PRIME FOCUS

Prime Focus Limited

[re]define.

Annual Report 2008-09

contents

[re]define.

The industry we operate in is constantly changing.

That's the nature of the Visual Entertainment Services sector. Technology is continuously evolving and converging. Creativity is becoming more commoditized. New platforms for accessing entertainment and information are appearing almost daily. New entrants keep surfacing. The world order in the last 18 months has changed dramatically, altering the needs of clients and our response to these needs.

We believe that because of these changes, the way we describe ourselves - and the way we describe the industry we work in needs to evolve.

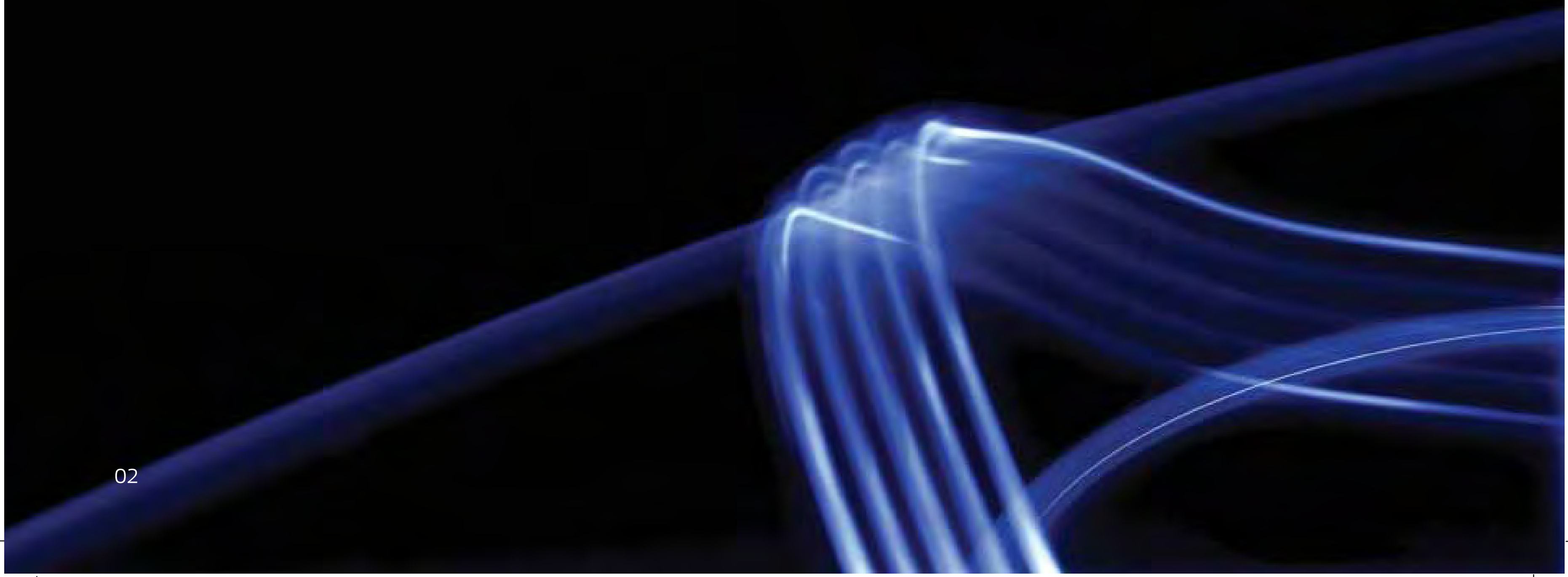
Our market place is being [re]defined.

Prime Focus has been preparing for this.

As a progressive thought-leader in this space, we are helping [re]define our market. And [re]defining ourselves within it. We now offer 'worldsourcing' advantages, utilizing our Global Digital Pipeline™ to provide to clients around the world access to the best global talent and the most cost effective solutions. We are thus [re]shaping our company to be able to take advantage of our changing environment.

Here's how.

[re]brand.



The company is made up of a number of businesses and brands in numerous locations with differences in vision, culture, sector disciplines and ways of working. We have taken examples of best practice from each of our businesses and united them in a single brand with one set of values and one strategic vision. Our new values and culture represent what we aspire to as Prime Focus grows and develops its business and brand reputation. We believe our business model and our new visual identity will help us to differentiate ourselves within the market and drive both creative and commercial success.

