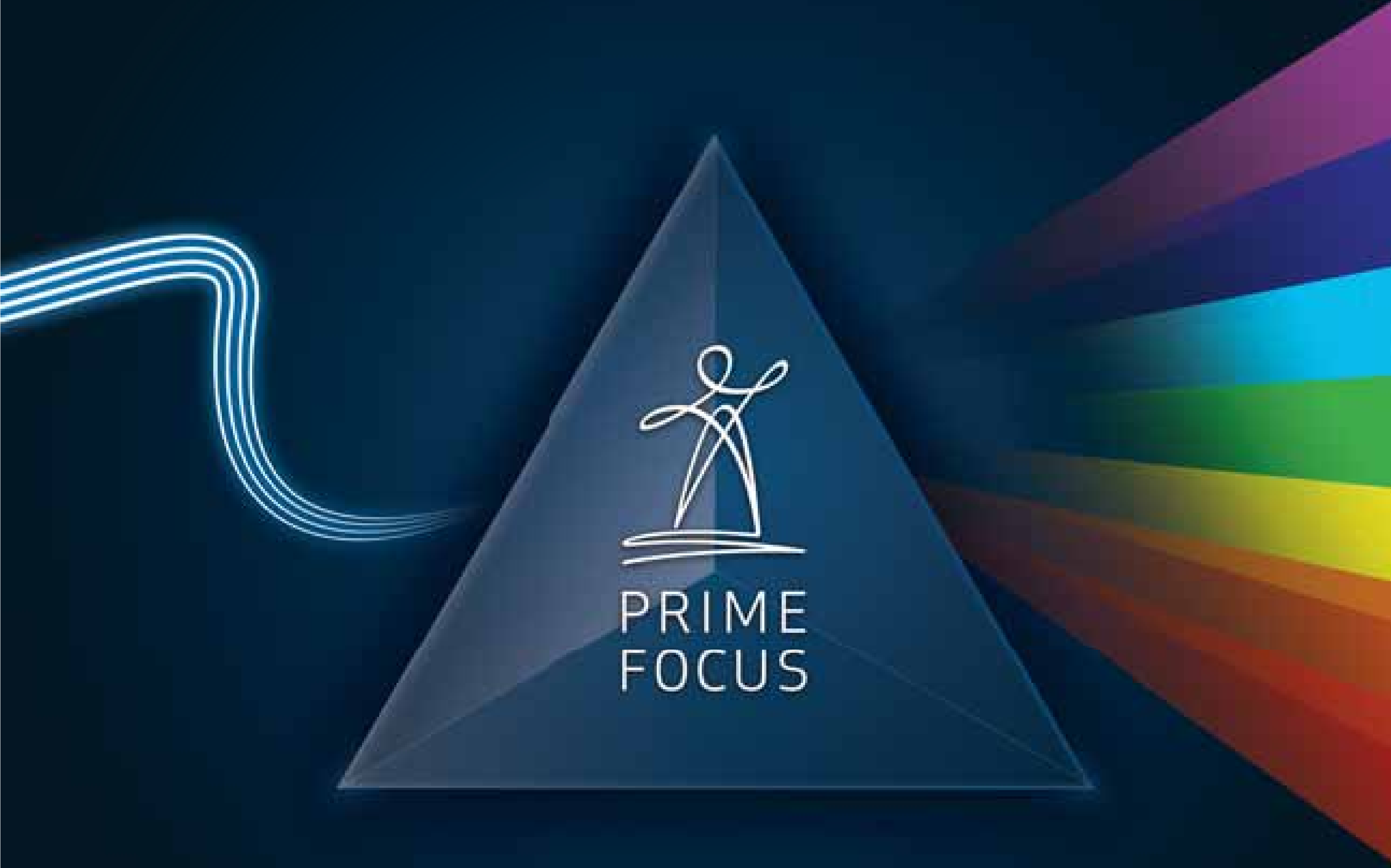
PRIME FOCUS LIMITED
ANNUAL REPORT 2011-12



A COMPLETE SPECTRUM OF CREATIVE AND TECHNICAL SERVICES


5
FINAL DESTINATION
StarPlusHD
रिश्ता वही, सोच नई
ROCKSTAR
STAR WARS
EPISODE I

CONTENTS


AGENT VINOD
THE GODS NEED A HERO
IMMORTALS

Introduction

'Harry Potter and the Deathly Hallows'. 'Star Wars: Episode I – The Phantom Menace'. 'Ra.One'. 'Wrath of the Titans'.

Imagine these blockbuster movies without the mind-boggling visual effects and computer animation; without the immersive 3D experience.

You can't?

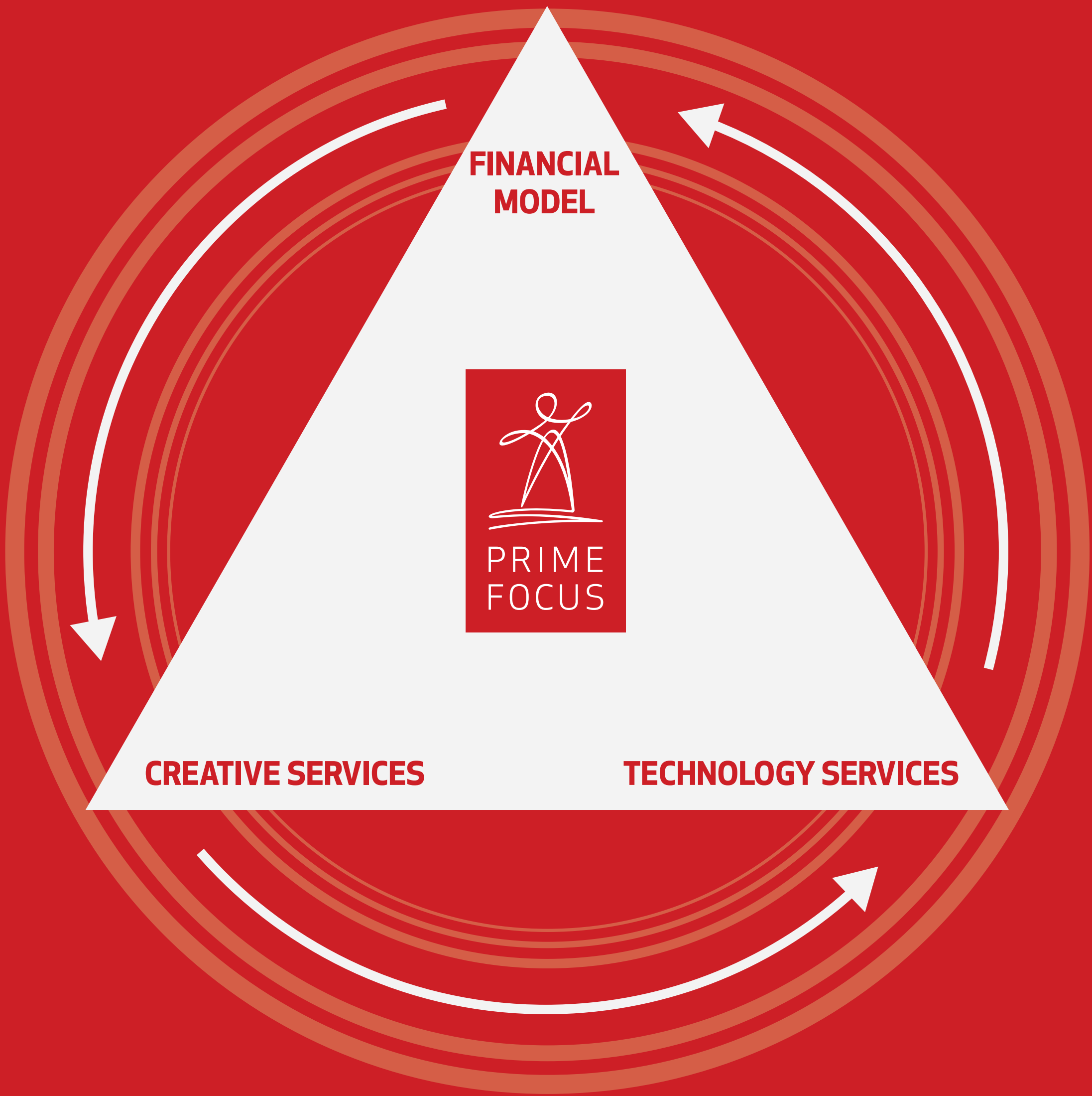
An integral part of the box office success of these multi-million dollar global franchises – and increasingly an essential storytelling tool for filmmakers – creative processes such as visual effects, animation and 3D magically transform the visual entertainment experience, transporting the audience to new worlds and creating new visual experiences.

Prime Focus is at the forefront of this revolutionary visual experience, pioneering in a global industry where CREATIVITY and TECHNOLOGY converge.

Because in this industry, technology is essential to the realization of creativity. Technology connects our global studios. Technology allows our artists to create and collaborate across continents and time zones. Technology helps us to deliver thousands of intricate and detailed shots on-time and on-budget.

Technology is also a key strand of our global business. Our proprietary cloud technology platform CLEAR™ is recognised as one of the best in the world, winning international awards and being deployed by organisations such as STAR India, Associated Press and Sony Music to take their operations into the cloud.

It is this SEAMLESS BLENDING OF CREATIVITY WITH APPLIED TECHNOLOGY AND A HIGHLY DIFFERENTIATED BUSINESS MODEL that has allowed Prime Focus to make significant in-roads into HOLLYWOOD, and become an important contributor in this established market. It is this UNIQUE ADVANTAGE that is the engine of strong future growth at PRIME FOCUS.


FINANCIAL
MODEL
PRIME
FOCUS
CREATIVE SERVICES
TECHNOLOGY SERVICES

Our Experience and Global Reach

Prime Focus provides a complete spectrum of innovative creative and technical services to the Film, Broadcast, Advertising and Media industries. Our end-to-end offering ranges from pre-production to final delivery, including visual effects, creative 3D conversion, animation, video and audio post-production, digital content management and distribution, Digital Intermediate, versioning and adaptation, and equipment rental.

Prime Focus Limited has a highly skilled workforce of 4,200 personnel in India. Worldwide, the group works across 3 continents at 19 facilities. We operate a network that combines global cost advantages, resources and talent pool with strong relationships and a deep understanding of the local markets we operate in. A tailored approach to each project ensures the delivery of a superior level of service aligned with a highly competitive pricing structure.

Leverage global business model

Continue to expand into new services

2012
Prime Focus Animation launched. CLEAR digitizes Associated Press international archive

2011
3D Conversion of Star Wars: Episode I. PFT digitizes and transforms Star TV's content operations through CLEAR

Top-tier global studio customers

Delivered top-tier franchise movies

2010
First Company to convert an entire film - Clash of the Titans - to 3D. CLEAR recognised as 'Best of IBC'

2009
Launch of View-D and CLEAR

Access global markets

Established global VFX capabilities

2007
Entry into US through acquisition of Post Logic and Frantic Films

2006
Entry into UK market via acquisition of AIM Listed company
IPO of Prime Focus Limited on Bombay Stock Exchange and National Stock Exchange of India

2004
First visual effects company in India to operate a motion-control rig

Debt funded

Organic Growth

Fastest growing media services company in India

2003
Offered India's first DI system

2001
Offered India's first scanning and recording system

1997
Prime Focus Ltd. ("PFL") founded by Namit Malhotra in a garage in Mumbai
PFL offered India's first high-end finishing system

The Company has demonstrated strong growth, across new business and geographies over the past 15 years

Our Board

Mr. Naresh Malhotra

Chairman and Whole-Time Director | Age 68

Mr. Naresh Malhotra is the Chairman of our Company. A veteran in the Indian Film and Television industry, he commenced his career as an Associate Director and Controller of Production with the well known director Mr. Ashit Sen, with whom he made several films, including Khamoshi, Safar and Anokhi Raat, before venturing into producing films on his own, making four films including Shahenshah, with Amitabh Bachchan as the lead star.

Mr Malhotra realized early the potential boom in the Indian television industry, setting up India's first digital audio studio and then, in 1990, venturing into the business of providing services for the production of TV programs and ad films by hiring out video equipment like cameras, recorders and monitors to various Satellite Channels, Production houses and Ad filmmakers. He was instrumental to the launch of Prime Focus in 1997.

Mr. Ramakrishnan Sankaranarayanan

Managing Director | Age 41

Mr. Ramakrishnan Sankaranarayanan is the Managing Director of our Company. He has over 17 years of rich experience performing technical, strategy, customer service, marketing, sales and general management roles in the IT industry. He has specific experience in deployment of technology within the Media & Entertainment sector. He holds a Bachelors Degree in Engineering from B.I.T.S Pilani, India and a MBA degree from S. P Jain Institute of Management & Research, Mumbai, India.

Mr. Rakesh Jhunjhunwala

Non-Executive Director | Age 52

Mr. Rakesh R. Jhunjhunwala is one of the best known equity investors in India. He belongs to a class of investor who has created wealth through careful stock selection, patience and conviction. Among India's most successful investors, Mr. Rakesh Jhunjhunwala is perhaps one of the few who has shared his insight into successful investing with the people at large through his articles, interviews and presentations. He is a Chartered Accountant and his passion for stocks compelled him to opt for a career in investment.

Mr. Kodi Raghavan Srinivasan

Independent and Non-Executive Director | Age 45

Mr. Kodi Srinivasan is a Professional Director. A Chartered Accountant and a Cost Accountant, he has extensive experience in the fields of Internal, Statutory and Management audits, corporate laws, taxation laws, financial consultancy, and Costing and Management Information services. He is associated with our Company in a financial advisory position.

Mr. Rivkaran Chadha

Independent and Non- Executive Director | Age 36

Mr. Rivkaran Chadha is an MBA in finance from Cardiff University, England and Wales. A successful businessman, he provides valuable inputs in the framing and implementation of financial strategies for our Company.

Mr. Padmanabha Gopal Aiyar

Independent and Non- Executive Director | Age 75

Mr. Padmanabha Gopal Aiyar has been a practicing Advocate at the Bombay High Court for the past 30 years. He has expert knowledge in Civil Law, Company Law and industrial arbitration matters. He is well respected in judicial circles for his sincerity and integrity.

Financial Highlights

Net Profit grew by 30.4% to ₹ 992.5 million compared to ₹ 760.9 million in 2010-11

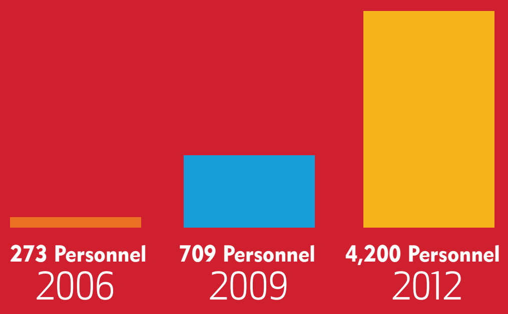
Net Revenues grew by 53.5% to ₹ 7,719.1 million from ₹ 5,029.6 million the previous year

EBITDA increased by 32.5% to ₹ 2,214.3 million from ₹ 1,670.8 million in 2010-11

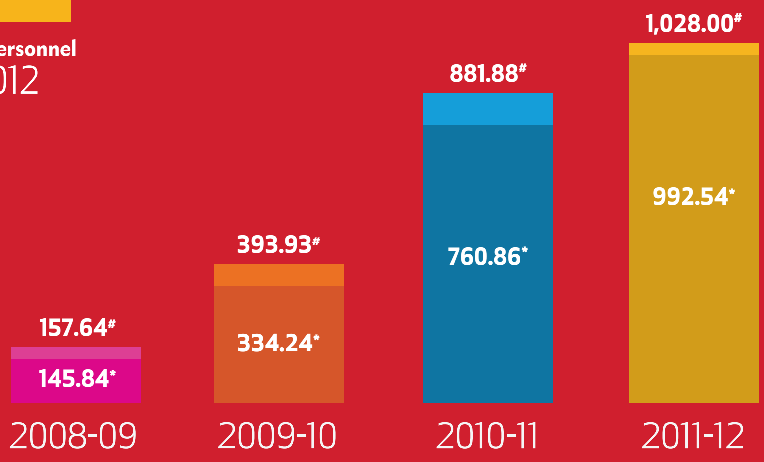
(excluding other income and exceptional items)

Diluted EPS increased to ₹ 5.89 per share from ₹ 4.86 share in the previous year

Number of Personnel (PFL)

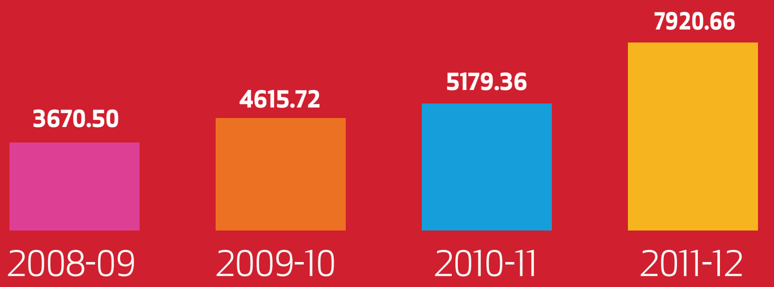


Profit after Tax (₹ million)



#consolidated profit before minority
*consolidated profit after minority

Revenue (₹ million)



Creativity

3D Content Conversion

The global success and appeal of 3D has opened up a whole new genre of content in the visual entertainment space. In 2012 alone, approximately 50 3D films are scheduled for release globally. The growth of 3D is being driven by the rapid increase in the number of 3D Movie Screen Projectors being installed, and by 2013, an estimated 30,000 3D Movie Screen Projectors are expected to be operational globally, compared to just over 2,500 in 2008. The in-home 3D Eco-System is further driving demand for 3D, with sales of 3D television displays expected to cross 100 million units by 2014, and reach almost 200 million by 2016.

The US new 3D release market alone is estimated to be between $248 – 297 million annually, and the near term payback on the cost of converting existing back-catalogue titles provides studios with a compelling argument for revisiting their archives. The US studios own at least 800 titles that have each grossed over $100 million in worldwide box-office since 1995. These titles offer a huge monetisation opportunity, especially after the successful release of 3D converted versions of 'Star Wars: Episode I' and 'Titanic', which also helped to lay to rest any doubts about the quality of 3D conversion. The estimated size of the US back-catalogue blockbuster film market is between $1.8-$3.4 billion.

What makes the 3D conversion opportunity huge is its global appeal, reach and success. In 2011, the total international box office was $22.4 billion, compared to $10.2 billion in the US and Canada. International box office receipts grew by 35% between 2007 and 2011, while in the US, they grew by 6%. Clearly, the worldwide box office potential for 3D /VFX heavy films is significant.

Prime Focus is a market leader in 3D conversion, with an estimated 38% market share in 2011. With its proprietary View-D™ technology, global scale and presence, short time-to-market and global delivery capabilities, Prime Focus offers competitive advantages and execution capabilities that no other Company in the industry can match. As major studios worldwide leverage the global appeal and lightning growth of 3D, Prime Focus is poised to capture an even larger share of this big new opportunity.

Testimonials:

Harry Potter and the Deathly Hallows: Part 2

Warner Bros. Pictures

"Prime Focus delivered on every level and helped make our 3D conversion for 'Harry Potter and the Deathly Hallows: Part 2' all that we could have hoped for and more."

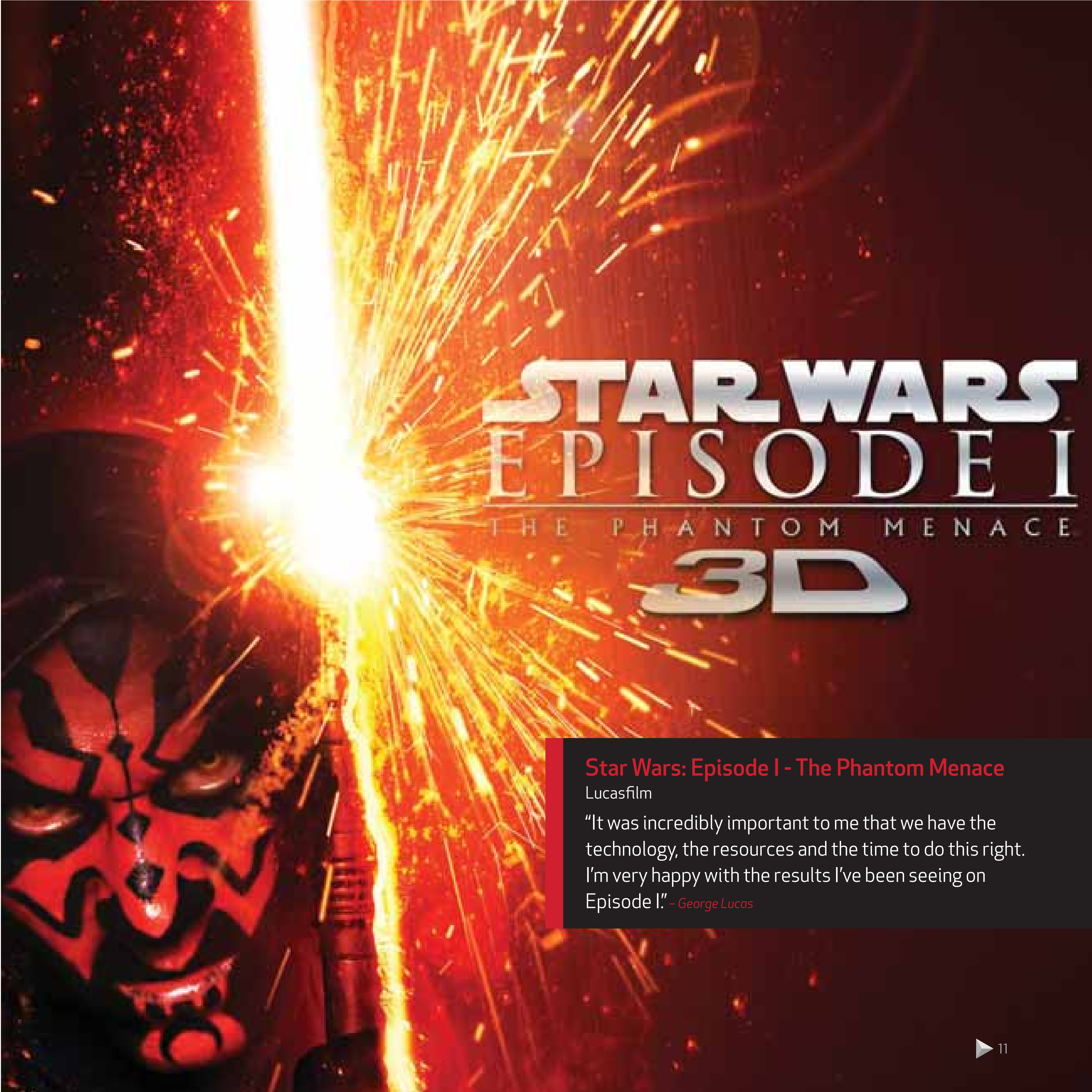
– David Yates – Director

Ra. One

Red Chillies / Eros Entertainment

"Through this film, I wanted to prove that Indian superheroes could be as cool as international ones. And that Indian superhero movies could be just as spectacular as international movies. Prime Focus has completed DI on films such as 'My Name Is Khan' and 'Om Shanti Om', and I knew I could trust them to deliver the right look for 'Ra. One'. Then, when they showed me the first 3D tests, it was just jaw-dropping. The opportunity to bring this new hero to the screen in three dimensions was just too good an opportunity to miss!"

– Shah Rukh Khan – Writer, Producer and Lead Actor



Star Wars: Episode I - The Phantom Menace

Lucasfilm

"It was incredibly important to me that we have the technology, the resources and the time to do this right. I'm very happy with the results I've been seeing on Episode I." *– George Lucas*

Visual Effects

Visual effects (VFX) are an essential component of blockbuster movies - 44 of the top 50 films of all time are visual effects driven. VFX-heavy films transcend cultural boundaries, performing best internationally where the majority of today's box office sales are generated. Such is the importance of VFX in films today that 30% - 40% of most films' budgets are allocated for VFX – this is a figure often in excess of $50 million for major US studio films. The VFX market has grown exponentially in the last few years, and is currently valued at around $1.8 billion and growing.

VFX magic has also cast its spell on Indian films, especially Bollywood, in the last few years. The VFX business in India grew from ₹ 4.47 billion in 2010 to ₹ 6.20 billion in 2011. For the period 2008-11, it has grown at a CAGR of 39%. Backed by the success of Hollywood films in India, more and more Indian producers are increasing the use of VFX in their movies. 'Ra.One' – one of the biggest blockbusters of 2011 is estimated to have included more than 3,500 VFX shots, and it is estimated that around 70 percent of Indian big budget films now incorporate VFX.

At Prime Focus, we continue to report strong growth in our VFX business, and we are focused on leveraging our deep and trusted studio relationships into new business. We have invested substantially in our studios in Vancouver, Hollywood, London and Mumbai, and in our creative talent. With our 24/7 infrastructure and knowhow, cost synergies and our WorldSourcing model, we execute VFX mandates more efficiently and profitably than our peers. VFX continues to remain a key strategic sector for Prime Focus, and we are strongly leveraging our relationships to grow this business further.

Testimonial :

Scream 4

Dimension Films.

"'Scream 4' marks my second collaboration with Prime Focus and I will gladly work with their LA and Mumbai teams again. Our show required over 200 shots of all varieties under very tight deadlines. Prime Focus consistently presented seamless, convincing VFX with impressive turn-around time. They generated images that always greatly enhanced my story-telling. I knew that I was in excellent hands with Prime Focus."

– Wes Craven – Director

Animation

Four animated movies featured in the list of Top 20 movies at the US Box office in 2011, and the strong growth in popularity of animated films continued with releases like 'Cars 2', 'Rio', 'Rango', 'Happy Feet 2', 'Kung Fu Panda 2' and 'The Adventures of Tintin'.

The global animation and gaming market is expected to grow from $122.2 billion in 2010 to $242.9 billion in 2016, on the back of the increased use of animation in films and television, as well as advertising.

In the Indian markets too, the animation business registered a growth of 12% in 2011 and is expected to grow at a CAGR of 16% for the period 2012-16. There are several Indian production houses that are making full length animation films - 'Koochie Koochie Hota Hai', 'Alibaba Aur 41 Chor' and 'Delhi Safari' are some recent examples. Another fast emerging trend and growing market is the children animation serials like 'Chhota Bheem' and 'Krishna Balram', which are widely popular and point to a definite and upward change in this very competitive market.

Prime Focus launched its animation business in the last quarter of FY2012, and has won immediate success with a large animation TV project (an entire network season) for a global toy manufacturer. With a highly skilled global workforce and state of the art facilities, Prime Focus is ideally positioned to grow its share of the animation services market.

Post Production for Advertising, Broadcast and Film

Post production constitutes an integral part of the Prime Focus offering. Our business has been built on the strength of our differentiated post production offering, aimed at meeting the exacting and evolving demands of the advertising, broadcast and film businesses. Some of the recent film projects where Prime Focus' market-leading post services were used include Bollywood blockbusters like 'Players', 'Rockstar', 'Agent Vinod', 'Housefull 2' and 'Blood Money'.

Advertising commercials like Nissan Micra, Google 3D Chrome, Oreo and Frooti used the post production services of Prime Focus extensively. Prime Focus' Camera and Equipment rental services were part of major Bollywood films like 'Ekk Deewana Tha', 'Life To Toh Lag Gayi', 'Shanghai' and 'Jannat 2' .

Prime Focus has been investing in and building its post production facilities and services since its inception. This continues to yield rich dividends with more high-profile Bollywood film projects completed and more high-profile commercials delivered across India, the UK and New York. Our Camera and Equipment Rental division also continues to grow.







Technology

Prime Focus Technologies / CLEAR™ Cloud Based Technology

Cloud computing is turning out to be the biggest game changer in recent times. Gartner recently forecast that the overall cloud services market will grow from $68 billion in 2010 to $149 billion in 2014. IBM recently projected telecom cloud services to grow from $30 billion in 2010 to $88 billion in 2015.

Frost & Sullivan's Global Cloud Computing Market Forecast 2015 – 2020 predicts the market to be worth $270 billion by 2020, growing by 30% CAGR. Total market expenditures for digital content management, distribution and workflow tools will exceed $1 billion by 2015 worldwide (all verticals), with Software as a Service accounting for 16% of total spend as the fastest growing segment. The global digital asset management market is expected to cross $530 million in 2011 and grow at over 20% CAGR from 2011 to 2016.

