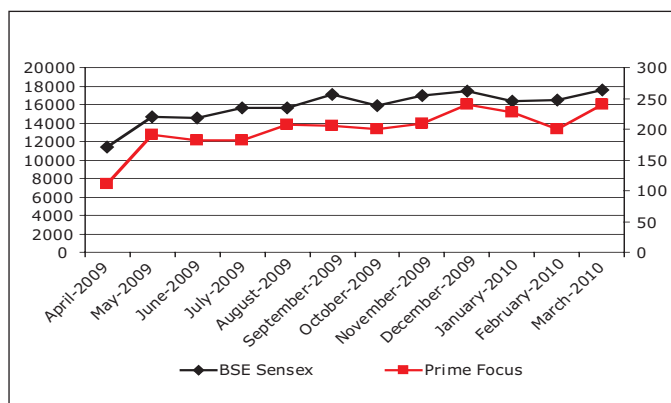


CORPORATE GOVERNANCE REPORT

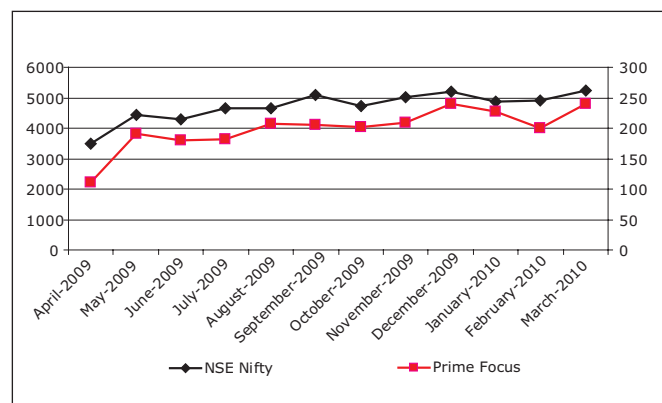
Prime Focus Share Price compared with BSE Sensex & NSE Nifty (Month-end closing):

Month	BSE		NSE	
	Share Price	Sensex	Share Price	NSE Nifty
April-2009	111.55	11,403.25	110.65	3,473.95
May-2009	190.70	14,625.25	190.40	4,448.95
June-2009	181.25	14,493.84	180.90	4,291.10
July-2009	181.55	15,670.31	182.70	4,636.45
August-2009	207.50	15,666.64	206.80	4,662.10
September-2009	205.80	17,126.84	206.15	5,083.95
October-2009	200.85	15,896.28	202.10	4,711.70
November-2009	209.45	16,926.22	208.90	5,032.70
December-2009	239.80	17,464.81	240.20	5,201.05
January-2010	226.95	16,357.96	227.45	4,882.05
February-2010	200.45	16,429.55	199.35	4,922.30
March-2010	240.20	17,527.77	240.60	5,249.10

Prime Focus Vs BSE Sensex



Prime Focus Vs NSE Nifty



- g. Status of Unclaimed Dividend:** The dividend for the following financial years remaining unclaimed for seven years will be transferred by the Company to the Investors Education and Protection Fund established by the Central Government (IEPF) pursuant to Section 205 C of the Companies Act, 1956 according to the schedule given below. Shareholders who have not so far encashed their dividend warrant (s) or have not received the same are requested to seek issue of duplicate warrant (s) by writing to Link Intime India Private Limited, Registrar and Transfer Agents confirming non- encashment/non receipt of dividend warrant (s). Once the unclaimed dividend is transferred to IEPF, no claim shall lie in respect thereof.

CORPORATE GOVERNANCE REPORT

Financial Year	Date of AGM/ Board Meeting	Due for transfer to IEPF	Amount of Unclaimed Dividend as on March 31, 2010 (₹)
2007-2008	July 30, 2007	August, 2014	14,835/-

h. Registrar and Share Transfer Agent:

Link Intime India Private Limited
C-13 Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup,
Mumbai - 400 078.
Phone no: 25963838
Fax no.: 25946969

i. Demat Connectivity Agent:

The company has connectivity with the NSDL and CDSL through M/s Link Intime India Private Limited

Dematerialization of Shares and Liquidity:

The Company's shares are activated with both depositories namely National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL).

The total number of shares dematerialized as on March 31, 2010 are 1,28,22,416 shares representing 99.99 % of Paid -up Share Capital.

j. Secretarial Audit:

A Practicing Company Secretary carries out Secretarial Audit to reconcile the total admitted capital with the National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) and total issued and listed capital. The Secretarial Audit Report confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

k. Outstanding GDR'S/ADR'S OR Warrants or any Convertible Instrument, conversion dates and likely impact on equity:

On December 12, 2007, the Company issued Zero Coupon 550 FCCB of a face value of \$ 100,000 each aggregating to \$ 55.00 million and as at March 31, 2010; no bonds have been converted into equity shares of the Company.

l. Registered Office and address for Correspondence:

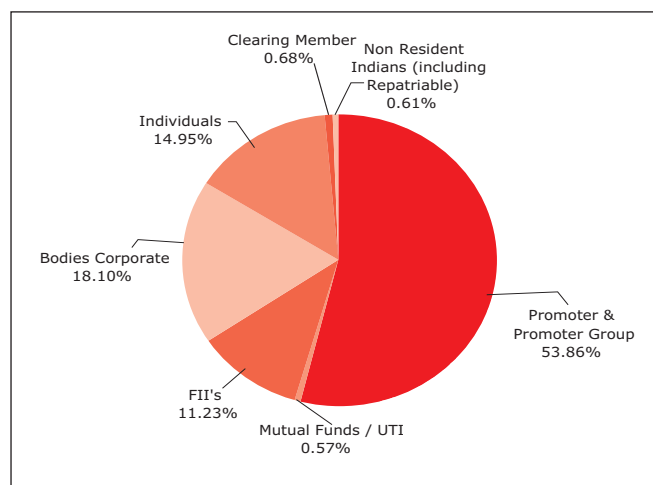
CORPORATE GOVERNANCE REPORT

Vicky M. Kundaliya,
Company Secretary
Prime Focus Limited
Registered Office:
2nd Floor, Building – H, Main Frame IT Park,
Royal Palms, Aarey Colony, Goregaon (East),
Mumbai – 400 065, India.
Phone: +91 - 22- 4209 5000
Fax: +91 - 22 - 4209 5001

m. Distribution of Shareholding as on March 31, 2010:

The broad shareholding distribution of the Company as on March 31, 2010 with respect to categories of investors was as follows:

Sr. No.	Category	No. of Equity Shares	Percentage %
1.	Promoter & Promoter Group	6906272	53.8602
2.	Mutual Funds / UTI	72756	0.5674
3.	FII's	1439819	11.2288
4.	Bodies Corporate	2320962	18.1006
5.	Individuals	1917260	14.9522
6.	Clearing Member	87676	0.6838
7.	Non Resident Indians (including Repatriable)	77843	0.6070
	Total	1,28,22,588	100.00



CORPORATE GOVERNANCE REPORT

The broad shareholding distribution of the Company as on March 31, 2010 with respect to holdings was as follows:

Range	No. of Holders	Percentage %	No. of Shares	Percentage %
1 - 500	6,686	93.1327	4,73,146	3.6899
501 - 1000	240	3.3431	193456	1.5087
1001 - 2000	131	1.8248	197992	1.5441
2001 - 3000	33	0.4597	84356	0.6579
3001 - 4000	22	0.3064	75761	0.5908
4001 - 5000	13	0.1811	61193	0.4772
5001 - 10000	25	0.3482	196415	1.5318
10001 and above	29	0.4040	11540269	89.9995
TOTAL :	7179	100.00	1,28,22,588	100.00

Annual Declaration by the Managing Director pursuant to the Listing Agreement

As the Managing Director of Prime Focus Limited and as required by Clause 49(I) (D) (ii) of the Listing Agreement with the Stock Exchanges, I hereby declare that all the Board members and Senior Management Personnel of the Company have affirmed compliance with the Company's Code of Conduct for the Financial Year 2009-2010.

Namit Malhotra
Managing Director

Date: August 27, 2010

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To,

The Members

Prime Focus Limited

Prime Focus House, Linking Road,

Opp. Citibank, Khar

Mumbai - 400 052

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

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

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

- (a) all the mandatory conditions of the said Clause 49 of the Listing Agreement.
- (b) the non-mandatory requirement of the said Clause 49 of the Listing Agreement with regard to constitution of the Remuneration Committee.

For S. N. ANANTHASUBRAMANIAN & CO.

S. N. Ananthasubramanian

C. P. No.: 1774

Date: August 27, 2010

Place: Thane

AUDITORS' REPORT

To

The Members of Prime Focus Limited

1. We have audited the attached balance sheet of Prime Focus Limited ('the Company') as at March 31, 2010 and also the profit and loss account and the cash flow statement for the year ended March 31, 2010 annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *As more fully described in Note 15 to Schedule 16 to the financial statements, the Company has not revalued the FCCB of \$ 55 million at the exchange rate prevailing as at March 31, 2010, March 31, 2009 and March 31, 2008, which in our opinion is not in accordance with Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" and not provided for the premium payable on redemption of these FCCB. Had the Company revalued the bonds as at March 31, 2010, the profit for the year ended March 31, 2010 and the reserves as at that date would have been lower by ₹ 46.12 million and ₹ 265.06 million respectively and Foreign Currency Monetary Item Translation Difference account would have been ₹ 46.12 million. Further, had the Company provided for the premium on redemption, the securities premium as at March 31, 2010 would have been lower by ₹ 420.38 million. Consequent to the above, the FCCB balance at March 31, 2010 would have been higher by ₹ 731.57 million. This had caused us to qualify our audit opinion on the financial statements relating to preceding year.*
5. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

AUDITORS' REPORT

- iv. *Subject to our comment in paragraph 4 above*, in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v. On the basis of the written representations received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, *subject to our comments in paragraph 4 above*, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2010;
 - b) in the case of the profit and loss account, of the profit for the year ended March 31, 2010; and
 - c) in the case of cash flow statement, of the cash flows for year ended March 31, 2010.

For S. R. BATLIBOI & ASSOCIATES

Firm registration number: 101049W

Chartered Accountants

per Govind Ahuja

Partner

Membership No.: 48966

Place : Mumbai

Date : August 27, 2010

AUDITORS' REPORT

Annexure referred to in paragraph [3] of our report of even date

Re: Prime Focus Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification. For the assets physically verified by the management during the year, the Company is in process of reconciling the assets physically verified with the books of accounts.
(c) There was no substantial disposal of fixed assets during the year.
- (ii) The Company does not have any inventory. Accordingly, the provisions of clause 4(ii) (b) and (c) of the Companies (Auditor's Report) Order, 2003 (as amended) ('CARO') are not applicable to the Company.
- (iii) As informed, the Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 ('the Act'). Accordingly clauses 4(iii) (b), (c), (d), (f) and (g) of CARO are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the fact that major purchase of fixed assets is of specialized equipments, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. *However, the internal control system for the sale of film related services is inadequate since the Company does not have formal documentation with customers in few cases, which is an industry issue per management. In our opinion this is a continuing failure to correct major weakness in the internal control system.*
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
(b) In respect of transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time
- (vi) The Company has not accepted any deposits from the public.
- (vii) The Company has an internal audit system, *the scope and coverage of which, in our opinion requires to be enlarged to be commensurate with the size and nature of its business.*
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for the services of the Company.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax customs duty, cess have generally been regularly deposited with the appropriate authorities *though there has been slight delay in a few cases.* The provisions relating to excise duty are not applicable to the Company.
Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

AUDITORS' REPORT

- (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. The provisions relating to excise duty are not applicable to the Company.
- (c) According to the records of the Company, there are no dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty and cess on account of any dispute. The provisions relating to excise duty are not applicable to the Company.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the CARO are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the CARO are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xix) The Company has unsecured debentures outstanding during the year on which no security or charge is required to be created.
- (xx) The Company has not raised money by public issues during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. BATLIBOI & ASSOCIATES

Firm registration number: 101049W
Chartered Accountants

per Govind Ahuja

Partner
Membership No.: 48966

Place : Mumbai
Date : August 27, 2010

BALANCE SHEET

AS AT MARCH 31, 2010

Particulars	Sch No.	31.03.2010 Rupees	31.03.2009 Rupees
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	128,225,880	128,225,880
Reserves and Surplus	2	1,990,951,456	1,863,685,308
		2,119,177,336	1,991,911,188
LOAN FUNDS			
Secured Loans	3	1,518,716,022	1,622,939,837
Unsecured Loans	4	2,162,696,800	2,162,696,800
		3,681,412,822	3,785,636,637
DEFERRED TAX LIABILITY (NET)	5	164,522,724	161,918,866
		5,965,112,882	5,939,466,691
APPLICATION OF FUNDS			
FIXED ASSETS	6		
Gross Block		2,183,590,961	2,201,901,774
Less: Accumulated Depreciation / Amortisation		776,505,056	583,008,330
Net Block		1,407,085,905	1,618,893,444
Add : Capital Work in Progress (including Capital Advances)		600,694,204	444,256,612
		2,007,780,109	2,063,150,056
INVESTMENTS	7	2,302,272,496	2,307,268,996
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry Debtors (Including Service Tax)	8	757,483,347	524,266,132
Cash and Bank Balances	9	151,804,967	470,804,682
Other Current Assets (Unbilled Revenue)		62,187,006	-
Loans and Advances	10	888,985,987	748,977,715
		1,860,461,307	1,744,048,529
Less : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	11	203,901,624	173,776,038
Provisions	12	1,499,406	1,224,852
		205,401,030	175,000,890
NET CURRENT ASSETS		1,655,060,277	1,569,047,639
		5,965,112,882	5,939,466,691
NOTES TO ACCOUNTS	16		

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

As per our report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Associates

Firm Registration No. 101049W

Chartered Accountants

Per Govind Ahuja
(Partner)
Membership No. 48966

Naresh Malhotra
(Chairman)

Namit Malhotra
(Managing Director)

Vicky Kundaliya
(Company Secretary)

Place : Mumbai
Date : August 27, 2010

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

Particulars	Sch No.	31.03.2010 Rupees	31.03.2009 Rupees
INCOME			
Income from Operations		952,725,593	910,952,696
Other Income	13	50,428,044	117,484,775
		1,003,153,637	1,028,437,471
EXPENDITURE			
Operating Costs	14	494,901,551	515,083,757
Interest	15	123,560,270	140,929,013
Depreciation	6	193,496,726	182,000,565
		811,958,547	838,013,335
PROFIT BEFORE TAX		191,195,090	190,424,136
PROVISION FOR TAX			
Current Tax		61,325,086	21,382,872
Less : MAT Credit Entitlement		-	(21,382,872)
		61,325,086	-
Fringe Benefit Tax		-	1,667,099
Deferred Tax		2,603,856	55,291,824
TOTAL TAX EXPENSE		63,928,942	56,958,923
PROFIT AFTER TAX		127,266,148	133,465,213
Balance brought forward from previous year		885,426,131	751,960,918
SURPLUS CARRIED TO BALANCE SHEET		1,012,692,279	885,426,131
EARNINGS PER SHARE			
Basic - Nominal Value of Shares ₹ 10/-		9.93	10.48
Diluted - Nominal Value of Shares ₹ 10/-		8.85	9.33
NOTES TO ACCOUNTS	16		

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

As per our report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Associates

Firm Registration No. 101049W

Chartered Accountants

Per Govind Ahuja

(Partner)

Membership No. 48966

Naresh Malhotra

(Chairman)

Namit Malhotra

(Managing Director)

Vicky Kundaliya

(Company Secretary)