Our new visual identity is an evolution of our original logo. The original logo was a simple hand drawn illustration of a human figure. It denotes the importance of people to our organization, our 'prime focus'. The new logo takes the human figure to a new level. Still hand drawn, but this time, using one of the fundamental tools of image makers - light. Created in one dynamic movement, a magical figure appears from the darkness as if drawn with a light source on a long exposure photograph. Our visual language uses light in its myriad forms and an array of textures and colours, constantly reforming and reshaping itself to describe our values and personality.

This [re]branding process has allowed us to take stock of our position in the global markets in which we operate, analyse in detail how our worldwide companies operate and communicate with our clients and with each other, and reposition ourselves not just as leaders in India, but also as international leaders in our field.

[re]write.

In a year when studios closed down and there was retrenching across the board, Prime Focus did just the reverse. We hired exceptional talent and built on our already strong talent pool. We expanded the infrastructure for tomorrow. We acquired companies to become a global leader with integrated operations. We added reach, services and technology expertise and created a new global player in our industry.

Consider this.

Michael Fink, recognised in 2008 for his role as Senior Visual Effects Supervisor on "The Golden Compass", with an Academy award, a BAFTA award and a VES nomination, was appointed as President, Prime Focus Visual Effects Worldwide and CEO/Senior VFX Supervisor for Film VFX North America.

Terry Clotiaux, a 20 year industry veteran, holding VFX producing credits on films such as "Alexander", "The Matrix Reloaded", "The Matrix Revolutions" and "Independence Day", has joined the company as Senior Vice President/COO, Visual Effects Worldwide for the Prime Focus Group and Senior Executive Producer for Film VFX North America.

Prime Focus added a new Director of Audio, Terrence Dwyer, an Emmy award winning Sound Mixer, who is known as the leading reality show re-recording mixer in the business.

Michael Constantine, a former Leo Burnett agency leader, was appointed at the beginning of 2009 as the Global Marketing Director to develop the company's market and brand positioning whilst helping build the Group's business and reputation worldwide.

Neil Huxley, an award-winning Art Director and Motion Graphics Supervisor, has joined Prime Focus North America Visual Effects.

Industry veteran Rob Hummel has joined Post Logic Studios, a division of the Prime Focus Group as CEO. Its former CEO Larry Birstock has moved into an international role within the organisation as President, Prime Focus Global Integration. This will enable Prime Focus to more tightly integrate sales and operations across facilities in India, UK, Canada and the US. Other key hires in Post Logic include industry veterans Kevin Wilson as Audio Engineer and Mick O'Connor as Manager, New Business, who have decades of experience and several prestigious projects to their credit.

Naresh Malik has joined us as CEO, Film, India to run the DI and Film Equipment Rental businesses of the company. Naresh will leverage his extensive industry connections and bring his vast and valuable business experience to Prime Focus.

Prime Focus's investment in the 65,000 square feet facility at Royal Palms, Mumbai covering 300 seats of VFX, two floors of post production and one floor for sound studios, makes it one of the biggest facilities of its kind in Asia. We believe that this integrated film facility will cater both to the outsourced demand from the North American and UK markets, the increasing demand for VFX content in Indian movies as well as post production requirements of the Indian market.

We have also moved our Vancouver facility to a new production space with much greater square footage and the ability to house many more artists. This facility is now in a position to produce work at four times the volume of the previous space, more efficiently.

When the market [re]discovers its equilibrium, Prime Focus will be there with reach, 'worldsourcing', talent and infrastructure.

As we [re]write the rules of the game, we are prepared to deliver value through growth.

Strong and sustainable.

[re]think.

As the market place we operate in evolves, it is time to think. Or rather, time to [re]think.

Global entertainment and media spending is expected to increase by 14% over the next four years to USD 1.6 trillion by 2013. Most of the growth is likely to come from digital platforms. By 2013, global digital platforms - Internet, Mobile and Cable Television - are estimated to account for 78% of the total consumer/end-user growth, rising at approximately 12.2% (Compound Annual Growth Rate) to reach USD 387 billion from USD 218 billion in 2008. Video gaming is going to be another fast moving segment, estimated to grow at 5.8% over the next five years.