Although cloud based media and content management will be a fraction of these amounts, this still points to a large multi-billion dollar market.

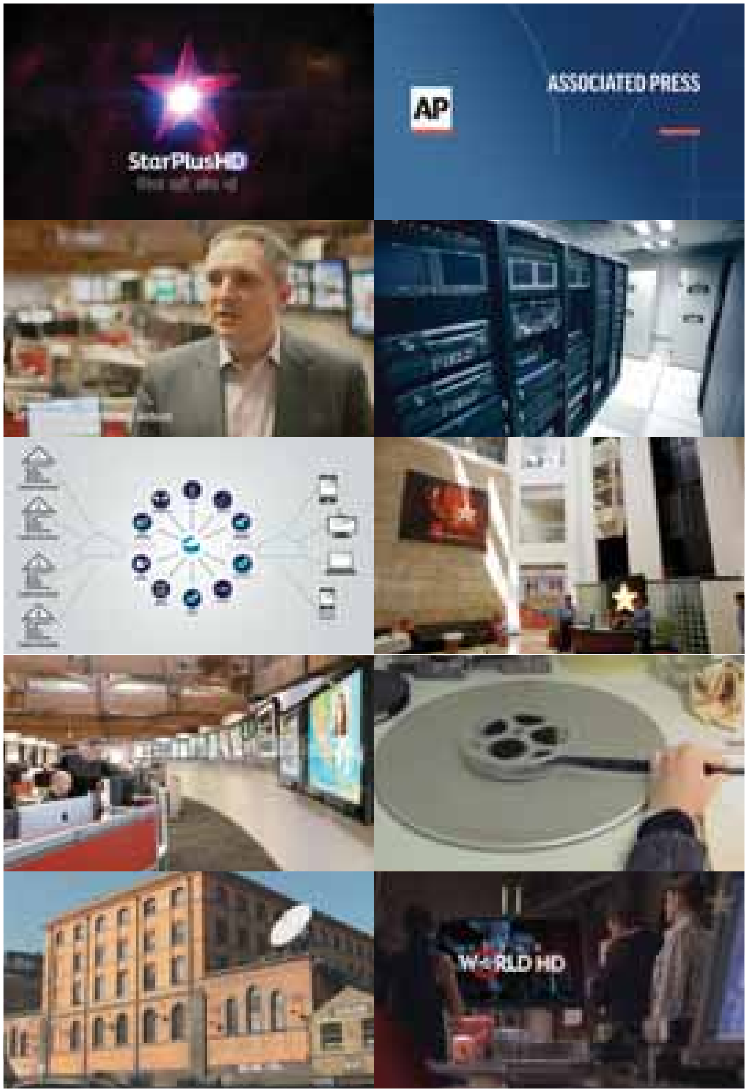
In the M&E business, content is increasingly being created in a digital format. Additionally, content owners have massive back-catalogues of film, video and music assets that are increasingly being required in file formats. Managing this vast amount of content and making it ready for delivery and consumption across multiple media platforms, formats and devices requires a complex and highly specialised technology to integrate the workflow, supply chain logistics and interaction. It needs to have dual capabilities of enterprise class technology to manage the business of content, as well as seamless integration with Cloud based technology.

With CLEAR™, Prime Focus Technologies (PFT) leads the M&E space in providing a cloud based technology platform with unmatched content management capabilities. Not only is CLEAR the world's first hybrid cloud technology – it is also the world's most established. CLEAR has been deployed by major broadcasters and brands, and is already managing:

- Over 150,000 hours of content
- Over 40,500 new episodes of TV content every year
- Facilitating syndication and VoD fulfilment of 5 million files every year
- Providing 10,500 hours of subtitling for TV & Film content every year

With models based on Software as a Service (SaaP) and Services on Tap models, PFT's revenue has grown by over 200% this year, and it has won marquee clients like Associated Press, British Film Institute, Sony Music, Netflix, Viacom, and National Geographic Channel. CLEAR has also successfully taken Star TV's broadcast operations into the cloud, creating a digital media supply chain for the broadcaster, enabling creativity, increasing monetisation of content and driving workflow efficiencies.

At Prime Focus, we are confident of carrying forward this momentum of growth, with a very healthy order book, into the next year.



Case Study – Star India

CLEAR was deployed by broadcasting giant Star India to facilitate its transition to HD, migrate its broadcast operations to the cloud and create an eco-system for suppliers. CLEAR today handles 20,000 commercials per year, 210 hours of new programming per week, 300 new episodes of programming per month, and 17,500 hours of programming content per year, for playout in 17 different formats.

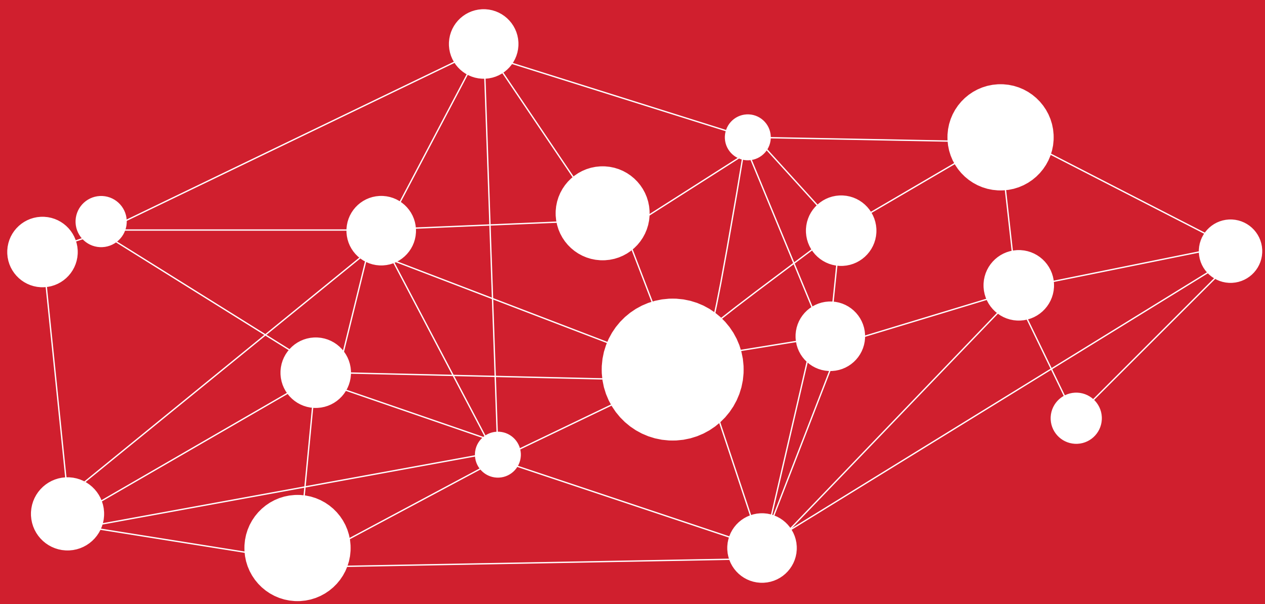
Case Study – The Associated Press

Associated Press has one of the most valuable and extensive collections of film and video footage from the early 1960s to the present day. It chose Prime Focus Technologies to transfer this invaluable legacy content to digital file format, making it available to audiences across a new set of platforms. Prime Focus Technologies created nearly 4 million new assets from 32,000 hours of priceless AP archive footage in just 18 months.

Prime Focus' Complete Business Model

Our creative and technical services are rounded-out and bound together by our unique and pioneering financial model. Our WorldSourcing business model and Global Digital Pipeline bring together our expertise across projects, locations, disciplines and sectors. It means we can operate in every major market and be involved at every stage of a project's development. WorldSourcing has no borders, time zones or limits on capacity and is able to adapt to the constantly changing needs and ambitions of content creators worldwide.

With our Global Digital Pipeline, we are able to spread projects and integrate facilities across three continents and four time zones. This allows us to operate a network that combines global cost advantages, resources and talent pool with deep understanding of the local markets we operate in. We can tailor our approach, ensuring delivery of a superior level of service aligned with a highly competitive pricing structure.

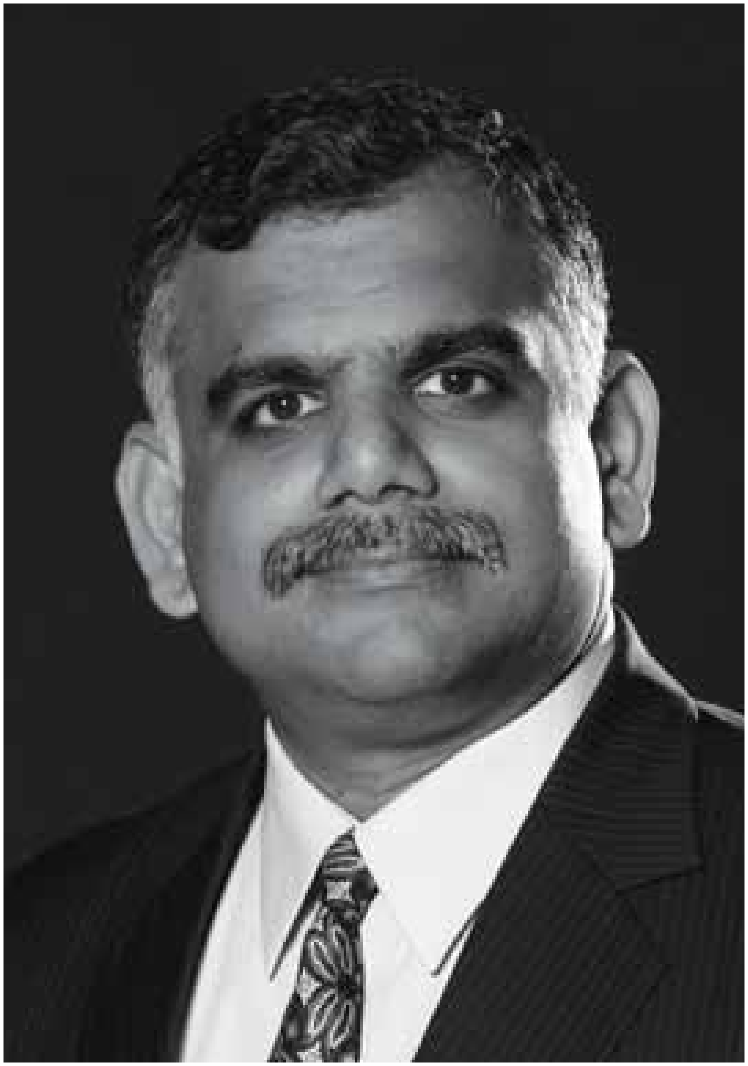


Summary

Prime Focus is poised for strong growth that will reflect in higher value for its shareholders. This growth will be primarily driven by the US business in the form of ripe opportunities in 3D conversion and visual effects services. The recent success of 3D re-releases like 'Star Wars' and 'Titanic', alongside the ever-growing release slate of new 3D movies, are sure indications of this emerging and growing trend.

With the global animation and gaming industry expected to touch almost $243 billion by 2016, this market also looks very promising with high potential for growth and expansion. Prime Focus has already made an excellent start in this space - being awarded a large animation TV project for an entire network season by a leading toy manufacturer.

On the technology front, Prime Focus Technologies is ready to capitalize on new markets in new geographies. CLEAR is a proven market-leader in this highly specialised content management space. It has demonstrated its strong growth potential with a revenue of ₹ 33 crores compared to ₹ 11 crores in the previous year. As more broadcasters, studios and brands continue to digitize their content, Prime Focus Technologies is ideally positioned to leverage this wave.



Ramakrishnan Sankaranarayanan

Managing Director

Managing Director's message

Dear Shareholders,

It is a pleasure to present the Annual Report of your Company for the year 2011-12.

The entertainment and media (E&M) industry has been witnessing dramatic changes, brought about by constant advances in technology. These changes are having a profound and lasting impact on all aspects of our industry – from content creation, to delivery platforms, to content consumption. We are living in a digital age surrounded by smart devices – smartphones, tablets and even smart televisions.

Digitization is both a game-changer and a key growth driver in the E&M space. This is a global shift that has penetrated every stage of the media value chain. Everything from Video On Demand (VoD) to Digital Rights Management (DRM), from 3D movies to Visual Effects (VFX) and Animation, is underpinned by digitization.

The future is clearly technology, and at Prime Focus, technology is clearly the future.

Prime Focus today is a world leader in creative and technical services. With a global presence across 3 continents and 19 facilities, and a workforce of 4,200 personnel in India. Prime Focus has been an integral filmmaking partner on major international films like 'Harry Potter and the Deathly Hallows Part 2', 'Star Wars: Episode I – The Phantom Menace' and 'Wrath of the Titans'.

We are the largest visual entertainment services Company in India, offering end-to-end, market-leading services in 3D conversion, VFX and post-production. Prime Focus has recently worked on prestigious Bollywood projects like 'Ra.One', 'Rockstar', 'Housefull 2' and 'Players'.

And our technologies division is managing over 150,000 hours of content and 40,500 new episodes of TV content every year using its hybrid-cloud technology platform CLEAR. When Star TV in India decided to move its entire broadcast operations to the cloud, it chose Prime Focus Technologies. Associated Press chose Prime Focus Technologies to digitize and catalogue its unique library of film and video footage, creating a range of digital file formats to open this unique archive to a new audience across a new set of platforms, and enabling the delivery of high resolution content through a range of IP and other distribution networks.

Your Company delivered yet another outstanding financial performance during the year:

Net Revenues grew by 53.5% to ₹ 7,719.1 million from ₹ 5,029.6 million in the previous year.

EBITDA increased by 30.8% to ₹ 2,185.4 million from ₹ 1670.8 million in 2010-11.

Net Profit grew by 30.4% to ₹ 992.5 million compared to ₹ 760.9 million in 2010-11.

Diluted EPS increased to ₹ 5.89 per share from ₹ 4.86 per share in the previous year.

In terms of business segments:

2D to 3D conversion contributed ₹ 3,130.5 million, up by 89% from previous year.

VFX contributed ₹ 1,493.0 million, up by 80% from previous year.

PFT contributed ₹ 335.8 million, up by 205%.

Post production contributed ₹ 2,759.7 million, up by 13%.

In December 2012, Foreign Currency Convertible Bond are coming up for redemption. Your Company has always met its obligations in the past, and we are confident that we shall do so in this case too.

Your Company has a sharp and clear future focus: leverage its unique global advantage to provide strong future growth. In a global market place that is seeing the entire value chain of the industry reset by the digital revolution, Prime Focus is poised for unmatched and unprecedented growth.

I thank all our clients, investors, vendors, and most of all our people, for their trust, faith and belief in our Company, and I assure them of a strong and exciting future ahead.

Yours sincerely,

Ramakrishnan Sankaranarayanan
Managing Director

Naresh Malhotra
Chairman

Chairman's message

Dear Shareholders,

At Prime Focus, we have indeed come a long way. From our first tentative steps in 1997 as a post-production house in Mumbai, we are today a market-leader in the visual entertainment services space, with presence across India, the UK and North America. We have 19 facilities across the world providing genuine end-to-end solutions covering the entire spectrum of creative and technical services – from 2D to 3D conversion, to VFX and Animation, to post production services, to camera and equipment rentals. We have deep relationships with major studios, broadcasters and advertisers all over the world.

We have been part of some of the biggest projects in film, broadcasting and advertising. Last year, Prime Focus added to an impressive list of Hollywood blockbuster movies with work on box office events like 'Men In Black 3', 'Immortals', 'Mirror Mirror' and 'Final Destination 5'. In Bollywood, Prime Focus has worked on 'Ekk Deewana Tha', 'Agent Vinod', 'Blood Money' and 'Jannat 2', besides many others.

During the year, Prime Focus has worked on UK primetime television favourites like 'Sherlock', 'Hustle' and 'Spooks', and UK Advertising projects for brands such as Etihad, PG tips, Lucozade and Cadbury.

Prime Focus continued to win prestigious awards for its outstanding work :

- Gold in the LIA 2011's 'TV / Cinema / Online Film' category for Sony Ericsson's X10.
- APSARA Award for Best Visual Effects for Bollywood film 'Blue'.
- Nomination in FICCI BAF 2012 Awards in the category VFX in Motion Pictures for ' Rockstar'.
- Nomination in FICCI BAF 2012 Awards in the category VFX in Motion Pictures for ' Immortals'.

Going forward, we firmly believe that the future growth of your Company is going to be driven by its strong focus on content and technology, in line with the changing paradigm of the global E&M industry. While many companies have creative and/or technology offerings, none have the scale and execution capabilities of Prime Focus. What differentiates the Prime Focus model is the underpinning financial model that seamlessly weaves both our creativity and our technical services into a viable business model.

It is this unique competitive advantage that will lead the next phase of growth at Prime Focus, as the Company aggressively expands further into the high-potential US market of 3D conversion and VFX opportunities, aided by PFT's strong prospects in the content operations space.

Yours sincerely,

Naresh Malhotra
Chairman

Corporate Information

BOARD OF DIRECTORS:

Mr. Naresh Malhotra
Chairman & Whole-time Director

Mr. Namit Malhotra
Managing Director
(Resigned w.e.f. October 11, 2011)

Mr. Ramakrishnan Sankaranarayanan
Managing Director
(Appointed w.e.f. October 11, 2011)

Mr. Rakesh Jhunjhunwala
Non Executive Director

Mr. Chandir Gidwani
Non Executive Director
(Resigned w.e.f. August 12, 2011)

Mr. K.R. Srinivasan
Independent and Non Executive Director

Mr. Rivkaran Chadha
Independent and Non Executive Director

Mr. G.P. Aiyar
Independent and Non Executive Director

CHIEF FINANCIAL OFFICER:

Mr. Nishant Fadia

COMPANY SECRETARY:

Mr. Navin Agarwal

AUDITORS:

M/s. MZS & Associates, Chartered Accountants

BANKERS:

Yes Bank Limited
ICICI Bank Limited
Ratnakar Bank Limited
IDBI Bank Limited
Kotak Mahindra Bank Limited
Dhanlaxmi 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, India.

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, 2012:

1. FINANCIAL PERFORMANCE:

The Consolidated and Standalone Audited Financial Results for the year ended March 31, 2012 are as follows:

(₹ in Lacs)

Particulars	Consolidated		Standalone	
	2011-12	2010-11	2011-12	2010-11
Income from Operations	77,191.33	50,295.83	17,102.72	13,550.58
Other Income	2,015.37	1,497.74	2,478.38	481.63
Total Income	**79,206.70**	**51,793.57**	**19,581.10**	**14,032.21**
Less: Expenditure	55,336.48	34,287.92	11,433.57	8,047.81
Profit Before Interest, Depreciation and Tax	**23,870.22**	**17,505.65**	**8,147.53**	**5,984.40**
Less: Interest	3,476.09	2,630.47	1,794.83	1,386.15
Profit After Interest, Before Depreciation and Tax	**20,394.13**	**14,875.18**	**6,352.70**	**4,598.25**
Less: Depreciation	7,114.11	5,455.74	2,974.10	2,395.10
Profit Before Tax (PBT)	**13,280.02**	**9,419.44**	**3,378.60**	**2,203.15**
Less: Provision For Tax				
Current Tax	2,286.25	-	512.38	-
Deferred Tax	713.72	600.63	559.07	227.8
Profit After Tax	**10,280.05**	**8,818.81**	**2,307.15**	**1,975.35**
Less: Minority Interest	354.7	1,210.17		-
Profit After Tax (after adjustment of minority interest)	**9,925.35**	**7,608.64**	**2,307.15**	**1,975.35**
Add: Balance Brought Forward from previous year	18,460.56	10,851.92	12,102.27	10,126.92
Profit available for appropriation	**28,385.91**	**18,460.56**	**14,409.42**	**12,102.27**
Less: Transfer To General Reserve	-	-	-	-
Balance Carried To Balance Sheet	28,385.91	18,460.56	14,409.42	12,102.27

2. OPERATION AND PERFORMANCE REVIEW:

During the year under review, your Company has posted excellent financial performance as compared to the previous year. On consolidated basis, total income of the Company and its subsidiary stood to be ₹ 79,206.70 Lacs as compared to ₹ 51,793.57 Lacs in the previous year, registering a growth of 52.93%.

On standalone basis, total income during the year was ₹ 19,581.10 Lacs as compared to ₹ 14,032.21 Lacs in the previous year, registering a growth of 39.54%. Profit Before Interest, Depreciation and Tax during the year was ₹ 8,147.53 Lacs which is higher by 36.15% over previous year. The Net Profit after Tax was ₹ 2,307.15 Lacs as compared to ₹ 1,975.35 Lacs in the previous year, registering a growth of 16.80%.

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, 2012.

4. APPROPRIATIONS:

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

5. SHARE CAPITAL:

On April 13, 2012 the Board approved the allotment of 1,00,00,000 equity shares against conversion of warrants held by Mr. Namit Malhotra, Promoter of the Company at a premium of ₹ 54.478 per share (each warrant convertible into one equity share of face value of ₹ 1 each).

Consequent to the aforesaid allotment, the paid up capital of the Company has increased from 138,867,446 equity shares of ₹ 1 each to 148,867,446 equity shares of ₹ 1 each.

6. SUBSIDIARIES:

In terms of the general exemption granted by the Central Government vide their General Circular No. 2/2011 dated February 8, 2011 under Section 212(8) of the Companies Act, 1956, 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. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

A statement pursuant to Section 212 of the Companies Act, 1956, is set out as an annexure to this Report.

In compliance with Clause 32 of the Listing Agreement, audited consolidated financial statements of the Company and its subsidiaries also form part of this Annual Report.

The Consolidated Financial Statements have been prepared in accordance with the relevant accounting standards as prescribed under Section 211(3C) of the Act.

7. DIRECTORS:

In accordance with the requirements of the Companies Act, 1956, Mr. Rakesh Jhunjhunwala, Non Executive Director and Mr. Rivkaran Chadha, Independent and Non Executive Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment..

Mr. Ramakrishnan Sankaranarayanan was appointed as Additional Director by the Board of Directors of the Company w.e.f. 11th October,2011. Pursuant to the provisions of Section 260 of the Companies Act,1956, he holds office as Director up to the date of ensuing Annual General Meeting. Subject to the approval of shareholders, your Board recommends his appointment as a Director and requests shareholders approval on terms of his appointment as Managing Director of the Company.

As stipulated in terms of Clause 49 of the listing agreement with the stock exchanges, the brief resumes of Mr. Rakesh Jhunjhunwala, Non Executive Director, Mr. Rivkaran Chadha, Independent and Non Executive Director and Mr. Ramakrishnan Sankaranarayanan, Managing Director are provided in the Notice convening 15th Annual General Meeting of the Company.

Mr. Chandir Gidwani resigned from the Board of Directors of the Company with effect from August 12, 2011. Mr. Namit Malhotra, Managing Director also resigned with effect from October 11, 2011. The Board wishes to place on record its appreciation for the valuable contributions made by Mr. Chandir Gidwani and Mr. Namit Malhotra in development and growth of the Company and also for their valuable advices and guidance received during their tenure as Directors of the Company.

8. CORPORATE GOVERNANCE REPORT:

Your Company has complied with all the mandatory provisions of the revised Clause 49 of the Listing Agreement. As part of the Company's efforts towards better corporate practice and transparency, a separate report on Corporate Governance compliances along with certificate from practicing Company Secretary is annexed as a part of the Annual Report.

9. FOREIGN CURRENCY CONVERTIBLE BONDS (FCCBs):

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

10. PUBLIC DEPOSITS:

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

11. 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.

12. 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 March 31, 2012 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.

13. MANAGEMENT DISCUSSION AND ANALYSIS:

Management's Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

14. AUDITORS AND AUDITORS' REPORT:

M/s MZS & Associates, Chartered Accountants, Statutory Auditors of the Company will hold office until the ensuing Annual General Meeting and are eligible for re-appointment. M/s MZS & Associates, Chartered Accountants, has indicated that they do not wish to seek re-appointment. The Board has recommended M/s MZSK & Associates, Chartered Accountants to be appointed as Statutory Auditors of the Company. The Members are requested to consider their appointment as Statutory Auditors and authorize the Board of Directors to fix their remuneration.

M/s MZSK & Associates, Chartered Accountants have furnished a certificate of eligibility to the effect that their proposed appointment, if made will be in accordance with the limit prescribed under Section 224 (1B)of the Companies, Act, 1956 and they are not disqualified for such appointment, within the meaning of sub-sections (3) and (4) of Section 226 of the Companies Act, 1956.

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, attention is invited to note no. 5 (a) of Significant Accounting Policies and notes forming part of the Accounts of the Company and Note no. 5 (a) 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.

15. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

i. Conservation of Energy and Technology Absorption:

In terms of section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the Directors furnish herein below the required additional information:

Conservation of Energy:

Although the Company is not engaged in manufacturing activities, the Company makes every effort to conserve energy as far as possible in its post production facilities, Studios, Offices, etc. The company also makes significant measures to reduce energy consumption by using energy efficient computers and by purchasing energy-efficient equipment. We purchase PCs, laptops, air conditioners etc that meet environment standards, wherever possible and replace old equipment with more energy-efficient equipment.

Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

We constantly evaluate new developments and invest into latest energy efficient technology.

Impact of the measures and consequent impact on the cost of production of goods:

As energy costs comprise a very small part of our total expenses, the financial impact of these measures is not material.

Total energy consumption:

As the company does not form part of the list of industries specified in the schedule, the same is not applicable to the Company.

Research and Development (R & D) and Technology Absorption:

Your company is predominantly a service provider and therefore has not set up a formal R & D unit, however continuous research and development is carried out at various development centers as an integral part of the activities of the Company. The Company adopts the latest trends in the technology development and introduces the same so as to ensure reduction in cost with best quality output.

ii. Foreign Exchange Earnings and Outgo:

(₹ in lacs)

	March 31, 2012	March 31, 2011
Foreign Exchange Earned: Technical Service receipts and other income	10,500.74	6,334.62
Foreign Exchange Outgo: Professional fees Payment on other accounts	620.86	341.39

16. ACKNOWLEDGEMENTS:

Your Directors would like to express their sincere appreciation for the encouragement and co-operation by its stakeholders, including financial institutions, bankers and business associates, Government authorities, customers and vendors during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services by the executives and staff of the Company.

For and on behalf of the Board of Directors

Sd/-

Naresh Malhotra

Chairman and Whole-time Director

Mumbai

May 30, 2012

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC OVERVIEW

Uncertainty, confusion and caution were key factors that dominated the global economic situation in the year 2011-12. The Japanese earthquake and tsunami at the beginning of the year, followed by Standard & Poor's downgrading of the US debt outlook from stable to negative, and then months of caution and confusion over the Greece debt-repayment crisis were all factors that strongly affected the global economy, which grew at 3.8% in year 2011 as compared to 5.2% in the year 2010.

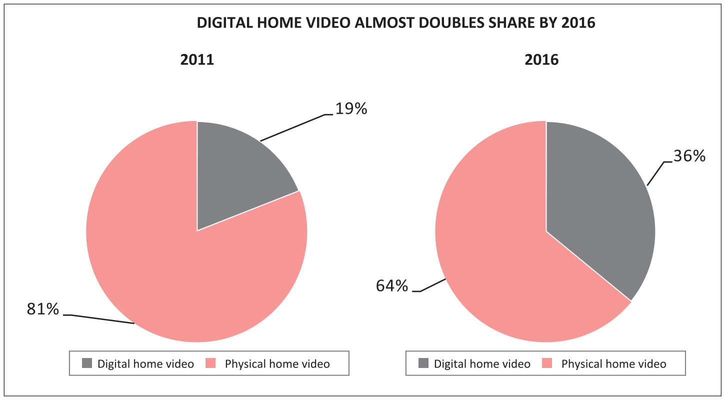
The centre of gravity of growth has clearly shifted to Asia. Asian giants China and India continued to muscle ahead, albeit with reduced force. The Chinese economy grew by 9.2% in 2011 compared to 10.3% in 2010. In February, China overtook Japan as the second largest economy in the world - a rank Japan had held for more than four decades.

In India, there was a marginal slowdown in growth due to a combination of the global economic slowdown and domestic issues like inflation, rising interest rates and a weakening of the rupee, which impacted all input costs. The reluctance of the government to implement many economic reforms also contributed significantly. GDP grew at 6.5% in financial year 2011-12 compared to over 8% in the preceeding two years.