Place : Mumbai

Date : August 27, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

Particulars	31.03.2010 Rupees	31.03.2009 Rupees
A. Cash flow from Operating activities		
Net Profit before taxation	191,195,090	190,424,136
Adjustments for :		
Depreciation	193,496,726	182,000,565
(Profit)/ Loss on sale of Fixed Assets	13,000	1,563,623
(Profit)/ Loss on sale of Investments	(2,025,000)	(3,398,268)
Foreign exchange (Gain)/Loss (net)	21,293,707	(49,681,918)
Interest Income	(30,675,625)	(44,158,071)
Dividend Income	(26,381)	(29,133)
Interest Expense	123,560,271	140,929,013
Bad Debts Written Off	1,705,718	49,867,257
Provision for Doubtful Debts	31,000,000	-
Undertaking Fees	(11,310,427)	(8,570,928)
Sundry Credit Balances Written Back	(1,934,892)	(1,591,869)
Provision for Gratuity	274,554	1,224,852
Excess Provision Written Back	-	(1,305,912)
Operating profit before working capital changes	516,566,741	457,273,347
Movements in working capital :		
Decrease / (Increase) in Sundry Debtors	(328,993,840)	(37,404,547)
Decrease / (Increase) in Loans and Advances	(30,616,456)	(67,180,837)
Increase/(Decrease) in Current Liabilities	45,463,736	(91,309,160)
Cash generated from operations	202,420,180	261,378,803
Direct Taxes Paid (net of refunds)	(53,386,673)	(81,032,579)
Fringe Benefit Tax Paid	(191,675)	(1,526,765)
Exchange Rate Difference	13,577,538	39,008,508
Net Cash from Operating activities	162,419,370	217,827,967
B. Cash flow from Investing activities		
Purchase of Fixed Assets	(170,092,301)	(398,398,686)
Proceeds from Sale of Fixed Assets	5,000	17,083,490
Purchase of Current Investments	(3,500)	-
Purchase of Investment in Subsidiaries	-	(600,000)
Share Application in Subsidiary	(127,527,166)	-
Loans given to Subsidiary	-	(250,403,922)
Loans received from Subsidiary	-	407,062,385
Sale of Current Investments	7,025,000	33,953,822
Inter- Corporate Deposits given	(1,000,000)	(74,500,000)
Inter- Corporate Deposits received back	1,000,000	101,063,700

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

Particulars	31.03.2010 Rupees	31.03.2009 Rupees
Margin Money and Fixed Deposits under lien	114,226,241	(62,900,712)
Interest Received	19,462,878	38,575,248
Dividends Received	26,381	29,133
Net Cash from Investing activities	(156,877,467)	(189,035,542)
C. Cash flow from Financing activities		
Proceeds from Long Term Borrowings	367,890,206	567,762,646
Repayment of Long Term Borrowings	(342,277,093)	(329,435,799)
Proceeds from Short Term Borrowings	250,000,000	920,521,200
Repayment of Short Term Borrowings	(312,921,569)	(865,000,000)
Interest Paid	(170,440,986)	(133,158,457)
Dividends Paid	(48)	(437)
Net Cash from Financing activities	(207,749,490)	160,689,153
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(202,207,587)	189,481,578
Cash and Cash Equivalents at the Beginning of the year	238,292,902	48,790,269
Cash and Cash Equivalents Acquired on Merger	-	-
Unrealised Gain/(Loss) on Foreign Currency Cash and Cash equivalents	118,633	21,055
Cash and Cash Equivalents at the End of the year	36,203,948	238,292,902
Components of Cash and Cash equivalents as at March 31, 2010		
Cash	268,238	289,122
With Banks:		
On Current Accounts	33,215,710	234,944,610
On Fixed Deposits	2,720,000	3,059,170
Cash and Cash Equivalents at the End of the year	36,203,948	238,292,902
Bank deposits having maturity of more than 90 days	114,574,353	228,800,594
Interest Accrued on bank deposits	1,026,667	3,711,186
Cash and Bank Balance (Refer Schedule 9)	151,804,967	470,804,682

As per our report of even date

For S. R. Batliboi & Associates

Firm Registration No. 101049W

Chartered Accountants

Per Govind Ahuja

(Partner)

Membership No. 48966

Place : Mumbai

Date : August 27, 2010

For and on behalf of the Board of Directors

Naresh Malhotra

(Chairman)

Namit Malhotra

(Managing Director)

Vicky Kundaliya

(Company Secretary)

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010

Particulars	31.03.2010 Rupees	31.03.2009 Rupees
Schedule 1		
SHARE CAPITAL		
Authorised :		
15,000,000 (Previous year 15,000,000) Shares of ₹ 10 each	<u>150,000,000</u>	<u>150,000,000</u>
Issued, Subscribed and Paid-Up:		
12,822,588 (Previous year 12,822,588) Shares of ₹ 10 each	128,225,880	128,225,880
Of the above :		
i. 3,600,000 (Previous year 3,600,000) Equity Shares of ₹ 10 each were allotted as fully paid up pursuant to scheme of arrangement for consideration other than cash		
ii. 4,000,000 (Previous year 4,000,000) Equity Shares of ₹ 10 each were allotted as fully paid up bonus shares by capitalisation of Reserves		
	<u>128,225,880</u>	<u>128,225,880</u>
Schedule 2		
RESERVES AND SURPLUS		
Securities Premium at the beginning of the year	964,859,177	964,859,177
Securities Premium at the end of the year	<u>964,859,177</u>	<u>964,859,177</u>
General Reserve at the beginning of the year	13,400,000	13,400,000
General Reserve at the end of the year	<u>13,400,000</u>	<u>13,400,000</u>
Profit and Loss Account	1,012,692,279	885,426,131
	<u>1,990,951,456</u>	<u>1,863,685,308</u>
Schedule 3		
SECURED LOANS		
Loans from Banks (Refer Note 3 to Schedule 16)		
Term Loans	620,905,292	357,051,665
(Amount repayable within one year ₹ 214,085,190 (Previous year ₹ 84,664,578)		
Buyers Credit	443,311,546	745,447,595
(Amount repayable within one year ₹ 264,737,680 (Previous year ₹ 257,547,142)		
Cash Credit/Over Draft	191,263,774	477,488,638
Short Term Demand Loan	250,000,000	25,000,000
Loans from Others		
Vehicle Finance	13,235,410	17,951,939
(Amount repayable within one year ₹ 4,733,070 (Previous year ₹ 5,832,534)		
	<u>1,518,716,022</u>	<u>1,622,939,837</u>

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010

Particulars	31.03.2010 Rupees	31.03.2009 Rupees
Schedule 4		
UNSECURED LOANS		
Zero Coupon Foreign Currency Convertible Bonds (Refer Note 18 to Schedule 16)	2,162,696,800	2,162,696,800
550 (Previous year 550) Bonds @ \$ 100,000 each aggregating to \$ 55,000,000 (Previous year \$ 55,000,000)		
	<u>2,162,696,800</u>	<u>2,162,696,800</u>
Schedule 5		
DEFERRED TAX LIABILITY		
Difference in depreciation and other differences in block of assets as per tax books and financial books	177,001,361	178,284,835
Gross Deferred Tax Liability	<u>177,001,361</u>	<u>178,284,835</u>
DEFERRED TAX ASSET		
Unabsorbed Depreciation	-	5,255,112
Provision for Doubtful Debts	10,536,900	-
Differences due to accelerated amortisation of intangibles under Income Tax Act	140,611	187,481
Difference on Derivative Losses	-	7,321,123
Share Issue Expenses	1,801,126	3,602,253
Gross Deferred Tax Asset	<u>12,478,637</u>	<u>16,365,969</u>
NET DEFERRED TAX LIABILITY	<u>164,522,724</u>	<u>161,918,866</u>

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010

Schedule 6 FIXED ASSETS

Rupees

Description of asset	Gross Block				Depreciation				Net Block	Net Block
	As on 01.04.2009	Additions	Deductions	As on 31.03.2010	As on 01.04.2009	Deductions	For the Year	As on 31.03.2010	As on 31.03.2010	As on 31.03.2009
A) TANGIBLE ASSETS										
Building	68,228,276	-	-	68,228,276	4,481,806	-	1,112,121	5,593,927	62,634,349	63,746,470
Plant & Machinery	1,940,186,312	32,104,932	76,875,786	1,895,415,458	539,977,906	-	173,477,363	13,455,269	1,181,960,189	1,400,208,406
Furniture & Fixtures	87,795,330	328,682	-	88,124,012	18,505,144	-	8,487,483	26,992,627	61,131,385	69,290,186
Office Equipments	17,692,580	5,003,979	18,000	22,678,559	6,204,306	-	2,842,380	9,046,686	13,631,873	11,488,274
Vehicles	35,426,922	1,301,999	-	36,728,921	5,380,600	-	3,438,164	8,818,764	27,910,157	30,046,322
Total (A)	2,149,329,420	38,739,592	76,893,786	2,111,175,226	574,549,762	-	189,357,511	63,907,273	1,347,267,953	1,574,779,658
B) INTANGIBLE ASSETS										
Goodwill	5,320,000	-	-	5,320,000	5,320,000	-	-	5,320,000	-	-
Rights	30,000,000	-	-	30,000,000	-	-	-	-	30,000,000	30,000,000
Software	17,252,354	19,843,381	-	37,095,735	3,138,568	-	4,139,215	7,277,783	29,817,952	14,113,786
Total (B)	52,572,354	19,843,381	-	72,415,735	8,458,568	-	4,139,215	12,597,783	59,817,952	44,113,786
Total (A + B)	2,201,901,774	58,582,973	76,893,786	2,183,590,961	583,008,330	-	193,496,726	76,505,056	1,407,085,905	1,618,893,444
Previous year	1,654,772,675	603,028,363	55,899,264	2,201,901,774	403,092,456	2,084,691	182,000,565	83,008,330	1,618,893,444	
Capital Work In Progress *	-	-	-	-	-	-	-	-	600,694,204	444,256,612

* Note:- Borrowing Cost included in Capital Work In Progress - ₹ 93,764,502 (Previous year ₹ 48,836,235)

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010

Particulars	31.03.2010 Rupees	31.03.2009 Rupees
Schedule 7		
INVESTMENTS		
Long Term Investments (At Cost)		
Trade		
In Subsidiary Companies		
Quoted, fully paid up		
Prime Focus London Plc, UK	610,703,583	610,703,583
19,567,003 (Previous year: 19,567,003) equity shares of 5 pence each		
Market Value ₹ 150,345,934 (Previous year ₹ 99,656,756)		
Unquoted, fully paid up		
Prime Focus Technologies Pvt. Ltd.	51,000	51,000
5,100 (Previous year: 5,100) equity shares of ₹ 10/- each		
Flow Post Solutions Pvt. Ltd.	51,000	51,000
5,100 (Previous year: 5,100) equity shares of ₹ 10/- each		
Prime Focus Investment Ltd., UK	1,690,349,846	1,690,349,846
21,748,973 (Previous year: 21,748,973) equity share of 1/- pound each		
Prime Focus Motion Pictures Ltd.	500,000	500,000
50,000 (Previous year: 50,000) equity shares of ₹ 10/- each		
GVS Software Pvt. Ltd.	100,000	100,000
10,000 (Previous year: 10,000) equity shares of ₹ 10/- each		
Other than trade		
Unquoted - fully paid up		
The Shamrao Vithal Co-operative Bank Ltd.	100,000	100,000
4,000 (Previous year : 4,000) shares of ₹ 25/- each		
Mainframe Premises Co-Operative Society Ltd.	3,500	-
350 (Previous year : Nil) shares of ₹ 10/- each		

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010

Particulars	31.03.2010 Rupees	31.03.2009 Rupees
Schedule 7 (Contd.)		
Current Investments (at lower of cost and market value)		
Other than Trade Quoted		
Cinemax India Ltd.	413,567	413,567
9,172 (Previous year : 9,172) equity shares of ₹ 10/- each		
Market Value ₹ 584,129 (Previous year ₹ 413,567)		
Other Investments		
DSP Merrill Lynch - Principal Protected Debenture	-	5,000,000
Nil (Previous year : 5) Units of ₹ 1,000,000 each		
	2,302,272,496	2,307,268,996
Aggregate amount of quoted Investments	611,117,150	611,117,150
Market Value ₹ 150,930,063 (Previous year ₹ 100,070,323)		
Aggregate amount of unquoted Investments	1,691,155,346	1,696,151,846
Investments purchased and redeemed during the year: (Refer Note 5 to Schedule 16)		
Schedule 8		
SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	188,871,555	179,060,264
Unsecured, considered doubtful (Net of Service Tax)	31,000,000	-
Other debts		
Unsecured, considered good	568,611,792	345,205,868
	788,483,347	524,266,132
Less Provision for Doubtful Debts (Net of Service Tax)	31,000,000	-
	757,483,347	524,266,132
Included in Sundry Debtors are :		
i. Service Tax amount of ₹ 79,781,948 (Previous year: ₹ 68,469,227), which is payable upon collection		
ii. Amount receivable from subsidiaries ₹ 131,811,672 (Previous year: ₹ 12,359,076)		

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010

Particulars	31.03.2010 Rupees	31.03.2009 Rupees
Schedule 9		
CASH AND BANK BALANCES		
Cash on hand	268,238	289,122
Balances with Scheduled banks		
In Current Accounts	33,215,710	234,944,610
In Fixed Deposit Accounts	118,321,019	235,570,950
(Refer Note below)		
	151,804,967	470,804,682

Note :

- As margin for Letter of Credit / Buyers Credit - ₹ 42,831,484 (Previous year ₹ 192,293,449)
- Lien on Fixed Deposit against Bank Guarantee availed - ₹ 33,369,679 (Previous year - ₹ 36,507,145)
- As margin for Term Loan - ₹ 37,500,000 (Previous year - ₹ Nil)
- Accrued interest on Fixed Deposits - ₹ 1,026,667 (Previous year - ₹ 3,711,186)

Schedule 10

LOANS AND ADVANCES

Unsecured - Considered Good

Advances recoverable in Cash or in Kind or for value to be received	158,236,580	145,677,246
Deposits	54,848,443	55,425,248
Inter Company Deposits	94,934,931	90,422,602
Share Application (Pending Allotment) (Refer Note 8 to Schedule 16)	361,571,656	-
Loans to subsidiary (Refer Note 8 to Schedule 16)	-	241,870,474
Advances to subsidiaries (Refer Note 8 to Schedule 16)	69,575,123	40,920,636
MAT Credit Entitlement	-	24,986,602
Advance Payment of Taxes	149,819,254	149,674,907
(Net of Provision for Tax - ₹ 90,011,398 (Previous year ₹ 169,829,366))		
	888,985,987	748,977,715

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2010

Particulars	31.03.2010 Rupees	31.03.2009 Rupees
Schedule 11		
CURRENT LIABILITIES		
Sundry creditors		
"Total Outstanding dues to Micro and Small Enterprises" (Refer Note 4 to Schedule 16)	-	-
Dues of creditors other than Micro and Small Enterprises	94,339,231	63,216,863
Other Liabilities	83,599,224	72,848,926
Bank Book Overdraft	2,894,405	980,247
Deferred Revenue Income	-	11,310,427
Interest Accrued but not due	8,746,293	10,698,742
Advances from Customers	14,307,636	14,705,950
Unclaimed Dividend *	14,835	14,883
	203,901,624	173,776,038

* Note: Appropriate amount shall be transferred to "Investor Education and Protection Fund" if and when due.

Schedule 12		
PROVISIONS		
Provision for Gratuity (Refer Note 14 (a) to Schedule 16)	1,499,406	1,224,852
	1,499,406	1,224,852
Provision for Undertaking		
Beginning of the year	-	20,708,650
Add : Provision for the year	-	-
Less : Settled during the year	-	20,708,650
End of the year	-	-
	1,499,406	1,224,852

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

Particulars	31.03.2010 Rupees	31.03.2009 Rupees
Schedule 13		
OTHER INCOME		
Dividend		
Long Term Investments - Non Trade	26,381	29,133
Interest Income		
Bank Deposits (TDS - ₹ 2,030,697, Previous year - ₹ 2,856,674)	12,516,440	20,481,880
Others (TDS - ₹ Nil , Previous year - ₹ Nil)	18,159,185	23,676,191
Profit / (Loss) on Sale of Investment	2,025,000	3,398,268
Exchange Gain (net)	-	49,681,918
Undertaking Fee (Refer Note 6 to Schedule 16)	11,310,427	8,570,928
Excess Provision Write Back	1,934,892	1,305,912
Insurance Claim Received	-	6,370,250
Miscellaneous Income (Refer Note 19 to Schedule 16)	4,455,719	3,970,295
	50,428,044	117,484,775
Schedule 14		
OPERATING AND OTHER EXPENSES		
Personnel Expenses		
Salaries, Staff Remuneration and Bonus	80,508,985	80,565,675
Contribution to Provident and Other Fund (Refer Note14(b) to Schedule 16)	2,039,638	1,928,412
Gratuity (Refer Note14(a) to Schedule 16)	274,554	1,224,852
Staff Welfare	1,929,000	5,001,368
Technician Fees	175,527,374	189,173,444
Technical Services Payments	6,461,751	12,896,519
Communication Cost	7,846,371	11,276,229
Consumables Stores	19,322,661	19,393,237
Director's Sitting Fees	180,000	320,000
Electricity Charges	23,805,592	29,022,371
Insurance Cost	6,725,964	6,269,564
Legal and Professional Fees	7,267,803	17,240,745
Loss on sale of Assets (net)	13,000	1,563,623
Rates and Taxes	1,145,933	5,207,383

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

Particulars	31.03.2010 Rupees	31.03.2009 Rupees
Schedule 14 (Contd.)		
Rebates and Discount	24,668,323	8,955,973
Rent	31,380,774	32,087,647
Traveling and Conveyance	11,830,663	11,861,777
Miscellaneous Expenses	19,235,040	15,024,130
Repairs & Maintenance		
Repairs and Maintenance-Equipment	13,481,149	9,958,654
Repairs and Maintenance-Studio/Office Premises	4,513,426	4,233,649
Bad Debts Written Off	1,705,718	49,867,257
Provision for Doubtful Debts	31,000,000	-
Exchange Loss (net)	21,293,707	-
Auditor's Remuneration		
As Auditor		
Audit Fees	2,000,000	1,500,000
In Other Matters	744,125	511,248
	<u>494,901,551</u>	<u>515,083,757</u>
Schedule 15		
FINANCIAL EXPENSES		
Interest on Working Capital Finance	55,695,953	51,123,890
Interest on Term Loan	18,722,226	20,935,003
Interest on Buyer's Credit	36,373,261	61,996,379
Interest on Others	1,845,036	2,711,103
Bank Charges	10,923,794	4,162,638
	<u>123,560,270</u>	<u>140,929,013</u>

NOTES TO ACCOUNTS

Schedule 16

1. Nature of Operations:

Prime Focus Limited is engaged in the business of Post Production and Visual Effects services for Films and Television content.