Time to [re]think. Time to [re]imagine. Time to [re]define.

Previously, Prime Focus was positioned as an end-to-end post production company.

We now position ourselves as a Global Visual Entertainment Services Group. Prime Focus is no longer just about Films, Television and Advertisements. It's also about Gaming, Internet and other Media. The market place has grown on the back of digital convergence. And so have we.

We are local specialists with global reach in a market which covers every aspect of the entertainment industry. We provide cutting-edge technical services to all segments of the industry. At the most competitive costs.

We offer end-to-end solutions from pre-production to final delivery including pre-visualization, equipment hire, visual effects, video and audio post production, Digital Intermediate, digital asset management and distribution.

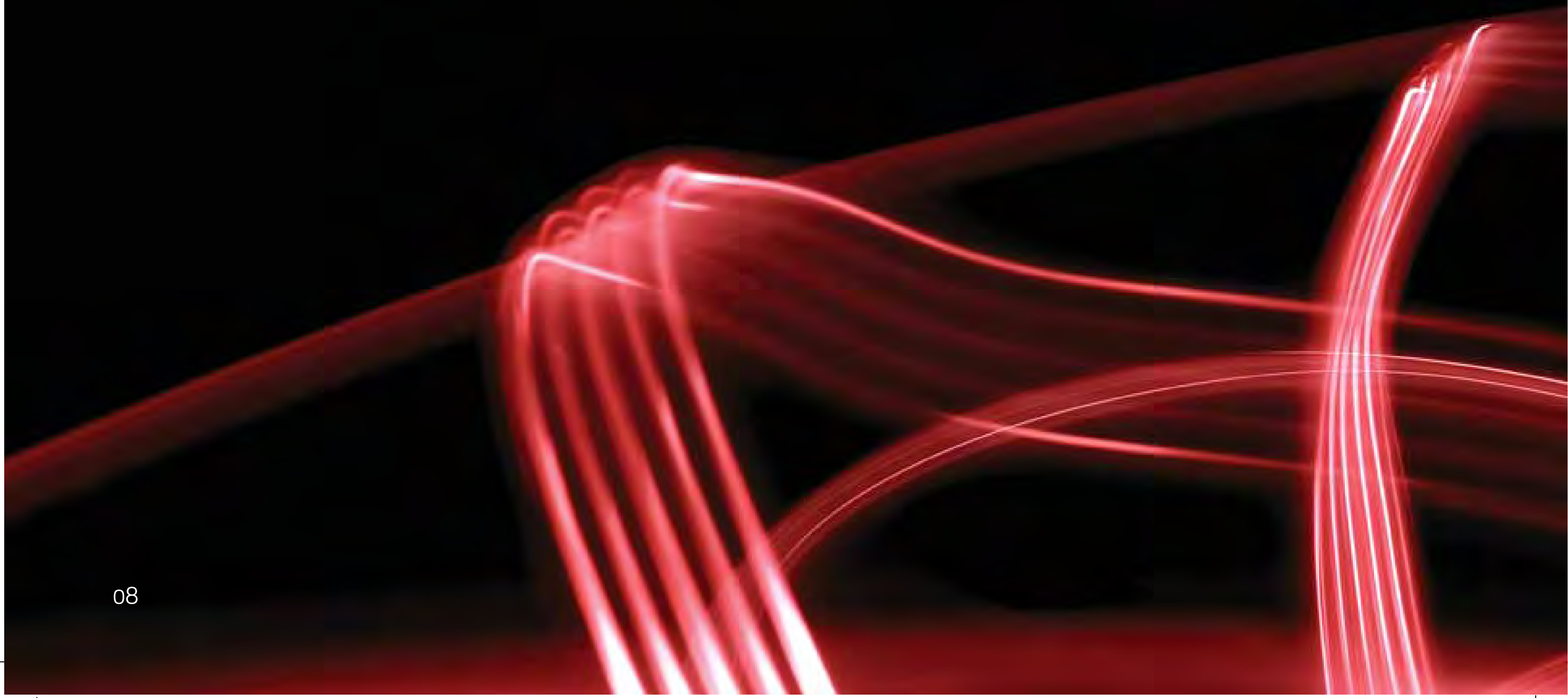
For clients all over the world.