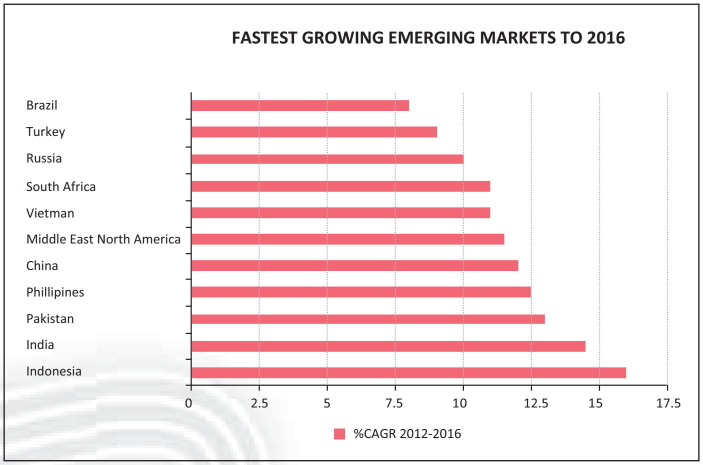
GLOBAL E&M INDUSTRY

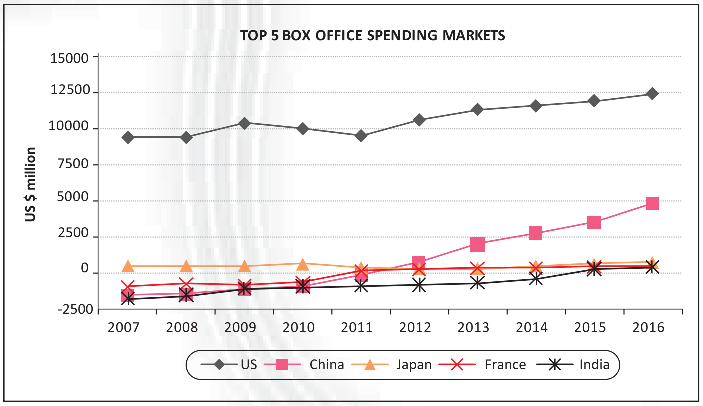
According the PwC's latest report on global media and entertainment – The End of the Digital Beginning - global spending on entertainment and media (E&M) rose 4.9% in 2011, marginally better than the 4.5% increase in 2010. While this is an improvement, it is still below expectation. During the next five years, the report projects that E&M spending will grow at a 5.7% compound annual rate to $ 2.1 trillion.

It is clear from the report that it is Digital spending that continues to drive growth. Digital spending is expected to grow at a CAGR of 12.1% compared with 2.8% for non-digital spending. Further, the report estimates that 67% of the total E&M spending growth till 2016 will be from digital spending.



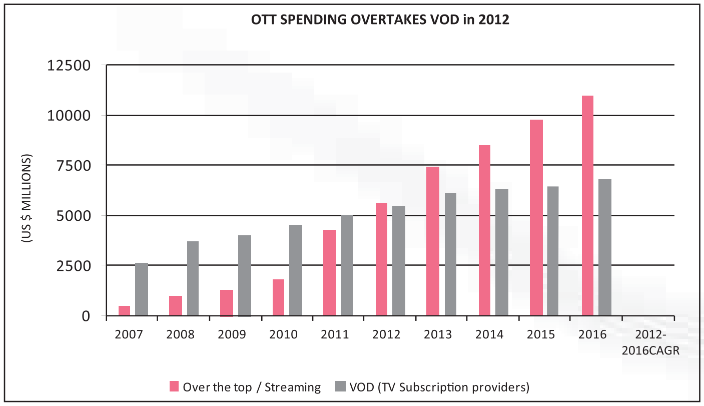
One significant development in 2011 has been China surpassing Germany as the third largest E&M Market in the world. A total of thirteen countries in 2011 had E&M spending above $ 25 billion, led by the United States at $ 464 billion. Brazil overtook South Korea in 2011 and during the next five years will pass Canada and Italy to become the seventh largest market. China is also expected to be the fastest growing market till 2016, with a CAGR of 9.9%, followed by India and Brazil, at 9.0% each.





FILMS

The global spending on filmed entertainment is projected to rise at 3.1% CAGR for 2012-16, and reach $ 99.7 billion in 2016. Digital home video spending is already shifting from physical to digital, and by 2016, the digital spending is expected to double, whereas the physical spending is expected to fall by nearly 20%. Globally, over-the-top/streaming services are predicted to grow at a 21.0% CAGR to $ 11 billion in 2016, and overtake VOD spending through TV subscription providers in 2012.



INDIAN E&M INDUSTRY

2011-12 was a mixed year for the Indian E&M industry. While traditional media businesses experienced a slowdown compared to the previous year, new media segments like VFX and animation, online and gaming witnessed strong to very strong growth. The Indian E&M industry grew from ₹ 652 billion in 2010 to ₹ 728 billion in 2011, registering a growth of almost 12%. The growth mainly came from higher consumption in tier 2 and 3 cities, and the growth of regional media and new media businesses. 2011 saw a number of significant developments: various films crossing the ₹ 100 crore mark at the box office and ₹ 30 crore mark in C&S rights; acceptance of the government's mandate on digitization by cable operators; and positive developments towards phase 3 for radio. Going forward, the overall E&M industry is expected to surpass ₹ 1,457 million by 2016, at a CAGR of almost 15% for the period 2011-16.

Overall Industry size in ₹ billion

Overall Industry size in (₹ billion) (for Calendar year)	2007	2008	2009	2010	2011	Growth in 2011 over 2010	2012P	2013P	2014P	2015P	2016P	CAGR (2011-16)
TV	211.0	241.0	257.0	297.0	329.0	**10.8%**	380.0	435.0	514.0	618.0	735.0	**17%**
Print	160.0	172.0	175.2	192.9	208.8	**8.3%**	226.0	246.8	270.0	294.9	323.4	**9%**
Film	92.7	104.4	89.3	83.3	92.9	**11.5%**	100.0	109.7	121.1	134.5	150.3	**10%**
Radio	7.4	8.4	8.3	10.0	11.5	**15.0%**	13.0	16.0	20.0	24.0	29.5	**21%**
Music	7.4	7.4	7.8	8.6	9.0	**4.7%**	10.0	11.3	13.1	15.4	18.2	**15%**
OOH	14.0	16.1	13.7	16.5	17.8	**7.6%**	19.5	21.5	23.6	26.0	29.0	**10%**
Animation and VFX	14.0	17.5	20.1	23.6	31.0	**31.2%**	36.3	43.0	51.1	61.0	69.0	**17%**
Gaming	4.0	7.0	8.0	10.0	13.0	**30.0%**	18.0	23.0	29.0	37.0	46.0	**29%**
Digital Advertising	4.0	6.0	8.0	10.0	15.4	**54.0%**	19.9	25.8	33.5	43.7	57.0	**30%**
Total	**514**	**580**	**587**	**652**	**728**	11.7%	**823**	**932**	**1075**	**1255**	**1457**	**14.90%**

Source : *FICCI-KPMG Report 2012*

DIGITIZATION

Digitization and digital technology continues to drive media and entertainment with even more force than in the previous years. Whether it is in the expansion of DTH and anticipation of digital cable, the increasing use of digitization in film exhibition and distribution, or an increased proliferation of digital media content, digitization has clearly come of age and has become the key driver of growth for the entire E&M industry.

The expansion of the DTH segment continued in India with the gross subscriber base touching around 44 million at the end of 2011. On net bases, the subscriber base stood at 37 million corresponding to 31% penetration of DTH within the C&S segment as compared to 26% in 2010.

For films, digitization has very obvious advantages as it enables compelling cost-effectiveness as well as a wider reach. For music too, digitization opens up many new monetization opportunities through various internet based delivery platforms that allow pay per use and/ or pay per number of downloads. With new technologies like cloud and new devices like tablet and smartphones, digitization of music is expected to continue its growth momentum aided by the introduction of 4G and a reduction in charges of 3G.

INDIAN ANIMATION AND VFX INDUSTRY

In 2011, new media segments like animation and VFX, online and gaming witnessed strong growth rates. Estimated revenues from the Indian animation, VFX and post-production segments stood at ₹ 31 billion as compared to 23 billion in 2010, translating to a healthy growth of 31%.

Post- production and animation services contributed ₹ 13.5 billion and ₹ 7.1 billion respectively, followed by VFX at ₹ 6.2 billion and animation production at ₹ 4.2 billion. The developments instrumental to this strong growth included a global increase in VFX content in movies, growth in 3D conversion and increased demand for local animated TV serials.

Segment (₹ Billion)	2008	2009	2010	2011	CAGR (2008-11)
Animation Services	4.80	5.52	6.21	7.10	14%
Animation Production	3.60	3.67	3.86	4.20	5%
VFX	2.30	3.15	4.47	6.20	39%
Post-production	6.80	7.76	9.08	13.50	26%
Total	17.50	20.10	23.62	31.00	21%

Source : *KPMG in India analysis and interviews*

Backed by a robust business environment for animation and VFX globally, the segment is set to achieve estimated revenue of ₹ 68.7 billion in 2016.

The VFX Industry in India is expected to grow to ₹ 7.75 billion in 2012 as compared to ₹ 6.20 billion in 2011. In the Indian VFX market, there is still a large opportunity to be tapped, both in terms of quality of work and the amount of work being delivered, since the VFX industry is still in a nascent stage in India. The release of recent Bollywood movies like 'RA. One', 'Robot' and 'Don 2', coupled with the success of Hollywood movies in India, establishes the fact that the Indian audience is now ready for VFX-based movies.

The Indian VFX business has in recent years been dominated by the outsourcing model, with the obvious international cost advantages this brings, which could amount to as much as 75% for Hollywood producers. Now Indian producers have also started using more VFX shots in their movies. 'RA.One' is estimated to have contained 3,500 shots, and almost 70% of big-budget Indian movies are now using VFX. Among the high-profile recent films that have used VFX extensively are Chandni Chowk to China (1,500 VFX shots), Aladin (1,600 shots), Blue (1,200 shots), Guzaarish (350 shots) and Enthiran (2,000 shots).

3D

3D movies continue to enthral audiences across the world, and India is no exception. After the historical success of Avatar in 2009, 3D films like 'Transformers: Dark of the Moon', 'Pirates of the Carribean: On Stranger Tides', 'Harry Potter and the Deathly Hallows Part 2', 'Kung Fu Panda 2' and 'Cars 2' did good business at the box office in 2011. 3D technology in India, though catching up fast, is still in a transitional phase. While audiences are increasingly accepting the concept of watching 3D, the general level of acceptance of 3D movies is below global standards.

There is still much experimentation happening with the content – animation, horror, superhero and action being the main genres at the moment. In India, films like 'RA.One', 'Haunted' and 'Don 2' were notable in 2011 for having 3D content.

The cost of shooting an entire movie in 3D remains high, and there are situations where shooting 3D is impractical. This leaves much scope for 3D conversion, which can also be an artistic choice for directors looking for more creative control of the depth in their movie. In 2011, there was a tremendous increase in 3D conversion, and it is estimated that the size of this opportunity in India is about ₹ 400 million. When AVATAR was released in 2009, there were only about forty five 3D screens in India. It is estimated that currently there are around three hundred and fifty 3D in India. India has already emerged as a global outsourcing base for 3D conversion, and with a growing technical infrastructure in Indian cinemas, conversion of Bollywood movies and regional movies from 2D to 3D is expected to present a huge opportunity for content owners to extend the life of their content and open up another monetization opportunity.

BUSINESS OVERVIEW

Prime Focus Limited (Prime Focus) is a world leader in providing creative and technical services to major film studios, broadcasters and advertisers. With humble beginnings in 1997 as a start-up in Mumbai, Prime Focus today is the largest visual entertainment services company in India with a presence in Mumbai, Delhi, Chennai, Bangalore, Hyderabad, Kolkata and Chandigarh. It is one of the few companies that can offer a genuine end-to-end solution from pre-production to final delivery including visual effects, 3D content conversion, video and audio post-production, digital content management and distribution, Digital Intermediate, versioning and adaptation, and equipment rental.

Prime Focus Limited owns and operates the Prime Focus group of companies – a global Visual Entertainment Services group, with presence in major markets like London, New York, Los Angeles and Vancouver. Worldwide the group works across 3 continents at 19 facilities to develop and deliver matchless solutions to some of the biggest names in the media and entertainment industry, like Warner Bros., Lucasfilm, BBC, National Geographic, Associated Press, Star India, and Red Chillies Entertainment, to name a few.

Building on a strong base of providing post production services for the advertising, broadcast and film businesses, Prime Focus has now set its sights on the future with a sharp and defined focus on leveraging its expertise in CREATIVE and TECHNOLOGY SERVICES, underpinned by its unique FINANCIAL MODEL. In today's digital age of 3D, VFX and animation, success depends on the seamless assimilation of these three critical elements – CREATIVE services, TECHNOLOGY services and a strong FINANCIAL MODEL. Prime Focus is one of the few companies to have all three in unique balance.

In 3D content conversion services, Prime Focus is a market leader with an estimated 38% market share. 3D conversion requires highly technical capabilities. Not many companies have it, and none has the scale and executional capabilities of Prime Focus. Currently there are about 50 new 3D films released every year. With the spectacular success of films like Titanic and Star Wars, re-released theatrically in 3D after conversion, and recent 3D converted box office successes such as MIB3 and Harry Potter and the Deathly Hallows Part 2, most doubts about the quality of conversion have been erased. This opens up a huge back-catalogue of titles that are ripe for 3D conversion.

VFX and animation is another business that is earmarked for strong growth in the future at Prime Focus. VFX today consumes almost 30-40% of a film's budget, and films with heavy VFX content have been performing best internationally. The VFX business of Prime Focus has grown strongly during the year. The company has invested in its studios in Vancouver, Hollywood, London and Mumbai to garner a larger share of this huge but evolved market.

Post-production services constitute an integral part of the company's future growth plans. The company has invested in its post-production facilities and services over the last few years, and this is paying rich dividends in the form of more high-profile Bollywood film projects and commercials. The company's equipment and camera rental business also continues to grow at a steady pace.

Prime Focus Technologies (PFT) has grown over 200% this year. PFT's CLEAR is the E&M industry's most established cloud platform and the world's first Hybrid Cloud Technology, helping to manage content, workflows and digital supply chain logistics and interactions, besides being a production and operations management tool. CLEAR has been deployed by clients like Star TV and Associated Press, and currently manages over 150,000 hours of content. PFT is all set to carry this momentum forward with a very healthy order book, as CLEAR is increasingly adopted by broadcasters, brands and studios.

The creative and technology services of Prime Focus are underpinned by a strong and unique financial model. The pioneering business model – WorldSourcing – enables talent to share their expertise across projects, locations, disciplines and sectors. Prime Focus operates in every major market, at every stage of the project, and delivers imaginative, proactive and timely solutions that help clients creatively, technically and financially. Using the Global Digital Pipeline, Prime Focus combines resources and talent pool with strong relationships, a deep understanding of the markets in which it operates, and a global cost advantage.

Prime Focus is focused on a strong and growth orientated future with a SEAMLESS BLENDING OF CREATIVITY WITH APPLIED TECHNOLOGY AND A HIGHLY DIFFERENTIATED SERVICE MODEL.

BOLLYWOOD	
RA.One	Blood Money
Players	Vicky Donor
Rockstar	Jannat 2
EkkDeewanaTha	Housefull 2
Agent Vinod	Paan Singh Tomar

INDIAN ADVERTISING PROJECTS	
Nissan Micra	Skybags
Google Chrome 3D	Oreo
Yatra.com	Frooti

INTERNATIONAL FILMS	
Men In Black 3	Star Wars: Episode I – The Phantom Menace
Wrath of the Titans	Immortals
Mirror Mirror	Final Destination 5

UK BROADCAST PROJECTS	
Sherlock	Killers Behind Bars: The Untold Story
Hustle	Dispatches: Secrets of the Taxman
Spooks	Make Bradford British
9/11: The Lost Tapes	Gypsy Blood

UK ADVERTISING PROJECTS	
Etihad Airways	Haribo
PG tips	Go Compare
Lucozade	H&M
Footlocker	Cadbury

AWARDS WON DURING THE YEAR

Sony Ericsson's acclaimed X10 campaign took home the Gold in the LIA 2011's 'TV / Cinema / Online Film' category; the VFX team added another award to its kitty by winning the prestigious Apsara award for 'Best Visual Effects' for their work on Bollywood blockbuster 'Blue'; the New York-posted 'Kinyarwanda' won the 'World Cinema Audience Award' at Sundance, whilst 'Kumaré' was awarded the honour of 'Best Documentary Feature Film' at SXSW.

The Prime Focus posted IndiGo Airlines ad was singled out for Gold at Goafest 2011, and also collected the award for 'Best TV VFX Content'. Chief Sound Mixing Engineer Ajay Kumar was nominated for the 'Global Indian Music Academy Awards (GIMA) 2011' for his meticulous sound mixing work on Nikhil Advani's 'Patiala House'; and further highlighting

Prime Focus' dominance of the Indian film and commercials markets, we received the award for 'VFX for the Best Film Content' for work on Sanjay Leela Bhansali's hit film 'Guzaarish'.

Our work on 2010's 'The Chronicles of Narnia: Voyage of the Dawn Treader' helped that film win the 'People's Choice™ Award: Favourite 3D Live Action Movie' at the International 3D Society 3D Creative Arts Awards, whilst 'TRON: Legacy' was named 'Live Action 3D Feature of the Year'.

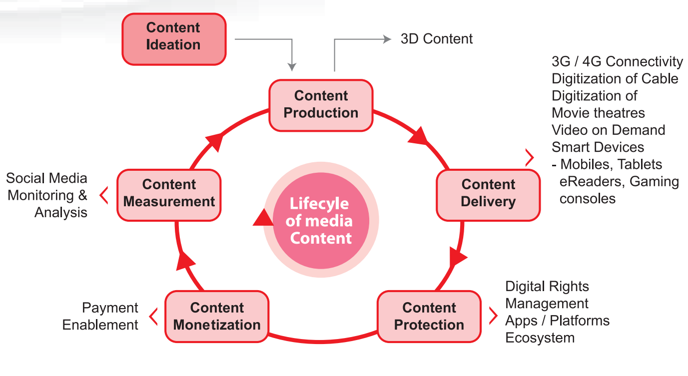
Finally, 'I Am Mumbai' for the Mumbai Mirror won the Gold Award at the Cannes Lions Advertising Awards. Edited by Prime Focus' Co-founder and Creative Director Huzefa Lokhandwala, the award, in the Film Craft (Direction) category, is considered advertising's equivalent of the Oscars.

OPPORTUNITIES

The ever-changing and fast advancing world of technology has penetrated each and every aspect of the media value chain, and media companies are eager to harness latest innovations. New devices like smartphones, tablets and even smart televisions have deeply impacted and disrupted traditional content delivery as well as content consumption patterns.

The convergence of the digitization of content, advances in software and hardware, and creative technologies like VFX, 3D and animation, are redefining the very meaning of media and entertainment. This new world of visual entertainment is opening up new avenues for growth and expansion for players across the value chain of the E&M industry.

Lifecyle of media content



Source : *KPMG in India analysis*

Internationally, films with 3D and a high content of VFX and/or animation are being produced for an increasingly demanding audience. Helped by digitization, DTH and Home 3D, these technologies are now proliferating in homes as well as cinemas, as more and more content producers use them. The use of VFX and animation in advertisement has also grown phenomenally. All these point to a very obvious growth trajectory in the near future for 3D, VFX and animation, and digitization.

India has the advantage of low cost of production in animation as compared to other countries like North America, Korea and the Philippines. This advantage, coupled with other factors like English speaking artists, technical knowledge and a strong telecom infrastructure, is making India the preferred destination for animation outsourcing. Animation production cost in India is 35% lower than other major animation producing regions like North America and Far-East.

The films segment in India is poised to grow in the coming years with more acceptance of 3D cinema in the country, growth in digitization, an increase in the number of multiplexes, and the rising trend of cinema advertising.

Digitization and the increase in TV households will lead to more consumption of content and minimal leakage in revenue as each user is uniquely identifiable to the service provider. Digitization will increase the number of TV channels and this will lead to customised tariffs, enhanced user experience through better viewing quality, and consumer service leading to increase in ARPU. In India, TV households are estimated to be around 146 million. The TV penetration in the country is at approximately 60%, which is lower than other developing counties like China (98%), Indonesia (78%) and Brazil (90%). TV penetration in the India is expected to touch 70% in 2016.

Animation consumption in India is increasing and set to further increase thanks to kids consuming more animated content in the country. The kids genre with 18.3% of the viewership pie is second to only mass genres like GEC in terms of viewership. Viewership of the kids genre is higher than news in regional languages like Tamil, clearly demonstrating the reach and appeal of this fast growing segment. The increase in consumption in the kids genre will lead to more demand for animation.

With the increasing penetration of broadband internet and mobile internet, growth in content creation and an increase in alternate platforms for animation consumption is likely to follow. Usage of mobile VAS, which currently constitutes 11% of total mobile revenues of telecom operation, is expected to increase with the reduction in cost of 3G and 4G networks leading to more penetration of these services. The increase in usage of new and cheaper consumption devices like smart mobile phones and tablets will require the content to be rolled out in different formats leading to more consumption of the content, and more content operations opportunities.

RISK MANAGEMENT

Risk and its management are critical for any organisation in delivering long term value to its investors as well as other shareholders. Indeed, how early a risk is identified, and how effectively it is managed and mitigated, differentiates successful companies. At Prime Focus, we regularly scan the environment and the industry to identify potential risks and evolve measures to ensure that these are either eliminated or their effect minimised on the Company's operations and profitability. As such, the Company has identified the following risks and taken appropriate measures for their mitigation and management :

MACRO ECONOMIC TREND

Inflation and other factors are having an adverse effect on the Indian economy, which is driven by domestic consumption and investments. The stagnation of the economy could lead to reduction in consumer spending. However, since the Company is not directly involved at the front-end of the media and entertainment business, but provides niche and specialised products and services to major global studios, broadcasters and agencies, this risk is largely mitigated due to the product and geographical diversity.

GEOGRAPHICAL RISK

Geographical risk is defined as the risk of concentration of revenue from a particular region. This risk can have an adverse effect on the Company if business from that particular region is lost. Prime Focus is a global organisation with presence in 3 continents. Hence, the risk of being affected by events in any one particular geography is largely redundant. Moreover, the Company has diversified its operations into regional film industries like Tamil, Telegu and Kannada film industry, to further mitigate its risk.

CURRENCY FLUCTUATION

The Company is subject to foreign currency fluctuation since the Company deals in various currencies and has its operations across the globe, and this could impact the financials of the Company. The Company has an efficient foreign exchange management team that constantly monitors the currency markets.

COMPETITION

The growth in the animation and VFX segment is attracting more players into this field leading to competition. The Company is one of the early pioneers in the business. It has a very strong brand recall and portfolio of products and offerings, and most importantly, very deep studio relationships with major studios across the globe. The Company has already delivered many award-winning international projects. As such, the Company has an established presence, and this risk only exists theoretically.

OUTLOOK

The Company is an established global player in the visual entertainment space, and a pioneering provider of post-production solutions to the advertising, broadcast and film industries. In the last few years, the Company has entered new media segments like VFX, animation and 3D content conversion. All these segments present an exciting opportunity for the fast-track growth for the Company.

In the overall media and entertainment space, it is these areas that promise the maximum potential with rich opportunities for growth and expansion.

The Indian E&M market is also poised for strong growth. The Animation and VFX segment is expected to more than double in size by 2015 to ₹ 69 billon. The Gaming market is estimated to more than treble from ₹ 13 billion in 2011 to ₹ 46 billion by 2016, backed by higher penetration of the internet, reducing costs of 3G and introduction of 4G services, and on the back of the growing proliferation of new consumption devices like smartphones and tablets. This is also spurring the Digital Advertising business to grow at a CAGR of 30% (2011-2016) to reach an estimated ₹ 57 billion by 2016.

To tap and capitalise on this new and emerging opportunity requires a comprehensive model that has the right balance of creativity, technology and financial model. Prime Focus is one of the few companies globally who has this. It has proprietary products and solutions like View-D, CLEAR, WorldSourcing and its Global Digital Pipeline.

HUMAN RESOURCES

The Company believes in the highest standards of people management and personal growth. It instils in each of the members of the Prime Focus family a feeling of ownership, responsibility and performance. The Company aspires to set the highest standards of internationally benchmarked human resource practices. The industrial relations were cordial and the management thoroughly acknowledges the support from the employees at all levels.

The Company has a skilled workforce of 4200 personnel in India as on March 31, 2012.

FINANCIAL PERFORMANCE

The total Net Revenues of the Company increased to ₹ 7,719 million in the current year compared to ₹ 5,029 million in the previous year, an increase of 53.5%. EBIDTA for the year grew to ₹ 2,214.3 million for the current year against ₹ 1,670.8 million in 2010-11, an increase of 32.5%. Net Profit for the year increased to ₹ 992.5 million for the current year compared to ₹ 760.9 million in 2010-11, an increase of 30.4%. Diluted EPS increased to ₹ 5.89 per share from ₹ 4.86 per share in the previous year.

CAUTIONARY STATEMENT

This report contains forward looking statements that involve risks and uncertainties including, but not limited to, risk inherent in the Company's growth strategy, acquisition plans, dependence on certain businesses, dependence on availability of qualified and trained manpower and other factors. Actual results, performances or achievements could differ materially from those expressed or implied in such forward looking statements. This report should be read in conjunction with the financial statements included herein and the notes thereto.

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 Board of Directors of the Company has an optimum combination of executive and non-executive directors and is in conformity with Clause 49 of the Listing Agreement. The names and categories of the Directors on the Board, the number of directorships and committee positions held by them in other Public Limited Companies as on March 31, 2012 are as under:

Sr. No	Name of Director	Category of Director	No. of Directorship #[1]	Membership held in Committees of other Companies #[2]	Chairmanship held in Committees of other Companies #[2]
1.	Mr. Naresh Malhotra	Chairman & Whole Time Director	1	Nil	Nil
2.	Mr. Ramakrishnan Sankaranarayanan	Managing Director	1	Nil	Nil
3.	Mr. Rakesh Jhunjhunwala	Non-Executive Director	7	Nil	Nil
4.	Mr. K. R. Srinivasan	Non - Executive Director(Independent)	Nil	Nil	Nil
5.	Mr. G. P. Aiyar	Non - Executive Director(Independent)	Nil	Nil	Nil
6.	Mr. Rivkaran Chadha	Non - Executive Director(Independent)	1	Nil	Nil

#[1] This excludes directorship held in Private Companies, Foreign Companies, Companies formed under section 25 of the Companies Act, 1956 and Alternate Directorships.

#[2] In accordance with Clause 49, Memberships/Chairmanships of only the Audit Committees and Shareholders'/Investors' Grievance Committees in all public limited companies (excluding Prime Focus Limited) have been considered.

During the year, Mr. Namit Malhotra resigned from the post of Managing Director and Mr. Ramakrishnan Sankaranarayanan was appointed as Managing Director of the Company with effect from October 11, 2011. Mr. Chandir Gidwani, Non-Executive Director has also ceased to be Director of the Company with effect from 12th August, 2011.

b) Board Meetings held during the year:

During the year 2011-2012, the Board met seven times on May 30, 2011; June 20, 2011; August 13, 2011; September 2, 2011; October 11, 2011, November 14, 2011 and February 2, 2012. The gap between two board meetings did not exceed four months.

Attendance of each Director at Board Meetings for the year 2011-12 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 #[1]	7	0	Absent
Mr. K. R. Srinivasan	7	4	Absent
Mr. Rakesh Jhunjhunwala	7	-	Absent
Mr. G. P. Aiyar	7	2	Absent
Mr. Rivkaran Chadha	7	6	Present
Mr. Chandir Gidwani #[2]	7	2	Not Applicable
Mr. Ramakrishnan Sankaranarayanan #[3]	7	1	Not Applicable

#[1] Resigned with effect from October 11, 2011

#[2] Resigned with effect from August 12, 2011

#[3] Appointed with effect from October 11, 2011

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.

i. As on March 31, 2012, 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. K. R. Srinivasan	Member	Independent & Non-Executive Director
3.	Mr. Ramakrishnan Sankaranarayanan #[2]	Member	Managing Director

ii. During the year 2011-12 the Audit Committee met six times on the following dates: April 4, 2011; May 30, 2011; June 20, 2011; August 13, 2011; November 14, 2011 and February 02, 2012.