2. Statement of Significant Accounting Policies:

a. Basis of Preparation

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

b. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. 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. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

d. Depreciation

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act, 1956 whichever is higher.

Asset Group	Rates (SLM)	Schedule XIV Rates (SLM)
Buildings	1.63%	1.63%
Plant & Machinery - Computer Based Assets	16.21%	16.21%
Plant & Machinery - Non Computer Based Assets	7.07% - 14.29%	7.07%
Furniture & Fixtures and Electrical Fittings	10.00%	6.33%
Office Equipments	16.21%	13.91%
Vehicles	9.50%	9.50%

NOTES TO ACCOUNTS

e. Intangible Assets

Film Rights

The Company amortizes film costs using the individual-film-forecast method. Under the individual-film-forecast method, such costs are amortized for each film in the ratio that current period revenue for such films bears to management's estimate of remaining unrecognised ultimate revenue as at the beginning of the current fiscal year. Management regularly reviews and revises, where necessary, its total estimates on a film-by-film basis, which may result in a change in the rate of amortization and/or a write down of the intangible asset to fair value.

Software

Software is amortized on straight line basis over its estimate of useful life which is estimated to be six years

f. Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

g. Leases

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

h. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

i. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Technical services receipts are recognised on the basis of services rendered and when no significant uncertainty exists as to its determination or realization using proportionate completion method.

NOTES TO ACCOUNTS

Unbilled revenue represents revenue recognised based on proportionate completion not yet invoiced to the customers.

Revenue from TV program production services are recognized on delivery of the episodes.

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

Dividends are recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised even if same are declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of Schedule VI of the Companies Act, 1956.

Undertaking fees is recognized on accrual basis over the tenure of the undertaking given.

j. Foreign Currency Transactions

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.

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 the fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange Differences

Exchange differences, in respect of accounting periods commencing on or after December 7, 2006, arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, and in other cases, are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortized over the balance period of such long-term asset/liability but not beyond accounting period ending on or before March 31, 2011.

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,

NOTES TO ACCOUNTS

or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

k. Income Taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

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

NOTES TO ACCOUNTS

l. Segment Reporting

The Company's operations predominantly relate to providing end-to-end post production services to the media and entertainment industry viz., Films and Television. The Company's operating businesses are organized and managed according to the services and are identified as reportable segment based on the dominant source and nature of risks and returns as primary and secondary segments. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

m. Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

n. Provisions

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

o. Cash & Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, short term investments with original maturity of three months or less and fixed deposits with banks.

p. Derivative Instruments

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

q. Retirement and other Employee Benefits

Post employment benefits and other long term benefits:

NOTES TO ACCOUNTS

Retirement benefits in the form of Provident Fund and Family Pension Fund is a defined contribution scheme and the contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. Liability in respect thereof is determined on the basis of contributions as required under the Statute / Rules. There are no other obligations other than the contribution payable to the respective trusts.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation done as per Projected Unit Credit method, carried out by an independent actuary at the end of the year.

3. Detail of charges provided for Secured Loans:

Nature	Value	Security
Term Loan	₹ 105,425,687	i. Subservient Charge on the movable Fixed Assets and Receivables of the Company ii. Personal Guarantee of the Promoter Director. iii. Pledge of Shares by Promoters iv. Escrow of rent payment receivable by Promoters.
Term Loan	₹ 179,705,643	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future and Term Deposits. ii. First Charge on the Fixed Assets of the Company, both present and future.(except Royal Palms property) iii. Personal Guarantees of the Promoter Director.
Term Loan	₹ 327,769,660	i. First Charge against the Property Financed & Project Assets. ii. Personal Guarantees of the Promoter Director.
Term Loan	₹ 8,004,302	i. First Charge against the equipment financed.
Buyers Credit	₹ 443,311,546	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future and Term Deposits. ii. First Charge on the Fixed Assets of the Company, both present and future.(except Royal Palms property) iii. Personal Guarantees of the Promoter Director.
Cash Credit / Over Draft	₹ 173,570,017	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future. ii. First Charge on the Fixed Assets of the Company, both present and future. iii. Personal Guarantees of the Promoter Director.

NOTES TO ACCOUNTS

Nature	Value	Security
Cash Credit / Over Draft	₹ 17,693,757	i. First Charge on Current Asset ii. Personal Guarantee of Director. iii. Pledge of shares by Promoters
Short Term Demand Loan	₹ 250,000,000	i. First Charge on Current Asset ii. Personal Guarantee of Director. iii. Pledge of shares by Promoters
Vehicle Loan	₹ 13,235,410	i. First Charge on the Vehicles Financed

4. The Company does not have suppliers who are registered as micro, small or medium enterprise under the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2010. The information regarding micro, small and medium enterprises has been determined on the basis of information available with the management.

5. **Investments purchased and sold during the year:**

In Rupees

Particulars	Face Value	As at March 31, 2009	Purchased During the Year	Redeemed During the Year	As at March 31, 2010
Other than Trade Quoted units of Debentures - Units					
DSP Merrill Lynch - Principal Protected Debenture	₹ 10/-	5,000,000	Nil	5,000,000	Nil
Other than Trade Unquoted units					
Mainframe Premises Co-Operative Society Ltd. – Equity Shares		Nil	3,500	Nil	3,500

6. During the FY 2008-09 the Company was allotted 505,050 ordinary shares of 5 pence each in Prime Focus London Plc, a subsidiary of the Company, as fully paid up for consideration other than cash for providing an undertaking on certain future obligations, to the vendors under the Share Purchase Agreement entered by Prime Focus London Plc. to acquire Machine Effects Limited.

The outcome of these obligations is dependent on uncertain future events for which no reliable estimate can be made. Hence no provision is considered necessary [Refer Note No. 13 (ii) of Schedule 16].

Subsequent to year end, the parties to whom the undertaking was provided have asked the Company to confirm that it will honor the guarantee provided by the Company. The Company has filed a suit in Mumbai High Court alleging that the terms of the undertaking are not tenable and hence no liability is expected to crystallise on the Company.

NOTES TO ACCOUNTS

7. Segment Information

The Company is presently operating an integrated post production setup. The entire operations are governed by the same set of risks and returns and hence have been considered as representing a single segment. The said treatment is in accordance with the guiding principles enunciated in the Accounting Standard on Segment Reporting (AS-17).

Geographical Segment

Although the Company's major operating divisions are managed in India, the following table shows the distribution of the Company's consolidated sales by geographical market, regardless of where the services were provided:

Income from Operations by Geographical Area

In Rupees

	2010	2009
India	807,375,018	871,346,356
United Kingdom	23,898,957	3,102,375
U.S.	116,716,311	3,790,333
Canada	3,914,337	26,887,389
Other Countries	820,970	5,826,243
	952,725,593	910,952,696

Segment Assets by Geographical Area and additions to Segment Assets

In Rupees

	Segments Assets		Additions to Fixed Assets and intangibles	
	2010	2009	2010	2009
India	3,140,018,104	3,147,572,053	58,582,973	603,028,363
United Kingdom	36,405,615	180,341,830	Nil	Nil
U.S.	106,233,480	2,789,262	Nil	Nil
Canada	446,019	6,528,676	Nil	Nil
Other Countries	4,172,164	5,615,682	Nil	Nil
	3,287,275,382	3,342,847,503	58,582,973	603,028,363

8. Related party disclosures:

a. List of Parties where control exists, irrespective of transactions:

i) Subsidiary Companies

Prime Focus London Plc.

Prime Focus Technologies Private Limited

Flow Post Solutions Private Limited

NOTES TO ACCOUNTS

Prime Focus Investments Limited
GVS Software Private Limited
Prime Focus Motion Pictures Limited

ii) **Step-down Subsidiaries**

Subsidiary of Prime Focus Investments Limited

Prime Focus North America, Inc (Formerly known as Post Logic Studios, Inc)
1800 Vine Street LLC (Subsidiary of Prime Focus North America, Inc)
Prime Focus VFX Services I Inc
Prime Focus VFX Services II Inc
Prime Focus VFX Technology Inc
Prime Focus VFX Pacific Inc
Prime Focus VFX USA Inc
Prime Focus VFX Australia Pty Limited

Subsidiary of Prime Focus London Plc.

Prime Focus Visual Entertainment Services Limited (Formerly known as Blue Post Production Limited)
The Machine Room Limited (Liquidated during the year)
VTR Media Investments Limited
Machine Effects Limited
PF (Post Production) Limited (Liquidated during the year)
37 Dean Street Limited
Amazing Spectacles Limited (Formerly The Hive Animation Limited) (Subsidiary of VTR Media Investments Limited)
Clipstream Limited (Subsidiary of VTR Media Investments Limited)
K Post Limited (Subsidiary of VTR Media Investments Limited) (Liquidated during the year)
United Sound & Vision Limited (Subsidiary of VTR Media Investments Limited)

b. List of related parties with whom transactions have taken place during the year

i) Key Management Personnel

Mr. Naresh Malhotra - Chairman
Mr. Namit Malhotra – Managing Director

ii) Relatives of Key Management Personnel

Ms. Neha Malhotra
Mr. Premnath Malhotra

NOTES TO ACCOUNTS

iii) Enterprises owned or significantly influenced by Key Management Personnel or their relatives

Blooming Bud Coaching Private Limited

c. Particulars of Related Party Transactions

In Rupees

Sr. No		2010	2009
1	Key Management Personnel*		
	A Remuneration		
	Namit Malhotra	3,000,000	3,000,000
	Naresh Malhotra	3,000,000	3,000,000
		6,000,000	6,000,000
	B Balance Outstanding at the year end – Remuneration Payable		
	Namit Malhotra	168,700	244,800
	Naresh Malhotra	170,147	244,800
		338,847	489,600
2	Relatives of Key management Personnel		
	Professional Fees		
	Neha Malhotra	Nil	450,000
	Premnath Malhotra	140,000	220,000
		140,000	670,000
3	Step-down Subsidiaries #		
	A Revenue		
	i) Prime Focus North America, Inc	116,716,311	3,790,333
	ii) Prime Focus VFX Services II, Inc	3,914,337	26,887,389
	B Technical Service payments		
	i) Prime Focus VFX Services II, Inc	Nil	1,093,700
	C Interest on loans		
	i) Prime Focus North America, Inc	Nil	10,868,456
	D Loans and Advances - Given		
	i) Prime Focus North America, Inc	2,512,327	17,455,872
	ii) Prime Focus VFX Service II, Inc	12,224,533	Nil
	E Loans and Advances - Repaid		
	i) Prime Focus North America, Inc	Nil	(153,732,130)
	ii) Prime Focus VFX Service II, Inc	(1,648,150)	Nil
	F Balance outstanding at the year end		
	i) Debtors		
	1. Prime Focus VFX Services II	446,019	6,528,675
	2. Prime Focus North America, Inc	106,233,480	3,790,333

NOTES TO ACCOUNTS

Sr. No		2010	2009
	ii) Advances to subsidiary		
	1. Prime Focus North America, Inc	1,238,238	(1,274,089)
	2. Prime Focus VFX Services II	11,011,923	729,691
4	Subsidiaries		
	A Revenue		
	i) Prime Focus London Plc	22,974,961	3,102,375
	ii) Prime Focus Technologies Private Limited	93,055	36,683
	B Technical Service Payments		
	i) Prime Focus London Plc	Nil	4,476,191
	C Investment in Equity Shares		
	(including shares received for consideration other than cash)		
	i) Prime Focus London Plc	Nil	95,301,700
	ii) Prime Focus Investments Limited	Nil	1,690,349,845
	iii) Prime Focus Motion Pictures Limited	Nil	500,000
	iv) GVS Software Private Limited	Nil	100,000
	D Share Application		
	i) Prime Focus London Plc	234,044,490	Nil
	ii) Prime Focus Investment Limited	127,527,166	Nil
	E Loans and Advances - Given		
	i) Prime Focus London Plc	19,191,769	246,956,933
	ii) Prime Focus Technologies Private Limited	35,248,646	33,600,998
	F Loans and Advances - Repaid		
	i) Prime Focus London Plc	Nil	261,156,240
	ii) Prime Focus Technologies Private Limited	7,598,450	Nil
	G Interest on loans to Subsidiary		
	i) Prime Focus London Plc	Nil	7,886,350
	ii) Prime Focus Technologies Private Limited	5,340,411	1,183,166
	H Balance outstanding at the year end		
	i) Debtors		
	1. Prime Focus London Plc.	25,009,912	5,830,400
	2. Prime Focus Technologies Private Limited	122,262	Nil
	ii) Advances to subsidiary		
	1. Prime Focus London Plc.	11,000,415	23,00,817
	2. Flow Post Solutions Private Limited	4,972	4,972
	3. Prime Focus Motion Pictures Limited	584,747	584,747
	4. Prime Focus Technologies Private Limited	45,734,828	34,784,164

NOTES TO ACCOUNTS

Sr. No		2010	2009
	iii) Loans to subsidiary		
	1. Prime Focus London Plc.	Nil	241,870,474
	iv) Share application money		
	1. Prime Focus Investment Limited	127,527,166	Nil
	2. Prime Focus London Plc.	234,044,490	Nil
5	Enterprises owned or significantly influenced by Key Management Personnel or their relatives		
	A Rent		
	i) Blooming Bud Coaching Private Limited	24,000,000	21,250,000
	B Deposits given		
	i) Blooming Bud Coaching Private Limited	Nil	13,200,000
	C Balance outstanding at the year end – Deposits		
	i) Blooming Bud Coaching Private Limited	48,000,000	48,000,000

* Key management personnel have given personal guarantee and have pledged part of their share holdings for borrowings obtained by the Company. (Refer note 3 of Schedule 16)

Company has given guarantee for lease taken by Step down Subsidiaries (Prime Focus North America Inc.) (Refer note 13 (v) of Schedule 16)

9. Leases:

- a) The Company has taken the premises on non-cancellable operating lease basis. The tenure of lease is for 60 months and further expandable for 10 years without non cancellation clause on mutual consent with escalation clause. Future lease rentals in respect of the said premises taken on non-cancellable operating leases are as follows:

	In Rupees	
	2010	2009
Lease Payments due within one year	2,500,000	11,223,836
Lease Payments due later than one but not later than five years	6,146,000	7,500,000
Lease Payments due later than five years	Nil	1,146,000

- b) The Company has taken certain premises on cancellable operating lease basis. The tenure of the lease ranges from 11 to 180 months
- c) Amount of lease rental charged to the Profit and loss account in respect of operating leases is ₹ 31,380,774 (previous year ₹ 32,087,647)

NOTES TO ACCOUNTS

10. Earnings per Share (EPS):

In Rupees

	2010	2009
Net profit as per profit and loss account including exceptional items for calculation of basic and diluted EPS	127,266,148	133,465,213
Weighted average number of equity shares in calculating basic EPS	12,822,588	12,739,300
Add : Weighted average number of equity shares which would be issued on conversion of FCCB.	1,952,760	1,562,205
Weighted average number of equity shares in calculating diluted EPS	14,775,348	14,301,505
Basic EPS	9.93	10.48
Diluted EPS	8.85	9.33

11. No amortization has been done for Film Rights in the current year as the rights are not exercisable in the current year. Since the rights are available for a period of more than 10 years the useful life of the rights is considered to be more than 10 years.