For instance, a recent phenomenon is the growing preference of Hollywood studios for 3D (stereo) films. Prime Focus has already developed tools for the production of such films, which puts us ahead to capitalize on the 3D (stereo) films opportunity.

We are in the right place, at the right time. With the right capabilities.

As we [re]think our place in the global media industry, we are moving beyond post production into the Visual Entertainment Services space.

[re]look.



Look below.

In 2008-09, we recorded revenues of Rs. 3,543.72 million, an increase of 59.53% and net profits of Rs. 145.84 million, a decline of 50.62% over the previous year.

Now [re]look. Beneath the numbers. There is more to Prime Focus than what the numbers say.

In the last two years:

- Prime Focus evolved from a Mumbai-centric post production company to the world's only completely integrated Visual Entertainment Services company.
- We acquired several companies in USA, UK and Canada and invested Rs. 1,690.35 million.
- We have emerged as a global business that has no borders, time zones or limits on capacity, with an ability to adapt to the constantly changing needs and ambitions of content creators the world over.
- Operating margins for the core business in India are still healthy, despite a lot of negative factors in the environment.

And we are integrating this into a vision that has the potential to change the cost-landscape of the entertainment business.

Business is not just about one year. It's about creating sustainable value over the long run.

And that's what we have invested for.

Global company. Global talent. Global solutions. At local costs.

The next few years will unfold the results of every effort that we have put in at Prime Focus.

Just [re]look, [re]wind and then fast forward.


EAT.
GOURME
JUST DO IT

a quick preview

SERVICES

CAPTURE	CREATE	CRAFT	CIRCULATE	CONSERVE	PRODUCTS
On-set Supervision	VFX	Digital Intermediate	Adaptation/Versioning	Restoration	CLEAR-DAM
Production Assistance	Animation	Telecine	Duplication	Digital Archiving	VFX Software:
Motion Control	Motion Graphics	Editing	Encoding	Digital YCM	- Amaretto
Equipment Rental	Animatics	Audio	DVD Authoring		- Awake
Data Lab	Previsualization		Digital Distribution		- Deadline
	Research & Development				- Flood
	Image Science				- Krakatoa

LOCATIONS

INDIA	UK	USA	CANADA
Mumbai (7 Facilities)	London (4 Facilities)	Los Angeles	Winnipeg
Hyderabad		New York	Vancouver
Chennai			
Goa			
Bangalore			

operational review

2008-09 was a year of integration and expansion for the Prime Focus Group ("Prime Focus"). While Prime Focus consolidated its acquisitions across North America, UK and India, simultaneously the company also invested in adding technology, facilities and hiring key talent to build a platform for high growth in the future. Prime Focus is all set to grow exponentially once the macro economic scenario improves.

INDIA

Despite a challenging macro environment, the Indian operations of the company earned revenues of Rs. 929.36 million in 2008-09. Revenue contribution from Films was about 64%.

Some of the key projects executed during the year include:

	Films		Ad Films
1.	Love Story 2050	1.	Coffy Bite
2.	Rab Ne Bana Di Jodi	2.	ICL 20-20
3.	Chandni Chowk to China	3.	LG
4.	Raaz 2	4.	Skoda Fabia
5.	Ghajini	5.	Whirlpool Water Purifier
6.	Kal Kissne Dekha	6.	Sony Bravia
7.	New York	7.	Macro Man
8.	Kambakkht Ishq	8.	Honda City
9.	Short Kut	9.	Bisleri
10.	Luck	10.	Jaypee Group

As is evident from the above list of films, two of the biggest hits of 2008 (Ghajini and Rab Ne Bana Di Jodi) were Prime Focus projects. Even more commendable is that more than 60% of all movies that released following the resolution of the deadlock between the producers and the multiplex owners have been post produced at Prime Focus.

Infrastructure

In addition to our seven facilities, our new upcoming facility at Royal Palms, Mumbai will be one of the biggest of its kind in Asia at 65,000 square feet, housing 300 seats of VFX, two floors of post production and one floor for sound studios. This integrated facility will cater to post production, VFX, and sound post production for the Indian as well as the international markets.