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

Name of the Director	No. of Meetings Held	No. of Meetings Attended
Mr. Rivkaran Chadha	6	6
Mr. K. R. Srinivasan	6	6
Mr. Namit Malhotra#[1]	6	0
Mr. Ramakrishnan Sankaranarayanan#[2]	6	1

#[1] Mr. Namit Malhotra ceased to be Managing Director w.e.f. October 11, 2011.

#[2] Mr. Ramakrishnan Sankaranarayanan was appointed as a Member of Audit Committee on October 11, 2011

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:

a. 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.

b. Recommend to the Board, the appointment, re-appointment and, if required, replacement or removal of Statutory Auditors and fixation of Audit fees.

c. Approval of payment to statutory auditors for any other services rendered by them.

d. Review with the management the annual and quarterly financial statements before submission to the Board for approval.

e. 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.

f. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.

g. Reviewing the adequacy of internal audit function, if any, including the structure of the internal 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 March 31, 2012, the Remuneration Committee comprised of Non Executive Independent Directors viz. Mr. Rivkaran Chadha, Mr. K. R. Srinivasan and Mr. G. P. Aiyar. Mr. Rivkaran Chadha is the Chairman of the Committee. The Committee deals with the remuneration policy for the Directors of the Company. One meeting of the Remuneration Committee was held during the year on October 11, 2011.

Attendance of each Director at Remuneration Committee Meetings for the year 2011-12:

Name of the Director	No. of Meetings Attended
Mr. Rivkaran Chadha	1
Mr. K. R. Srinivasan	1
Mr. G. P. Aiyar	0

Remuneration to Non Executive Directors

The Non Executive Directors of the Company are receiving the sitting fees for attending the meeting of the Board of Directors. No sitting fees have been paid to the Directors for attending the Meeting of Audit Committee, Investors' Grievance Committee and Remuneration Committee.

Detail of Directors Remuneration paid for the year ended March 31, 2012 is as below:

in ₹

Name of Director	Remuneration Paid	Sitting Fees	Total
Mr. Naresh Malhotra	45,00,000	Nil	45,00,000
Mr. Namit Malhotra#[1]	15,00,000	Nil	15,00,000
Mr. Ramakrishnan Sankaranarayanan#[2]	19,50,000	Nil	19,50,000
Mr. Rakesh Jhunjhunwala	Nil	Nil	Nil
Mr. G. P. Aiyar	Nil	40,000	40,000
Mr. Rivkaran Chadha	Nil	1,20,000	1,20,000
Mr. K. R. Srinivasan	Nil	80,000	80,000
Mr. Chandir Gidwani#[3]	Nil	40,000	40,000

#[1] Resigned with effect from October 11, 2011.

#[2] Appointed with effect from October 11, 2011

#[3] Resigned with effect from August 12, 2011

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.

As on March 31, 2012, the Committee consists of:-

Chairman	Mr. Rivkaran Chadha
Members	Mr. K. R. Srinivasan
	Mr. Naresh Malhotra

Compliance Officer

Mr. Navin Agarwal, Company Secretary of the Company is the Compliance officer of the Company.

Complaints from Investors

During the year under review, the Company had received one complaint from the investors and resolved one complaint of the investors. There were no investor complaints pending as at the end of the year as on March 31, 2012.

4. 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
2008-2009	September 25, 2009	Ramee Guestline Hotel, Regent Hall, 757, S. V. Road, Khar West, Mumbai - 400 052	11.00 a.m
2009-2010	September 30, 2010	Prime Focus Office, Main Frame IT Park, Building – H, Royal Palms, Near Aarey Colony, Goregaon (East), Mumbai - 400 065	11.30 a.m
2010-2011	September 30, 2011	Prime Focus Office, Main Frame IT Park, Building – H, Royal Palms, Near Aarey Colony, Goregaon (East), Mumbai - 400 065	11.30 a.m

b. Extraordinary General Meeting:

During the year, one Extra Ordinary General Meetings was held as detailed below:

Financial Year	Date	Location	Time
2011-2012	April 30, 2011	Prime Focus Office, Main Frame IT Park, Building – H, Royal Palms, Near Aarey Colony, Goregaon (East), Mumbai- 400065	11.30 a.m

ii. Postal Ballot

There were no resolutions passed by postal ballot in the financial year 2011-2012.

iii. **Special Resolutions:**

Details of special resolutions passed in the Annual 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 30, 2010	8	1. Re-appointment of Mr. Naresh Malhotra as Chairman and Whole time Director for the period of Five Years. 2. Re-appointment of Mr. Namit Malhotra as Managing Director for the period of Five Years 3. Alteration of Articles of Association by deleting Article No. 191 to 194 of Section B of Part II 4. Increase in Authorized Share Capital of the Company 5. Issue of 10,00,000 Warrants, convertible into equity shares, on preferential basis to Promoters 6. 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 $ 50 million 7. Approval of Employees Stock Option Plan (ESOP) 8. Approval of Employees Stock Option Plan (ESOP) to Employees of Subsidiary Companies including Step Down Subsidiaries

5. 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.

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.

f. **Reconciliation of Share Capital Audit**

A Practicing Company Secretary carries out share capital audit to reconcile the total admitted equity share capital with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and the total issued and listed equity share capital. The 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 dematerialised shares held with NSDL and CDSL.

6. 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.

7. 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. The quarterly/annual financial results are regularly submitted to Stock Exchanges in accordance with the Listing Agreement and published in one English daily, and one Marathi daily newspapers.

c. The Company's website www.primefocusworld.com contains a separate dedicated section "investors" where shareholders information are available. Full Annual Reports are also available on the website in user- friendly and downloadable forms.

8. a GENERAL SHAREHOLDER INFORMATION:

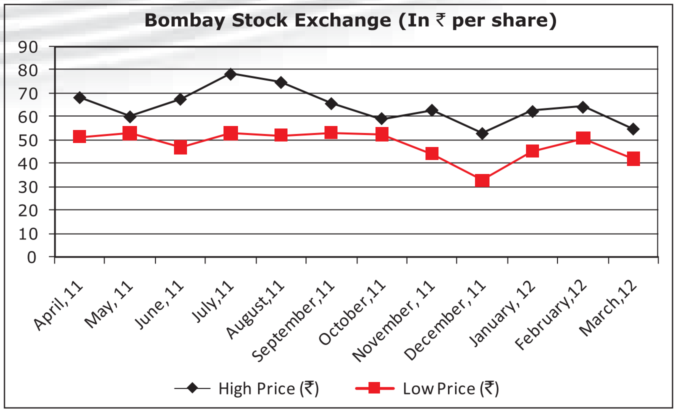
1.	**Annual General Meeting** **Date, Time and Venue**	September 29, 2012 at 11.30 a.m. at Prime Focus Office, Main Frame IT Park, Building – H, Royal Palms, Near Aarey Colony, Goregaon (East), Mumbai – 400 065
2.	**Financial Year**	2011-2012
3.	**Dates of Book Closure**	From Thursday, September 20, 2012 to Saturday, September 29, 2012 (Both days inclusive)
4.	**Dividend**	No Dividend has been declared during the year in order to preserve funds for future activities.

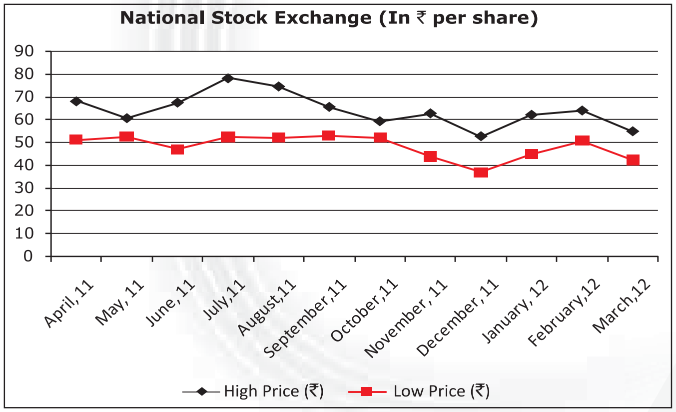
5.	**Listing on Stock Exchanges**	The equity shares of your Company are listed on: 1. Bombay Stock Exchange Limited (BSE) Add:- Floor 25, P.J. Towers, Dalal Street, Fort, Mumbai-400 001; and 2. National Stock Exchange of India Limited (NSE) Add:- Exchange Plaza, Bandra-Kurla Complex, Bandra, Mumbai-400 051. The Company's Zero Coupon Foreign Currency Convertible Bonds are listed on Singapore Exchange Securities Trading Limited (SGX-ST), Add.:2, Shenton Way, # 19-00, SGX Centre I, Singapore 068804. ISIN Code : XS0335455175 Your Company has paid Annual Listing Fees to all the Exchanges for the financial year 2012-13.
6.	**Stock Code**	Bombay Stock Exchange Limited (BSE):- "532748" National Stock Exchange of India Limited (NSE):- "PFOCUS" ISIN Code : INE367G01038
7.	**Registrar & Transfer Agents**	Link Intime India Private Limited Add.:-C-13 Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup, Mumbai - 400078 Phone no:022- 25946970 Fax no.: 022-25946969 Website: www.linkintime.co.in; Email: mt.helpdesk@linkintime.co.in
8.	**Share Transfer System**	The Board of Directors has delegated the power of share transfer to the M/s Link Intime India Private Limited, Registrar and Share Transfer Agent of the Company. Share Transfer Agent attends to share transfer formalities once in a fortnight.
9.	**Address for Correspondence**	Mr. Navin Agarwal, 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 Website:www.primefocusworld.com; Email: ir.india@primefocusworld.com
10.	**Dematerialization of Shares and liquidity**	As on March 31, 2012, 13,88,65,726 equity shares of the Company constituting 99.99 % of the equity share capital are held in Dematerialized form. The equity shares of the Company are in compulsory dematerialized trading for all investors.
11.	**Electronic clearing services (ECS)**	Members are requested to update their bank account details with their respective Depository Participants for shares held in the electronic form or write to the company' s Registrar and Share Transfer Agent M/s Link Intime India Private Limited for the shares held in physical form.
12.	**Investor Complaints to be addressed to**	Registrar and Share Transfer Agent M/s Link Intime India Private Limited or to Mr. Naveen Agarwal, Company Secretary at ir.india@primefocusworld.com.
13.	**Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity.**	On December 12, 2007, the Company issued 550 FCCB of a face value of $ 100,000 each aggregating to $ 55.00 million and as at March 31, 2012; no bonds have been converted into equity shares of the Company.

b. **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:

in ₹

Month	Bombay Stock Exchange Limited			National Stock Exchange of India Ltd.		
	High Price	Low Price	Volume (No. of Shares)	High Price	Low Price	Volume (No. of Shares)
April, 11	68.30	51.50	52,00,407	68.20	51.45	81,79,353
May, 11	60.00	53.15	11,92,189	60.75	52.75	2318285
June, 11	67.60	47.10	69,91,217	67.65	47.20	11684394
July,11	78.40	53.15	1,74,57,617	78.40	52.70	33840696
August,11	74.85	52.30	92,46,492	74.80	52.30	16342451
September,11	65.70	53.30	74,11,666	65.75	53.30	13345045
October,11	59.25	52.40	31,27,442	59.40	52.30	5691188
November, 11	62.85	44.25	60,54,684	62.90	44.05	9490510
December, 11	52.80	33.00	28,47,469	52.75	37.10	4179232
January, 12	62.30	45.50	62,40,904	62.25	45.05	8055156
February,12	64.15	51.00	79,06,738	64.15	51.00	13523658
March,12	54.75	42.15	55,92,312	54.95	42.50	6280025



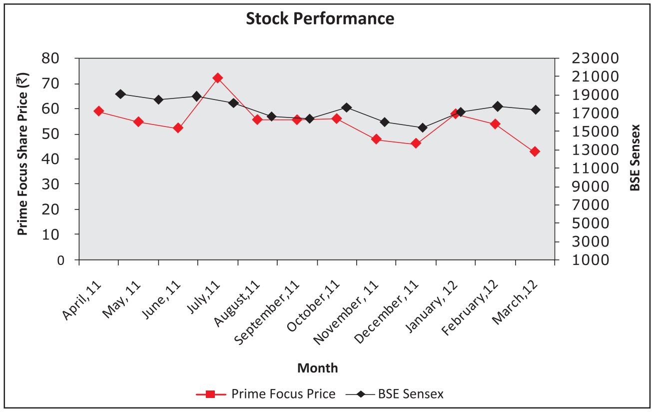


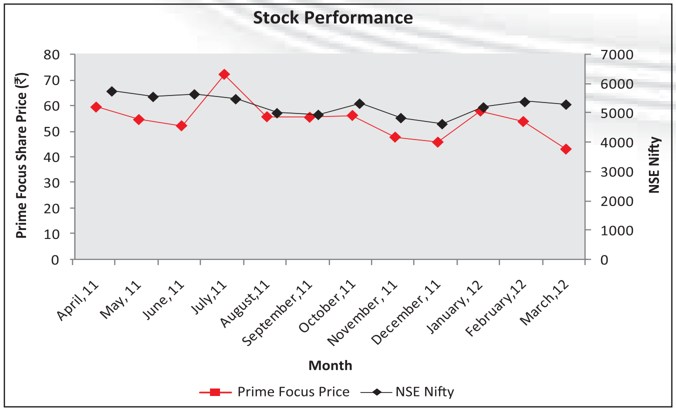
c. **Performance of share price of the Company in comparison with the broad based indices.**

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

in ₹

Month	BSE Share Price	Sensex	NSE Share Price	NSE Nifty
April, 11	59.10	19135.96	59.40	5749.50
May, 11	54.85	18503.28	54.55	5560.15
June, 11	52.40	18845.87	52.15	5647.40
July,11	72.25	18197.20	72.10	5482.00
August,11	55.70	16676.75	55.65	5001.00
September,11	55.65	16453.76	55.45	4943.25
October,11	56.10	17705.01	56.15	5326.60
November, 11	47.95	16123.46	47.75	4832.05
December, 11	46.30	15454.92	45.80	4624.30
January, 12	58.00	17193.55	57.85	5199.25
February,12	53.95	17752.68	53.80	5385.20
March,12	43.00	17404.20	43.10	5295.55





d. Status of Unclaimed Dividend: The dividend for the following financial year 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.

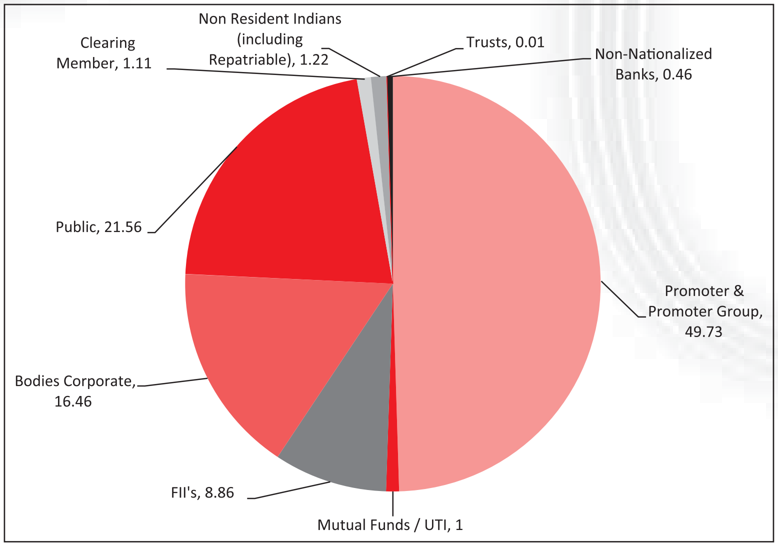
in ₹

Financial Year	Date of declaration of Dividend	Due for transfer to IEPF	Amount of Unclaimed Dividend as on March 31, 2012
2007-2008	July 30, 2007	October 4, 2014	14,731.50

e. Distribution of Shareholding as on March 31, 2012:

The broad shareholding distribution of the Company as on March 31, 2012 with respect to categories of investors was as follows:

Sr. No.	Category	No. of Equity Shares	Percentage %
1.	Promoter & Promoter Group	69062712	49.7328
2.	Mutual Funds / UTI	1392539	1.0028
3.	FII's	12306692	8.8600
4.	Bodies Corporate	22854351	16.4577
5.	Public	29945275	21.5639
6.	Clearing Member	1543997	1.1118
7.	Non Resident Indians (including Repatriable)	1688270	1.2157
8.	Trusts	10000	0.0072
9.	Non-Nationalized Banks	63610	0.458
	Total	13,88,67,446	100.00



f. **The broad shareholding distribution of the Company as on March 31, 2012 with respect to/ holdings was as follows:**

Range	No. of Holders	Percentage %	No. of Shares %	Percentage %
1 - 500	9438	1754968	1754968	1.2638
501 - 1000	1635	71.1121	1370698	0.9871
1001 - 2000	818	6.1634	1296462	0.9336
2001 - 3000	289	2.1775	765010	0.5509
3001 - 4000	142	1.0699	521770	0.3757
4001 - 5000	198	1.4919	949216	0.6835
5001 - 10000	321	2.4186	2501266	1.8012
10001 and above	431	3.2474	129708056	93.4042
TOTAL	13272	100.00	13,88,67,446	93.4042

ANNUAL DECLARATION BY THE MANAGING DIRECTOR PURSUANT TO THE LISTING AGREEMENT

As per the requirements of Clause 49(I)(D)(ii) of the Listing Agreement, I, Ramakrishnan Sankaranarayanan, Managing Director, hereby declare that all the Board Members and Senior Management Personnel of the Company have affirmed compliance with the Company's Code of Business Conduct and Ethics for the Financial Year ended March 31, 2012.

Ramakrishnan Sankaranarayanan
Managing Director

Mumbai
May 30, 2012

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To,

The Members

Prime Focus Limited

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

Royal Palms, Aarey Colony, Goregaon (East),

Mumbai – 400 065,

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 BSE Limited and National Stock Exchange of India Limited for the financial year ended **31st March 2012.** We have obtained all the information and explanations to the best of our knowledge and belief were necessary for the purpose of this certification.

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

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

(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

Thane
May 30, 2012

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, 2012 and also the related statement of profit and loss and the cash flow statement for the year ended March 31, 2012 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 by the Companies (Auditor's Report) (Amendment) order, 2004, issued by the Central Government of India in terms of Sub-Section (4A) of section 227 of ' The Companies Act, 1956' of India ('the Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we 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 5 (a) to the financial statements the Company has not revalued the FCCB of $ 55 million at the exchange rate prevailing as at March 31, 2012, March 31, 2011, 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, 2012, the profit for the year ended March 31, 2012 and the reserves as at that date would have been lower by ₹ 383.22 million and ₹ 636.19 million respectively and Foreign Currency Monetary Item Translation Difference account would have been ₹ Nil. Further, had the Company provided for the premium on redemption, the securities premium as at March 31, 2012 would have been lower by ₹ 889.01 million. Consequent to the above, the FCCB balance at March 31, 2012 would have been higher by ₹ 1525.20 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, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;

   iv. Subject to our comment in paragraph 4 above, in our opinion, the balance sheet, statement of profit and loss and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   v. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

vi. In our opinion and to the best of our information and according to the explanations given to us, and 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, 2012;

b. in the case of the statement of profit and loss, of the profit for the year ended March 31, 2012; and

c. in the case of cash flow statement, of the cash flows for year ended March 31, 2012.

For MZS & Associates
Chartered Accountants
Firm Registration No: 106400w

Abuali Darukhanawala
Partner (M. No. 108053)

Mumbai
May 30, 2012

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) We have been informed that all the fixed assets have not been physically verified by the management during the year. However, 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 account.

(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. (a) The company has granted interest free unsecured loan to its subsidiary aggregating to ₹ 352.55 million covered in the register maintained under section 301 of the Companies Act, 1956. At the year end, the outstanding balances of such loans aggregated to ₹ 49.04 million and the maximum amount involved during the year was ₹ 216.86 million.

(b) In our opinion, the rate of interest at which loans have been given is not, prima facie, prejudicial to the interest of the Company.

(c) In the absence of any terms of agreement as to receipt of loan granted, we are not in a position to comment upon the clause (iii)(c) and (iii)(d) of the order.

iv. In our opinion and according to the information and explanations given to us, we have been explained that major purchase of fixed assets is of specialized equipments, for which comparative quotes cannot be obtained in all the case, considering the above, we believe that 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 significant 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 needs 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 *except for slight delays observed in case of payment of TDS.* The provisions relating to excise duty are not applicable to the Company.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, 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 also not incurred cash losses in the current and immediately preceding financial year.

xi. As per the information and explanations given to us 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. According to the information and explanation given to us, the company has not issued debentures during the year.

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 MZS & Associates
Chartered Accountants
Firm Registration No: 106400w

Abuali Darukhanawala
Partner (M. No. 108053)

Mumbai
May 30, 2012

BALANCE SHEET

in ₹

	Note	As at March 31, 2012	2011
Equity and liabilities			
Shareholders' funds			
Share capital	3	138,867,446	138,867,446
Share warrant		138,695,000	138,695,000
Reserves and surplus	4	3,116,313,858	2,885,598,391
		3,393,876,304	**3,163,160,837**
Non-current liabilities			
Long-term borrowings	5	615,816,811	2,631,209,604
Deferred tax liability (net)	6	243,210,194	187,302,754
Other long-term liabilities	7	43,224,000	-
Long-term provisions	8	5,408,895	1,499,406
		907,659,900	**2,820,011,764**
Current liabilities			
Short-term borrowings	9	546,357,939	365,868,506
Trade payables		267,277,028	161,417,002
Other current liabilities	10	2,619,788,761	431,461,779
Short-term provisions	8	1,238,710	1,203,652
		3,434,662,438	**959,950,939**
		7,736,198,642	**6,943,123,540**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	11	2,221,861,697	2,102,921,618
Intangible assets	12	119,126,561	123,491,588
Capital work-in-progress		12,860,152	9,909,452
Non-current investments	13	2,505,372,817	2,301,883,429
Long-term loans and advances	16	139,051,869	127,409,031
Other non-current assets	18	68,705,091	99,857,576
		5,066,978,187	**4,765,472,694**
Current assets			
Current investments	14	413,567	413,567
Trade receivables	15	1,417,671,436	1,073,178,596
Cash and bank balances	17	55,392,969	9,193,432
Short-term loans and advances	16	1,082,752,783	1,037,394,640
Other current assets	18	112,989,700	57,470,611
		2,669,220,455	**2,177,650,846**
		7,736,198,642	**6,943,123,540**
Significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

***For* MZS & Associates**
Chartered Accountants
Firm Registration No.: 106400w

For and on behalf of the Board of Directors

Abuali Darukhanawala
Partner

Naresh Malhotra
Chairman and Whole-time Director

Ramakrishnan Sankaranarayanan
Managing Director

Navin Agarwal
Company Secretary

Membership No. 108053
Mumbai
May 30, 2012

STATEMENT OF PROFIT AND LOSS

in ₹

	Note	For the year ended March 31, 2012	2011
Income			
Revenue from operations (net)		1,710,271,845	1,355,058,259
Other income	19	247,838,412	48,162,737
Total revenue (I)		**1,958,110,257**	**1,403,220,996**
Expenses			
Personnel cost	20	690,640,209	431,721,976
Other expenses	21	452,716,388	373,059,343
Total (II)		**1,143,356,597**	**804,781,319**
Earnings before interest, tax, depreciation and amortization (EBITDA) (I)-(II)		**814,753,660**	**598,439,677**
Depreciation and amortization expenses	11/12	297,410,196	239,509,622
Finance costs	22	179,483,024	138,614,865
Profit before tax		**337,860,440**	**220,315,190**
Tax expenses			
Current tax		67,595,811	50,402,617
Less : MAT credit entitlement		(16,358,278)	(50,402,617)
		51,237,533	-
Deferred tax		55,907,440	22,780,031
Total tax expense		**107,144,973**	**22,780,031**
Profit for the year from continuing operations		**230,715,467**	**197,535,159**
Earnings per equity share	23		
Basic		1.66	1.49
Diluted		1.37	1.26
Significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For **MZS & Associates**
Chartered Accountants
Firm Registration No.: 106400w

For and on behalf of the Board of Directors

Abuali Darukhanawala
Partner
Membership No. 108053
Mumbai
May 30, 2012

Naresh Malhotra
Chairman and Whole-time Director

Ramakrishnan Sankaranarayanan
Managing Director

Navin Agarwal
Company Secretary

CASH FLOW STATEMENT

in ₹

	For the year ended March 31, 2012	2011
Cash flow from operating activities		
Profit before tax	337,860,440	220,315,190
Non-cash adjustments to reconcile profit before tax to net cash flows		
Depreciation	297,410,196	239,509,622
Loss / (profit) on sale of fixed assets	8,654,459	(1,559,543)
Unrealized foreign exchange (gain)/loss (net)	(95,420,837)	9,155,389
Bad debts written-off	49,881,243	271,750
Provision for doubtful debts	-	32,600,000
Sundry credit balances written back	(20,516,014)	-
Provision for gratuity	3,944,547	1,203,652
Interest income	(73,005,654)	(36,215,199)
Dividend income	(12,300)	(23,306)
Interest expense	179,483,024	138,614,865
Operating profit before working capital changes	**688,279,104**	**603,872,420**
Movements in working capital :		
Increase in trade payables	152,897,272	86,168,530
Increase in current liabilities	24,303,159	30,782,418
Increase in other long-term liabilities	43,224,000	-
Increase in trade receivables	(350,992,933)	(437,962,494)
Increase in long-term loans and advances	(11,642,838)	(73,905,015)
Increase in short-term loans and advances	(31,912,383)	(9,951,177)
Decrease / (increase) in other current assets	(56,063,269)	12,428,184
Cash generated from operations	458,092,112	211,432,866
Direct taxes (paid)/refunded (net of refunds)	(49,740,813)	27,557,967
Net cash flow from operating activities (A)	**408,351,299**	**238,990,833**
Cash flow from investing activities		
Purchase of fixed assets	(403,613,632)	(506,802,777)
Proceeds from sale of fixed assets	9,130,408	4,106,670
Purchase of investment in subsidiary	(53,489,388)	(24,500)
Share application in subsidiary	-	361,572,343
Loans given to subsidiary	(310,363,890)	(488,383,775)
Loans refunded by subsidiary	186,538,450	-
Inter-corporate deposits given	(1,000,000)	(64,500,000)
Inter-corporate deposits received back	27,020,854	16,552,116
Margin money and fixed deposits under lien	31,152,485	14,716,777
Interest received	17,508,225	21,412,404
Dividends received	12,300	23,306
Net cash flow used in investing activities (B)	**(497,104,188)**	**(641,327,436)**

CASH FLOW STATEMENT

in ₹

	For the year ended March 31, 2012	2011
Cash flow from financing activities		
Proceeds from long-term borrowings	641,807,843	292,978,765
Repayment of long-term borrowings	(508,271,608)	(539,481,175)
Proceeds from/(repayment of) short-term borrowings (net)	180,489,433	(76,963,699)
Proceeds from issuance of share warrants	-	138,695,000
Proceeds from issuance of Qualified Institution Placement (QIP) (net of expenses)	-	707,753,343
Interest paid	(179,073,242)	(147,675,144)
Dividends paid	-	(103)
Net cash from financing activities (C)	**134,952,426**	**375,306,987**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**46,199,537**	**(27,029,616)**
Cash and cash equivalents at the beginning of the year	9,193,432	36,203,948
Unrealised gain/(loss) on foreign currency cash and cash equivalents	-	19,100
Cash and cash equivalents at the end of the year	**55,392,969**	**9,193,432**
Components of cash and cash equivalents		
Cash	556,445	427,031
Balance with banks:		
On current accounts	34,226,524	6,946,401
On deposit accounts	20,610,000	1,820,000
Total cash and cash equivalents	**55,392,969**	**9,193,432**
Margin money deposits	68,705,091	99,857,576
Cash and bank balance (note 17)	**124,098,060**	**109,051,008**
Signficant accounting policies (note 2)		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

***For* MZS & Associates**
Chartered Accountants
Firm Registration No.: 106400w

For and on behalf of the Board of Directors

Abuali Darukhanawala
Partner
Membership No. 108053
Mumbai
May 30, 2012

Naresh Malhotra
Chairman and Whole-time Director

Ramakrishnan Sankaranarayanan
Managing Director

Navin Agarwal
Company Secretary

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. **Corporate information**

   Prime Focus Limited (the Company) is a public company domiciled in India and incorporated under the provision of the Companies Act, 1956. Its shares are listed on two stock exchanges in India. The Company is engaged in the business of Post Production, Visual Effects, 2D to 3D conversion and providing complete solutions in terms of other technical and creative services to the entire Media and Entertainment Industry.