12. Capital Commitment :

In Rupees

	2010	2009
i. Estimated amount of contracts remaining to be executed on capital account and not provided for:	52,943,001	16,154,431

13. Contingent Liabilities not provided for:

In Rupees

	2010	2009
i. On account of undertakings given by the Company in favour of Customs authorities at the time of import of capital goods under EPCG Scheme. The Company is confident of meeting its future obligations on such undertakings in the normal course of business.	748,591,339	797,033,046
ii. On account of undertaking given on future probable obligation on behalf of subsidiary company in the course of acquisitions made. (Refer Note No. 6 of schedule 16)	61,080,721	69,357,145
iii. Matters pending with Tax Authorities (Block Assessment). Company has been advised that it has a valid case based on similar decided matters.	112,684	1,046,969
iv. Matters pending with Tax Authorities towards addition made by the tax authorities for the AY 2007-08. Company has gone for an appeal to CIT (Appeals) and has made full payment of demand under protest.	5,271,860	Nil
v. Guarantee for Lease taken by step-down subsidiary	44,979,660 (\$ 1,000,000)	50,640,000 (\$ 1,000,000)
vi. Premium on conversion of FCCB (Refer Note No. 15 (c))	420,381,905	269,140,513

NOTES TO ACCOUNTS

14. Gratuity and other post-employment benefit plans:

a. Define benefit plans:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. This plan is unfunded.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

Particulars	March 31, 2010	March 31, 2009
	Amount in ₹	Amount in ₹
Current service cost	736,074	549,095
Interest cost on benefit obligation	88,726	68,227
Expected return on plan assets	Nil	Nil
Net actuarial (gain) / loss recognised in the year	(540,246)	223,785
Past service cost	Nil	383,745
Net benefit expense	274,454	1,224,852
Actual return on plan assets	Not Applicable	Not Applicable

Balance sheet

Details of Provision for gratuity	March 31, 2010	March 31, 2009
	Amount in ₹	Amount in ₹
Defined benefit obligation	1,499,406	1,224,852
Fair value of plan assets.	Nil	Nil
Amount recognised in the balance sheet	1,499,406	1,224,852

NOTES TO ACCOUNTS

Changes in the present value of the defined benefit obligation are as follows:

Particulars	March 31, 2010	March 31, 2009
	Amount in ₹	Amount in ₹
Opening defined benefit obligation	1,224,852	383,745
Interest cost	88,726	68,227
Current service cost	736,074	549,095
Benefits paid	Nil	Nil
Actuarial (gains) / losses on obligation	(540,246)	223,785
Closing defined benefit obligation	1,499,406	1,224,852

Changes in the fair value of plan assets are as follows:

The Company does not fund the gratuity nor it has plans presently to contribute in the next year and hence the disclosure relating to fair value of plan assets is not applicable.

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

	March 31, 2010	March 31, 2009
	%	%
Discount rate	7.75%	7.75%
Expected rate of return on assets	Not Applicable	Not Applicable
Employee turnover	2 %	2 %

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current and previous year are as follows: [AS15 Para 120(n)]

Particulars	March 31, 2010 Amount in ₹	March 31, 2009 Amount in ₹
Defined benefit obligation	1,499,406	1,224,852
Plan assets	Nil	Nil
Surplus / (deficit)	(1,499,406)	(1,224,852)
Experience adjustment on plan liabilities (gain) / loss	(320,360)	Nil
Experience adjustment on plan assets	Nil	Nil

NOTES TO ACCOUNTS

b. Defined Contribution Plan:

Amount recognized as an expense and included in Schedule – 14 as Contribution to Provident and Other Fund ₹ 2,039,638 (*Previous Year – ₹ 1,928,412*).

15. Directors remuneration:

Particulars	March 31, 2010 Amount in ₹	March 31, 2009 Amount in ₹
Salaries	6,000,000	6,000,000
Perquisites	Nil	Nil
Contribution to Provident Fund	Nil	Nil
TOTAL	6,000,000	6,000,000

Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 for calculation of remuneration payable to Directors

Particulars	March 31, 2010 Amount in ₹	March 31, 2009 Amount in ₹
Profit as per Profit and Loss Account	127,266,148	133,465,213
Add:		
Directors' Remuneration	6,000,000	6,000,000
(Loss)/Profit on sale of Fixed Assets as per Section 349 of the Companies Act, 1956	(13,000)	(1,563,623)
Net Profit as per Section 349 of the Companies Act, 1956	133,253,148	137,901,593
Maximum remuneration allowed to Managing and Whole time Directors at 10% of the net profits as calculated above	13,325,315	13,790,159
Remuneration Paid to Directors	6,000,000	6,000,000

16. Details of loans given to subsidiaries and associates and firms/companies in which directors are interested:

- Prime Focus London Plc :
Balance as at March 31, 2010: ₹ Nil. (*Previous Year ₹ 241,870,474*)
Maximum Amount outstanding during the year ₹ 241,870,474 (*Previous Year ₹ 251,316,179*)
- Prime Focus North America, Inc. :
Balance as at March 31, 2010: ₹ Nil (*Previous Year ₹ Nil*)
Maximum Amount outstanding during the year ₹ Nil (*Previous Year ₹ 150,542,131*)
- Prime Focus Technologies Private Limited :
Balance as at March 31, 2010: ₹ 41,624,979 (*Previous Year ₹ 33,600,998*)
Maximum Amount outstanding during the year ₹ 45,258,248 (*Previous Year ₹ 35,675,198*)

NOTES TO ACCOUNTS

17. Derivative Instruments and Unhedged Foreign Currency Exposure:

In Rupees

	Value (March 31, 2010)	Value (March 31, 2009)	Purpose
Particulars of Derivatives			
Currency Swap \$ – ¥	Nil	\$ 1,529,000 (¥ 191,125,000)	Hedge against exposure to foreign currency fluctuations.
Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet Date			
Buyer's Credit (Liability)	439,771,909 (\$ 9,777,138 @ Closing Rate of \$ 1 = ₹ 44.98)	608,982,313 (\$ 11,968,992 @ Closing Rate of \$ 1 = ₹ 50.88)	For import of equipments
	3,539,637 (€ 58,175 @ Closing Rate of € 1 = ₹ 60.84)	38,443,998 (€ 569,873 @ Closing Rate of € 1 = ₹ 67.46)	For import of equipments
Zero Coupon Foreign Currency Convertible Bonds (Liability)	2,162,696,800 (\$ 55,000,000)	2,162,696,800 (\$ 55,000,000)	For strategic acquisitions and / or strategic alliances outside of India
Sundry Debtors (Assets)	136,872,866 (\$ 2,484,470 & £ 366,247)	20,780,460 (\$ 408,421)	Amount receivable for services rendered to Overseas Subsidiary and others
Loans and Advances (Assets)	Nil	234,048,000 (\$ 4,600,000)	Advances given to Overseas Subsidiary and others
Investment in Foreign Subsidiary – Prime Focus London (Assets)	610,703,583 (£ 7,522,444)	610,703,583 (£ 7,522,444)	Investment in Subsidiary
Investment in Foreign Subsidiary – Prime Focus Investment Limited (Assets)	1,690,349,846 (\$ 43,000,000)	1,690,349,846 (\$ 43,000,000)	Investment in Subsidiary
Investment in Foreign Subsidiary – Prime Focus London (Assets)	234,044,490 (\$ 4,600,000)	Nil	Share Application in Subsidiary
Investment in Foreign Subsidiary – Prime Focus Investment Limited (Assets)	127,527,166 (\$ 2,753,011)	Nil	Share Application in Subsidiary

NOTES TO ACCOUNTS

18. Foreign Currency Convertible Bonds (FCCB):

- a. On December 12, 2007, the Company issued 550 Foreign Currency Convertible Bonds (FCCB's) of a face value of \$ 100,000 each, aggregating to \$ 55.00 million (equivalent – ₹ 2,162,696,800). The net proceeds from the issue of the Bonds are to be used for strategic acquisitions and/or strategic alliances outside of India, for investment into wholly owned subsidiaries and/or joint ventures outside of India, for announced and future acquisitions, for foreign currency capital expenditure or for any other use, as may be permitted under applicable laws or regulations from time to time.
- b. As per the terms of the issue, the holders have an option to convert FCCB into Equity Shares at an initial conversion rate of ₹ 1,386.79 per equity share at a fixed exchange rate of ₹ 39.39 per USD subject to certain adjustments as per the terms of the issue. In terms of condition of issue, the conversion price has been reset to ₹ 1,109 per equity share. Further, under certain conditions, the Company has the option to redeem the bonds on or after December 12, 2010. Unless previously converted or redeemed or purchased and cancelled, the Company will redeem these bonds, at 143.66% at the end of the five years from the date of issue i.e. on December 13, 2012. As at March 31, 2010, no bonds have been converted into equity shares of ₹ 10 each and the entire balance of 550 bonds have been included and disclosed in the Schedule of "Unsecured Loans".
- c. The FCCB's as detailed above are compound instruments with an option of conversion into specified number of shares and an underlying foreign currency liability with the redemption at a premium in the event of non conversion at the end of the period. The bonds are redeemable only if there is no conversion of bonds earlier. The payment of premium on redemption is contingent in nature, the outcome of which is dependent on uncertain future events. Hence no provision is considered necessary nor has been made in the accounts in respect of such premium amounting to ₹ 420,381,905 (*Previous Year ₹ 269,140,619*). However, in the event of redemption, the premium payable would be adjusted against the balance in the Securities Premium Account.
- d. The management is of the opinion that the bonds are a non monetary liability and hence, the exchange gain/loss on translation of FCCB liability in the event of redemption have not been recognized.

NOTES TO ACCOUNTS

- e. Had the Company revalued the bonds as at March 31, 2010 considering it as a long term monetary liability, the profit for the year ended March 31, 2010 would have been lower by ₹ 46,124,146 (*Previous Year: ₹ 208,362,046*). The reserves as on that date would have been lower by ₹ 265,060,354 (*Previous Year : ₹ 218,936,208*) and foreign currency monetary item would have been ₹ 46,124,146 (*Previous Year: ₹ 416,724,092*).

19. Miscellaneous Income:

As the Company is engaged in providing post production services, net income of ₹ 1,955,719 (Previous Year ₹ 952,076) from production of TV Programme (gross ₹ 27,096,993 (Previous Year ₹ 11,550,000) less: direct cost of ₹ 25,141,274 (Previous Year ₹ 10,597,924)) is disclosed under other income as Miscellaneous Income. The revenue of the Company for the year including revenue from TV production income is ₹ 979,822,586 (Previous Year ₹ 922,502,696)

20. Investments include ₹ 610,703,583 (Previous Year: ₹ 610,703,583) in Prime Focus London Plc, UK ['PF UK'], a subsidiary company. The Company has also paid an amount of to ₹ 234,044,490 (Previous Year ₹ Nil) to PF UK for which shares are yet to be issued to the Company. PF UK has recorded profits in Mar 09 and Mar 10. The Market value of shares as on March 31, 2010 is ₹ 150,345,934 (Previous Year: ₹ 99,656,756). These being long term and strategic investments and also in view of the projected profitable operations of these companies, the management is of the view that there is no diminution other than temporary in the value of these investments and the share application money.

21. Earnings in Foreign Currency – On receipt basis:

In Rupees

	2010	2009
Technical Service receipts	47,932,431	47,024,138
Interest Received	548,911	4,831,179
	48,481,342	51,855,317

NOTES TO ACCOUNTS

22. Expenditure in Foreign Currency – On payment basis:

In Rupees

	2010	2009
a. On Interest & Finance Charges	30,563,043	13,983,510
b. On Other accounts	1,836,798	1,902,611
	32,399,841	15,886,121

23. C I F Value of imports:

In Rupees

	2010	2009
Capital Goods	322,731,165	385,972,712

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

The Schedules Referred to notes to accounts form an integral part of the Balance Sheet and Profit and Loss Account

As per our report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Associates

Firm Registration No. 101049W

Chartered Accountants

Per Govind Ahuja

(Partner)

Membership No. 48966

Naresh Malhotra

(Chairman)

Namit Malhotra

(Managing Director)

Vicky Kundaliya

(Company Secretary)

Place : MUMBAI

Date : August 27, 2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE

(₹ in Lacs)

1. Registration Details		
Registration Details	:	11-108981
State Code	:	11
Balance Sheet Date	:	March 31, 2010
2. Capital Raised during the year		
Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
Private Placement	:	Nil
3. Position of Mobilisation and Deployment of Funds		
Total Liabilities	:	59,651.13
Total Assets	:	59,651.13
Sources of Funds		
Paid up Capital	:	1,282.26
Reserves and Surplus	:	19,909.51
Secured Loans	:	15,187.16
Unsecured Loans	:	21,626.97
Deferred Tax Liability	:	1,645.23
Application of Funds		
Net Fixed Assets	:	20,077.80
Investments	:	23,022.72
Net Current Assets	:	16,550.60
Miscellaneous Expenditure	:	Nil
Accumulated Losses	:	Nil
4. Performance of the Company		
Turnover	:	10,031.54
Total Expenditure	:	8,119.59
Profit Before Tax	:	1,911.95
Profit After Tax	:	1,272.66
Earning Per Share (Annualised)	:	9.93
Dividend Rate	:	Nil
5. Generic Names of Principal Products of the Company		
Item Code No.	:	N.A.
Product / Description	:	Digital and Post Production Services

For and on behalf of the Board of Directors

Naresh Malhotra
(Chairman)

Namit Malhotra
(Managing Director)

Vicky Kundaliya
(Company Secretary)

Place : MUMBAI
Date : August 27, 2010

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN SUBSIDIARY COMPANIES FOR THE YEAR ENDED MARCH 31, 2010

Name of the Subsidiary Company	The Financial Year / period of the Subsidiary Company ended on	Holding Company	Date From which they became Subsidiary company	Number of Shares held by the Company with its nominees in the Subsidiary at the end of the Financial Year of the Subsidiary Company	Extent of Interest in the Subsidiary Company	Net aggregate amount of the subsidiary company's profit / (Loss) so far as it concern the members of yhe Holding company			
						Not dealt in the Holding company's accounts		Dealt with in the holding company's accounts	
						For yhe financial year ended 31 st March 2010	for the previous financial year of the subsidiary company since it became the company's subsidiary	For yhe financial year ended 31st March 2010	for the previous financial year of the subsidiary company since it became the company's subsidiary
Prime focus London Plc	31-Mar-10	Prime Focus Limited	28-Apr-06	19,567,003	59.96%	(73,497,394)	62,912,127	Nil	Nil
Prime Focus Visual Entertainment Services Limited ²	31-Mar-10	Prime Focus London Plc	28-Apr-06	1,000	100%	388,804,185	174,796,854	Nil	Nil
The Machine Room Limited*	31-Mar-10	Prime Focus London Plc	28-Apr-06	2	100%	(41,813,530)	(11,858,978)	Nil	Nil
VTR Media Investment Limited	31-Mar-10	Prime Focus London Plc	28-Apr-06	2	100%	(74,614,778)	(374,841,372)	Nil	Nil
Amazing Spectacles Limited ³	31-Mar-10	VTR Media Investment Limited	28-Apr-06	2	100%	22,746,884	(42,965,196)	Nil	Nil
Clipstream Limited	31-Mar-10	VTR Media Investment Limited	28-Apr-06	2	100%	11,025,539	(67,870,614)	Nil	Nil
K Post Limited*	31-Mar-10	VTR Media Investment Limited	28-Apr-06	2	100%	(63,639,705)	119,141,783	Nil	Nil
United Sound & Vision Limited	31-Mar-10	VTR Media Investment Limited	28-Apr-06	2	100%	Nil	9,622,399	Nil	Nil
Machin Effects Limited	31-Mar-10	Prime Focus London Plc	18-Jan-08	100	100%	(23,317,337)	(30,435,077)	Nil	Nil
PF (Post Production) Limited*	31-Mar-10	Prime Focus London Plc	4-Jun-07	1	100%	(63,892,432)	204,744,119	Nil	Nil
37 Dean Street Limited	31-Mar-10	Prime Focus London Plc	2-Dec-08	1	100%	Nil	Nil	Nil	Nil
Prime Focus Investments Limited	31-Mar-10	Prime Focus Limited	19-Dec-07	21,748,973	100%	4,669,114	(74,508)	Nil	Nil
Prime Focus VFX service I, Inc	31-Mar-10	Prime Focus Investment Limited	1-Apr-08	100 Common Voting	100%	3,315	(999,107)	Nil	Nil
Prime Focus VFX service II, Inc	31-Mar-10	Prime Focus Investment Limited	1-Apr-08	100 Common Voting & 1000 Class B	100%	(20,022,695)	27,151,342	Nil	Nil