Projects in pipeline

Though 2008-09 was a tough year with a thin movie pipeline and unfavourable economic conditions, the situation now appears to be improving significantly, with Prime Focus mandated to execute assignments in the VFX and DI space across various production houses. A representative list of work-in-progress across the VFX and DI segments is given below:

	Film	Producer
1.	Dil Bole Hadippa	Yashraj Films
2.	Wanted Dead or Alive	Boney Kapoor
3.	Wake Up Sid	Dharma Productions
4.	Blue	Shree Ashtavinayak
5.	Do Knot Disturb	Puja Films
6.	Ajab Prem Ki Ghazab Kahani	Tips
7.	Main aur Mrs. Khanna	UTV
8.	Tum Mile	Vishesh Films

Accolades

- 'Love Story 2050' won a Filmfare award in 2009 for 'Best VFX in a Motion Picture', a FICCI BAF Jury award for 'Best VFX Shot of the Year' and the 24fps award in 2008 for 'Outstanding Contribution to Visual Effects'.

- 'Ghajini' won the IIFA award in 2009 for 'Best Visual Effects'.
- The Honda CBZ 'Hero' commercial won the FICCI BAF award in 2008 for 'Best VFX in a Commercial'.
- Prime Focus was amongst Business Today's "Cool Companies" of 2008 - an annual listing of companies that are hip and happening.

UK

In spite of having a challenging year, Prime Focus London plc reinforced its reputation in Broadcast Post Production, made major inroads into the burgeoning business of Broadcast and Feature Film VFX and built on its growing standing in the Commercials Post Production arena. Revenues for the year under review stood at Rs. 1,328.35 million.

Creative talent continued to thrive during the year with major, high profile work being completed on a variety of projects across all market sectors.

Commercials

1. McDonalds 'No Fry Left Behind' - DDB Chicago
2. VO5 'Elixirs' - Euro RSCG
3. Aero 'Feel The Bubbles' - JWT

Films

1. Creation
2. Franklyn
3. Quantum of Solace

Commercials

4. Macleans 'Tango' - M&C Saatchi
5. Land Rover 'Flipbook' - RKCR/Y&R
6. Citroën C1 'Deejay' - Euro RSCG Milan
7. Kenco 'Growth' - JWT
8. Nike 'Playmaker' - AKQA
9. Givenchy 'Play' - DDB Paris

Music

1. Promos for Prince
2. Promos for Kanye West
3. Promos for Girls Aloud
4. Promos for U2
5. Full HD post production and effects on the concert film of Madonna's worldwide 2008/2009 tour

Broadcast

1. Man On Wire - Wall to Wall/Discovery
2. How The Earth Made Us - BBC
3. Great British Menu - Optomen Television/BBC Two
4. The Hottest Place on Earth - Lion Television/BBC One
5. Piers Morgan On... - Splash Media/ITV1
6. The American Future: A History - Oxford Film & Television/BBC Two
7. Heston's Feasts - Optomen
8. Jamie Oliver's Ministry of Food - Fresh One/Channel 4

The corporate communication market is the newest area of focus for the Broadcast division with work completed in Q1 FY10 for Actis, Jack Morton Worldwide, ARM Direct, Badge Media and Price Waterhouse Coopers. Negotiations on preferred supplier status with another company are currently at an advanced stage.

Infrastructure

Capital investment continued during the year with the upgrade of London's facilities in line with Prime Focus's global upgrade strategy. The grading facilities were also expanded with the purchase of two more Baselight systems to add to the existing suite whilst VFX capabilities were expanded with the purchase of additional 3D seats and software upgrades. The Broadcast division further broadened its offline capabilities by taking the total number of suites to 30 whilst a fourth Dolby 5.1 audio suite was commissioned within the same building.

'Worldsourcing' successes

- Restoration work was carried out in the Goa facility as part of a major project for a London based client.
- Several Broadcast VFX projects were completed with London, North American and Mumbai facilities working together for London based clients.
- Work on Commercials was completed in London for Indian clients.
- Shots on Extreme Peril for Discovery Channel were shared with India.