2. **Statement of significant accounting policies:**

   a. **Basis of preparation**

      The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

   b. **Change in accounting policy**

      During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures in the financial statements. The Company has also reclassified the Previous year figures in accordance with the requirements applicable in the current year.

   c. **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 revenues, expenses, 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.

   d. **Tangible fixed assets**

      Fixed assets are stated at cost less accumulated depreciation. The cost comprises the purchase price and any directly 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. Any trade discounts and rebates are deducted in arriving at the purchase price.

      Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standards of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

      From accounting periods commencing on or after December 7, 2006, the Company adjusts exchange differences arising on translation/ settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciates the same over the remaining life of the asset.

      Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

e. Depreciation on tangible fixed assets

Depreciation on tangible fixed assets 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 and machinery - computer based assets	16.21%	16.21%
Plant and machinery - non computer based assets	7.07% - 14.29%	7.07%
Furniture and fixtures and electrical fittings	10.00%	6.33%
Office equipments	16.21%	13.91%
Vehicles	9.50%	9.50%

f. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. Such intangible assets and intangible assets not yet available for use are tested for impairment annually, either individually or at the cash-generating unit level. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with Accounting Standards ("AS") 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

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.

g. Impairment

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

h. Leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

A leased asset is depreciated on a straight-line basis over the useful life of the asset or the useful life envisaged in Schedule XIV to the Companies Act, 1956, whichever is lower.

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

i. 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.

j. Revenue recognition

Revenue comprises the fair value of the consideration received for the sale of services and products in the ordinary course of the Company's activities. Revenue is shown net of sales taxes and service taxes.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historic results, taking into consideration the type of transaction, the type of customer and the specifics of each arrangement.

(a) Post production, visual special effects (VFX), two dimension to three dimension (2D to 3D) conversion and other technical service receipts

The Company provides a variety of post production, VFX, 2D to 3D conversion and other technical services to its subsidiaries and to clients in the film, broadcast and commercials sectors.

Revenue on these services is recognized based on the services performed and where these services are provided under fixed price contracts and the outcome of a contract can be estimated reliably, revenue under these fixed price contracts is recognized under the proportionate completion method based on the services performed to the reporting date as a proportion of total services expected to be performed to deliver the contract. The Company generally measures services performed by reference to hours spent. If losses are expected on contracts these are recognized when such losses become evident.

Unbilled revenue is included as accrued income within receivables and billing in advance of the revenue being recognized is included as deferred revenue in payables.

(b) Others

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 recognized when the shareholders' right to receive payment is established by the Balance Sheet date. Dividend from subsidiaries is recognized as per the provision of AS 9 Revenue Recognition i.e. only when the right to receive the same is established.

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

k. 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.

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

l. Income taxes

Tax expense comprises of current and deferred tax. Current income 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 statement of profit and loss and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period.

m. 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.

n. 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.

o. 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.

p. Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand, short-term investments with original maturity of three months or less and fixed deposits with banks (other than margin money deposits).

q. 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.

r. **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 statement of profit and loss 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.

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.

s. **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

t. **Measurement of EBITDA**

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the company does not include depreciation and amortization expense, finance costs and tax expense.

3. Share capital

in ₹

	As at March 31,	
	2012	2011
Authorised shares:		
200,000,000 equity shares of ₹ 1 each (Previous year: 200,000,000 equity shares of ₹ 1 each)	200,000,000	200,000,000
Issued, subscribed and paid-Up:		
138,867,446 equity shares of ₹ 1 each (Previous year: 138,867,446 equity shares of ₹ 1 each)	138,867,446	138,867,446
	138,867,446	138,867,446

a. **Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

in ₹

	As at March 31, 2012		As at March 31, 2011	
	Number	Amount	Number	Amount
At the beginning of the period	138,867,446	138,867,446	12,822,588	128,225,880
Sub-division of equity shares	-	-	115,403,292	-
Issued during the year on account of QIP	-	-	10,641,566	10,641,566
At the end of the period	**138,867,446**	**138,867,446**	**138,867,446**	**138,867,446**

Sub-division of equity shares

The Company has sub-divided 12,822,588 nos. of equity shares from every one equity share of ₹ 10 each into ten equity shares of ₹ 1 each (i.e. 12,822,588 equity shares of ₹ 10 each in the capital of the Company on which the sum of ₹ 10 is credited as fully paid up into 128,225,880 equity shares of ₹ 1 each of which the sum of ₹ 1 is credited as fully paid up.) The record date fixed for the purpose of sub division of equity shares of the Company was November 1, 2010.

Qualified Institutions Placement

The Company has allotted 10,641,566 equity shares of face value of ₹ 1 each to Qualified Institutional Buyers under Qualified Institutions Placement (QIP) as per Chapter VIII of the SEBI Regulations at a price of ₹ 68.58 per equity share (Including a premium of ₹ 67.58 per equity share), aggregating to ₹ 729,798,596 on November 10, 2010. Further the floor price in respect of the aforesaid QIP, based on the pricing formula as prescribed in Regulation 85 of Chapter VIII of SEBI Regulations is ₹ 68.58 per equity share and the relevant date for this purpose in terms of Regulation 81 of chapter VIII of SEBI Regulations was November 4, 2010.

b. **Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceeding the reporting date:**

in ₹

	As at March 31,	
	2012	2011
	Number	Number
Equity shares alloted as fully paid bonus shares by capitalisation of securities premium	40,000,000	40,000,000
Equity shares allotted as fully paid up pursuant to scheme of arrangement for consideration other than cash	36,000,000	36,000,000

c. **Details of shareholders holding more than 5% shares in the company**

in ₹

	As at March 31, 2012		As at March 31, 2011	
	Number	% holding	Number	% holding
Naresh Malhotra	55,250,000	39.79	55,250,000	39.79
Namit Malhotra	12,400,000	8.93	12,400,000	8.93
Top Class Capital Markets Private Limited	8,457,408	6.09	NA	NA

d. **Issue of warrants**

Pursuant to the Board approval dated August 27, 2010 and shareholder's approval dated September 30, 2010, the Company has allotted 1,000,000 warrants convertible into equity shares on October 15, 2010 to Mr. Namit Malhotra, a member of the Promoters and Promoter Group carrying an option/entitlement to subscribe to equivalent number of equity shares on a future date not exceeding 18 months from the date of allotment of such warrants. Each warrant shall be convertible into one equity share of nominal value of ₹ 10 each at a price not less than the minimum price determined in accordance with the provision of Chapter VII of SEBI (ICDR) Regulations. The Company has received from Mr. Namit Malhotra, a sum equivalent to 25% of the price of the equity share to be issued in surrender/exchange of each of such warrant.

4. **Reserves and surplus**

in ₹

	As at March 31,	
	2012	2011
Securities premium account		
Balance at the beginning of the year	1,661,970,954	964,859,177
Add : Addition on account of QIP	-	719,157,030
Less : Issue expenses pertaining to QIP	-	22,045,253
Closing balance	**1,661,970,954**	**1,661,970,954**
General reserve		
Balance at the beginning of the year	13,400,000	13,400,000
Closing balance	**13,400,000**	**13,400,000**
Surplus in the statement of profit and loss		
Balance as per last financial statements	1,210,227,437	1,012,692,279
Profit for the year	230,715,467	197,535,158
Net suplus in the statement of profit and loss	**1,440,942,904**	**1,210,227,437**
Total reserves and surplus	**3,116,313,858**	**2,885,598,391**

5. Long-term borrowings

in ₹

	Non - Current		Current maturities	
	As at March 31,		As at March 31,	
	2012	2011	2012	2011
Bonds (unsecured)				
Zero coupon foreign currency convertible bonds (FCCB)	-	2,162,696,800	2,162,696,800	-
Term loans (secured)				
from banks	159,126,589	224,427,044	100,821,890	211,846,577
from financial institutions	100,000,000	-	200,000,000	-
Other loans and advances (secured)				
Finance lease obligations	102,699,246	60,761,252	32,951,063	20,086,733
Foreign currency loans - buyers credit	253,990,976	183,324,508	43,851,837	130,352,069
	615,816,811	**2,631,209,604**	**2,540,321,590**	**362,285,379**
The above amount includes				
Secured borrowings	615,816,811	468,512,804	377,624,790	362,285,379
Unsecured borrowings	-	2,162,696,800	2,162,696,800	-
Amount disclosed under the head "other current liabilities" (note 10)	-	-	(2,540,321,590)	(362,285,379)
	615,816,811	**2,631,209,604**	**-**	**-**

a. On December 12, 2007, the Company issued 550 Foreign Currency Convertible Bonds (FCCBs) of a face value of $ 100,000 each, aggregating to $ 55 million (equivalent – ₹ 2,162,696,800). The net proceeds from the issue of the FCCBs 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.

As per the terms of the issue, the holders have an option to convert FCCBs into equity shares at a reset conversion rate of ₹ 110.90 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, 2012, no bonds have been converted into equity shares and the entire balance of 550 bonds have been included and disclosed as current maturities of long-term borrowings in other current liabilities.

The FCCBs 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 ₹ 889,009,734 (Previous year: ₹ 598,162,095). However, in the event of redemption, the premium payable would be adjusted against the balance in the securities premium account.

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. Had the Company revalued the bonds as at March 31, 2012 considering it as a long term monetary liability, the profit for the year ended March 31, 2012 would have been lower by ₹ 383,223,143 (Previous year: ₹ 39,062,293). The reserves as on that date would have been lower by ₹ 636,186,650 (Previous year: ₹ 252,963,508) and foreign currency monetary item would have been ₹ Nil (Previous year: ₹ 39,062,293).

b. In May 2011, the Company entered into an agreement with a financial institution to borrow ₹ 100,000,000 for a term of one year at an interest rate of 14.50% per annum. Interest rate was fixed for six months and can be reset after six months. A promoter director of the Company has pledged shares of the Company held as promoter holding as collateral security. As at March 31, 2012, ₹ 100,000,000 is outstanding and is included in current maturities of long-term borrowings.

c. In May 2011, the Company entered into an agreement with a financial institution to borrow ₹ 100,000,000 at an interest rate of 13.50% for general corporate purposes which includes working capital and advance payment for capital expenditure. The loan is repayable after twenty-four months with a put/call option at the end of twelve months and every six months thereafter. A promoter director of the Company has pledged shares of the Company held as promoter holding as collateral security. As at March 31, 2012, ₹ 100,000,000 is outstanding and is included in long term borrowings.

d. In February 2012, the Company entered into an agreement with a financial institution to borrow ₹ 100,000,000 at an interest rate of 14.50% per annum for a term of nine months. . A promoter of the Company has pledged shares of the Company held as promoter holding as collateral security. Further, the loan has been guaranteed by the personal guarantee of a promoter director of the Company. As at March 31, 2012, ₹ 100,000,000 is outstanding and is included in long-term borrowings.

e. In May 2008, the Company entered into a term loan agreement with a bank to borrow ₹ 200,000,000 at an interest rate of 14.50% to 14.75% to refinance capital expenditure incurred by the Company. The loan is repayable by way of sixty installments starting from the month following the month of first disbursement of term loan. In July 2011, the Company entered into a term loan agreement with the same bank to borrow ₹ 90,000,000 at an interest rate of 13.75% to refinance capital expenditure incurred by the Company during fiscal year 2011. The loan is repayable by way of ten monthly installments of ₹ 5,000,000 and five monthly installments of ₹ 8,000,000. The loan is secured by way of mortgage of building of the Company, subservient charges on all existing and future receivables and moveable fixed assets of the Company. Further, the loan has been guaranteed by the personal guarantees and pledge of shares of the Company by promoter directors of the Company. As at March 31, 2012, ₹ 53,734,670 (Previous year: 56,767,678) is outstanding, of which ₹ 53,734,670 (Previous year: ₹ 48,658,008) is included in current maturities of long-term borrowings and balance of ₹ Nil (Previous year: ₹ 8,109,670) is included in long-term borrowings.

f. In September 2008, the Company entered into a term loan agreement with a bank to borrow ₹ 350,000,000 at an interest rate of 12.50% per annum or prime lending rate + 2.50%, whichever is higher (at March 31, 2012 : 15.25%). The loan is repayable in 84 equal monthly installments including interest of ₹ 6,272,500 w.e.f. one month after disbursement. The loan is secured by first charge on the project assets along with mortgage of office premises financed. Further, the loan has been guaranteed by the personal guarantee of a promoter director of the Company. As at March 31, 2012, ₹ 206,213,809 (Previous year: ₹ 248,616,978) is outstanding, of which ₹ 47,087,220 (Previous year: ₹ 42,403,169) is included in current maturities of long-term borrowings and balance of ₹ 159,126,589 (Previous year: ₹ 206,213,809) is included in long-term borrowings.

g. In January 2010, the Company entered into a term loan agreement as sub limit of capital letter of credit with a bank to borrow ₹ 250,000,000 at an interest rate of 11.50% per annum, repayable in 24 equal monthly installments after initial moratorium of 3 months from the date of each drawdown ₹ 130,888,966 was outstanding as at March 31, 2011 of which ₹ 120,785,400 is included in current maturities of long-term borrowings and the balance of ₹ 10,103,566 is included in long-term borrowings The loan was fully repaid during the year-ended March 31, 2012.

h. Lease obligations towards assets acquired under finance leases:

in ₹

	Total minimum lease payments outstanding		Future Interest on outstanding lease payments		Present Value of minimum lease payments as at	
	As at March 31,		As at March 31,		As at March 31,	
	2012	2011	2012	2011	2012	2011
Within one year	47,913,870	27,779,503	13,580,791	7,738,656	32,951,063	60,761,252
Later than one year and not later than five years	120,922,296	71,838,437	19,605,066	11,031,300	102,699,246	20,086,733
Later than five years	-	-	-	-	-	-
	168,836,166	**99,617,940**	**33,185,857**	**18,769,956**	**135,650,309**	**80,847,985**

Finance lease obligations are secured by hypothecation of plant and machinery, office equipments and vehicles taken on lease.

i. Foreign currency loans – buyer's credit are secured by first pari passu charge on the fixed assets of the Company, both present and future (except Royal Palms property), first pari passu charge on the Company's current assets both present and future and personal guarantees of the promoter directors.

6. Deferred tax liability (net)

in ₹

	As at March 31,	
	2012	2011
Deferred tax liability		
Fixed assets: Impact of difference in depreciation in block of assets as per tax books and financial books	245,367,009	242,610,953
Gross deferred tax liability	**245,367,009**	**242,610,953**
Deferred tax asset		
Provision for doubtful debts	-	54,765,090
Provision for gratuity	2,156,815	-
Intangible assets: Impact of differences due to accelerated amortisation of intangibles under Income Tax Act	-	103,061
Share issue expenses	-	440,048
Gross deferred tax asset	**2,156,815**	**55,308,199**
Net deferred tax liability	**243,210,194**	**187,302,754**

7. Other long-term liabilities

in ₹

	As at March 31,	
	2012	2011
Deposits received	43,224,000	-
	43,224,000	**-**

8. Provisions

in ₹

	Long-term		Short-term	
	As at March 31,		As at March 31,	
	2012	2011	2012	2011
Provision for employee benefits				
Provision for gratuity	5,408,895	1,499,406	1,238,710	1,203,652
	5,408,895	**1,499,406**	**1,238,710**	**1,203,652**

9. Short-term borrowings

in ₹

	As at March 31,	
	2012	2011
Cash credit/ overdraft (secured)	296,357,939	115,868,506
Short-term demand loan (secured)	250,000,000	250,000,000
	546,357,939	**365,868,506**
The above amount includes		
Secured borrowings	546,357,939	365,868,506

In February 2011, the Company entered into an agreement for a working capital demand loan of ₹ 250,000,000 from a bank for term of 6 months. The facility is revolving during the availability period of twelve months. The short-term demand loan is secured by first pari passu charge on the Company's current assets both present and future, personal guarantees and pledge of shares by the promoter directors.

Cash credits from banks are secured against first pari passu charge on the Company's current assets both present and future, personal guarantees and pledge of shares by the promoter directors. The cash credit is repayable on demand and carries interest at the rate of 3% to 3.5% per annum.

10. Other current liabilities

in ₹

	As at March 31,	
	2012	2011
Current maturities of long-term borrowings	2,540,321,590	362,285,379
Accrued salaries and benefits	18,918,331	10,867,016
Provision for expenses	12,520,598	20,937,219
Advances received from clients	27,969,476	22,852,517
Interest accrued but not due on borrowings	6,474,604	6,064,822
Bank book overdraft	545,852	693,679
Unclaimed dividends	14,835	14,732
Other payables	13,023,475	7,746,415
	2,619,788,761	**431,461,779**

11 Tangible assets

in ₹

	Building	Plant and machinery	Furniture and fixtures	Lease hold improvement	Office equipments	Vehicles	Total	Previous year
Gross Block								
As at April 1, 2011	500,004,038	2,308,203,676	162,247,819	22,630,324	63,211,843	36,600,946	3,092,898,646	2,111,175,226
Additions	-	368,594,748	22,648,886	5,573,712	4,809,501	5,891,507	407,518,354	985,668,682
Deduction	-	23,519,373	-	-	-	-	23,519,373	3,945,262
As at March 31, 2012	**500,004,038**	**2,653,279,051**	**184,896,705**	**28,204,036**	**68,021,344**	**42,492,453**	**3,476,897,627**	**3,092,898,646**
Depreciation								
As at April 1, 2011	12,272,845	905,030,292	40,200,115	4,197,062	16,645,812	11,630,902	989,977,028	763,907,273
For the year	8,150,068	227,604,863	16,332,699	4,883,521	10,052,980	3,769,277	270,793,408	227,342,101
Deduction	-	5,734,506	-	-	-	-	5,734,506	1,272,346
As at March 31, 2012	**20,422,913**	**1,126,900,649**	**56,532,814**	**9,080,583**	**26,698,792**	**15,400,179**	**1,255,035,930**	**989,977,028**
Net book value								
As at March 31, 2012	**479,581,125**	**1,526,378,402**	**128,363,891**	**19,123,453**	**41,322,552**	**27,092,274**	**2,221,861,697**	**2,102,921,618**
As at April 1, 2011	487,731,193	1,403,173,384	122,047,704	18,433,262	46,566,031	24,970,044	2,102,921,618	

a. Exchange differences capitalized and included in plant and machinery :

Gross block : ₹ 77,701,966 (Previous year : ₹ 48,594,783)

Depreciation charges for the year : ₹ 5,820,557 (Previous year : ₹ 23,286,625)

Accumulated depreciation : ₹ 25,181,731 (Previous year : ₹ 19,361,174)

Net block : ₹ 52,520,234 (Previous Year : ₹ 29,223,609)

b. Plant and machinery includes assets taken on finance lease :

Gross block : ₹ 146,943,103 (Previous year : ₹ 86,936,797)

Depreciation charges for the year : ₹ 14,480,132 (Previous year : ₹ 6,049,683)

Accumulated depreciation : ₹ 24,935,821 (Previous year : ₹ 10,455,689)

Net block : ₹ 122,007,281 (Previous year : ₹ 76,481,108)

12. Intangible assets

in ₹

	Goodwill	Rights	Software	Total	Previous year
Gross Block					
As at April 1, 2011	5,320,000	30,000,000	112,936,892	148,256,892	72,415,735
Additions	-	-	22,251,761	22,251,761	75,841,157
Deduction	-	-	-	-	-
As at March 31, 2012	**5,320,000**	**30,000,000**	**135,188,653**	**170,508,653**	**148,256,892**
Depreciation					
As at April 1, 2011	5,320,000	-	19,445,304	24,765,304	12,597,783
For the year	-	6,000,000	20,616,788	26,616,788	12,167,521
Deduction	-	-	-	-	-
As at March 31, 2012	**5,320,000**	**6,000,000**	**40,062,092**	**51,382,092**	**24,765,304**
Net book value					
As at March 31, 2012	**-**	**24,000,000**	**95,126,561**	**119,126,561**	**123,491,588**
As at April 1, 2011	-	30,000,000	93,491,588	123,491,588	

a. Software includes assets taken on finance lease :

Gross block : ₹ 36,786,005 (Previous year : ₹ 36,786,005)

Depreciation charges for the year : ₹ 59,63,011 (Previous year : ₹ 1,397,370)

Accumulated depreciation : ₹ 7,945,603 (Previous year : ₹ 19,82,591)

Net Block : ₹ 28,840,402 (Previous Year : ₹ 34,803,414)

13. Non-current investments

in ₹

	As at March 31, 2012	2011
Long-term investments (at cost)		
Trade		
In subsidiary companies		
Quoted, fully paid up		
Prime Focus London Plc, UK	657,996,581	610,703,583
21,367,003 (Previous year: 19,567,003) equity shares of 5 pence each		
Market Value ₹ 365,374,040 (Previous year: ₹ 238,552,428)		
Unquoted, fully paid up		
Prime Focus Technologies Private Limited	75,500	75,500
1,517,550 (Previous year: 7,550) equity shares of ₹ 10 each		
Prime Focus Technologies Private Limited	150,000,000	-
15,000,000 (Previous year: Nil) preference shares of ₹ 10 each		
Flow Post Solutions Private Limited	51,000	51,000
5,100 (Previous year: 5,100) equity shares of ₹ 10 each		
Prime Focus International Limited	1,690,349,846	1,690,349,846
21,748,973 (Previous year: 21,748,973) equity share of £ 1 each		
Prime Focus Motion Pictures Limited	500,000	500,000
50,000 (Previous year: 50,000) equity shares of ₹ 10 each		
GVS Software Private Limited	100,000	100,000
10,000 (Previous year: 10,000) equity shares of ₹ 10 each		
PF Investments Limited	810,330	-
18,000 (Previous year: Nil) equity shares of $ 1 each		
PF World Limited	4,786,060	-
106,000 (Previous year: Nil) equity shares of $ 1 each		
Prime Focus 3D India Private Limited	500,000	-
50,000 (Previous year: Nil) equity shares of ₹ 10 each		
Prime Focus Post Production Private Limited	100,000	-
10,000 (Previous year: Nil) equity shares of ₹ 10 each		
	2,505,269,317	**2,301,779,929**
Other than trade		
Unquoted - fully paid up		
The Shamrao Vithal Co-operative Bank Limited	100,000	100,000
4,000 (Previous year : 4,000) equity shares of ₹ 25 each		
Mainframe Premises Co-operative Society Limited	3,500	3,500
350 (Previous year : 350) equity shares of ₹ 10 each		
	103,500	**103,500**
	2,505,372,817	**2,301,883,429**
Aggregate amount of quoted Investments	657,996,581	610,703,583
Aggregate amount of unquoted Investments	1,696,776,236	1,691,179,846

Investments include ₹ 657,996,581 (Previous year: ₹ 610,703,583) in Prime Focus London Plc, UK ('PF UK'), a subsidiary company. PF UK has been recording profits since March 2009. The market value of shares as on March 31, 2012 is ₹ 365,374,040 (Previous year: ₹ 238,552,428). 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.

14. Current investments (at lower of cost and market value)

in ₹

	As at March 31, 2012	As at March 31, 2011
Other than trade quoted		
Cinemax India Limited	413,567	413,567
9,172 (Previous year : ₹ 9,172) equity shares of ₹ 10 each		
Market value ₹ 387,517 (Previous year: ₹ 584,129)		
	413,567	**413,567**
Aggregate amount of quoted Investments	413,567	413,567
Aggregate amount of unquoted Investments	-	-

15. Trade receivables

in ₹

	As at March 31, 2012	As at March 31, 2011
Debts outstanding for a period exceeding six months		
Unsecured, considered good	746,965,831	500,607,339
Unsecured, considered doubtful (net of service tax)	-	63,600,000
Other debts		
Unsecured, considered good	709,862,456	658,339,640
	1,456,828,287	**1,222,546,979**
Less: service tax	39,156,851	85,768,383
	1,417,671,436	**1,136,778,596**
Less: provision for doubtful debts (net of service tax)	-	63,600,000
	1,417,671,436	**1,073,178,596**

16. Loans and advances

in ₹

	Non-current As at March 31,		Current As at March 31,	
	2012	2011	2012	2011
Unsecured - considered good				
Capital advances	-	-	36,928,979	42,456,501
Advances recoverable in cash or in kind or for value to be received	3,313,496	-	124,562,589	131,905,383
Deposits	135,738,373	127,409,031	6,719,725	6,103,882
Inter-company deposits	-	-	104,488,958	156,081,944
Loans to subsidiary companies	-	-	649,678,118	492,046,944
Advances to subsidiaries	-	-	39,344,079	86,538,699
MAT credit entitlement	-	-	66,760,894	50,402,617
Advance payment of taxes	-	-	54,269,441	71,858,670
(Net of Provision for Tax - ₹ 206,807,297 (Previous year: ₹ 139,211,486)				
	139,051,869	**127,409,031**	**1,082,752,783**	**1,037,394,640**

17. Cash and bank balances

in ₹

	Non-current As at March 31,		Current As at March 31,	
	2012	2011	2012	2011
Cash and cash equivalents				
Balances with banks:				
On current accounts	-	-	34,226,524	6,946,401
Deposits with original maturity of less than three months	-	-	20,610,000	1,820,000
Cash on hand	-	-	556,445	427,031
	-	**-**	**55,392,969**	**9,193,432**
Other bank balances:				
Margin money deposits	68,705,091	99,857,576	-	-
	68,705,091	**99,857,576**	**-**	**-**
Amounts disclosed under other non-current assets (Note 18)	(68,705,091)	(99,857,576)	-	-
	-	**-**	**55,392,969**	**9,193,432**

Margin money deposits given as security

Margin money deposits with a carrying value of ₹ 68,705,091 (Previous year: ₹ 99,857,567) are subject to first charge to secure the foreign currency loans - buyer's credit and bank guarantees.

18. Other assets

in ₹

	Non-current		Current	
	As at March 31,		As at March 31,	
	2012	2011	2012	2011
Unbilled revenue	-	-	112,378,499	56,315,230
Interest accrued on fixed deposits	-	-	611,201	1,155,381
Non-current bank balances	68,705,091	99,857,576	-	-
	68,705,091	**99,857,576**	**112,989,700**	**57,470,611**

19. Other income

in ₹

	Year ended March 31,	
	2012	2011
Dividend		
Long-term investments - non trade	12,300	23,306
Interest income		
Bank deposits	5,576,061	13,954,061
Others	67,429,593	22,261,138
Profit on sale of asset (net)	-	1,559,543
Exchange gain (net)	145,388,804	-
Commission received / undertaking Fee	2,775,583	-
Excess provision written back	20,516,014	-
Insurance claim received	3,238,381	2,172,666
Bad debt recovered	2,552,312	3,863,929
Miscellaneous income	349,364	4,328,094
	247,838,412	**48,162,737**

As the Company is engaged in providing post production services, net income of ₹ Nil (Previous year: ₹ 3,475,819) from production of TV Programs (gross: ₹ Nil (Previous year: ₹ 13,600,000) less: direct cost of ₹ Nil (Previous year: ₹ 10,124,181)) is disclosed under other income as Miscellaneous income. The revenue of the Company for the year including revenue from TV production income is ₹ 1,710,271,845 (Previous year: ₹ 1,368,658,259)

20. Personnel expenses

in ₹

	Year ended March 31, 2012	2011
Salaries, staff remuneration and bonus	173,832,592	117,577,486
Bonus and incentive	839,610	332,839
Contribution to provident and other funds	3,551,768	4,188,996
Gratuity	3,944,547	1,203,652
Staff welfare	7,937,400	3,886,512
Technician fees	500,534,292	304,532,491
	690,640,209	**431,721,976**

21. Other expenses

in ₹

	Year ended March 31, 2012	2011
Technical services payments	42,240,837	34,711,103
Communication cost	18,602,884	11,568,548
Consumables stores	5,632,068	16,721,501
Director's sitting fees	280,000	262,000
Electricity charges	64,341,759	45,918,120
Insurance cost	10,580,570	8,771,686
Legal and professional fees	20,205,491	13,519,869
Loss on sale of assets (net)	8,654,459	-
Rates and taxes	626,086	2,261,673
Rebates and discount	19,802,086	25,813,992
Rent	46,336,503	33,796,375
Traveling and conveyance	46,306,681	32,545,505
Miscellaneous expenses	54,252,603	46,348,111
Repairs and maintenance-equipment	32,453,007	24,397,121
Repairs and maintenance-studio/office premises	30,765,611	15,469,597
Bad debts written off	49,881,243	271,750
Provision for doubtful debts	-	32,600,000
Exchange loss (net)	-	25,595,790
Auditor's remuneration		
Audit fees	1,700,000	2,400,000
In other matters	54,500	86,602
	452,716,388	**373,059,343**

22. Financial costs

in ₹

	Year ended March 31,	
	2012	2011
Interest on working capital finance	63,872,239	52,812,584
Interest on term loan	93,879,198	67,561,198
Interest on buyer's credit	11,570,764	15,057,566
Interest on others	1,686,260	1,160,535
Bank charges	8,474,563	2,022,982
	179,483,024	**138,614,865**

23. Earnings per share (EPS)

The following reflects the profit and share data used in basic and diluted EPS computation:

in ₹

	As at March 31,	
	2012	2011
Net profit as per statement of profit and loss for calculation of basic and diluted EPS	230,715,467	197,535,159
	Number	**Number**
Weighted average number of equity shares in calculating basic EPS	138,867,446	132,540,816
Effect of dilution:		
Weighted average number of equity shares which would be issued on conversion of FCCB	19,527,595	19,527,595
Weighted average number of equity shares which would be issued on conversion of Warrants	10,000,000	4,575,342
Weighted average number of equity shares in calculating diluted EPS	**168,395,041**	**156,643,754**
Basic EPS	1.66	1.49
Diluted EPS	1.37	1.26

24. Gratuity and other post-employment benefit plans

a. Defined 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 of basic salary (last drawn salary) for each completed year of service. This plan is unfunded. The following tables summarize the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the balance sheet for the respective plans.