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN SUBSIDIARY COMPANIES FOR THE YEAR ENDED MARCH 31, 2010

Name of the Subsidiary Company	The Financial Year / period of the Subsidiary Company ended on	Holding Company	Date From which they became Subsidiary company	Number of Shares held by the Company with its nominees in the Subsidiary at the end of the Financial Year of the Subsidiary Company	Extent of Interest in the Subsidiary Company	Net aggregate amount of the subsidiary company's profit /(Loss) so far as it concern the members of yhe Holding company			
						Not dealt in the Holding company's accounts		Dealt with in the holding company's accounts	
						For yhe financial year ended 31 st March 2010	for the previous financial year of the subsidiary company since it became the company's subsidiary	For yhe financial year ended 31st March 2010	for the previous financial year of the subsidiary company since it became the company's subsidiary
Prime Focus VFX Technology, Inc	31-Mar-10	Prime Focus Investment Limited	1-Apr-08	100 Common Voting & 1 Class B	100%	(1,603,315)	(875,144)	Nil	Nil
Prime Focus VFX Pacific , Inc	31-Mar-10	Prime Focus Investment Limited	1-Apr-08	1 Common Voting	100%	(31,837,772)	92,906,694	Nil	Nil
Prime Focus VFX USA, Inc	31-Mar-10	Prime Focus Investment Limited	1-Apr-08	100 Common Voting	100%	76,767,093	(115,638,643)	Nil	Nil
Prime Focus VFX Australia Pty. Ltd.	31-Mar-10	Prime Focus Investment Limited	1-Apr-08	100 Common Voting	100%	18,363	(17,184)	Nil	Nil
Prime Focus North America, Inc ¹	31-Mar-10	Prime Focus Investment Limited	1-Apr-08	5,100	100%	83,099,455	13,091,740	Nil	Nil
1800 Vine street, Inc	31-Mar-10	Prime Focus North America, Inc ¹	1-Apr-08	Nil	100%	(4,063,987)	(20,736,223)	Nil	Nil
Prime Focus Technologies Private Limited	31-Mar-10	Prime Focus Limited	8-Mar-08	5,100	51%	296,577	378,938	Nil	Nil
Flow Post Solutions Private Limited	31-Mar-10	Prime Focus Limited	28-Feb-08	5,100	51%	(2,813)	(13,162)	Nil	Nil
Prime Focus Motion Pictures Limited	31-Mar-10	Prime Focus Limited	22-Aug-08	50,000	100%	(5,515)	(5,000)	Nil	Nil
GVS Software Private Limited	31-Mar-10	Prime Focus Limited	1-Apr-08	10,000	100%	(5,515)	(5,000)	Nil	Nil

STATEMENT PURSUANT TO EXEMPTION RECEIVED UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES FOR THE YEAR ENDED MARCH 31, 2010

Name Of The Subsidiary Company	Country of Registration	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary	Turnover	Profit before taxation	Provision for Taxation	Profit after taxation	Proposed Dividend
Prime focus London Pic	U.K.	111,435,181	321,833,051	1,704,104,938	1,704,104,938	Nil	Nil	(109,255,408)	23,904,667	(133,160,075)	Nil
Prime Focus Visual Entertainment Services Limited ²	U.K.	68,299	774,056,655	1,103,040,728	1,103,040,728	Nil	1,525,933,517	723,282,775	Nil	723,282,775	Nil
The Machine Room Limited*	U.K.	Nil	Nil	Nil	Nil	Nil	Nil	(77,214,907)	Nil	(77,214,907)	Nil
VTR Media Investment Limited	U.K.	137	(353,874,144)	516,666,763	516,666,763	Nil	Nil	(137,787,292)	Nil	(137,787,292)	Nil
Amazing Spectacles Limited ³	U.K.	137	(137)	Nil	Nil	Nil	Nil	42,005,507	Nil	42,005,507	Nil
Clipstream Limited	U.K.	137	(43,209,117)	251,285,925	251,285,925	Nil	309,690,435	20,360,300	Nil	20,360,300	Nil
K Post Limited*	U.K.	Nil	Nil	Nil	Nil	Nil	59,668,479	(117,520,187)	Nil	(117,520,187)	Nil
United Sound & Vision Limited	U.K.	137	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Machin Effects Limited	U.K.	6,830	(46,080,135)	25,098,342	25,098,342	Nil	11,349,566	(43,058,933)	Nil	(43,058,933)	Nil
PF (Post Production) Limited*	U.K.	Nil	Nil	Nil	Nil	Nil	17,972,311	(117,986,886)	Nil	(117,986,886)	Nil
37 Dean Street Limited	U.K.	68	Nil	68	68	Nil	Nil	Nil	Nil	Nil	Nil
Prime Focus Investments Limited	U.K.	1,485,434,847	4,146,915	1,598,282,207	1,598,282,207	Nil	Nil	4,669,114	Nil	4,669,114	Nil
Prime Focus VFX service I, Inc.	Canada	443	(1,419,921)	7,295,292	7,295,292	Nil	Nil	3,315	Nil	3,315	Nil
Prime Focus VFX service II, Inc.	Canada	26,273,880	58,960,648	348,068,163	348,068,163	Nil	107,497,927	(20,022,695)	Nil	(20,022,695)	Nil
Prime Focus VFX Technology, Inc.	Canada	443	(17,325,537)	32,935,674	32,935,674	Nil	21,967,500	(1,603,315)	Nil	(1,603,315)	Nil
Prime Focus VFX Pacific, Inc.	Canada	443	58,383,784	193,529,537	193,529,537	Nil	386,188,848	(31,837,772)	Nil	(31,837,772)	Nil
Prime Focus VFX USA, Inc.	U.S.A.	443	(70,306,232)	175,326,869	175,326,869	Nil	235,389,847	76,767,093	Nil	76,767,093	Nil
Prime Focus VFX Australia Pty. Limited	Australia	4,431	(1,652,786)	2,086,300	2,086,300	Nil	Nil	18,363	Nil	18,363	Nil
Prime Focus North America, Inc ¹	U.S.A.	229,396	644,099,735	1,135,659,419	1,135,659,419	Nil	872,636,077	103,760,137	20,660,682	83,099,455	Nil
1800 Vine street, Inc	U.S.A.	Nil	556,126,948	1,069,401,461	1,069,401,461	Nil	Nil	(4,063,987)	Nil	(4,063,987)	Nil

STATEMENT PURSUANT TO EXEMPTION RECEIVED UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES FOR THE YEAR ENDED MARCH 31, 2010

Name Of The Subsidiary Company	Country of Registration	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary	Turnover	Profit before taxation	Provision for Taxation	Profit after taxation	Proposed Dividend
Prime Focus Technologies Private Limited	India	100,000	1,039,592	73,837,039	73,837,039	Nil	50,387,713	880,962	299,439	581,523	Nil
Flow Post Solutions Private Limited	India	100,000	(25,808)	90,400	90,400	Nil	Nil	(5,515)	Nil	(5,515)	Nil
Prime Focus Motion Pictures Limited	India	500,000	(10,515)	500,000	500,000	Nil	Nil	(5,515)	Nil	(5,515)	Nil
GVS Software Private Limited	India	100,000	(10,515)	100,000	100,000	Nil	Nil	(5,515)	Nil	(5,515)	Nil

Exchange Rate : 1 £ = ₹ 68.30 ; C \$ 1 = £ 0.6488 ; \$ 1 = £ 0.6586

Note

¹ Formerly Known as Post Logic Studio, Inc.

² Formerly Known as Blue Post Production Limited

³ Formerly Known as The Hive Animation Limited

* Subsidiaries that are liquidated during the year.

AUDITORS' REPORT

The Board of Directors

Prime Focus Limited

1. We have audited the attached consolidated balance sheet of Prime Focus Limited ("the Company") and its subsidiaries (collectively known as 'the Group'), as at March 31, 2010, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of ₹ 2,068,924,744 as at 31st March 2010, the total revenue of ₹ 1,928,866,108 and cash flows amounting to ₹ 96,698,602 for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, notified pursuant to the Companies (Accounting Standards) Rules, 2006.
5. *As more fully described in Note 14 to Schedule 18 to the financial statements, the Group has not revalued the FCCB of \$ 55 million at the exchange rate prevailing as at March 31, 2010 and March 31, 2009, which in our opinion is not in accordance with Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" and not provided for the premium payable on redemption of these FCCB. Had the Group revalued the bonds as at March 31, 2010, the profit for the year ended March 31, 2010 would have been lower by ₹ 46.12 million and the reserves as at that date would have been lower by ₹ 265.06 million and Foreign Currency Monetary Item Translation Difference account would have been ₹ 46.12 million. Further, had the Group provided for the premium on redemption, the securities premium as at March 31, 2010 would have been lower by ₹ 420.38 million. Consequent to the above, the FCCB balance at March 31, 2010 would have been higher by ₹ 731.57 million. This had caused us to qualify our audit opinion on the financial statements relating to preceding year.*

AUDITORS' REPORT

6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, *subject to our comments in paragraph 5 above*, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) in the case of the consolidated balance sheet, of the state of affairs of the Company as at March 31, 2010;
 - (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & ASSOCIATES

Firm registration number: 101049W

Chartered Accountants

per Govind Ahuja

Partner

Membership No.:48966

Place : Mumbai

Date : August 27, 2010

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2010

Particulars	Sch No.	31.03.2010 Rupees	31.03.2009 Rupees
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	128,225,880	128,225,880
Reserves and Surplus	2	1,797,830,884	1,623,676,537
		1,926,056,764	1,751,902,417
LOAN FUNDS			
Secured Loans	3	2,471,655,982	2,583,005,481
Unsecured Loans	4	2,162,696,800	2,162,696,800
		4,634,352,782	4,745,702,281
MINORITY INTEREST		283,732,536	242,222,831
DEFERRED TAX LIABILITY (NET)	5	165,236,629	162,333,333
		7,009,378,711	6,902,160,862
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	6	7,431,562,750	7,339,558,095
Less: Accumulated Depreciation / Amortisation		2,615,517,127	2,810,679,718
Net Block		4,816,045,623	4,528,878,377
Add : Capital Work in Progress (including Capital Advances)		740,637,013	452,082,634
		5,556,682,636	4,980,961,011
INVESTMENTS	7	2,011,109	17,609,686
DEFERRED TAX ASSET (NET) (Refer Note 19 to Schedule 18)		67,066,719	86,240,603
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories (Stores and Spares) - at lower cost or net realisable value		20,212,318	37,351,868
Sundry Debtors (Including Service Tax)	8	1,230,438,591	1,032,614,338
Cash and Bank Balances	9	212,365,703	613,586,078
Other Current Assets (Unbilled Revenue)		62,187,006	-
Loans and Advances	10	898,381,403	850,958,634
		2,423,585,021	2,534,510,918
Less : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	11	1,039,149,814	716,618,950
Provisions	12	1,499,406	1,224,852
		1,040,649,220	717,843,802
NET CURRENT ASSETS		1,382,935,799	1,816,667,116
MISCELLANEOUS EXPENDITURE	13	682,446	682,446
(To the extent not written off or adjusted)		7,009,378,711	6,902,160,862
NOTES TO ACCOUNTS	18		

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

As per our report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Associates

Firm Registration No. 101049W
Chartered Accountants

Per Govind Ahuja
(Partner)
Membership No. 48966
Place : Mumbai
Date : August 27, 2010

Naresh Malhotra
(Chairman)

Namit Malhotra
(Managing Director)

Vicky Kundaliya
(Company Secretary)

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

Particulars	Sch No.	31.03.2010 Rupees	31.03.2009 Rupees
INCOME			
Income from Operations		4,527,837,574	3,543,719,888
Other Income	14	87,884,910	126,782,252
		4,615,722,484	3,670,502,140
EXPENDITURE			
Operating Costs	15	3,331,408,360	3,002,749,068
Exceptional Item	16	137,380,420	(67,471,028)
Interest	17	218,339,893	210,022,415
Depreciation	6	425,869,260	379,095,345
		4,112,997,933	3,524,395,800
PROFIT BEFORE TAX		502,724,551	146,106,340
PROVISION FOR TAX			
Current Tax		85,365,872	21,629,987
Less : MAT Credit Entitlement		(136,108)	(21,521,027)
		85,229,764	108,960
Fringe Benefit Tax		-	1,713,776
Deferred Tax		23,564,344	(13,350,884)
Total Tax Expense		108,794,108	(11,528,148)
PROFIT AFTER TAX (Before adjustment of Minority Interest)		393,930,443	157,634,488
Less Minority Interest		59,692,252	11,797,165
PROFIT AFTER TAX		334,238,191	145,837,323
Balance brought forward from previous year		750,953,822	779,633,328
Add : Adjustment pursuant to the court permission received by subsidiary		-	(174,516,829)
		750,953,822	605,116,499
SURPLUS CARRIED TO BALANCE SHEET		1,085,192,013	750,953,822
EARNINGS PER SHARE			
Basic - Nominal Value of Shares ₹10/-		30.72	11.45
Diluted - Nominal Value of Shares ₹10/-		27.39	10.20

NOTES TO ACCOUNTS

18

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

As per our report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Associates

Firm Registration No. 101049W

Chartered Accountants

Per Govind Ahuja

(Partner)

Membership No. 48966

Naresh Malhotra

(Chairman)

Namit Malhotra

(Managing Director)

Vicky Kundaliya

(Company Secretary)

Place : Mumbai

Date : August 27, 2010

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

Paticulars	31.03.2010 Rupees	31.03.2009 Rupees
A Cash flow from Operating activities		
Net Profit before taxation	502,351,638	146,106,340
Adjustments for :		
Depreciation	425,876,707	379,095,345
(Profit)/ Loss on sale of Fixed Assets	(6,294,059)	(39,061,544)
(Profit)/ Loss on sale of Investments	(2,025,000)	(3,398,268)
Foreign exchange (Gain)/Loss (net)	(18,735,111)	(38,751,861)
Tax Written Off	845,756	-
Interest Income	(42,867,172)	(25,326,570)
Dividend Income	(26,381)	(29,133)
Interest Expense	210,900,002	210,022,415
Bad debts Written Off	80,497,331	64,363,841
Provision for Doubful Debts	31,000,000	-
Undertaking Fees	(11,310,427)	(8,570,928)
Sundry Credit Balances Written Back	(1,934,892)	(1,589,359)
Provision for Share Based payment	7,209,394	-
Provision for Gratuity	274,554	1,224,852
Excess Provision Written Back	-	(1,300,370)
Provision for Doubtful Debts	273,905	6,277,465
Impairment of Investment Adjustment	(529,371)	-
Operating profit before working capital changes	1,175,506,874	689,062,225
Movements in Working Capital :		
Decrease / (Increase) in Sundry Debtors	(267,087,408)	15,503,165
Decrease / (Increase) in Inventories	16,443,140	(182,207,371)
Decrease / (Increase) in Loans and Advances	(125,121,461)	992,296,818
Increase/(Decrease) in Current Liabilities	245,189,192	604,838,083
Cash generated from operations	1,044,930,337	2,119,492,920
Direct Taxes paid (Net of Refunds)	(60,824,026)	(92,594,742)
Fringe Benefit Tax Paid	(210,212)	(1,573,442)
Exchange Rate Difference	13,577,538	27,294,655
Net Cash from Operating activities	997,473,637	2,052,619,391
B Cash flow from investing activities		
Purchase of Fixed Assets	(768,406,002)	(608,077,493)
Proceeds from Sale of Fixed Assets	6,312,059	57,708,657
Purchase of Current Investments	(569,899,491)	-
Purchase of Investment in Subsidiaries	-	(1,698,912,281)
Sale of Current Investments	140,964,177	33,953,822
Inter- Corporate Deposits given	(1,000,000)	(74,500,000)
Inter- Corporate Deposits received back	1,000,000	101,063,700
Margin money and Fixed Deposits under lien	114,226,241	(62,900,712)