Projects in pipeline

1. 118 118 commercial for The Brooklyn Brothers
2. Rimmel commercials for JWT (ongoing)
3. Beyonce concert for Splinter Films
4. The Wicker Tree film for Tressock Films
5. Great British Menu Series 5 for Optomen Television
6. Atlas for Darlow Smithson

Accolades

- 'Man on Wire' won both an Academy award and a BAFTA award in 2009.
- 'The Beckoning Silence' won an Emmy award in 2008.
- Content services were recognized for their contribution to archive restoration with the success of the Kinora (R&A/IMG) and Jay-Z Glastonbury projects at the 2009 Focal Awards, which celebrates the use of footage archive images in the creative media.

NORTH AMERICA

Despite a large scale economic downturn and slow down in film production in North America, and despite bidding against some serious competition, the North American operation of the Prime Focus Group performed solidly with revenues for the year amounting to Rs. 1,286.01 million.

Some of the key projects worked on during the year include:

Films

1. Dragonball: Evolution
2. Watchmen
3. Red Cliff
4. Tooth Fairy
5. G. I. Joe
6. Lymelife

7. Phoebe in Wonderland
8. Exorcist 2000
9. French Connection
10. Reach For Me (the first full length 4K feature film shot on the Dalsa camera)
11. Kitt Kittredge: An American Girl
12. A prestigious film featuring Prime Focus's most challenging character animation to date*
13. A new major film from a famous director and major studio which utilizes the company's very successful stereo pipeline*
14. Another film which is one of the most anticipated films of 2009*

**Contract restrictions do not allow Prime Focus to reveal the title or the names of filmmakers involved in this film.*

TV Series

1. Wedding Day - Mark Burnett
2. Survivor - Mark Burnett
3. AFI: A Tribute to Michael Douglas

Infrastructure

In order to accommodate the additional volume of work committed to in North America, Prime Focus moved its Vancouver facility to a much larger production space. This facility is now more efficient and can produce work at four times the volume of the previous space. Besides, work done in Vancouver provides tax advantages to production companies, making this facility a particularly attractive option. The facility has already become a magnet for new productions coming to Vancouver.

'Worldsourcing' successes

- Shots on Dragonball: Evolution were shared with India and UK.
- Larry Levinson Productions did all of their post production work from dailies to final colour correction on their title "Megastorm" in Los Angeles and Prime Focus India provided all the VFX for this made-for-television movie.
- A lot of restoration work was done in India.

Projects in pipeline

- 3D (stereo) films promise to be the next growth driver for the company. Major Hollywood studios have specifically stated that their goal is to produce only stereo films. Every studio is also investigating ways to "dimensionalize" films already in their library and re-release them in theatres or release them as stereo DVDs. Prime Focus has developed tools for production of stereo films that puts the company in the running for much of this work, and in particular, has developed techniques to dimensionalize existing films into stereo films. We are actively pursuing this technology as it represents a very promising revenue stream over the next few years.
- Prime Focus has been chosen as one of the few facilities that are part of the NBC/Universal Asset Recovery project. Feature and episodic mastering will also be handled in India and London for restoration and colour correction.

Accolades

- 'Journey to the Center of the Earth', a stereo film that Prime Focus made a major contribution to, was nominated for an Academy award in 2009.
- Chris Bond, Senior VFX Supervisor, North America was invited to be a member of the Academy in the first quarter of FY10.

OUTLOOK

Going forward, the company's strategy is to develop two key areas of business: VFX and Digital Asset Management. Demand for VFX in India, UK and North America as well as the offshoring opportunity from UK and North America are on a high growth trajectory. Digital Asset Management is another important area of growth for the company. As the digital distribution of media becomes increasingly important, it becomes imperative for all current and old media to be held digitally. Prime Focus has taken the lead in the process of digital remastering and cataloguing content through its proprietary digital asset management system 'CLEAR'. Another primary objective is to put into action the 'worldsourcing' model on the back of projects from studios in UK and North America. By virtue of its strengths viz. footholds in strategic international locations, established global infrastructure, state-of-the-art technology platforms and access to high quality talent, the Prime Focus Group is uniquely positioned to capitalize on the global opportunity.

strategic overview

"Business and entrepreneurship are about conviction, patience, confidence and commitment. Our patience was tested, and we are confident that our commitment and conviction will be rewarded."