Statement of profit and loss

in ₹

	Year ended March 31, 2012	2011
Net employee benefit expense recognised in personnel cost		
Current service cost	1,231,915	828,335
Interest cost on benefit obligation	223,002	119,952
Expected return on plan assets	-	-
Net actuarial (gain) / loss recognised in the year	2,489,630	255,365
Past service cost	-	-
	3,944,547	**1,203,652**
Actual return on plan assets	**Not Applicable**	**Not Applicable**

Balance sheet

in ₹

	As at March 31, 2012	2011
Provision for gratuity		
Defined benefit obligation	6,647,605	2,703,058
Fair value of plan assets.	-	-
	6,647,605	**2,703,058**

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

in ₹

	As at March 31, 2012	2011
Opening defined benefit obligation	2,703,058	1,499,406
Interest cost	223,002	119,952
Current service cost	1,231,915	828,335
Benefits paid	-	-
Actuarial (gains) / losses on obligation	2,489,630	255,365
Closing defined benefit obligation	**6,647,605**	**2,703,058**

Changes in the fair value of plan assets:

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.

Principal assumptions used in determining gratuity obligations for the Company's plans:

in ₹

	As at March 31, 2012	2011
Discount rate	8.25%	8.25%
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: [AS 15 Para 120(n)]

in ₹

	As at March 31, 2012	2011
Defined benefit obligation	6,647,605	2,703,058
Plan assets	-	-
Surplus / (deficit)	(6,647,605)	(2,703,058)
Experience adjustment on plan liabilities (gain) / loss	-	-
Experience adjustment on plan assets	-	-

b. Defined contribution plan:

Amount recognized as an expense and included in note 20 as contribution to provident fund ₹ 2,489,064 (Previous year: ₹ 2,777,813).

25. 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 clause. Future lease rentals in respect of the said premises taken on non-cancellable operating leases are as follows:

in ₹

	As at March 31, 2012	2011
Lease Payments due within one year	2,500,000	2,500,000
Lease Payments due later than one but not later than five years	1,146,000	3,646,000
Lease Payments due later than five years	-	-

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 statement of profit and loss in respect of operating leases is ₹ 46,336,503 (Previous year: ₹ 33,796,375)

26. Deferral/ capitalization of exchange differences

The Ministry of Corporate Affairs (MCA) has issued the amendment dated December 29, 2011 to AS 11 The Effects of Changes in Foreign Exchange Rates, to allow companies deferral/ capitalization of exchange differences arising on long-term foreign currency monetary items. In accordance with the amendment/ earlier amendment to AS 11, the Company has capitalized exchange loss, arising on long-term foreign currency loans, amounting to ₹ 29,358,628 (Previous year exchange gain ₹ 151,722) to the cost of fixed assets.

27. 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:

in ₹

	Income from Operations by Geographical Area		Segments Assets		Additions to Fixed Assets and Intangibles	
	Year ended March 31,		As at March 31,		Year ended March 31,	
	2012	2011	2012	2011	2012	2011
India	727,550,928	728,764,158	3,496,826,470	3,442,288,474	429,770,115	1,061,509,839
United Kingdom	232,900,105	272,809,439	278,557,941	265,096,292	-	-
U.S.	631,845,082	342,978,448	475,893,145	223,389,322	-	-
Canada	115,090,993	10,258,844	132,114,319	7,550,103	-	-
Other countries	2,884,737	247,370	38,873	1,655,526	-	-
	1,710,271,845	**1,355,058,259**	**4,383,430,748**	**3,939,979,717**	**429,770,115**	**1,061,509,839**

28. Related party disclosures

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

i) Subsidiary companies

Prime Focus London Plc.

Prime Focus International Limited.

Prime Focus Technologies Private Limited

Flow Post Solutions Private Limited

GVS Software Private Limited

Prime Focus Motion Pictures Limited

PF World Limited

PF Investments Limited

Prime Focus 3D India Private Limited

Prime Focus Post Production Private Limited

ii) **Step-down subsidiary Companies**

Subsidiary companies of PF World Limited

Prime Focus Luxembourg S.a.r.l

Prime Focus 3D Cooperatief U.A. (Subsidiary of Prime Focus Luxembourg S.a.r.l)

Prime Focus World N.V. (Subsidiary of Prime Focus 3D Cooperatief U.A.)

Prime Focus International Services UK Limited (Subsidiary of Prime Focus World N.V.)

Prime Focus North America Inc (Subsidiary of Prime Focus World N.V.)

1800 Vine Street LLC (Subsidiary of Prime Focus North America, Inc)

Prime Focus Creative Services Canada Inc (Subsidiary of Prime Focus World N.V.)

Prime Focus VFX Australia Pty Limited (Subsidiary of Prime Focus World N.V.)

Prime focus VFX USA, Inc

Subsidiary companies of Prime Focus London Plc.

Prime Focus Visual Entertainment Services Limited

VTR Media Investments Limited

PF Film UK Limited

PF Broadcast & Commercial Limited

Busy Buses Limited

Amazing Spectacles Limited (Subsidiary of VTR Media Investments Limited)

Clipstream Limited (Subsidiary of VTR Media Investments Limited)

Meanwhile Content Limited (Subsidiary of VTR Media Investments Limited)

Prime Focus Productions 1 Limited (Subsidiary of VTR Media Investments Limited)

PF Television VFX Limited (Formerly known as Prime Focus Productions 2 Limited) (Subsidiary of VTR Media Investments Limited)

PF Broadcast VFX Limited (Formerly known as Prime Focus Production 3 Limited) (Subsidiary of VTR Media Investments Limited)

Prime Focus Productions 5 Limited (Subsidiary of VTR Media Investments Limited)

DMJM Film (Subsidary of VTR Media Investment Limited)

Subsidiary company of Prime Focus Technologies Private Limited

Prime Focus Technologies UK Limited

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

i) **Key management personnel**

Mr. Naresh Malhotra – Chairman and Whole-time Director

Mr. Namit Malhotra – Managing Director (upto October 11, 2011)

Mr. Ramakrishnan Sankaranarayanan - Managing Director (w.e.f. October 11, 2011)

ii) **Enterprises owned or significantly influenced by key management personnel or their relatives**

Blooming Buds Coaching Private Limited

N2M Reality Private Limited

c. **Particulars of related party transactions**

i) **Key management personnel***

in ₹

		Year ended March 31,	
		2012	2011
A	**Remuneration**		
	Namit Malhotra	1,500,000	3,000,000
	Naresh Malhotra	4,500,000	3,000,000
	Ramakrishnan Sankaranarayanan	1,950,000	-
B	**Share warrant application received**		
	Namit Malhotra	-	138,695,000
C	**Payment made towards purchase of equity shares of Prime Focus Technologies Private Limited**		
	Namit Malhotra	-	24,500

in ₹

		As at March 31,	
		2012	2011
D	**Balance outstanding at the year end – remuneration payable**		
	Namit Malhotra	-	192,528
	Naresh Malhotra	371,046	-
	Ramakrishnan Sankaranarayanan	227,227	-

ii) Subsidiary companies #

in ₹

		Year ended March 31, 2012	Year ended March 31, 2011
A	**Revenue**		
	Prime Focus London Plc	90,675	272,809,439
	Prime Focus Technologies Private Limited	959,114	302,675
B	**Technical service payments**		
	Prime Focus London Plc	7,495,997	-
	Prime Focus Technologies Private Limited	30,295,015	-
C	**Investments**		
	Prime Focus London Plc	47,292,998	-
	Prime Focus Technologies Private Limited	150,000,000	-
	PF Investments Limited	810,330	-
	PF World Limited	4,786,060	-
	Prime Focus 3D India Private Limited	500,000	-
	Prime Focus Post Production Private Limited	100,000	-
D	**Loans and advances - given**		
	Prime Focus London Plc	85,864,831	494,576,300
	Prime Focus Technologies Private Limited	352,553,427	99,445,016
E	**Loans and advances - repaid**		
	Prime Focus London Plc	4,134,633	33,279,560
	Prime Focus Technologies Private Limited	377,489,126	68,685,371
F	**Interest on loans given**		
	Prime Focus London Plc	38,670,510	7,415,166
	Prime Focus Technologies Private Limited	18,929,094	8,405,965

		As at March 31, 2012	As at March 31, 2011
G	**Balance outstanding at the year end**		
	Trade receivable		
	Prime Focus London Plc	35,957,711	262,893,927
	Prime Focus Technologies Private Limited	945,128	426,294
	Advances to subsidiary companies		
	Prime Focus London Plc.	9,510,169	13,819,643
	Flow Post Solutions Private Limited	4,972	4,972

ii) **Subsidiary companies #**

		in ₹
Prime Focus Motion Pictures Limited	584,747	584,747
Loans to subsidiary companies		
Prime Focus London Plc.	600,642,180	492,046,944
Prime Focus Technologies Private Limited	49,035,938	84,897,278

iii) **Step-down subsidiary companies #**

in ₹

		Year ended March 31,	
		2012	2011
A	**Revenue**		
	PF Broadcast & Commercial Limited	14,462,432	-
	PF Film UK Limited	167,946,776	-
	Prime Focus North America, Inc	626,965,082	342,973,442
	Prime Focus Creative Services Canada Inc	115,090,993	10,258,844
	Prime Focus Visual Entertainment Services Limited	32,297,453	-
B	**Technical service payments**		
	Prime Focus North America Inc	16,931,952	12,613,875
	Prime Focus Creative Services Canada Inc	67,601	990,444
C	**Loans and advances - given**		
	Prime Focus North America Inc	3,145,321	1,688,996
	Prime Focus Creative Services Canada Inc	5,068,317	1,688,996
D	**Loans and advances - repaid**		
	Prime Focus North America, Inc	19,270,963	4,837,954
	Prime Focus Creative Services Canada Inc	6,574,406	10,709,905

in ₹

		As at March 31,	
		2012	2011
E	**Balance outstanding at the year end**		
	Trade receivables		
	PF Broadcast & Commercial Limited	15,950,398	-
	PF Film Uk Limited	182,468,606	-
	Prime Focus North America Inc	465,725,815	223,389,322
	Prime Focus Creative Services Canada Inc	127,846,418	7,550,102
	Prime Focus Visual Entertainment Services Limited	36,159,796	-

iii) **Step-down subsidiary companies #**

in ₹

Loans and advances		
Prime Focus North America Inc	47,607,383	14,549,789
Prime Focus Creative Services Canada Inc	521,988	1,051,702

Enterprises owned or significantly influenced by key management personnel or their relatives

in ₹

		Year ended March 31,	
		2012	2011
A	**Rent**		
	Blooming Buds Coaching Private Limited	26,500,000	24,000,000
B	**Deposits given**		
	N2M Reality Private Limited	-	70,000,000

in ₹

		As at March 31,	
		2012	2011
C	**Balance outstanding at the year end – deposits**		
	Blooming Buds Coaching Private Limited	48,000,000	48,000,000
	N2M Reality Private Limited	70,000,000	70,000,000

* Key management personnel have given personal guarantee and have pledged part of their share holdings for borrowings obtained by the Company. (Refer note 5 and 9).

\# The Company has provided guarantee on behalf of subsidiaries and step-down subsidiaries (Refer note 30).

29. Capital and other commitments

in ₹

		As at March 31,	
		2012	2011
i.	Estimated amount of contracts remaining to be executed on capital account and not provided for:	45,753,629	57,921,682

30. Contingent liabilities

in ₹

		As at March 31, 2012	2011
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.	624,224,149	693,529,871
ii.	On account of undertaking given on future probable obligation on behalf of subsidiary company in the course of acquisitions made.	-	60,966,157
iii.	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	5,271,860
iv.	Matters pending with Tax Authorities toward addition made by the tax authorities for the AY 2004-05.	17,362,955	-
v.	Matters pending with tax authorities related to Tax Deducted at Source (TDS) demand raised by the tax authorities for AY 2007-08 to 2011-12. Company has gone for an appeal to CIT (Appeals).	88,207,071	-
vi.	Guarantees given on behalf of subsidiary companies and step-down subsidiary	1,627,254,046 ($ 24,452,904) (£ 4,702,000)	1,240,761,318 ($ 21,372,904) (£ 4000,000)
vii.	Premium on conversion of FCCB (See note 5)	889,009,734	598,162,095

31. Unhedged foreign currency exposure

in ₹

	As at March 31, 2012	2011	Purpose
Buyer's Credit (Liability)	297,842,814 $ 4,757,231 € 820,700	313,676,577 $ 5,957,724 € 753,999	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 India.
Trade receivables (Assets)	875,071,894 $ 9,239,337 CAD $ 2,508,648 £ 3,402,338 € 9	493,833,351 $ 5,005,214 CAD $ 164,266 £ 3,665,810 € 0	Amount receivable for services rendered to Overseas Subsidiary and others.
Loans and Advances (Assets)	639,396,539 $ 11,803,036 CAD $ 433,877 $ 49,223 £ 176,200	493,098,646 $ 11,024,701 CAD $ 22,882 $ 0 £ 0	Advances given to Overseas Subsidiary and others.

in ₹

	As at March 31,		
	2012	2011	Purpose
Investment in Foreign Subsidiary – Prime Focus London Plc (Assets)	657,996,581 £ 8,158,744	610,703,583 £ 7,522,444	Investment in Subsidiary
Investment in Foreign Subsidiary – Prime Focus International Limited (Assets)	1,690,349,846 $ 43,000,000	1,690,349,846 $ 43,000,000	Investment in Subsidiary.
Investment in Foreign Subsidiary – PF World Limited (Assets)	4,786,060 $ 106,000	0 $ 0	Investment in Subsidiary.
Investment in Foreign Subsidiary – PF Investments Limited (Assets)	810,330 $ 18,000	0 $ 0	Investment in Subsidiary.

32. Subsequent events

Share warrants

On April 13, 2012 the Board approved the allotment of 10,000,000 equity shares against conversion of warrants held by promoter of the company at a premium of ₹ 54.478 per share (each warrant convertible into one equity share of face value of ₹ 1 each). The paid up share capital of the Company increased to ₹ 148,867,446 effective April 13, 2012 (post warrant conversion of 10,000,000 warrants) and the promoter holding increased to 50.91% on the enhanced capital.

33. Loans and advances in the nature of loans given to subsidiaries and associates and firms/companies in which directors are interested:

1. Prime Focus London Plc :

   Balance as at March 31, 2011: ₹ 600,642,180 (Previous year: ₹ 492,046,944.)
   Maximum Amount outstanding during the year ₹ 600,642,180 (Previous year: ₹ 492,046,944)

2. Prime Focus Technologies Private Limited :

   Balance as at March 31, 2011: ₹ 49,035,938 (Previous year: ₹ 84,897,278)
   Maximum Amount outstanding during the year ₹ 228,666,535 (Previous year: ₹ 85,244,098)

34. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

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, 2012. The information regarding micro, small and medium enterprises has been determined on the basis of information available with the management.

35. Value of imports calculated on CIF basis

in ₹

	Year ended March 31,	
	2012	2011
Capital Goods	218,485,084	205,955,120

36. Expenditure in foreign currency (accrual basis)

in ₹

	Year ended March 31, 2012	2011
Bad debts written off	24,724	-
Bank charges	99,159	14,621
Communication cost	182,117	-
Consumables and consumable stores	-	363,993
Interest on buyer's credit	10,744,439	15,057,566
Legal and professional fees	2,289,289	267,000
Miscellaneous expenses	68,058	-
Repairs and maintenance	15,684,882	4,582,874
Technical services payments	25,025,012	13,604,318
Technician charges and commissions	7,085,733	-
Traveling and conveyance	883,054	248,604
	62,086,467	**34,138,97**

37. Earnings in foreign currency (accrual basis)

in ₹

	As at March 31, 2012	2011
Revenue from operations	1,014,480,855	626,046,732
Interest Income	38,670,510	7,415,166
Excess provision written back	(3,077,210)	-
	1,050,074,155	**633,461,898**

38. Previous year figures

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

The accompanying notes are an integral part of the financial statements.
As per our report of even date

***For* MZS & Associates**
Chartered Accountants
Firm Registration No.: 106400w

For and on behalf of the Board of Directors

Abuali Darukhanawala
Partner
Membership No. 108053
Mumbai
May 30, 2012

Naresh Malhotra
Chairman and Whole-time Director

Ramakrishnan Sankaranarayanan
Managing Director

Navin Agarwal
Company Secretary

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN SUBSIDIARY COMPANIES FOR THE YEAR ENDED MARCH 31, 2012.

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 consern the members of yhe Holding company			
						Not dealt in the Holding company's accounts		Dealt with in the holding company's accounts	
						For the financial year ended March 31, 2012	for the previous financial year of the subsidiary company since it became the company's subsidiary	For the financial year ended March 31, 2012	for the previous financial year of the subsidiary company since it became the company's subsidiary
Prime focus London Plc	March 31, 2012	Prime Focus Limited	April 28, 2006	21,367,003	65.02%	(18,647,520)	(11,466,472)	-	-
Prime Focus Visual Entertainment Services Limited	March 31, 2012	Prime Focus London Plc	April 28, 2006	1,000	100%	163,444,983	525,919,775	-	-
VTR Media Investment Limited	March 31, 2012	Prime Focus London Plc	April 28, 2006	2	100%	(2,078,292)	(449,070,318)	-	-
Amazing Spectacles Limited	March 31, 2012	VTR Media Investment Limited	April 28, 2006	2	100%	(90,440)	(20,218,312)	-	-
Clipstream Limited	March 31, 2012	Prime Focus London Plc	April 28, 2006	2	100%	26,866,207	(56,845,074)	-	-
Meanwhile Content Limited	March 31, 2012	VTR Media Investment Limited	April 28, 2006	51	51%	1,158,534	9,169,453	-	-
PF Broadcast VFX Limited [1]	March 31, 2012	Prime Focus London Plc	December 1, 2010	1	100%	4,863,465	(23,263,455)	-	-
PF Film UK Limited	March 31, 2012	Prime Focus London Plc	December 2, 2008	1	100%	(215,258,257)	-	-	-
PF Broadcast & Commercial Limited	March 31, 2012	Prime Focus London Plc	January 12, 2011	1	100%	87,071,020	178,833,986	-	-
Busy Buses Limited	March 31, 2012	Prime Focus London Plc	April 1, 2010	3	100%	-	-	-	-
Prime Focus Productions 1 Limited	March 31, 2012	VTR Media Investment Limited	December 1, 2010	1	100%	-	-	-	-
PF Television VFX Limited [3]	March 31, 2012	VTR Media Investment Limited	December 1, 2010	1	100%	1,067,021	-	-	-
Prime Focus Productions 5 Limited	March 31, 2012	VTR Media Investment Limited	December 1, 2010	1	100%	-	-	-	-
DMJM Film Limited	March 31, 2012	VTR Media Investment Limited	January 23, 2012	1	100%	-	-	-	-
Prime Focus International Limited	March 31, 2012	Prime Focus Limited	December 19, 2007	20,339,598	100%	-	10,531,385	-	-
Prime Focus World, N.V.	March 31, 2012	Prime Focus 3D Cooperatief U.A. Netherlands	August 16, 2011	4,500,000	100%	(942,517)	-	-	-

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 consern the members of yhe Holding company			
						Not dealt in the Holding company's accounts		Dealt with in the holding company's accounts	
						For the financial year ended March 31, 2012	for the previous financial year of the subsidiary company since it became the company's subsidiary	For the financial year ended March 31, 2012	for the previous financial year of the subsidiary company since it became the company's subsidiary
Prime Focus International Services UK Limited	March 31, 2012	Prime Focus World, N.V.	March 23, 2011	1	100%	285,530,147	-		
Prime Focus Creative Services Canada, Inc [2*]	March 31, 2012	Prime Focus World, N.V.	April 1, 2008	1	100%	(1,054,609)	9,768,174	-	-
Prime Focus VFX USA Inc.	March 31, 2012	Prime Focus World, N.V.	April 1, 2008	100	100%	137,487,814	40,041,843	-	-
Prime Focus Australia Pty. Limited	March 31, 2012	Prime Focus World, N.V.	April 1, 2008	100	100%	-	20,055	-	-
Prime Focus North America, Inc	March 31, 2012	Prime Focus World, N.V.	April 1, 2008	5,100	100%	267,264,732	524,249,184	-	-
1800 Vine street, Inc	March 31, 2012	Prime Focus North America, Inc	April 1, 2008	-	100%	(14,722,110)	(30,071,159)	-	-
PF Investments Limited (Mauritius)	March 31, 2012	Prime Focus Limited	June 23, 2011	18,000	100%	(851,109)	-	-	-
PF World Limited (Mauritius)	March 31, 2012	Prime Focus Limited	May 11, 2011	106,000	100%	(1,091,622)	-	-	-
Prime Focus Luxembourg S.a.r.l.	March 31, 2012	PF World Limited (Mauritius)	September 21, 2011	20,000	100%	-	-	-	-
Prime Focus 3D Cooperatief U.A.	March 31, 2012	Prime Focus Luxembourg S.arl (and) PF Investment Limited	September 21, 2011	N.A.	99.99% (and) 0.01%	-	-	-	-
Prime Focus Technologies Private Limited	March 31, 2012	Prime Focus Limited	March 8, 2008	1,517,550	75.50%	35,376,004	19,468,585	-	-
Prime Focus Technologies UK Limited[#]	March 31, 2012	Prime Focus Technologies Private Limited	August 13, 2010	1	100%	(6,314,761)	-	-	-
Flow Post Solutions Private Limited	March 31, 2012	Prime Focus Limited	February 28, 2008	5,100	51%	-	(15,975)	-	-
Prime Focus Motion Pictures Limited	March 31, 2012	Prime Focus Limited	August 22, 2008	50,000	100%	-	(10,515)	-	-
GVS Software Private Limited	March 31, 2012	Prime Focus Limited	April 1, 2008	10,000	100%	-	(10,515)	-	-
Prime Focus 3D India Private Limited	March 31, 2012	Prime Focus Limited	June 9, 2011	50,000	100%	-	-	-	-
Prime Focus Post Production Pvt. Limited	March 31, 2012	Prime Focus Limited	June 13, 2011	10,000	100%	-	-	-	-

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN SUBSIDIARY COMPANIES FOR THE YEAR ENDED MARCH 31, 2011.

Statement Pursuant to exemption received under Section 212 (8) Of The Companies Act, 1956 relating to Subsidiary Companies For The Year ended March 31,2012

Name Of The Subsidiary Company	Country of Registration	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary	Turnover	Profit befor taxation	Provision for Taxation	Profit after taxation	Proposed Dividend
Prime focus London Plc	U.K.	133,719,765	563,846,151	2,887,199,897	2,887,199,897	-	114,062,067	(28,679,668)	-	(28,679,668)	-
Prime Focus Visual Entertainment Services Limited	U.K.	81,428	560,703,826	1,479,224,064	1,479,224,064	-	1,261,758,034	251,376,473	-	251,376,473	-
VTR Media Investment Limited	U.K.	163	(371,725,560)	113,584,436	113,584,436	-	2,444,432	(3,196,389)	-	(3,196,389)	-
Amazing Spectacles Limited	U.K.	163	(148,552)	(1,434)	(1,434)	-	-	(139,096)	-	(139,096)	-
Clipstream Limited	U.K.	163	(31,877,220)	396,368,872	396,368,872	-	43,631,393	41,319,913	-	41,319,913	-
Meanwhile Content Limited	U.K.	4,153	(1,062,245)	8,921,906	8,921,906	-	9,472,724	1,781,812	-	1,781,812	-
PF Broadcast VFX Limited [1]	U.K.	81	7,979,691	22,400,062	22,400,062	-	30,383,763	7,479,953	-	7,479,953	-
PF Film UK Limited	U.K.	-	(353,183,238)	1,001,525	1,001,525	-	186,843,363	(331,064,683)	-	(331,064,683)	-
PF Broadcast & Commercial Limited	U.K.	-	158,475,547	641,438,155	641,438,155	-	894,758,646	133,914,211	-	133,914,211	-
Busy Buses Limited	U.K.	163	-	163	163	-	-	-	-	-	-
Prime Focus Productions 1 Limited	U.K.	81	-	81	81	-	-	-	-	-	-
PF Television VFX Limited [3]	U.K.	81	1,750,706	3,908,553	3,908,553	-	3,053,146	1,641,066	-	1,641,066	-
Prime Focus Productions 5 Limited	U.K.	81	-	81	81	-	-	-	-	-	-
DMJM Film Limited	U.K.	1	-	1	1	-	-	-	-	-	-
Prime Focus International Limited	U.K.	1,656,216,650	11,768,409	1,930,724,515	1,930,724,515	-	-	-	-	-	-
Prime Focus World, N.V.	Amsterdam	3,285,075	(166,508)	69,552,406	69,552,406	-	-	1,718,115	2,660,632	(942,517)	-
Prime Focus International Services UK Limited	U.K.	1	150,576,113	1,245,831,928	1,245,831,928	-	1,724,976,654	425,473,895	139,943,748	285,530,147	-
Prime Focus Creative Services Canada, Inc [2 *]	Canada	30,174,304	219,977,481	603,719,262	603,724,860	-	602,790,600	5,714,570	6,769,179	(1,054,609)	-

Name Of The Subsidiary Company	Country of Registration	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary	Turnover	Profit befor taxation	Provision for Taxation	Profit after taxation	Proposed Dividend
Prime Focus VFX USA Inc.	Canada	509	(1,991,685)	4,147,640	4,147,640	-	1,597,308	137,492,171	4,357	137,487,814	-
Prime Focus Australia Pty. Limited	Canada	5,089	(5,089)	-	-	-	-	-	-	-	-
Prime Focus North America, Inc	U.S.A.	227,620	1,792,690,409	2,182,676,953	2,182,676,953	-	2,000,180,636	293,928,890	26,664,158	267,264,732	-
1800 Vine street, Inc	U.S.A.	-	537,690,368	1,052,746,453	1,052,746,453	-	-	(14,722,110)	-	(14,722,110)	-
PF Investments Limited	Mauritius	915,998	(904,548)	408,332	408,332	-	-	(851,109)	-	(851,109)	-
PF World Limited	Mauritius	5,394,212	(1,160,163)	4,880,744	4,880,744	-	-	(1,091,622)	-	(1,091,622)	-
Prime Focus Luxembourg S.a.r.l.	Luxembourg	881,393,843	2,400,973	1,764,445,186	1,764,445,186	-	-	-	-	-	-
Prime Focus 3D Cooperatief U.A.	Amsterdam	3,657,123	-	1,764,278,676	1,764,278,676	-	-	-	-	-	-
Prime Focus Technologies Private Limited	India	170,100,000	51,800,523	466,663,026	466,663,026	-	313,236,780	62,320,366	15,464,732	46,855,634	-
Prime Focus Technologies UK Limited	U.K.	1	(8,922,777)	29,166,293	29,166,293	-	24,814,333	(8,363,921)	-	(8,363,921)	-
Flow Post Solutions Private Limited	India	100,000	(25,919)	90,400	90,400	-	-	-	-	-	-
PF Motion Pictures Limited	India	500,000	(10,515)	738,417,008	738,417,008	-	-	-	-	-	-
GVS Software Private Limited	India	100,000	(10,515)	100,000	100,000	-	-	-	-	-	-
Prime Focus 3D India Private Limited	India	500,000	-	500,000	500,000	-	-	-	-	-	-
Prime Focus Post Production Private Limited	India	100,000	-	100,000	100,000	-	-	-	-	-	-

Exchange Rate : £ 1 = ₹ 81.42819 ; $ 1 = ₹ 50.88879; CAD $ 1 = $ 1.00274 ; £ 1 = $ 1.56242

Note

[1] formerly kown as Prime Focus Productions 3 Limited

[2] formerly known as Prime Focus VFX Pacific, Inc.