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

Particulars	31.03.2010 Rupees	31.03.2009 Rupees
Interest Received	35,764,425	59,849,686
Dividends Received	26,381	29,133
Expense incurred for increase in Capital of Subsidiary	-	(585,147)
Net Cash from Investing activities	(1,041,012,210)	(2,192,370,635)
C Cash flow from Financing activities		
Redemption of Preference shares	-	(479,929,179)
Proceeds from long term borrowings	394,677,240	1,358,866,263
Repayment of long term borrowings	(358,863,826)	(333,392,252)
Proceeds from short term borrowings	395,033,739	934,681,135
Repayment of short term borrowings	(405,249,923)	(962,700,922)
Interest paid	(257,780,717)	(240,780,656)
Dividends Paid	(48)	(437)
Foreign exchange Gain/(Loss) (net)	(51,032)	-
Net Cash from Financing activities	(232,234,567)	276,743,952
D Effect of exchange differences on translation	(23,133,050)	(5,657,534)
Net increase/(decrease) in cash and cash equivalents (A+B+C+D)	(298,906,190)	131,335,174
Cash and Cash Equivalents at the Beginning of the year	389,474,422	239,426,818
Translation adjustment on Opening Cash and Cash equivalents	6,077,819	(1,758,679)
Cash and Cash Equivalents received pursuant to purchase of Subsidiary	-	12,049,930
Unrealised Gain/(Loss) on Foreign Currency Cash and Cash equivalents	118,633	21,055
Cash and cash equivalents at the end of the year	96,764,684	381,074,298
Components of Cash and Cash equivalents, as at March 31, 2010		
Cash	2,038,594	1,371,905
With Banks:		
- On Current Accounts	92,006,090	376,643,223
- On Fixed Deposits	2,720,000	3,059,170
Cash and Cash Equivalents at the End of the year	96,764,684	381,074,298
Bank deposits having maturity of more than 90 days	114,574,353	228,800,594
Interest Accrued on bank deposits	1,026,667	3,711,186
Cash and Bank Balance (Refer Schedule 9)	212,365,704	613,586,078

As per our report of even date

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

Per Govind Ahuja
(Partner)
Membership No. 48966

Place : Mumbai
Date : August 27, 2010

For and on behalf of the Board of Directors

Naresh Malhotra
(Chairman)

Namit Malhotra
(Managing Director)

Vicky Kundaliya
(Company Secretary)

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

Particulars	31.03.2010 Rupees	31.03.2009 Rupees
Schedule 1		
SHARE CAPITAL		
Authorised :		
15,000,000 (Previous year 15,000,000) Shares of ₹ 10 each	<u>150,000,000</u>	<u>150,000,000</u>
Issued, Subscribed and Paid-Up:		
12,822,588 (Previous year 12,822,588) Shares of ₹ 10 each	128,225,880	128,225,880
Of the above :		
i. 3,600,000 (Previous year 3,600,000) Equity Shares of ₹ 10 each were allotted as fully paid up pursuant to scheme of arrangement for consideration other than cash		
ii. 4,000,000 (Previous year 4,000,000) Equity Shares of ₹ 10 each were allotted as fully paid up bonus shares by capitalisation of Reserves	<u>128,225,880</u>	<u>128,225,880</u>
Schedule 2		
RESERVES AND SURPLUS		
Securities Premium at the beginning of the year	964,859,177	964,859,177
Securities Premium at the end of the year	<u>964,859,177</u>	<u>964,859,177</u>
General Reserve at the beginning of the year	13,400,000	13,400,000
General Reserve at the end of the year	<u>13,400,000</u>	<u>13,400,000</u>
Fair Value Reserve	-	4,354,314
Foreign Currency Translation Reserve	(265,620,306)	(109,890,776)
Profit and Loss Account	1,085,192,013	750,953,822
	<u>1,797,830,884</u>	<u>1,623,676,537</u>
Schedule 3		
SECURED LOANS		
Loans from Banks (Refer Note 3 to Schedule 18)		
Term Loans	1,334,378,847	1,236,596,251
(Amount repayable within one year ₹ 214,085,190 (Previous year ₹ 84,664,578))		
Buyers Credit	443,311,546	725,211,319
(Amount repayable within one year ₹ 264,737,680 (Previous year ₹ 257,547,142))		

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

Particulars	31.03.2010 Rupees	31.03.2009 Rupees
Schedule 3 (Contd.)		
Cash Credit/Over Draft	295,716,154	499,863,627
Short Term Demand Loan	250,000,000	25,000,000
Other Secured Liability	-	20,236,276
Hire Purchase Obligation	135,014,025	48,376,014
Loans from Others		
Vehicle Finance	13,235,410	27,721,994
(Amount repayable within one year ₹ 4,733,070 (Previous year ₹ 5,832,534))		
	<u>2,471,655,982</u>	<u>2,583,005,481</u>
Schedule 4		
UNSECURED LOANS		
Zero Coupon Foreign Currency Convertible Bonds (Refer Note 14 to Schedule 18)	2,162,696,800	2,162,696,800
550 (Previous year 550) Bonds @ \$ 100,000 each		
aggregating to \$ 55,000,000 (Previous year \$ 55,000,000)		
	<u>2,162,696,800</u>	<u>2,162,696,800</u>
Schedule 5		
DEFERRED TAX LIABILITY		
Difference in depreciation and other differences in block of assets as per tax books and financial books	177,715,266	178,699,302
Gross Deferred Tax Liability	<u>177,715,266</u>	<u>178,699,302</u>
DEFERRED TAX ASSET		
Unabsorbed Depreciation	-	5,255,112
Provision for Doubtful Debts	10,536,900	-
Differences due to accelerated amortisation of intangibles under Income Tax Act	140,611	187,481
Difference on Derivative Losses	-	7,321,123
Share Issue Expenses	1,801,126	3,602,253
Gross Deferred Tax Asset	<u>12,478,637</u>	<u>16,365,969</u>
Net Deferred Tax Liability	<u>165,236,629</u>	<u>162,333,333</u>

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

Schedule 6 FIXED ASSETS

Rupees

Description of asset	Gross Block						Depreciation						For the Year	Net Block	
	As on 01.04.2009	Consolidation Adjustments	Additions on Acquisition	Additions	Deductions	As on 31.03.2010	As on 01.04.2009	Consolidation Adjustments	Depreciation on Assets taken over	Adjustments	Deductions			As on 31.03.2010	As on 31.03.2009
(A) TANGIBLE ASSETS															
Land and Building	1,625,910,498	(143,538,527)	-	367,624	-	1,482,739,595	224,094,817	(2,602,658)	-	(1,911,302)	-	20,844,302	240,425,159	1,242,314,436	1,401,815,679
Leasehold Improvement	197,300,514	(41,628,865)	-	14,469,960	60,640,485	109,501,124	147,072,576	(27,754,465)	-	(3,190,072)	59,892,283	32,934,134	89,169,890	20,331,234	50,227,938
Plant & Machinery	4,354,968,704	(201,449,909)	-	572,091,436	456,731,858	4,268,878,373	2,103,497,176	(134,302,449)	-	(14,849,648)	213,154,068	332,614,302	2,073,805,314	2,195,073,057	2,251,471,528
Furniture & Fixtures	503,350,292	(28,320,453)	-	11,266,641	201,845,936	284,450,544	305,150,967	(20,466,408)	-	(1,514,038)	137,791,609	24,168,181	169,547,094	114,903,451	198,199,325
Office Equipments	20,080,756	197,709	-	5,490,790	18,000	25,751,255	7,515,768	118,949	-	(38,459)	-	3,289,354	10,885,613	14,865,643	12,564,988
Vehicles	41,360,046	(471,147)	-	6,064,028	47,458	46,905,469	8,183,001	(212,076)	-	(73,367)	23,619	4,195,598	12,069,537	34,835,932	33,177,046
Total (A)	6,742,970,810	(415,211,192)	-	609,750,479	719,283,737	6,218,226,360	2,795,514,305	(185,219,107)	-	(21,576,884)	410,861,578	418,045,871	2,595,902,607	3,622,323,753	3,947,456,505
(B) INTANGIBLE ASSETS															
Goodwill	134,244,910	(7,902,082)	-	13,930,622	14,696,255	125,577,195	5,320,000	-	-	-	-	-	5,320,000	120,257,195	128,924,910
Goodwill on Consolidation	398,130,433	(16,926,569)	-	96,448,882	-	477,652,745	-	-	-	-	-	-	-	477,652,745	398,130,433
Rights	30,000,000	-	-	515,172,721	-	545,172,721	-	-	-	-	-	-	-	545,172,721	30,000,000
Software	34,211,942	1,407,471	-	33,844,642	4,530,327	64,933,729	9,845,413	614,615	-	(328,958)	3,659,936	7,823,389	14,294,520	50,639,209	24,366,530
Total (B)	596,587,285	(23,421,180)	-	659,396,866	19,226,581	1,213,336,390	15,165,413	614,614	-	(328,960)	3,659,936	7,823,389	19,614,520	1,193,721,870	581,421,872
Total (A + B)	7,339,558,095	(438,632,371)	-	1,269,147,346	738,510,319	7,431,562,750	2,810,679,718	(184,604,492)	-	(21,905,844)	414,521,514	425,869,260	2,615,517,127	4,816,045,623	4,528,878,377
Previous Year	4,761,782,170	(262,061,199)	2,945,030,262	1,146,756,822	1,251,949,961	7,339,558,094	2,346,616,836	(164,804,823)	1,082,289,816	(9,159,506)	832,517,457	388,254,852	2,810,679,717	4,528,878,377	
Capital Work In Progress *	-	-	-	-	-	-	-	-	-	-	-	-	-	740,637,013	452,082,634

* Note:- Borrowing Cost included in Capital Work In Progress - ₹ 93,764,502 (Previous year ₹ 48,836,235)

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

Particulars	31.03.2010 Rupees	31.03.2009 Rupees
Schedule 7		
INVESTMENTS		
Other than trade		
Unquoted - fully paid up		
The Shamrao Vithal Co-operative Bank Ltd.	100,000	100,000
4,000 (Previous year : 4,000) shares of Rs 25/- each		
Mainframe Premises Co-Operative Society Ltd.	3,500	-
Current Investments (at lower of cost and market value)		
Other than Trade Quoted		
Cinemax India Ltd.	413,567	413,567
9,172 (Previous year : 9,172) equity shares of ₹ 10/- each		
Market Value ₹ 584,129 (Previous year ₹ 413,567)		
Conexion Media Group Plc	1,494,042	12,096,119
1,750,000 (Previous year: 1,750,000) Ordinary shares of £ 1 each		
Market Value ₹ 1,494,042 (£ 21,875) (Previous year: ₹ 12,096,119 (£ 166,250))		
Other Investments		
DSP Merrill Lynch - Principal Protected Debenture	-	5,000,000
Nil (Previous year : 5) Units of ₹ 1,000,000 each		
	2,011,109	17,609,686
Aggregate amount of quoted Investments	1,907,609	12,509,686
Market Value ₹ 1,907,609 (Previous year ₹ 12,509,686)		
Aggregate amount of Unquoted Investments	103,500	5,100,000
Schedule 8		
SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	191,965,877	290,887,332
Considered Doubtful	31,000,000	16,921,536
	222,965,877	307,808,868
Other debts		
Unsecured, considered good	1,038,472,714	741,726,985
	1,261,438,591	1,049,535,853
Less: Provision for Doubtful Debts	31,000,000	16,921,515
	1,230,438,591	1,032,614,338

Included in Sundry Debtors are :

- i. Service Tax amount of ₹ 80,836,752 (Previous year: ₹ 69,619,181), which is payable upon collection

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

Particulars	31.03.2010 Rupees	31.03.2009 Rupees
Schedule 9		
CASH AND BANK BALANCES		
Cash on hand	2,038,594	1,371,905
Balances with Scheduled banks		
In Current Accounts	92,006,090	376,643,223
In Fixed Deposit Accounts (Refer Note below)	118,321,019	235,570,950
	<u>212,365,703</u>	<u>613,586,078</u>
Note :		
i. As margin for Letter of Credit / Buyers Credit - ₹ 42,831,484 (Previous year ₹ 192,293,449)		
ii. Lien on Fixed Deposit against Bank Guarantee availed - ₹ 33,369,679 (Previous year - ₹ 36,507,145)		
iii. As margin for Term Loan - ₹ 37,500,000 (Previous year - ₹ Nil)		
iv. Accrued interest on Fixed Deposits - ₹ 1,026,667 (Previous year - ₹ 3,711,186)		
Schedule 10		
LOANS AND ADVANCES		
Unsecured - considered good		
Advances recoverable in Cash or in Kind or for value to be received	350,464,779	493,827,156
Deposits	82,240,303	87,413,599
Inter Company Deposits	94,934,931	90,422,602
Interest Receivable	-	1,183,166
MAT Credit Entitlement	136,108	24,986,602
Advance Payment of Taxes	370,605,282	153,125,509
(Net of Provision for Tax - ₹ 90,011,398 (Previous year ₹ 169,829,366))		
	<u>898,381,403</u>	<u>850,958,634</u>
Schedule 11		
CURRENT LIABILITIES		
Sundry creditors		
Total Outstanding dues to Micro and Small Enterprises (Refer Note 4 to Schedule 18)	-	-
Dues of creditors other than Micro and Small Enterprises	586,904,055	249,315,409
Other Liabilities	230,089,321	360,838,614

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

Particulars	31.03.2010 Rupees	31.03.2009 Rupees
Schedule 11 (Contd.)		
Bank Book Overdraft	2,894,405	980,246
Deferred Revenue Income	61,856,368	60,065,106
Owed to Group Company	22,337	-
Interest Accrued but not due	8,746,294	10,698,742
Advances from Customers	148,622,199	34,705,950
Unclaimed Dividend *	14,835	14,883
	1,039,149,814	716,618,950

* Note: Appropriate amount shall be transferred to "Investor Education and Protection Fund" if and when due.

Schedule 12 PROVISIONS

Provision for Gratuity (Refer Note 12(a) to Schedule 18)	1,499,406	1,224,852
	1,499,406	1,224,852
Provision for Undertaking		
Beginning of the year	-	20,708,650
Add : Provision for the year	-	-
Less : Settled during the year	-	20,708,650
End of the year	-	-
	1,499,406	1,224,852

Schedule 13

MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

Preliminary expenses	682,446	-
As per last balance sheet	-	-
Add: incurred during the year	-	682,446
	682,446	682,446

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

Particulars	31.03.2010 Rupees	31.03.2009 Rupees
Schedule 14		
OTHER INCOME		
Dividend	26,381	29,133
Interest Income		
Bank Deposits (TDS - ₹ 2,030,697, Previous year - ₹ 2,856,674)	30,030,694	20,481,880
Others (TDS - ₹ Nil , Previous year - ₹ Nil)	12,818,796	4,844,690
Profit / (Loss) on Sale of Investment	2,025,000	3,398,268
Profit / (Loss) on Sale of Asset	6,307,059	39,061,544
Exchange Gain (net)	18,732,883	38,751,861
Undertaking Fee (Refer Note 6 to Schedule 18)	11,310,427	8,570,928
Excess Provision Write Back	1,934,892	1,589,359
Insurance Claim Received	-	6,370,250
Miscellaneous Income (Refer Note 15 to Schedule 18)	4,698,778	3,684,339
	87,884,910	126,782,252

Schedule 15 **OPERATING AND OTHER EXPENSES**

Personnel Expenses		
Salaries, Staff Remuneration and Bonus	1,025,418,109	1,023,256,908
Contribution to Provident and Other Fund (Refer Note 12(b) to Schedule 18)	60,815,182	71,031,362
Gratuity (Refer Note 12(a) to Schedule 18)	274,554	1,224,852
Staff Welfare	10,606,724	14,478,080
Technician Fees	903,419,395	892,247,245
Technical Services Payments	385,383,863	125,111,783
Communication Cost	35,207,717	35,811,100
Consumables Stores	83,287,000	72,563,472
Director's Sitting Fees	180,000	320,000
Electricity Charges	93,177,525	101,284,215
Insurance Cost	48,379,569	49,241,761
Legal and Professional Fees	41,513,492	41,513,997
Loss on sale of Assets (net)	13,000	-
Rates and Taxes	14,671,016	18,529,271

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

Particulars	31.03.2010 Rupees	31.03.2009 Rupees
Schedule 15 (Contd.)		
Rebates and Discount	24,668,323	8,955,973
Rent	176,176,256	210,603,967
Traveling and Conveyance	85,245,210	68,727,838
Miscellaneous Expenses	157,751,764	126,013,060
Repairs & Maintenance		
Repairs and Maintenance-Equipment	58,425,010	58,452,942
Repairs and Maintenance-Studio/Office Premises	4,806,969	4,391,527
Bad Debts Written Off	80,496,939	64,363,841
Provision for Doubtful Debts	31,273,890	6,277,465
Auditor's Remuneration		
Audit Fees	9,716,853	7,837,161
Other Matters	500,000	511,248
	<u>3,331,408,360</u>	<u>3,002,749,068</u>
Schedule 16		
EXCEPTIONAL ITEM		
(Refer Note 16 to Schedule 18)		
VAT Claim	(33893556)	(122,180,287)
Liquidation Income	(111,885,626)	-
Share Based Payments	7,209,406	-
Goodwill W/off	19,304,211	-
Damages for Loss of Employment	201,146	-
Legal Fees	101,420,522	-
(Write Back) / Written off during the year	155,024,317	54,709,259
	<u>137,380,420</u>	<u>(67,471,028)</u>
Schedule 17		
FINANCIAL EXPENSES		
Interest on Bank Overdraft	68,998,121	54,683,352
Interest on Term Loan	90,658,752	59,068,908
Interest on Buyer's Credit	36,373,261	61,996,379
Interest on Others	7,313,380	23,818,837
Bank Charges	14,996,379	10,454,939
	<u>218,339,893</u>	<u>210,022,415</u>

CONSOLIDATED NOTES TO ACCOUNTS

Schedule 18 - Notes to Accounts

1. Nature of Operations:

Prime Focus Limited and its subsidiaries are engaged in the business of Post Production and Visual Effects services for Films and Television content.