Naresh Malhotra, Chairman

Dear Shareowners,

In 2008-09, Prime Focus reported revenues of Rs. 3,543.72 million, an increase of 59.53% and profits of Rs. 145.84 million, a decrease of 50.62% over the previous year.

2008-09 was a difficult year. In many ways. However, we are happy about the way we responded to these difficulties. In many ways.

Globally, much has been written and known about the crisis and its impact on the economies the world over. We will not dwell more on that. We would rather use the opportunity to communicate what we did in 2008-09 and what we have been doing over the last few years.

One, we believe that we are in business to create sustainable and consistent shareholder value over the long term. And that principle shouldn't be compromised, more so in tough times.

Two, business and entrepreneurship are about conviction, patience, confidence and commitment. Our patience was tested, and we are confident that our commitment and conviction will be rewarded.

Three, as we see it, the events over the last 18 months signal an inflection in the Visual Entertainment Services business that we cater to. We are now even more convinced about the 'worldsourcing' model that only Prime Focus offers today with the Global Digital Pipeline™ providing clients around the world access to the best global talent and the most cost effective solutions.

Four, in tough times, the financials do get impacted. And we recognize that. There is only so much you can do about the external environment and its impact on numbers but there is a lot you can do internally.

Five, we used the downtrend in the business to build up very high quality talent, technology and infrastructure.

Now let us talk specifically about our three regions, India, UK and North America, our investment in the business and the way forward.

India

The Indian Film and Advertisement market was adversely affected because of the recession. The Advertisement industry suffered due to cutbacks in marketing spends. While the liquidity crunch slowed down funding to film corporates and producers, 2008 was not as good a year as 2007 in terms of number of hit films with many big movies failing at the box office and alternate avenues of entertainment such as IPL affecting occupancy in cinema halls. However, our business is more linked to production than box office results. Besides, the dispute between multiplex owners and producers in Q1FY10 resulted in significant delays in movie releases that delayed the cash flow cycle and with it, investment in new movies.

Despite this, we delivered a strong operating performance. Our scalable, sustainable and de-risked business model with a well diversified revenue stream in terms of geographical locations, service verticals (equipment rental, post production and visual effects) and product segments (films, television and advertising), helped us to insulate ourselves to a certain degree in this environment.

The worst is now over.

Post the resolution of the multiplex owners-producers dispute, Prime Focus has been involved with every major movie release, both with respect to post production and VFX, including ***'Kal Kissne Dekha', 'New York', 'Kambakkht Ishq', 'Short Kut', 'Luck', 'Agyat'*** and ***'Quick Gun Murugan'.*** We are currently executing a considerable number of movies in this space and the pipeline looks robust for us to deliver growth. Our Advertisement business in India has also staged a modest recovery in Q1FY10 and the coming months look promising for the business. The offshoring of VFX projects into India has also begun with prestigious projects like LLP Productions' 'Megastorm' and we see this furthering momentum.

Total revenues from our Indian market amounted to Rs. 929.36 million.

UK

Our London division further strengthened its leadership position in Broadcast Post Production and made major inroads into Broadcast and Feature Film VFX as well as Commercials Post Production besides breaking into the virgin territory of Corporate Communication. Prestigious projects were executed across all market sectors with a couple of them even winning the Academy, BAFTA and Emmy awards.

Total revenues from UK amounted to Rs. 1,328.35 million.

North America

Our North American operations performed quite well during the year, garnering some very prestigious and high profile projects. Major restoration work for Hollywood studios like Weinstein, Lions Gate and Sony Pictures was outsourced to India. 3D (stereo) films are likely to be the next growth driver for Hollywood and we have already developed our expertise to execute such projects. "Journey to the Center of the Earth", a stereo film on which we have done major work was even nominated for an Academy award in 2009.

Total revenues from North America amounted to Rs. 1,286.01 million.

Investing for tomorrow

In a talent-led business like ours, we have invested aggressively in exceptional talent. We are priviledged to have brought industry veterans like Michael Fink, Terry Clotiaux, Terrence Dwyer, Kevin Wilson, Mick O'Connor, Michael Constantine, Neil Huxley, Rob Hummel and Naresh Malik on board.