[3] formerly known as Prime focus Productions 2 Limited

[#] Subsidiary of Prime Focus London Plc. Is taken over by Prime Focus Technologies Private Limited, India

[*] Prime Focus VFX Service I, Inc. got merged in Prime Focus Creative Services Canada, Inc.

[*] Prime Focus VFX Service II, Inc. got merged in Prime Focus Creative Services Canada, Inc.

[*] Prime Focus VFX Tecnology, Inc. got merged in Prime Focus Creative Services Canada, Inc.

AUDITORS' REPORT

To the Board of Directors of

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, 2012, and also the consolidated statement of profit and loss and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these 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 subsidiaries, whose financial statements reflect total assets of ₹ 7,016,457,928 as at March 31, 2012, the total revenue of ₹ 6,966,674,096 and cash flows amounting to ₹ 77,872,334 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 5(a) to the financial statements, the Group has not revalued the FCCB of $ 55 million at the exchange rate prevailing as at March 31, 2012, March 31, 2011, 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 Group revalued the bonds as at March 31, 2012, the profit for the year ended March 31, 2012 and the reserves as at that date would have been lower by ₹ 383.22 million and ₹ 636.19 million respectively and Foreign Currency Monetary Item Translation Difference account would have been ₹ Nil. Further, had the Group provided for the premium on redemption, the securities premium as at March 31, 2012 would have been lower by ₹ 889.01 million. Consequent to the above, the FCCB balance at March 31, 2012 would have been higher by ₹ 1525.20 million. This had caused us to qualify our audit opinion on the financial statements relating to preceding year.*

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, 2012;

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

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

For MZS & Associates
Chartered Accountants
Firm Registration No: 106400w

Abuali Darukhanawala
Partner (M. No. 108053)

Mumbai
May 30, 2012

CONSOLIDATED BALANCE SHEET

in ₹

	Note	As at March 31, 2012	2011
Equity and liabilities			
Shareholders' funds			
Share capital	3	138,867,446	138,867,446
Share warrant		138,695,000	138,695,000
Reserves and surplus	4	4,689,635,692	3,367,521,809
		4,967,198,138	**3,645,084,255**
Non-current liabilities			
Long-term borrowings	5	1,233,666,835	3,136,275,368
Deferred tax liability (net)	6	267,653,186	188,833,649
Minority interest		450,583,502	416,084,862
Other long-term liabilities	7	43,224,000	-
Long-term provisions	8	6,916,918	1,499,406
		2,002,044,441	**3,742,693,285**
Current liabilities			
Short-term borrowings	9	1,498,778,508	1,001,267,221
Trade payables		1,474,165,562	572,583,438
Other current liabilities	10	3,293,909,541	948,209,442
Short-term provisions	8	1,238,710	1,203,652
		6,268,092,321	**2,523,263,753**
		13,237,334,900	**9,911,041,293**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	11	5,444,387,529	4,418,458,110
Intangible assets	12	3,059,176,052	2,209,748,129
Capital work-in-progress		21,410,782	39,633,470
Intangible assets under development		34,609,918	34,310,778
Non-current investments	13	103,500	103,500
Long-term loans and advances	16	192,931,072	169,865,532
Other non-current assets	18	219,861,103	120,033,892
		8,972,479,956	**6,992,153,411**
Current assets			
Current investments	14	812,565	1,292,077
Inventories		6,191,146	2,745,829
Trade receivables	15	2,897,216,564	1,693,800,520
Cash and bank balances	17	313,704,187	178,665,119
Short-term loans and advances	16	595,955,837	984,913,726
Other current assets	18	450,974,645	57,470,611
		4,264,854,944	**2,918,887,580**
		13,237,334,900	**9,911,041,293**
Significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

***For* MZS & Associates**
Chartered Accountants
Firm Registration No.: 106400w

For and on behalf of the Board of Directors

Abuali Darukhanawala
Partner

Naresh Malhotra
Chairman and Whole-time Director

Ramakrishnan Sankaranarayanan
Managing Director

Navin Agarwal
Company Secretary

Membership No. 108053
Mumbai
May 30, 2012

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

in ₹

	Note	For the year ended March 31, 2012	2011
Income			
Revenue from operations (net)		7,719,133,416	5,029,582,721
Other income	19	201,536,568	149,774,066
Total revenue (I)		**7,920,669,984**	**5,179,356,787**
Expenses			
Personnel cost	20	3,628,072,880	2,047,095,094
Other expenses	21	1,876,697,181	1,311,742,479
Exceptional item	22	28,878,140	69,954,691
Total (II)		**5,533,648,201**	**3,428,792,264**
Earnings before interest, tax, depreciation and amortization (EBITDA) (I)-(II)		**2,387,021,783**	**1,750,564,523**
Depreciation and amortization expenses	11/12	711,410,551	545,573,993
Finance costs	23	347,608,970	263,047,066
Profit before tax		**1,328,002,262**	**941,943,464**
Tax expenses			
Current tax		255,778,835	55,526,444
Less : MAT credit entitlement		(27,153,745)	(55,526,444)
		228,625,090	-
Deferred tax		71,372,172	60,062,820
Total tax expense		**299,997,262**	**60,062,820**
Profit after tax (before adjustment of minority interest)		**1,028,005,000**	**881,880,644**
Less: Minority interest		35,469,834	121,017,350
Profit for the year from continuing operations		**992,535,166**	**760,863,294**
Earnings per equity share	24		
Basic		7.15	5.74
Diluted		5.89	4.86
Significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

***For* MZS & Associates**
Chartered Accountants
Firm Registration No.: 106400w

Abuali Darukhanawala
Partner
Membership No. 108053
Mumbai
May 30, 2012

For and on behalf of the Board of Directors

Naresh Malhotra
Chairman and Whole-time Director

Ramakrishnan Sankaranarayanan
Managing Director

Navin Agarwal
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT

in ₹

	For the year ended March 31, 2012	2011
Cash flow from operating activities		
Profit before tax	1,328,002,262	941,943,464
Non-cash adjustments to reconcile profit before tax to net cash flows		
Depreciation and amortization	711,410,551	545,573,993
Loss on sale of fixed assets	68,311,719	4,955,331
Unrealized foreign exchange (gain)/loss (net)	(96,549,563)	10,509,384
Bad debts written-off	80,136,273	30,232,089
Provision for doubful debts	-	32,600,000
Sundry credit balances written back	(20,538,916)	(15,000)
Provision for gratuity	5,452,570	1,203,652
Tax written-off	-	349,614
Impairment of investments	-	(681,814)
Miscellaneous expenditure written-off	-	67,694,715
Interest income	(17,668,409)	(33,742,985)
Dividend income	(12,300)	(23,306)
Interest expense	347,608,970	253,833,498
Operating profit before working capital changes	**2,406,153,157**	**1,854,432,635**
Movements in working capital :		
Increase in liabilities	785,350,708	718,186,874
Decrease in assets	(1,448,989,758)	(1,314,636,912)
(Increase) /decrease in inventories	(736,348)	18,022,274
Cash generated from operations	1,741,777,759	1,276,004,871
Direct taxes (refunded)/ paid (net)	(77,311,459)	27,862,726
Net cash flow from operating activities (A)	**1,664,466,300**	**1,303,867,597**
Cash flow from investing activities		
Purchase of fixed assets	(1,875,503,862)	(2,272,972,813)
Proceeds from sale of fixed assets	87,187,272	45,663,011
Purchase of current investments	-	(158,797,588)
Proceeds from sale/ maturity of current investments	-	644,807,231
Purchase of investment in subsidiaries	(47,292,998)	(24,500)
Proceeds from sale of non-current investments	1,526,573	-
Inter-corporate deposits given	(1,000,000)	(64,500,000)
Inter-corporate deposits received back	27,020,854	16,552,116
Margin money and fixed deposits under lien	20,650,144	(4,777,092)
Interest received	32,559,046	40,480,034
Dividends received	12,300	23,306
Net cash flow used in investing activities (B)	**(1,754,840,671)**	**(1,753,546,295)**

CONSOLIDATED CASH FLOW STATEMENT

in ₹

	For the year ended March 31, 2012	2011
Cash flow from financing activities		
Proceeds from long-term borrowings	723,976,022	822,758,236
Repayment of long-term borrowings	(554,178,907)	(968,570,388)
Proceeds from short-term borrowings (net)	345,909,974	106,281,553
Proceeds from issuance of share warrants	-	138,695,000
Proceeds from issuance of shares	2,131,341	-
Proceeds from issuance of Qualified Institutions Placement (QIP) (net)	-	707,753,343
Foreign exchange gain/(loss) (net)	-	6,619,381
Interest paid	(402,552,189)	(276,140,301)
Dividends paid	-	(103)
Net Cash from Financing activities (C)	**115,286,241**	**537,396,721**
Effect of exchange on cash and cash equivalents (D)	**110,127,198**	**(5,817,588)**
Net increase/(decrease) in cash and cash equivalents (A+B+C+D)	**135,039,068**	**81,900,435**
Cash and cash equivalents at the beginning of the year	**178,665,119**	**96,764,684**
Cash and cash equivalents at the end of the year	**313,704,187**	**178,665,119**
Components of cash and cash equivalents		
Balance with banks:		
On current accounts	291,064,949	175,065,574
On deposit accounts	20,610,000	1,820,000
Cash on hand	2,029,238	1,779,545
Total cash and cash equivalents (note 17)	**313,704,187**	**178,665,119**
Significant accounting policies (note 2)		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

***For* MZS & Associates**
Chartered Accountants
Firm Registration No.: 106400w

For and on behalf of the Board of Directors

Abuali Darukhanawala
Partner
Membership No. 108053
Mumbai
May 30, 2012

Naresh Malhotra
Chairman and Whole-time Director

Ramakrishnan Sankaranarayanan
Managing Director

Navin Agarwal
Company Secretary

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. **Corporate information**

   Prime Focus Limited ('the Company') is a public company domiciled in India and incorporated under the provision of the Companies Act, 1956. Its shares are listed on two stock exchanges in India. The Company and its subsidiaries (collectively referred to as 'the Group'), is engaged in the business of Post Production, Visual Effects, 2D to 3D conversion and providing complete solutions in terms of other technical and creative services to the entire Media and Entertainment Industry.

2. **Statement of significant accounting policies:**

   a. **Basis of preparation**

      The consolidated financial statements of the Group have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Group has prepared these consolidated financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The consolidated financial statements have been prepared on accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of consolidated financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

   b. **Change in accounting policy**

      During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company, for preparation and presentation of its consolidated financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of consolidated financial statements. However, it has significant impact on presentation and disclosures in the consolidated financial statements. The Group has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

   c. **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 ("AS") 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 subsidiaries 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 and 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.

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 subsidiaries:

   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 share of the equity in the subsidiary at the respective dates on whichinvestment in the subsidiary was made, is recognised in the financial statements as goodwill on consolidation and in the case where equity exceeds the cost; the difference is accounted as capital reserve.

   The parent's share of equity in the subsidiary is determined on the basis of the valueof assets and liabilities as per the financial statements of the subsidiary as on the date of investment.

   However, for subsidiary companies, Prime Focus London Plc, UK and its subsidiaries('PF London Group') and Prime Focus World N.V and its subsidiaries (PFW Group), goodwill arising on consolidation represents the excess of their respective cost of acquisition over the fair value of their respective 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 then the difference is credited to the consolidated statement of profit and loss in the period of acquisition.

   Goodwill on consolidation of PF London Group and PFW Group is ₹ 42,955,950 (Previous year: ₹ 3,477,967) and ₹ 1,027,692,104 (Previous year: ₹ 462,502,689), respectively.

Goodwill arising on consolidation is evaluated for impairment annually.

List of subsidiaries which are more than 50% owned or controlled and included in the consolidated financial statements:

Name of Subsidiary	Principal Activity	Country of Incorporation	Percentage of Holding
Prime Focus London Plc.	Post Production and VFX services	England & Wales	65.02%
Prime Focus International Limited	Media and other Investments	England & Wales	100%
Prime Focus Technologies Private Limited	Digital Asset Management	India	75.50%
Flow Post Solutions Private Limited	Dormant	India	51%
GVS Software Private Limited	Dormant	India	100%
Prime Focus Motion Pictures Limited	Dormant	India	100%
Prime Focus Post Production Private Limited	Dormant	India	100%
PF World Limited	Investments	Mauritius	100%
PF Investments Limited	Investments	Mauritius	100%
Prime Focus 3D India Private Limited	Dormant	India	100%
Subsidiary undertakings of Prime Focus London Plc.			
Prime Focus Visual Entertainment Services Private Limited	Broadcast Post Production	England & Wales	100%
VTR Media Investments Limited	Media Investments	England & Wales	100%
PF Film UK Limited	Dormant	England & Wales	100%
Busy Buses Limited	Dormant	England & Wales	100%
PF Broadcast & Commercial Limited	Post Production Services	England & Wales	100%
Clipstream Limited	Digital Content Management	England & Wales	100%
Subsidiary undertakings of VTR Media Investments Limited			
Amazing Spectacles Limited	Post Production Service	England & Wales	100%
Meanwhile Content Limited	Post Production of Television Commercials	England & Wales	100%
Prime Focus Productions 1 Limited	Dormant	England & Wales	100%
PF Television VFX Limited (Formerly known as Prime Focus Productions 2 Limited)	VFX Services	England & Wales	100%
PF Broadcast VFX Limited (formerly known as Prime Focus Productions 3 Limited)	VFX Services	England & Wales	100%
Prime Focus Productions 5 Limited	Dormant	England & Wales	100%
DMJM Flim Limited	Dormant	England & Wales	100%

Name of Subsidiary	Principal Activity	Country of Incorporation	Percentage of Holding
Subsidiary undertaking of PF World Limited			
Prime Focus Luxembourg S.a.r.l	Investments	Luxembourg	100%
Subsidiary undertaking of Prime Focus Luxembourg S.a.r.l			
Prime Focus 3D Cooperatief U.A.	Investments	Netherlands	100%
Subsidiary undertaking of Prime Focus 3D Cooperatief U.A.			
Prime Focus World N.V.	Investments	Netherlands	100%
Subsidiary undertakings of Prime Focus World N.V.			
Prime Focus Creative Services Canada Inc	Post Production and VFX Services	Canada	100%
Prime Focus VFX Australia Pty Limited	Dormant	Australia	100%
Prime Focus VFX USA Inc.	Dormant	USA	100%
Prime Focus North America Inc	Post Production and VFX Services	USA	100%
Prime Focus International Services UK Limited	Post Production and VFX Services	England & Wales	100%
Subsidiary undertakings of Prime Focus North America Inc.			
1800 Vine Street LLC	NA	USA	100%
Subsidiary undertakings of Prime Focus Technologies Private Limited			
Prime Focus Technologies UK Limited	Digital Assets Management	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. Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation. The cost comprises the purchase price and any directly 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. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standards of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the consolidated statement of profit and loss for the period during which such expenses are incurred.

From accounting periods commencing on or after December 7, 2006, the Group (except for foreign subsidiaries - see note 'n' below for accounting of exchange differences by foreign subsidiaries) adjusts exchange differences arising on translation/ settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciates the same over the remaining life of the asset.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in the consolidated statement of profit and loss when the asset is derecognized.

f. Depreciation on tangible fixed assets

Depreciation on tangible fixed assets 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)
Building	1.63% - 2.50%	1.63%
Plant and Machinery - Computer Based Assets	16.21%-33.33%	16.21%
Plant and Machinery - Non Computer Based Assets	7.07% - 14.29%	7.07%
Furniture and Fixtures and Electrical Fittings	10.00%	6.33%
Office Equipments	16.21%	13.91%
Vehicles	9.50%-20.00%	9.50%

Leasehold improvements are depreciated on a straight line basis over the unexpired period of the lease or useful economic life whichever is shorter.

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 block of assets of PF London Group is ₹ 2,420,524,763 (Previous year : ₹ 1,455,429,312). Net block of assets of PF London Group is ₹ 1,354,624,086 (Previous year: ₹ 628,579,728 and depreciation charge for the year is ₹ 134,618,520 (Previous year : ₹ 82,353,004).

g. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in an amalgamation in the nature of purchase is their fair value as at the date of amalgamation. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of profit and loss in the year in which the expenditure is incurred.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. Such intangible assets and intangible assets not yet available for use are tested for impairment annually, either individually or at the cash-generating unit level. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Film rights

The Group 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 unrecognized 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. The period of amortization only starts at the point at which the asset starts to produce economic returns.

However, one of the subsidiary company, PF London Group amortizes 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 ₹ 114,734,274 (Previous year: ₹ 51,579,221)

The Other Intangibles are amortized over a period of 10 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.

Acquired intangible assets

Externally acquired finite-lived intangible assets are initially recognized at cost and subsequently amortized on a straight-line basis over their useful economic lives because the consumption of the underlying asset cannot be measured reliably.

Intangible assets are recognized in business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Finite-lived intangible assets that were acquired in a business combination, such as trade names, customer relationships and developed technology are amortized on a straight-line basis over their estimated useful life as follows:

Trade names	Over 5 years
Customer relationships and contracts	Over 5 years
Developed technology	Over 5 years

The period of amortization only starts at the point at which the asset becomes available to produce economic returns amortization is classified as an operating expense.

Research and development costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Group can demonstrate all the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete the asset
- Its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of adequate resources to complete the development and to use or sell the asset
- The ability to measure reliably the expenditure attributable to the intangible asset during development.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognized in the consolidated statement of profit and loss as incurred.

Capitalized development costs will be amortized over the periods the Group expects to benefit from selling the products developed.

h. 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 recognised 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.

i. Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowing and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

j. 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 capitalized.

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 consolidated statement of profit and loss on a straight line basis over the leased term.

k. **Inventory**

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

l. **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.

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 consolidated 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 consolidated statement of profit and loss.

Value of current investments of PF London Group is ₹ 3,98,998 (Previous year: ₹ 2,312,812)

m. **Revenue recognition**

Revenue comprises the fair value of the consideration received for the sale of services and products in the ordinary course of the Group's activities. Revenue is shown net of sales taxes, service taxes and value added taxes.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historic results, taking into consideration the type of transaction, the type of customer and the specifics of each arrangement.

(a) Post production services

The Group provides a variety of post production services to clients in the film, broadcast and commercials sectors. These services are provided with terms generally ranging over a period of up to three months.

Unbilled revenue is included as accrued income within receivables and revenue that has been billed in advance of the revenue being recognized is included as deferred revenue in payables.

(b) Visual special effects (VFX) and Two dimension to three dimension (2D to 3D) conversion

The Group provides 3D conversion and VFX services to clients in the film, broadcast and commercials sectors. These services are provided as fixed price contracts, with contract terms generally ranging over a period of three to twelve months.

Where the outcome of a contract can be estimated reliably, revenue under these fixed price contracts is recognized under the proportionate completion method based on the services performed to the reporting date as a proportion of total services expected to be performed to deliver the contract. The Group generally measures services performed by reference to hours spent. If losses are expected on contracts these are recognized when such losses become evident.

Unbilled revenue is included as accrued income within receivables and billing in advance of the revenue being recognized is included as deferred revenue in payables.

(c) Other technical services

Other 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.

(d) Others

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.

Dividends are recognized when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognized as per the provision of AS 9 *Revenue Recognition* i.e. only when the right to receive the same is established.

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

n. 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 Group'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, 2012.

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

However, in case of subsidiaries, PF London Group and Prime Focus World NV and subsidiaries (PFW Group), exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of profit and loss. This is in variance with the policy adopted by the Group.

o. Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. 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 Group 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 Group 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 consolidated statement of profit and loss and shown as MAT credit entitlement. The Group 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.

p. 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.

q. 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.

r. **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.

s. **Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand, short term investments with original maturity of three months or less and fixed deposits with banks (other than margin money deposits).

t. **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.

u. **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 consolidated statement of profit and loss 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.

Prime Focus London Plc and its subsidiaries operate 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.

v. **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

w. **Measurement of EBITDA**

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Group has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the consolidated statement of profit and loss. The Company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Group does not include depreciation and amortization expense, finance costs and tax expense.

x. **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. Share capital

in ₹

	As at March 31, 2012	As at March 31, 2011
Authorised shares:		
200,000,000 equity shares of ₹ 1 each (Previous year: 200,000,000 equity shares of ₹ 1 each)	**200,000,000**	**200,000,000**
Issued, subscribed and paid-Up:		
138,867,446 equity shares of ₹ 1 each (Previous year: 138,867,446 equity shares of ₹ 1 each)	138,867,446	138,867,446
	138,867,446	**138,867,446**

a. **Reconciliation of the equity shares outstanding at the beginning and at the end of the reporting period**

in ₹

	As at March 31, 2012		As at March 31, 2011	
	Number	Amount	Number	Amount
At the beginning of the period	138,867,446	138,867,446	12,822,588	128,225,880
Issued during the year on sub-division of equity shares	-	-	115,403,292	-
Issued during the year on account of QIP	-	-	10,641,566	10,641,566
At the end of the period	**138,867,446**	**138,867,446**	**138,867,446**	**138,867,446**

Sub-division of equity shares

The Company has sub-divided 12,822,588 nos. of equity shares from every one equity share of ₹ 10 each into ten equity shares of ₹ 1 each (i.e. 12,822,588 equity shares of ₹ 10 each in the capital of the Company on which the sum of ₹ 10 is credited as fully paid up into 128,225,880 equity shares of ₹ 1 each of which the sum of ₹ 1 is credited as fully paid up.) The record date fixed for the purpose of sub-division of equity shares of the Company was November 1, 2010.

Qualified Institutions Placement

The Company has allotted 10,641,566 equity shares of face value of ₹ 1 each to Qualified Institutional Buyers under Qualified Institutions Placement (QIP) as per Chapter VIII of the SEBI Regulations at a price of ₹ 68.58 per Equity Share (Including a premium of ₹ 67.58 per Equity Share), aggregating to ₹ 729,798,596 on November 10, 2010. Further the floor price in respect of the aforesaid Qualified Institutions Placement, based on the pricing formula as prescribed in Regulation 85 of Chapter VIII of SEBI Regulations is ₹ 68.58 per equity share and the Relevant Date for this purpose in terms of Regulation 81 of chapter VIII of SEBI Regulations was November 4, 2010.

b. Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceeding the reporting date:

	As at March 31,	
	2012	2011
	Number	Number
Equity shares alloted as fully paid bonus shares by capitalisation of securities premium	40,000,000	40,000,000
Equity shares allotted as fully paid up pursuant to scheme of arrangement for consideration other than cash	36,000,000	36,000,000

c. Details of shareholders holding more than 5% shares in the company

	As at March 31, 2012		As at March 31, 2011	
	Number	% holding	Number	% holding
Naresh Malhotra	55,250,000	39.79	55,250,000	39.79
Namit Malhotra	12,400,000	8.93	12,400,000	8.93
Top Class Capital Markets Private Limited	8,457,408	6.09	NA	NA

d. Issue of warrants

Pursuant to the Board approval dated August 27, 2010 and shareholder's approval dated September 30, 2010, the Company has allotted 1,000,000 warrants convertible into equity shares on October 15, 2010 to Mr. Namit Malhotra, a member of the Promoters and Promoter Group carrying an option/entitlement to subscribe to equivalent number of equity shares on a future date not exceeding 18 months from the date of allotment of such warrants. Each warrant shall be convertible into one equity share of nominal value of ₹ 10 each at a price not less than the minimum price determined in accordance with the provision of Chapter VII of SEBI (ICDR) Regulations. The Company has received from Mr. Namit Malhotra, a sum equivalent to 25% of the price of the equity share to be issued in surrender/exchange of each of such warrant.

4. Reserves and surplus

in ₹

	As at March 31, 2012	As at March 31, 2011
Securities premium account		
Balance at the beginning of the year	1,661,970,954	964,859,177
Add : Addition on account of QIP	-	719,157,030
Less : Issue expenses pertaining to QIP	-	22,045,253
Closing balance	**1,661,970,954**	**1,661,970,954**
General reserve		
Balance at the beginning of the year	13,400,000	13,400,000
Closing balance	**13,400,000**	**13,400,000**
Surplus in the consolidated statement of profit and loss		
Balance as per last financial statements	1,846,055,307	1,085,192,013
Profit for the year	992,535,166	760,863,294
Net suplus in the consolidated statement of profit and loss	**2,838,590,473**	**1,846,055,307**
Fair value reserve	**(1,382,243)**	**(783,746)**
Foreign currency translation reserve	**177,056,508**	**(153,120,706)**
Total reserves and surplus	**4,689,635,692**	**3,367,521,809**

5. Long-term borrowings

in ₹

	Non-current		Current maturities	
	As at March 31,		As at March 31,	
	2012	2011	2012	2011
Bonds (unsecured)				
Zero coupon foreign currency convertible bonds (FCCB)	-	2,162,696,800	2,162,696,800	-
Term loans (secured)				
from banks	664,938,187	674,473,597	107,664,837	217,399,115
from financial institutions	100,000,000	-	200,000,000	-
Other loans and advances (secured)				
Finance lease obligations	189,753,060	98,342,507	149,937,205	167,314,877
Foreign currency loans - buyers credit	278,975,588	200,762,464	43,851,837	130,352,069
	1,233,666,835	**3,136,275,368**	**2,664,150,679**	**515,066,061**

in ₹

	Non-current		Current maturities	
	As at March 31,		As at March 31,	
	2012	2011	2012	2011
The above amount includes				
Secured borrowings	1,233,666,835	973,578,568	501,453,879	515,066,061
Unsecured borrowings	-	2,162,696,800	2,162,696,800	-
Amount disclosed under the head "other current liabilities" (note 10)	-	-	(2,664,150,679)	(515,066,061)
	1,233,666,835	**3,136,275,368**	-	-

a. On December 12, 2007, the Company issued 550 Foreign Currency Convertible Bonds (FCCBs) of a face value of $ 100,000 each, aggregating to $ 55 million (equivalent – ₹ 2,162,696,800). The net proceeds from the issue of the FCCBs 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.

As per the terms of the issue, the holders have an option to convert FCCBs into equity shares at a reset conversion rate of ₹ 110.90 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, 2012, no bonds have been converted into equity shares and the entire balance of 550 bonds have been included and disclosed as current maturities of long-term borrowings in other current liabilities.

The FCCBs 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 ₹ 889,009,734 (Previous year: ₹ 598,162,095). However, in the event of redemption, the premium payable would be adjusted against the balance in the securities premium account.