2. Statement of Significant Accounting Policies:

a. Basis of Preparation

The financial statements have been prepared to comply in all material respects in respects with the Notified Accounting Standards by Companies Accounting Standards Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Group and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

The financial statements of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the holding company namely March 31, 2010. The financial statements are presented in the general format specified in Schedule VI to the Act.

b. Principles of Consolidation

The consolidated financial statements include the financial statements of Prime Focus Limited ('the Company') and all its subsidiaries (collectively referred to as 'the Group'), which are more than 50% owned or controlled and have been prepared in accordance with the consolidation procedures laid down in Accounting Standard 21- 'Consolidated Financial Statements' and AS 23, 'Accounting for Investments in Associates in Consolidated Financial Statements', notified by Companies (Accounting Standards) Rules, 2006 (as amended).

The Consolidated financial statements have been prepared on the following basis:

- i. The financial statements of the parent and the subsidiary have been combined on a line-by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting profits in full. An unrealised loss resulting from intra-group transactions has also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the Group.
- ii. The Assets & Liabilities of non-integral Subsidiaries are translated into Indian Rupees at the rate of exchange prevailing as of the Balance Sheet date. Revenue and Expenses are translated into Indian Rupees at an average closing rate.

CONSOLIDATED NOTES TO ACCOUNTS

- iii. The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent for its separate financial statements. However, as these financial statements are not statutory financial statements, full compliance with the Act are not required and hence these financial statements do not reflect all the disclosure requirements of the Act.
- iv. The consolidated financial statements are prepared using uniform accounting policies to the extent practicable across the Group. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by Group, except in case of the accounting policies mentioned below, where there exists variance between Parent and the subsidiary:
 - a. Fixed Assets
 - b. Depreciation
 - c. Foreign Currency Translation
 - d. Current Investments
 - e. Goodwill on consolidation
 - f. Intangible Assets
 - g. Revenue Recognition
- v. Goodwill arising on consolidation

The excess of cost to the parent, of its investment in subsidiary over its portion of equity in the subsidiary at the respective dates on which investment in the subsidiary was made, is recognized in the financial statements as goodwill and in the case where equity exceeds the cost; the difference is accounted as capital reserve. The parent's portion of equity in the subsidiary is determined on the basis of the value of assets and liabilities as per the financial statements of the subsidiary as on the date of investment.

However, one of the subsidiary company, Prime Focus London Plc, UK and its subsidiaries ('PF London Group'), Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of PF London Group's share of the net assets / net liabilities of the acquired entity at the date of acquisition. If the cost of acquisition is less than the fair value of the Group's share of the net assets / net liabilities of the acquired entity (ie a discount on acquisition) then the difference is credited to the Income Statement in the period of acquisition.

Goodwill of PF London Group is ₹ 120,257,195/- (Previous year ₹ 139,981,215/-).

Goodwill arising on consolidation is evaluated for impairment annually.

CONSOLIDATED NOTES TO ACCOUNTS

c. List of subsidiaries which are more than 50% owned or controlled and included in the Consolidated Financials:

Name of Subsidiary	Principal Activity	Country of Incorporation	Percentage of Holding
Prime Focus London Plc.	Post Production and VFX services	England & Wales	59.96%
Prime Focus Investments Ltd.	Media and other Investments	England & Wales	100%
Prime Focus Technologies Pvt. Ltd.	Digital Asset Management	India	51%
Flow Post Solutions Pvt. Ltd.	Post Production services	India	51%
GVS Software Pvt. Ltd.	No activity as of date	India	100%
Prime Focus Motion Pictures Ltd.	No activity as of date	India	100%
Subsidiary undertakings of Prime Focus London Plc.			
Prime Focus Visual Entertainment Services Ltd. (Formerly Blue Post Production Ltd.)	Broadcast Post Production	England & Wales	100%
VTR Media Investments Ltd.	Media Investments	England & Wales	100%
Amazing Spectacles Ltd. (Formerly The Hive Animation Ltd.)	Post Production Service	England & Wales	100%
Clipstream Ltd.	Digital Content Management	England & Wales	100%
Meanwhile Content Ltd. (Formerly United Sound & Vision Ltd.)	Post Production of Television Commercials	England & Wales	100%
Machine Effects Ltd.	Graphics for Feature Films	England & Wales	100%
37 Dean Street Ltd.	Dormant	England & Wales	100%
Associates of Prime Focus London Plc.			
VTR North Ltd.	Post Production of Television Commercials	England & Wales	20%
Busy Buses Ltd.	Dormant	England & Wales	33%
Subsidiary undertakings of Prime Focus Investments Ltd.			
Prime Focus VFX Services I Inc	Post Production and VFX services	Canada	100%
Prime Focus VFX Services II Inc	Post Production and VFX services	Canada	100%

CONSOLIDATED NOTES TO ACCOUNTS

Name of Subsidiary	Principal Activity	Country of Incorporation	Percentage of Holding
Prime Focus VFX Technology Inc	Post Production and VFX services	Canada	100%
Prime Focus VFX Pacific Inc	Post Production and VFX services	Canada	100%
Prime Focus VFX USA Inc	Post Production and VFX services	USA	100%
Prime Focus VFX Australia Pty Ltd	Post Production and VFX services	Australia	100%
Prime Focus North America Inc (formerly Post Logic Studios Inc)	Post Production and VFX services	USA	100%
Subsidiary undertakings of Prime Focus North America Inc.			
1800 Vine Street LLC	NA	USA	100%
Subsidiary undertakings of Prime Focus London Plc. – Liquidated during the year			
PF (Post Production) Ltd.	Post Production	England & Wales	100%
K Post Ltd.	Post Production of Television Commercials	England & Wales	100%
The Machine Room Ltd.	Film Transfer, Video Mastering & DVD	England & Wales	100%
Subsidiary undertakings of Prime Focus London Plc. – Liquidated during the previous year			
Clear (Post Production) Ltd.	Post Production of TV commercials.	England & Wales	100%
Outpost Post Production Ltd.	Post Production of TV commercials	England & Wales	100%

d. Use of Estimates

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

e. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

CONSOLIDATED NOTES TO ACCOUNTS

f. Depreciation

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act, 1956 whichever is higher.

Asset Group	Rates (SLM)	Schedule XIV Rates (SLM)
Land and Building	1.63%	1.63%
Plant & Machinery - Computer Based Assets	16.21%	16.21%
Plant & Machinery - Non Computer Based Assets	7.07% - 14.29%	7.07%
Furniture & Fixtures and Electrical Fittings	10.00%	6.33%
Office Equipments	16.21%	13.91%
Vehicles	9.50%	9.50%

Leasehold improvements are depreciated on a straight line basis over the unexpired period of the lease.

However, one of the subsidiary company, PF London Group, provides depreciation using Written Down Value ('WDV') Method, to write down the cost of fixed assets to their residual values over the estimated useful economic lives at the following rates:

Asset Group	Rates (WDV)
Equipment	13.91%
Fixtures and fittings	18.10%
Motor Vehicle	25.89%

Gross book value of assets of PF London Group is ₹ 1,784,483,060/- (Previous year ₹ 1,680,869,035/-) Net book value of assets is Rs 1,074,547,834/- (Previous year ₹ 700,801,654/-) and depreciation charge for the year is ₹ 92,303,358/- (Previous Year ₹ 98,081,031/-)

Impairment

The carrying amounts of assets are reviewed at each balance sheet date, if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

g. Intangible Assets

Film Rights

The Group amortises film costs using the individual-film-forecast method. Under the individual-film-forecast method, such costs are amortised for each film in the ratio that current period revenue for such films bears to

CONSOLIDATED NOTES TO ACCOUNTS

management's estimate of remaining unrecognised ultimate revenue as at the beginning of the current fiscal year. Management regularly reviews and revises, where necessary, its total estimates on a film-by-film basis, which may result in a change in the rate of amortisation and/or a write down of the intangible asset to fair value. The period of amortisation only starts at the point at which the asset starts to produce economic returns.

However, one of the subsidiary company, PF London amortises film rights on a straight-line basis over their estimated useful lives viz, the life of the contract, approximately three years.

Value of films rights of PF London Group is ₹ 515,172,721/- (Previous Year ₹ Nil)

The Other Intangibles are amortised over a period of ten years, reflecting the fact that the underlying technology will continue to provide benefit in the future.

Software

Software is amortized on straight line basis over its estimate of useful life which is estimated to be six years.

h. Leases

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

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

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

i. Stocks

Stock is included at the lower of cost and net realizable value less any provision for impairment.

j. Investments

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

CONSOLIDATED NOTES TO ACCOUNTS

lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

In case of one of the subsidiary Prime Focus London Plc., quoted investments are revalued at each period end according to the movement in the share price at the time. The change in value of the investment is charged or credited to the fair value reserve in the balance sheet until its disposal or is impaired, at which time the cumulative gain or loss previously recognised in fair value reserve is included in the Profit and Loss Account.

Value of Current Investments of PF London Group is ₹ 1,494,042/- (Previous Year ₹ 2,045,609/-).

k. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Technical services receipts are recognized on the basis of services rendered and when no significant uncertainty exists as to its determination or realization using proportionate completion method.

Unbilled revenue represents revenue recognised based on proportionate completion not yet invoiced to the customers.

Revenue from TV program production services are recognized on delivery of the episodes.

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

In case of PF London Group, interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Interest Income recognised of PF London Group is ₹ Nil (Previous year ₹ Nil).

Dividends are recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised even if same are declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of Schedule VI of the Companies Act, 1956.

Undertaking fees is recognized on accrual basis over the tenure of the undertaking given.

l. Foreign Currency Transactions 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.

CONSOLIDATED NOTES TO ACCOUNTS

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 the fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange Differences

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 recognized as income or as expenses.

Exchange differences, in respect of accounting periods commencing on or after December 7, 2006, arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, and in other cases, are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortized over the balance period of such long-term asset/liability but not beyond accounting period ending on or before March 31, 2011.

Exchange differences arising on the settlement of monetary items not covered above, or on reporting such monetary items of group 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.

However, in case of one of the subsidiary, Prime Focus London Plc, UK, all differences are charged to the profit and loss account. This is in variance with the policy adopted by the Group.

Total Exchange (gain) / loss of PF London Group recognised in Profit and loss account is ₹ 40,206,957/- (Previous Year ₹ Nil). The said exchange loss is included under the head of Exceptional Item.

m. Income Taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

CONSOLIDATED NOTES TO ACCOUNTS

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

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

n. Segment Reporting

The Group's operations predominantly relate to providing end-to-end digital post production services to the media and entertainment industry viz., Films and Television. The Group's operating businesses are organized and managed according to the services and are identified as reportable segment based on the dominant source and nature of risks and returns as primary and secondary segments. The analysis of geographical segments is based on the areas in which major operating divisions of the Group operate.

CONSOLIDATED NOTES TO ACCOUNTS

o. Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

p. Provisions

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

q. Cash & Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, short term investments with original maturity of three months or less and fixed deposits with banks.

r. Derivative Instruments

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

s. Retirement and other Employee Benefits

Post employment benefits and other long term benefits :

Retirement benefits in the form of Provident Fund and Family Pension Fund is a defined contribution scheme and the contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. Liability in respect thereof is determined on the basis of contributions as required under the Statue / Rules. There are no other obligations other than the contribution payable to the respective trusts.

CONSOLIDATED NOTES TO ACCOUNTS

Prime Focus London Plc. and its subsidiaries operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the subsidiary companies in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation done as per Projected Unit Credit method, carried out by an independent actuary at the end of the year.

t. Stock based compensation

PF London Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted.

3. Detail of charges provided for Secured Loans:

Nature	Value	Security
Term Loan	₹ 105,425,687	i. Subservient Charge on the movable Fixed Assets and Receivables of the Company ii. Personal Guarantee of the Promoter Director. iii. Pledge of Shares by Promoters iv. Escrow of rent payment receivable by Promoters.
Term Loan	₹ 179,705,643	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future and Term Deposits. ii. First Charge on the Fixed Assets of the Company, both present and future.(except Royal Palms property) iii. Personal Guarantees of the Promoter Director.
Term Loan	₹ 327,769,660	i. First Charge against the Property Financed & Project Assets. ii. Personal Guarantees of the Promoter Director.
Term Loan	₹ 8,004,302	i. First Charge against the equipment financed.
Buyers Credit	₹ 443,311,546	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future and Term Deposits. ii. First Charge on the Fixed Assets of the Company, both present and future.(except Royal Palms property) iii. Personal Guarantees of the Promoter Director.

CONSOLIDATED NOTES TO ACCOUNTS

Nature	Value	Security
Cash Credit / Over Draft	₹ 173,569,987	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future. ii. First Charge on the Fixed Assets of the Company, both present and future. iii. Personal Guarantees of the Promoter Director.
Cash Credit / Over Draft	₹ 17,693,757	i. First Charge on Current Asset ii. Personal Guarantee of Director. iii. Pledge of shares by Promoters
Short Term Demand Loan	₹ 250,000,000	i. First Charge on Current Asset ii. Personal Guarantee of Director. iii. Pledge of shares by Promoters
Vehicle Loan	₹ 13,235,410	i. First Charge on the Vehicles Financed
Bank Loans of subsidiary (Prime Focus London Plc.)	₹ 145,591,510	i. Secured by a fixed and floating charge over the assets of the Prime Focus London Plc Subsidiaries and PF London Group.
Hire Purchase Creditors (Prime Focus London Plc.)	₹ 133,830,411	i. Secured against respective movable assets.
Term Loan (Subsidiaries of Prime Focus Investments Ltd.)	₹ 567,882,046	i. Secured against property and other equipments.
Cash Credit/ Over Draft (Subsidiaries of Prime Focus Investments Ltd.)	₹ 76,102,554	i. Secured against book debts.
Vehicle Finance (Subsidiaries of Prime Focus Investments Ltd.)	₹ 1,183,615	i. Secured against vehicle financed.

4. The Group does not have suppliers who are registered as micro, small or medium enterprise under the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2009. The information regarding micro, small and medium enterprises has been determined on the basis of information available with the management.

CONSOLIDATED NOTES TO ACCOUNTS

5. Geographical Segment

Although the Group's major operating divisions are managed in India, the following table shows the distribution of the Group's consolidated sales by geographical market, regardless of where the services were provided:

Income from Operations by Geographical Area

In Rupees

	2010	2009
India	857,669,677	889,751,733
United Kingdom	1,560,036,206	1,223,008,867
U.S.	988,846,184	801,985,458
Canada	754,962,320	514,699,429
Other Countries	366,323,188	114,274,401
	4,527,837,574	3,543,719,888

Segment Assets by Geographical Area and additions to Segment Assets

In Rupees

	Segments Assets		Additions to Fixed Assets and intangibles	
	2010	2009	2010	2009
India	3,214,447,884	3,217,051,075	61,882,142	603,028,363
United Kingdom	2,079,149,253	1,451,287,582	602,767,247	91,640,688
U.S.	2,110,050,244	1,957,762,778	516,802,473	35,317,539
Canada	469,581,648	587,125,075	154,620,716	35,411,907
Other Countries	4,172,164	5,615,682	Nil	Nil
	7,877,401,154	7,218,842,192	1,336,072,579	765,398,497

6. During the FY 2008-09 the parent company was allotted 505,050 ordinary shares of 5 pence each in Prime Focus London Plc, a subsidiary of the Group, as fully paid up for consideration other than cash for providing an undertaking on certain future obligations, to the vendors under the Share Purchase Agreement entered by Prime Focus London Plc. to acquire Machine Effects Limited.