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. Had the Company revalued the bonds as at March 31, 2012 considering it as a long term monetary liability, the profit for the year ended March 31, 2012 would have been lower by ₹ 383,223,143 (Previous year: ₹ 39,062,293). The reserves as on that date would have been lower by ₹ 636,186,650 (Previous year: ₹ 252,963,508) and foreign currency monetary item would have been ₹ Nil (Previous year: ₹ 39,062,293).

b. In May 2011, the Company entered into an agreement with a financial institution to borrow ₹ 100,000,000 for a term of one year at an interest rate of 14.50% per annum. Interest rate was fixed for six months and can be reset after six months. A promoter director of the Company has pledged shares of the Company held as promoter holding as collateral security. As at March 31, 2012, ₹ 100,000,000 is outstanding and is included in current maturities of long-term borrowings.

c. In May 2011, the Company entered into an agreement with a financial institution to borrow ₹ 100,000,000 at an interest rate of 13.50% for general corporate purposes which includes working capital and advance payment for capital expenditure. The loan is repayable after twenty-four months with a put/ call option at the end of twelve months and every six months thereafter. A promoter director of the Company has pledged shares of the Company held as promoter holding as collateral security. As at March 31, 2012, ₹ 100,000,000 is outstanding and is included in current maturities of long-term borrowings.

d. In February 2012, the Company entered into an agreement with a financial institution to borrow ₹ 100,000,000 at an interest rate of 14.50% per annum for a term of nine months. A promoter of the Company has pledged shares of the Company held as promoter holding as collateral security. Further, the loan has been guaranteed by the personal guarantee of a promoter director of the Company. As at March 31, 2012, ₹ 100,000,000 is outstanding and is included in long-term borrowings.

e. In May 2008, the Company entered into a term loan agreement with a bank to borrow ₹ 200,000,000 at an interest rate of 14.50% to 14.75% to refinance capital expenditure incurred by the Company. The loan is repayable by way of sixty installments starting from the month following the month of first disbursement of term loan. In July 2011, the Company entered into a term loan agreement with the same bank to borrow ₹ 90,000,000 at an interest rate of 13.75% to refinance capital expenditure incurred by the Company during fiscal year 2011. The loan is repayable by way of ten monthly installments of ₹ 5,000,000 and five monthly installments of ₹ 8,000,000. The loan is secured by way of mortgage of building of the Company, subservient charges on all existing and future receivables and moveable fixed assets of the Company. Further, the loan has been guaranteed by the personal guarantees and pledge of shares of the Company by promoter directors of the Company. As at March 31, 2012, ₹ 53,734,670 (Previous year: ₹ 56,767,678) is outstanding, of which ₹ 53,734,670 (Previous year: ₹ 48,658,008) is included in current maturities of long-term borrowings and balance of ₹ Nil (Previous year: ₹ 8,109,670) is included in long-term borrowings.

f. In September 2008, the Company entered into a term loan agreement with a bank to borrow ₹ 350,000,000 at an interest rate of 12.50% per annum or prime lending rate + 2.50%, whichever is higher (at March 31, 2012 : 15.25%). The loan is repayable in 84 equal monthly installments including interest of ₹ 6,272,500 w.e.f. one month after disbursement. The loan is secured by first charge on the project assets along with mortgage of office premises financed. Further, the loan has been guaranteed by the personal guarantee of a promoter director of the Company. As at March 31, 2012, ₹ 206,213,809 (Previous year: ₹ 248,616,978) is outstanding, of which ₹ 47,087,220 (Previous year: ₹ 42,403,169) is included in current maturities of long-term borrowings and balance of ₹ 159,126,589 (Previous year: ₹ 206,213,809) is included in long-term borrowings.

g. In January 2010, the Company entered into a term loan agreement as sub limit of capital letter of credit with a bank to borrow ₹ 250,000,000 at an interest rate of 11.50% per annum, repayable in 24 equal monthly installments after initial moratorium of 3 months from the date of each drawdown ₹ 130,888,966 was outstanding as at March 31, 2011 of which ₹ 120,785,400 is included in current maturities of long-term borrowings and the balance of ₹ 10,103,566 is included in long-term borrowings The loan was fully repaid during the year-ended March 31, 2012.

h. Term loans from banks include ₹ 512,654,545 ($ 10,074,017) ((Previous year: ₹ 455,599,091 ($ 10,208,058)) for a mortgage taken by PFW Group which is collateralized by the land and buildings of the PFW Group. Out of the outstanding balance as at March 31, 2012, ₹ 505,811,598 (Previous year: ₹ 450,046,553) is included in long-term borrowings and ₹ 6,842,947 (Previous year: ₹ 5,552,538) is included in current maturities of long-term borrowings. Interest is charged on this mortgage at a fixed rate of 7.1 percent. The mortgage expires on July 1, 2018.

i. Lease obligations towards assets acquired under finance leases:

	Total minimum lease payments outstanding		Future Interest on outstanding lease payments		Present Value of minimum lease payments	
	as at March 31,		as at March 31,		as at March 31,	
	2012	2011	2012	2011	2012	2011
With in one year	188,427,286	197,858,395	38,490,020	30,543,518	149,937,205	167,314,877
Later than one year and not later than five years	222,747,602	115,778,174	32,994,602	17,435,668	189,753,060	98,342,507
Later than five years	-	-	-	-	-	-
	411,174,888	**313,636,570**	**71,484,622**	**47,979,186**	**339,690,265**	**265,657,384**

Finance lease obligations are secured by hypothecation of plant and machinery, office equipments and vehicles taken on lease.

j. Foreign currency loans – buyer's credit are secured by first pari passu charge on the fixed assets of the Company and its Indian subsidiary – Prime Focus Technologies Private Limited (PFT), both present and future (except Royal Palms property), first pari passu charge on the Company's and PFT's current assets both present and future and personal guarantees of the promoter directors.

6. Deferred tax liability (net)

in ₹

	As at March 31,	
	2012	2011
Deferred tax liability		
Fixed assets: Impact of difference in depreciation in block of assets as per tax books and financial books	269,810,001	244,141,847
Gross deferred tax liability	**269,810,001**	**244,141,847**
Deferred tax asset		
Provision for doubtful debts	-	54,765,089
Provision for gratuity	2,156,815	-
Intangible assets: Impact of differences due to accelerated amortisation of intangibles under Income Tax Act	-	103,061
Share issue expenses	-	440,048
Gross deferred tax asset	**2,156,815**	**55,308,198**
Net deferred tax liability	**267,653,186**	**188,833,649**

7. Other long-term liabilities

in ₹

	As at March 31, 2012	As at March 31, 2011
Deposits Received	43,224,000	-
	43,224,000	**-**

8. Provisions

in ₹

	Long-term As at March 31, 2012	Long-term As at March 31, 2011	Short-term As at March 31, 2012	Short-term As at March 31, 2011
Provision for employee benefits				
Provision for gratuity	6,916,918	1,499,406	1,238,710	1,203,652
	6,916,918	**1,499,406**	**1,238,710**	**1,203,652**

9. Short-term borrowings

in ₹

	As at March 31, 2012	As at March 31, 2011
Cash credit/ overdraft (secured)	1,087,663,411	650,585,221
Short-term demand loan (secured)	411,115,097	350,682,000
	1,498,778,508	**1,001,267,221**
The above amount includes		
Secured borrowings	1,498,778,508	1,001,267,221

In February 2011, the Company entered into an agreement for a working capital demand loan of ₹ 250,000,000 from a bank for term of 6 months. The facility is revolving during the availability period of twelve months. The short-term demand loan is secured by first pari passu charge on the Company's current assets both present and future, personal guarantees and pledge of shares by the promoter directors.

Cash credits take by the Company of ₹ 296,357,939 (Previous year : ₹ 115,868,506) from banks are secured against first pari passu charge on the Company's current assets both present and future, personal guarantees and pledge of shares by the promoter directors. The cash credit is repayable on demand and carries interest at the rate of 3% to 3.5% per annum.

Cash credit balance includes a line of credits availed by PFW Group of ₹ 280,964,457 ($ 5,521,146), (Previous year: ₹ 278,228,115 ($ 6,233,921) with interest charged at prime rate plus 7 percent, payable on demand and is up for renewal November 2012.

Cash credit balance includes a line of credit availed from a bank by the PF London Group of ₹ 397,678,793 (£ 4,883,773) (Previous year: ₹ 161,858,184 (£ 2,256,961)). The facility is repayable on demand, carries interest at LIBOR + 5% and is secured by film trade receivables of PF London Group.

Cash credit balance includes a line of credit availed from a financial institution by the PF London Group of ₹ 112,662,222 (£ 1,383,578) (Previous year: ₹ 94,630,441 (£ 1,319,533)). The facility is repayable on demand, carries an interest rate of 5% (2% over base rate) and is secured by broadcast and commercial trade receivables of PF London Group.

In 2011, PF London Group entered into a demand loan agreement with a bank for a sanctioned limit of ₹ 250,978,825 ($ 3.08 million) with an interest rates of Libor plus 3% against stand by letter of credit issued by the Company's bankers. As at March 31, 2012, ₹ 161,115,097 (£ 1,978,616) (Previous year: ₹ 100,682,000 (£ 1,403,916)) is included in short term demand loan. The amount is repayable by September 8, 2012.

10. Other current liabilities

in ₹

	As at March 31,	
	2012	2011
Current maturities of long-term borrowings	2,664,150,679	515,066,061
Accrued salaries and benefits	109,937,631	86,755,358
Provision for expenses	18,734,834	21,360,306
Withholding and other taxes payable	381,985,338	146,871,358
Advances received from clients	39,589,578	89,734,323
Interest accrued but not due on borrowings	6,474,604	6,064,822
Bank book overdraft	545,852	2,088,035
Unclaimed dividends	14,835	14,732
Other payable	72,476,190	80,254,447
	3,293,909,541	**948,209,442**

11 Tangible assets

in ₹

	Building	Plant and machinery	Furniture and fixtures	Lease Hold Improvement	Office equipments	Vehicles	Total	Previous year
Gross Block								
As at April 1, 2011	1,585,155,316	4,941,639,819	298,594,642	512,107,314	64,023,413	46,293,438	7,447,813,942	6,218,226,361
Additions	-	1,450,412,670	113,524,970	306,987,108	9,777,140	7,987,668	1,888,689,556	1,320,353,049
Deduction	-	1,668,340,140	4,242,618	203,437,220	-	481,137	1,876,501,115	135,971,397
Exchange differences	152,142,461	280,337,986	18,344,241	142,400,495	-	1,214,097	594,439,280	45,205,928
As at March 31, 2012	**1,737,297,777**	**5,004,050,335**	**426,221,235**	**758,057,697**	**73,800,553**	**55,014,066**	**8,054,441,663**	**7,447,813,941**
Depreciation								
As at April 1, 2011	38,460,755	2,424,907,968	200,970,215	329,783,577	18,886,633	16,346,683	3,029,355,831	2,595,902,615
For the year	31,284,340	492,140,165	34,148,963	50,130,619	10,467,972	5,279,179	623,451,238	521,515,472
Deduction	-	1,187,232,473	48,719	158,277,100	-	481,115	1,346,039,407	119,671,791
Exchange differences	5,124,193	228,458,583	(46,890,626)	117,908,581	(2,055,024)	740,765	303,286,472	31,609,535
As at March 31, 2012	**74,869,288**	**1,958,274,243**	**188,179,833**	**339,545,677**	**27,299,581**	**21,885,512**	**2,610,054,134**	**3,029,355,831**
Net block								
As at March 31, 2012	**1,662,428,489**	**3,045,776,092**	**238,041,402**	**418,512,020**	**46,500,972**	**33,128,554**	**5,444,387,529**	**4,418,458,110**
As at April 1, 2011	1,546,694,560	2,516,731,851	97,624,426	182,323,737	45,136,780	29,946,755	4,418,458,110	

a. Exchange differences capitalized and included in plant and machinery :

Gross block : ₹ 77,701,966 (Previous year : ₹ 48,594,783)

Depreciation charges for the year : ₹ 5,820,557 (Previous year : ₹ 23,286,625)

Accumulated depreciation : ₹ 25,181,731 (Previous year : ₹ 19,361,174)

Net block : ₹ 52,520,234 (Previous Year : ₹ 29,223,609)

b. Plant and machinery includes assets taken on finance lease :

Gross block : ₹ 519,835,604 (Previous year : ₹ 372,873,161)

Depreciation charges for the year : ₹ 55,639,742 (Previous year : ₹ 40,608,538)

Accumulated depreciation : ₹ 208,179,116 (Previous year : ₹ 149,374,802)

Net block : ₹ 311,644,745 (Previous year : ₹ 237,379,018)

12 Intangible assets

in ₹

	Goodwill	Goodwill on Consolidation	Rights	Customer relationships and contracts	Trade Names	Software	Total	Previous year
Gross Block								
As at April 1, 2011	8,797,967	534,609,266	730,959,452	-	-	971,348,361	2,245,715,046	1,213,336,390
Additions	-	565,189,415	144,121,195	66,024,804	6,330,810	134,845,947	916,512,171	1,767,046,158
Deduction	3,949,023	86,021,761	-	-	-	69,778,086	159,748,870	783,704,410
Exchange differences	471,056	56,871,133	6,985,887	(2,413,897)	(131,899)	119,438,169	181,220,449	49,036,908
As at March 31, 2012	**5,320,000**	**1,070,648,053**	**882,066,534**	**63,610,907**	**6,198,911**	**1,155,854,391**	**3,183,698,796**	**2,245,715,046**
Depreciation								
As at April 1, 2011	5,320,000	-	-	-	-	30,646,916	35,966,916	19,614,520
For the year	-	-	6,000,000	32,321,654	3,087,110	46,550,549	87,959,313	24,058,520
Deduction	-	-	-	-	-	-	-	8,220,388
Exchange differences	-	-	-	(1,221,265)	22,266	1,795,514	596,515	514,265
As at March 31, 2012	**5,320,000**	**-**	**6,000,000**	**31,100,389**	**3,109,376**	**78,992,979**	**124,522,744**	**359,669,167**
Net block								
As at March 31, 2012	**-**	**1,070,648,053**	**876,066,534**	**32,510,518**	**3,089,535**	**1,076,861,412**	**3,059,176,052**	**2,209,748,129**
As at April 1, 2011	3,477,967	534,609,266	730,959,452	-	-	940,701,444	2,209,748,129	

a. Software includes assets taken on finance lease :

Gross block : ₹ 68,873,584 (Previous year : ₹ 36,786,005)

Depreciation charges for the year : ₹ 10,350,846 (Previous year : ₹ 1,397,370)

Accumulated depreciation : ₹ 12,333,437 (Previous year : ₹ 19,82,591)

Net Block : ₹ 56,540,147 (Previous year : ₹ 34,803,414)

13. Non-current investments

in ₹

	As at March 31, 2012	As at March 31, 2011
Other than trade		
Unquoted - fully paid up		
The Shamrao Vithal Co-operative Bank Limited	100,000	100,000
4,000 (Previous year : 4,000) shares of ₹ 25 each		
Mainframe Premises Co-operative Society Limited	3,500	3,500
350 (Previous year : 350) shares of ₹ 10 each		
	103,500	**103,500**
Aggregate amount of quoted Investments	-	-
Aggregate amount of unquoted Investments	103,500	103,500

14. Current investments (at lower of cost and market value)

in ₹

	As at March 31, 2012	As at March 31, 2011
Other than trade quoted		
Cinemax India Limited	413,567	413,567
9,172 (Previous year : 9,172) equity shares of ₹ 10 each		
Market Value ₹ 387,517 (Previous year: ₹ 584,129)		
Conexion Media Group Plc	398,998	878,510
1,750,000 (Previous year : ₹ 1,750,000) share		
	812,565	**1,292,077**
Aggregate amount of quoted Investments	812,565	1,292,077
Aggregate amount of unquoted Investments	-	-

15. Trade receivables

in ₹

	As at March 31, 2012	2011
Debts outstanding for a period exceeding six months		
Unsecured, considered good	820,581,493	1,030,049,904
Unsecured, considered doubtful (net of service tax)	-	75,934,463
Other debts		
Unsecured, considered good	2,115,791,922	749,518,999
	2,936,373,415	**1,855,503,366**
Less: service tax	39,156,851	85,768,383
	2,897,216,564	**1,769,734,983**
Less: provision for doubtful debts (net of service tax)	-	75,934,463
	2,897,216,564	**1,693,800,520**

16. Loans and advances

in ₹

	Non-current As at March 31,		Current As at March 31,	
	2012	2011	2012	2011
Unsecured - considered good				
Capital advances	43,576,376	42,456,501	-	-
Advances recoverable in cash or in kind or for value to be received	3,313,496	-	270,569,410	588,829,608
Deposits	146,041,200	127,409,031	52,291,001	100,890,313
Inter-company deposits	-	-	104,488,958	156,081,944
MAT credit entitlement	-	-	82,680,188	55,526,444
Advance payment of taxes	-	-	85,926,280	83,585,417
(Net of Provision for Tax - ₹ 222,726,591 (Previous year: ₹ 144,335,313)				
	192,931,072	**169,865,532**	**595,955,837**	**984,913,726**

17. Cash and bank balances

in ₹

	Non-current As at March 31,		Current As at March 31,	
	2012	2011	2012	2011
Cash and cash equivalents				
Balances with banks:				
On Current Accounts	-	-	291,064,949	175,065,574
Deposits with original maturity of less than three months	-	-	20,610,000	1,820,000
Cash on hand	-	-	2,029,238	1,779,545
	-	-	313,704,187	178,665,119
Other bank balances:				
Margin money deposits	136,273,536	119,351,445	-	-
	136,273,536	119,351,445	-	-
Amounts disclosed other under non-current assets (note 18)	(136,273,536)	(119,351,445)	-	-
	-	-	313,704,187	178,665,119

18. Other assets

in ₹

	Non-current As at March 31,		Current As at March 31,	
	2012	2011	2012	2011
Unbilled revenue	-	-	450,363,444	56,315,230
Interest accrued on fixed deposits	-	-	611,201	1,155,381
Non-current bank balances	136,273,536	119,351,445	-	-
Other non-current assets	83,587,567	682,447	-	-
	219,861,103	120,033,892	450,974,645	57,470,611

19. **Other income**

in ₹

	Year ended March 31, 2012	2011
Dividend		
Long-term investments - non trade	12,300	23,306
Current investments		
Interest income		
Bank deposits	7,777,812	14,092,188
Others	9,890,597	19,650,797
Exchange gain (net)	145,388,804	-
Commission received / undertaking fee	2,775,583	-
Excess provision written-back	20,538,916	15,000
Insurance claim received	3,238,381	2,172,666
Bad debt recovered	2,552,312	-
Miscellaneous income	9,361,863	113,820,109
	201,536,568	**149,774,066**

20. **Personnel expenses**

in ₹

	Year ended March 31, 2012	2011
Salaries, staff remuneration and bonus	1,587,279,049	1,077,092,508
Bonus and incentive	3,768,639	-
Contribution to provident and other funds	66,406,118	4,542,975
Gratuity	5,452,570	1,203,652
Staff welfare	29,376,572	22,521,183
Technician fees	1,935,789,932	941,734,776
	3,628,072,880	**2,047,095,094**

21. Other expenses

in ₹

	Year ended March 31, 2012	2011
Technical services payments	100,398,797	73,447,170
Communication cost	74,705,714	46,267,566
Consumables stores	37,478,523	53,644,516
Director's sitting fees	280,000	262,000
Electricity charges	138,399,688	114,398,440
Insurance cost	53,588,206	41,753,245
Legal and professional fees	266,599,913	125,227,085
Loss on sale of assets (net)	68,311,719	4,955,331
Rates and taxes	25,276,989	2,266,673
Rebates and discount	19,802,086	25,813,992
Rent	401,077,192	255,603,620
Traveling and conveyance	170,808,133	143,958,898
Miscellaneous expenses	260,975,506	237,341,154
Repairs and maintenance - equipment	104,467,242	70,049,747
Repairs and maintenance - studio/office premises	36,916,312	22,673,101
Bad debts written-off	80,136,273	30,232,088
Provision for doubtful debts	-	32,600,000
Hardware and software purchase	-	6,429,949
Exchange loss (net)	14,781,322	10,509,384
Auditor's remuneration		
Audit fees	20,971,467	14,221,918
In other matters	1,722,099	86,602
	1,876,697,181	**1,311,742,479**

22. Exceptional item

in ₹

	Year ended March 31, 2012	2011
Liquidation Income	-	(50,226,807)
Goodwill written-off	-	117,921,521
Legal Fees	28,878,140	2,259,977
	28,878,140	**69,954,691**

23. Financial costs

in ₹

	Year ended March 31, 2012	2011
Interest on working capital finance	47,163,074	54,618,216
Interest on term loan	195,547,866	143,423,003
Interest on buyer's credit	12,070,662	15,057,566
Interest on others	65,896,171	38,017,172
Bank charges	26,931,197	11,931,109
	347,608,970	**263,047,066**

24. Earning Per Share (EPS)

in ₹

	As at March 31, 2012	2011
Net profit as per consolidated statement of profit and loss for calculation of basic and diluted EPS	992,535,166	760,863,294
	Number	**Number**
Weighted average number of equity shares in calculating basic EPS	138,867,446	132,540,816
Effect of dilution:		
Weighted average number of equity shares which would be issued on conversion of FCCB	19,527,595	19,527,595
Weighted average number of equity shares which would be issued on conversion of Warrants	10,000,000	4,575,342
Weighted average number of equity shares in calculating diluted EPS	**168,395,041**	**156,643,753**
Basic EPS	7.15	5.74
Diluted EPS	5.89	4.86

25. Gratuity and other post-employment benefit plans

a. Defined benefit plans:

The Company and an Indian subsidiary – Prime Focus Technologies Private Limited (PFT) have a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days of basic salary (last drawn salary) for each completed year of service. This plan is unfunded. The following tables summarize the components of net benefit expense recognised in the consolidated statement of profit and loss and the funded status and amounts recognised in the consolidated balance sheet for the respective plans.

Consolidated statement of profit and loss

in ₹

	Year ended March 31,	
	2012	2011
Net employee benefit expense recognised in personnel cost		
Current service cost	2,447,117	828,335
Interest cost on benefit obligation	270,291	119,952
Expected return on plan assets	-	-
Net actuarial(gain) / loss recognised in the year	2,735,162	255,365
Past service cost	-	-
	5,452,570	**1,203,652**
Actual return on plan assets	**Not Applicable**	**Not Applicable**

Consolidated balance sheet

in ₹

	Year ended March 31,	
	2012	2011
Provision for gratuity		
Defined benefit obligation	8,155,628	2,703,058
Fair value of plan assets	-	-
	8,155,628	**2,703,058**

Changes in the present value of the defined benefit obligation:

in ₹

	As at March 31,	
	2012	2011
Opening defined benefit obligation	2,703,058	1,499,406
Interest cost	270,291	119,952
Current service cost	2,447,117	828,335
Benefits paid	-	-
Actuarial (gains) / losses on obligation	2,735,162	255,365
Closing defined benefit obligation	**8,155,628**	**2,703,058**

Changes in the fair value of plan assets:

The Company and PFT do 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.

Principal assumptions used in determining gratuity obligations for the Company's plans:

in ₹

	As at March 31,	
	2012 (%)	2011 (%)
Discount rate	8.25%	8.25%
Expected rate of return on assets	Not Applicable	Not Applicable
Employee turnover	2.00%	2.00%

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: [AS 15 Para 120(n)]

in ₹

	As at March 31,	
	2012	2011
Defined benefit obligation	8,155,628	2,703,058
Plan assets	-	-
Surplus / (deficit)	(8,155,628)	(2,703,058)
Experience adjustment on plan liabilities (gain) / loss	2,168,114	389,567
Experience adjustment on plan assets	-	-

b. **Defined contribution plan**

Amount recognised as an expense and included in note 20 as contribution to provident fund ₹ 4,168,736 (Previous year ₹ 3,001,275).

26. Segment information

in ₹

	Income from Operations by Geographical Area		Segments Assets		Additions to Fixed Assets and Intangibles	
	Year ended March 31,		As at March 31,		Year ended March 31,	
	2012	2011	2012	2011	2012	2011
India	1,032,391,712	838,111,056	4,689,730,253	4,279,146,439	691,712,707	1,723,880,571
United Kingdom	4,113,751,772	2,067,445,325	3,923,314,281	2,291,386,170	1,197,083,092	427,280,664
U.S.	1,893,326,092	1,731,789,178	4,120,672,169	3,033,271,070	983,628,452	697,305,235
Canada	548,438,694	391,989,792	242,274,077	453,383,370	33,803,240	261,878,902
Other countries	131,225,114	247,370	2,042,874	1,655,526	-	-
	7,719,133,384	**5,029,582,721**	**12,978,033,654**	**10,058,842,575**	**2,906,227,491**	**3,110,345,372**

27. 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 and Whole-time Director

Mr. Namit Malhotra – Managing Director (upto October 11, 2011)

Mr. Ramakrishnan Sankaranarayanan - Managing Director (w.e.f. October 11, 2011)

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

Blooming Buds Coaching Private Limited

N2M Reality Private Limited

i) Key management personnel*

in ₹

		Year ended March 31,	
		2012	2011
A	**Remuneration**		
	Namit Malhotra	1,500,000	3,000,000
	Naresh Malhotra	4,500,000	3,000,000
	Ramakrishnan Sankaranarayanan	1,950,000	-

in ₹

		Year ended March 31, 2012	2011
B	**Share warrant application received**		
	Namit Malhotra	-	138,695,000
C	**Payment made towards purchase of shares of Prime Focus Technologies Private Limited**		
	Namit Malhotra	-	24,500

in ₹

		As at March 31, 2012	2011
D	**Balance outstanding at the year end – remuneration payable**		
	Namit Malhotra	-	192,528
	Naresh Malhotra	371,046	-
	Ramakrishnan Sankaranarayanan	227,227	-

ii) Enterprises owned or significantly influenced by key management personnel or their relatives

in ₹

		Year ended March 31, 2012	2011
A	**Rent**		
	Blooming Buds Coaching Private Limited	26,500,000	24,000,000
B	**Deposits given**		
	N2M Reality Private Limited	-	70,000,000

in ₹

		As at March 31, 2012	2011
C	**Balance outstanding at the year end – Deposits**		
	Blooming Bud Coaching Private Limited	48,000,000	48,000,000
	N2M Reality Private Limited	70,000,000	70,000,000

28. Leases

in ₹

	As at March 31,	
	2012	2011
Lease Payments due within one year	2,500,000	2,500,000
Lease Payments due later than one but not later than five years	1,146,000	3,646,000
Lease Payments due later than five years	-	-

29. Capitalization of expenditure

During the year, the Group has capitalized the following expenses of revenue nature to the cost of intangible asset under development/ intangible assets. Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the Group.

in ₹

	As at March 31,	
	2012	2011
Salaries	27,427,540	34,310,778
Direct Overheads	4,745,942	-
Finance Cost	2,436,436	-
	34,609,918	**34,310,778**

30. Deferral/ capitalization of exchange differences

The Ministry of Corporate Affairs (MCA) has issued the amendment dated December 29, 2011 to AS 11 The Effects of Changes in Foreign Exchange Rates, to allow companies deferral/ capitalization of exchange differences arising on long-term foreign currency monetary items. In accordance with the amendment/ earlier amendment to AS 11, the Company has capitalized exchange loss, arising on long-term foreign currency loans, amounting to ₹ 33,618,101 (Previous year exchange gain : ₹ 151,722) to the cost of fixed assets.

31. Capital and other commitments

in ₹

	As at March 31,	
	2012	2011
i. Estimated amount of contracts remaining to be executed on capital account and not provided for:	46,429,556	57,921,682

32. Contingent liabilities

in ₹

	As at March 31, 2012	2011
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.	624,224,149	693,529,871
ii. On account of undertaking given on future probable obligation on behalf of subsidiary company in the course of acquisitions made.	-	60,966,157
iii. 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	5,271,860
iv. Matters pending with Tax Authorities toward addition made by the tax authorities for the AY 2004-05.	17,362,955	-
v. Matters pending with tax authorities related to Tax Deducted at Source (TDS) demand raised by the tax authorities for AY 2007-08 to 2011-12. Company has gone for an appeal to CIT (Appeals).	88,207,071	-
vi. Guarantees given on behalf of subsidiary companies and step-down subsidiary companies.	1,627,254,046 ($ 24,452,904) (£ 4,702,000)	1,240,761,318 ($ 21,372,904) (£ 4000,000)
vii. Premium on conversion of FCCB (See note 5)	889,009,734	598,162,095
viii. Prime Focus London Plc is a member of a Group VAT registration and is jointly and severally liable for any debts by member of the registration as at the year ended March 31, 2012.	14,436,078 £ 177,286	-

33. Previous year figures

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

The accompanying notes are an integral part of the financial statements.

As per our report of even date

***For* MZS & Associates**
Chartered Accountants
Firm Registration No.: 106400w

For and on behalf of the Board of Directors

Abuali Darukhanawala
Partner
Membership No. 108053
Mumbai
May 30, 2012

Naresh Malhotra
Chairman and Whole-time Director

Ramakrishnan Sankaranarayanan
Managing Director

Navin Agarwal
Company Secretary

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 word of similar substance in connection with any discussion of future performance. 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.

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