The outcome of these obligations is dependent on uncertain future events for which no reliable estimate can be made. Hence no provision is considered necessary (Refer Note No. 11 (ii)).

Subsequent to year end, the parties to whom the undertaking was provided have asked the Group to confirm that it will honor the guarantee provided by the Group. The Group has filed a suit in Mumbai High Court alleging that the terms of the undertaking are not tenable and hence no liability is expected to crystallise on the Group.

7. Related party disclosures:

a. List of related parties with whom transactions have taken place during the year

i) Key Management Personnel

Mr. Naresh Malhotra - Chairman

Mr. Namit Malhotra – Managing Director

CONSOLIDATED NOTES TO ACCOUNTS

ii) Relatives of Key Management Personnel

Ms. Neha Malhotra

Mr. Premnath Malhotra

iii) Enterprises owned or significantly influenced by Key Management Personnel or their relatives

Blooming Bud Coaching Private Limited

Particulars of Related Party Transactions

In Rupees

Sr. No		2010	2009
1	Key Management Personnel*		
a	Remuneration		
	Namit Malhotra	3,000,000	3,000,000
	Naresh Malhotra	3,000,000	3,000,000
		6,000,000	6,000,000
b	Balance Outstanding at the year end – Remuneration Payable		
	Namit Malhotra	168,700	244,800
	Naresh Malhotra	170,147	244,800
		338,847	489,600
2	Relatives of Key Management Personnel		
	Professional Fees		
	Neha Malhotra	Nil	450,000
	Premnath Malhotra	140,000	220,000
		140,000	670,000
3	Enterprises owned or significantly influenced by Key Management Personnel or their relatives		
A	Rent		
i)	Blooming Bud Coaching Private Limited	24,000,000	21,250,000
B	Deposits given		
i)	Blooming Bud Coaching Private Limited	Nil	13,200,000
C	Balance receivable at the year end – Deposits		
i)	Blooming Bud Coaching Private Limited	48,000,000	48,000,000

* Key Management Personnel have given personal guarantee and have pledged part of their share holdings for borrowings obtained by the Company. (Refer note 3 of Schedule 18)

8. Leases:

a. Operating Leases:

The Company has taken the premises on non-cancellable operating lease basis. The tenure of lease is for 60 months and further expandable for 10 years without non cancellation clause on mutual consent with escalation

CONSOLIDATED NOTES TO ACCOUNTS

clause. In case of PF London group the tenure of lease for the premises taken on non-cancellable operating lease ranges from 5 years to 10 years without any escalation clause. Future lease rentals in respect of the said premises taken on non-cancellable operating leases are as follows:

In Rupees

	2010	2009
Lease Payments due within one year	74,453,081	78,052,619
Lease Payments due later than one but not later than five years	291,311,734	274,815,133
Lease Payments due later than five years	172,694,224	249,125,533

The Company has taken certain premises on cancellable operating lease basis. The tenure of the lease ranges from 11 to 180 months.

Amount of lease rental charged to the Profit and loss account in respect of operating leases is ₹ 176,176,256 (previous year ₹ 210,603,967).

b. Finance Leases:

Plant and Machinery includes machinery obtained on finance lease. The lease term is for 3 years after which the legal title is passed to the lessee. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no subleases.

In Rupees

	2010	2009
Total Lease Payments for the year	30,657,855	8,670,722
Less : amount representing finance charges	7,020,615	1,611,953
Present value of minimum lease payments (Rate of interest: 17% p.a.)	23,637,241	7,058,769
Lease Payments due within one year [Present Value ₹ 26,483,980 as on 31.03.2010 (₹ 26,740,543 as on 31.03.2009)]	30,657,855	34,682,885
Lease Payments due later than one but not later than five years [Present Value ₹ 21,935,894 as on 31.03.2010 (₹ 54,776,846 as on 31.03.2009)]	22,993,391	60,695,048
Lease Payments due later than five years	Nil	Nil

CONSOLIDATED NOTES TO ACCOUNTS

9. Earnings Per Share (EPS):

In Rupees

	2010	2009
Net profit as per consolidated profit and loss account including exceptional items for calculation of basic and diluted EPS	334,238,191	145,837,325
Weighted average number of equity shares in calculating basic EPS	12,822,588	12,739,300
Add : Weighted average number of equity shares which would be issued on conversion of FCCB.	1,952,760	1,562,205
Weighted average number of equity shares in calculating diluted EPS	14,775,348	14,301,505
Basic EPS	30.72	11.45
Diluted EPS	27.39	10.20

10. Capital Commitment

In Rupees

	2010	2009
i. Estimated amount of contracts remaining to be executed on capital account and not provided for:	176,017,943	16,154,431

11. Contingent Liabilities not provided for:

In Rupees

		2010	2009
i.	On account of undertakings given by the Group in favour of Customs authorities at the time of import of capital goods under EPCG Scheme. The Group is confident of meeting its future obligations on such undertakings in the normal course of business.	748,591,339	797,033,046
ii.	On account of undertakings given on future probable obligation on behalf of subsidiary company in the course of acquisitions made by Prime Focus London Plc. to vendors of Machine Effects Ltd. U.K.	61,080,721	69,357,145
iii.	Matters pending with Tax Authorities (Block Assessment). The Group has been advised that it has a valid case based on similar decided matters.	112,684	1,046,969
iv.	Company has made payment of taxes under protest towards addition made by the tax authorities for the AY 2007-08. Company has gone for an appeal to CIT (Appeals)	5,271,860	Nil
v.	Premium on conversion of FCCB	420,381,905	269,140,513

CONSOLIDATED NOTES TO ACCOUNTS

12. Gratuity and other post-employment benefit plans:

a. Define benefit plans:

The parent company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

Particulars	March 31, 2010 Amount in ₹	March 31, 2009 Amount in ₹
Current service cost	736,074	549,095
Interest cost on benefit obligation	88,726	68,227
Expected return on plan assets	Nil	Nil
Net actuarial (gain) / loss recognised in the year	(540,246)	223,785
Past service cost	Nil	383,745
Net benefit expense	274,454	1,224,852
Actual return on plan assets	Not Applicable	Not Applicable

Balance sheet

Details of Provision for gratuity

Particulars	March 31, 2010 Amount in ₹	March 31, 2009 Amount in ₹
Defined benefit obligation	1,499,406	1,224,852
Fair value of plan assets	Nil	Nil
Amount recognised in the balance sheet	1,499,406	1,224,852

Changes in the present value of the defined benefit obligation are as follows:

Particulars	March 31, 2010 Amount in ₹	March 31, 2009 Amount in ₹
Opening defined benefit obligation	1,224,852	383,745
Interest cost	88,726	68,227
Current service cost	736,074	549,095
Benefits paid	Nil	Nil
Actuarial (gains) / losses on obligation	(540,246)	223,785
Closing defined benefit obligation	1,499,406	1,224,852

Changes in the fair value of plan assets are as follows:

The parent company does not fund the gratuity nor it has plans presently to contribute in the next year and hence the disclosure relating to fair value of plan assets is not applicable.

CONSOLIDATED NOTES TO ACCOUNTS

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

	March 31, 2010 %	March 31, 2009 %
Discount rate	7.75%	7.75%
Expected rate of return on assets	Not Applicable	Not Applicable
Employee turnover	2 %	2 %

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current and previous year are as follows: [AS15 Para 120(n)]

Particulars	March 31, 2010 Amount in ₹	March 31, 2009 Amount in ₹
Defined benefit obligation	1,499,406	1,224,852
Plan assets	Nil	Nil
Surplus / (deficit)	(1,499,406)	(1,224,852)
Experience adjustment on plan liabilities (gain) / loss	(320,360)	Nil
Experience adjustment on plan assets	Nil	Nil

b. Defined Contributing Plan:

Amount recognized as an expense and included in Schedule – 15 as Contribution to Provident and Other Fund ₹ 60,815,182 (Previous Year – ₹ 71,031,362)

13. Derivative Instruments and Unhedged Foreign Currency Exposure:

In Rupees

	Value (March 31, 2010)	Value (March 31, 2009)	Purpose
Particulars of Derivatives			
Currency Swap USD – JPY	Nil	\$ 1,529,000 (¥ 191,125,000)	Hedge against exposure to foreign currency fluctuations.
Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet Date			
Buyer's Credit (Liability)	439,771,909 (\$ 9,777,138 @ Closing Rate of \$ 1 = ₹ 44.98)	608,982,313 (\$ 11,968,992 @ Closing Rate of \$ 1 = ₹ 50.88)	For import of equipments
	3,539,637 (€ 58,175 @ Closing Rate of € 1 = ₹ 60.84)	38,443,998 (€ 569,873 @ Closing Rate of € 1 = ₹ 67.46)	For import of equipments
Zero Coupon Foreign Currency Convertible Bonds (Liability)	2,162,696,800 (\$ 55,000,000)	2,162,696,800 (\$ 55,000,000)	For strategic acquisitions and / or strategic alliances outside of India

CONSOLIDATED NOTES TO ACCOUNTS

14. Foreign Currency Convertible Bonds (FCCB):

- a. On December 12, 2007, the Group issued 550 Foreign Currency Convertible Bonds (FCCB's) of a face value of US\$ 100,000 each, aggregating to US\$ 55.00 million (equivalent – ₹ 2,162,696,800). The net proceeds from the issue of the Bonds are to be used for strategic acquisitions and/or strategic alliances outside of India, for investment into wholly owned subsidiaries and/or joint ventures outside of India, for announced and future acquisitions, for foreign currency capital expenditure or for any other use, as may be permitted under applicable laws or regulations from time to time.
- b. As per the terms of the issue, the holders have an option to convert FCCB into Equity Shares at an initial conversion rate of ₹ 1,386.79 per equity share at a fixed exchange rate of ₹ 39.39 per \$ subject to certain adjustments as per the terms of the issue. In terms of condition of issue, the conversion price has been reset to ₹ 1,109 per equity share. Further, under certain conditions, the Group has the option to redeem the bonds on or after December 12, 2010. Unless previously converted or redeemed or purchased and cancelled, the Group will redeem these bonds, at 143.66% at the end of the five years from the date of issue i.e. on December 13, 2012. As at March 31, 2010, no bonds have been converted into equity shares of ₹ 10 each and the entire balance of 550 bonds have been included and disclosed in the Schedule of "Unsecured Loans".
- c. The FCCB's as detailed above are compound instruments with an option of conversion into specified number of shares and an underlying foreign currency liability with the redemption at a premium in the event of non conversion at the end of the period. The bonds are redeemable only if there is no conversion of bonds earlier. The payment of premium on redemption is contingent in nature, the outcome of which is dependent on uncertain future events. Hence no provision is considered necessary nor has been made in the accounts in respect of such premium amounting to ₹ 420,381,905 (Previous Year ₹ 269,140,619). However, in the event of redemption, the premium payable would be adjusted against the balance in the Securities Premium Account.
- d. The management is of the opinion that the bonds are a non monetary liability and hence, the exchange gain/loss on translation of FCCB liability in the event of redemption have not been recognized.
- e. Had the Company revalued the bonds as at March 31, 2010 considering it as a long term monetary liability, the profit for the year ended March 31, 2010 would have been lower by ₹ 46,124,146 (Previous Year: ₹ 208,362,046). The reserves as on that date would have been lower by ₹ 265,060,354 (Previous Year : ₹ 218,936,208) and foreign currency monetary item would have been ₹ 46,124,146 (Previous Year: ₹ 416,724,092).

15. Miscellaneous Income:

As the Company is engaged in providing post production services, net income of ₹ 1,955,719 (Previous Year ₹ 952,076) from production of TV Programme [gross ₹ 27,096,993 (Previous Year ₹ 11,550,000) less: direct cost of ₹ 25,141,274 (Previous Year ₹ 10,597,924)] is disclosed under other income as Miscellaneous Income. The revenue

CONSOLIDATED NOTES TO ACCOUNTS

of the Group for the year (including revenue from TV production income) is ₹ 4,554,934,567/- (Previous year ₹ 3,555,269,888/-).

16. Exceptional Items:

During the previous year, there were two judgments by the High Court of Justice in London. Under these rulings the Court had approved reclaiming VAT on several expenses (like staff entertainment and subsistence, stock exchange listing costs, petty cash expenses, etc.) which were excluded previously.

Based on the same and as advised by accountancy experts, Prime Focus London Plc. and its subsidiaries have filed for VAT refund for the current year also and has recognised ₹ 33,893,556/- (£ 448,184) as an exceptional income for the year ended March 31, 2010.

During the year, Prime Focus London Plc. has liquidated 3 of its subsidiaries named 'PF (Post Production) Limited', 'K Post Limited' and 'The Machine Room Limited' as per the restructuring plan. On liquidation of the above subsidiaries, Prime Focus London Plc. has booked an exception income of ₹ 111,885,626/- (£ 1,479,495) relating to excess liabilities not payable by the Group.

In addition to the above Prime Focus London Plc. has also booked an exceptional expense towards write off on account of old unrecoverable balances amounting to ₹ 114,817,349 (£ 1,518,262), License fee cost paid towards use of View D software amounting to ₹ 101,420,522/- (£ 1,341,112) and Foreign exchange loss of ₹ 40,206,967/- (£ 531,668) towards revaluation of \$ 6 million loan with Standard Chartered. In addition to above, PF London has also booked expense towards share based payments of ₹ 7,209,406 (£ 95,332), goodwill/ branding written off of ₹ 19,304,211 (£ 255,265).

17. No amortization has been done for Film Rights in the current year as the rights are not exercisable in the current year. Since the rights of parent Company are available for a period of more than 10 years the useful life of the rights in parent company is considered to be more than 10 years.
18. During the year Prime Focus London Plc., one of the subsidiary has implemented a stock option scheme for all employees of PF London Group who participated in a salary reduction scheme. Pursuant to ESOP Scheme approved by the members of PF London Group On September 30, 2009, Board of Directors and had approved stock option scheme to grant up to 1,236,965 share. The options were granted on October 1, 2009. The options have vesting period of one year and can be exercised up to a period of 10 years and are subject to continuing employment with PF London group. The employees pays the exercise price upon exercise of option. The Consolidated Income statement charged for the year recognised in respect of equity-settled, share based payment is ₹ 7,209,406 (£ 95,332) [Previous year ₹ Nil (£ Nil)]. There were no stock options outstanding at the beginning of the year. During the year Prime Focus London Plc. granted 1,185,911 options with a weighted average exercise price of 7 Pence per option. There were no options forfeited during the year. There were no options exercised during the year. The options outstanding as at March 31, 2010 was 1,185,911 at the weighted average exercise price of 7 Pence per option.

CONSOLIDATED NOTES TO ACCOUNTS

The fair value of share options is estimated at the date of grant using the Black-Scholes option pricing model. The following table gives the assumptions applied to the options granted in the respective periods shown.

	2010	2009
Expected dividend yield	0%	-
Expected volatility	36%	-
Risk-free interest rate	4.5%	-
Expected life of options	5 years	-
Weighted average fair value of options granted (pence)	16.08	-
Probability of forfeiture	0%	-
Share price (pence)	21.5	-
Weighted average exercise price (pence)	7	-

19. Deferred Tax Assets

Deferred tax asset has arisen mainly due to brought forward losses of two of the subsidiaries of the Group, Prime Focus London Plc and its Subsidiaries ('PF London Group') and Prime Focus Investments Limited and its subsidiaries ('PFIL Group'). Both PF London Group and PFIL Group has recorded Profit of ₹ 158,920,303/- (before Minority Interest) and ₹ 106,799,015/- respectively in year ended March 31, 2010. Also, they have recorded profits till August 2010. They have received confirmed order to be executed in the period April 2010 to November 2010. Considering the confirmed orders on hand, performance achieved till date and projected revenue, management believes it will generate taxable profits to set-off the unabsorbed depreciation and carry-forward losses and other timing differences resulting into deferred tax assets. Hence, both these Companies has recognised deferred tax asset as at March 31, 2010 on carry-forward losses and unabsorbed depreciation.

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

The Schedules Referred to notes to accounts form an integral part of the Balance Sheet and Profit and Loss Account

As per our report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Associates

Firm Registration No. 101049W

Chartered Accountants

Per Govind Ahuja
(Partner)
Membership No. 48966

Naresh Malhotra
(Chairman)

Namit Malhotra
(Managing Director)

Vicky Kundaliya
(Company Secretary)

Place : Mumbai
Date : August 27, 2010

NOTES

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper has a slight shadow on its right side, suggesting it's resting on a surface.

NOTES

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

DISCLAIMER

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future perform-

ance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.



www.primefocusworld.com