We have invested Rs. 315.62 million in a 65,000 square feet VFX and post production facility in Mumbai, which will be one of the biggest of its kind in Asia. We have also moved our Vancouver facility to a much larger space to cater to the increasing requirements of our North American markets.

Looking ahead

We have never been more confident. About our business and our business model. We see the production of movies and advertisements in India picking up significantly once the recession is over. We also see the VFX and post production outsourcing activity scaling up immensely. In UK and North America, we see Prime Focus garnering many more and bigger budget film projects, generating sufficient cash flow for us to repay the FCCB in the event the conversion does not happen. We are also building a new business of digital asset management. Prime Focus has taken the lead in the process of digital remastering and cataloguing content through its proprietary digital asset management system 'CLEAR'.

Before we conclude, we would like to thank our shareholders, employees, customers and vendor-partners for their support and patience, enabling us to build a truly global enterprise.

Sincerely,

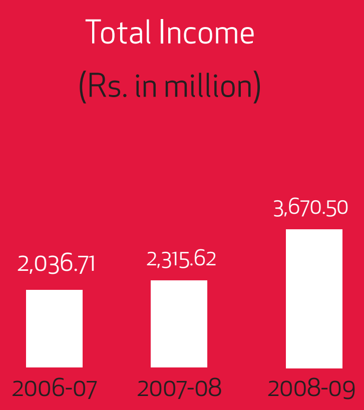
Naresh Malhotra	Namit Malhotra
Chairman	Managing Director

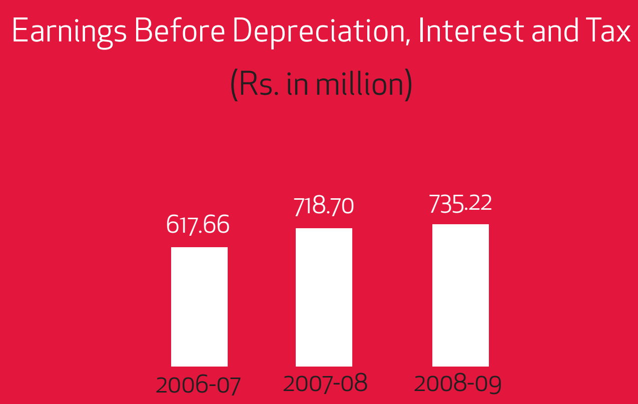
Namit Malhotra, Managing Director

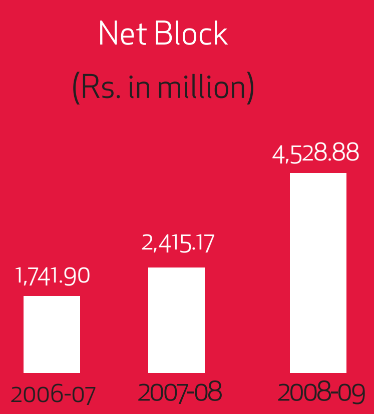
financial snapshot

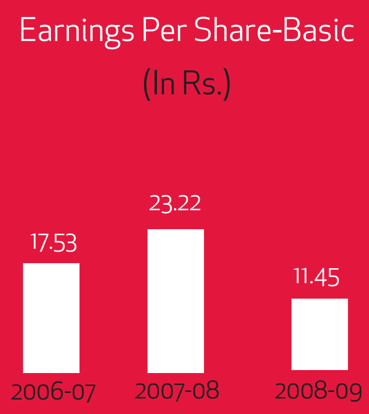
consolidated

Particulars (Rs. in million)	2008-09	2007-08	2006-07
Key Operating Figures			
Total Income	3,670.50	2,315.62	2,036.71
Total Expenditure	2,935.28	1,596.92	1,419.05
Earnings Before Depreciation, Interest and Tax	735.22	718.70	617.66
Profit Before Tax	146.11	319.76	318.05
Profit After Tax (Before Minority Interest)	157.64	317.59	225.17
Key Financial Figures			
Net Worth	1,751.23	1,886.19	1,825.19
Net Current Assets	1,816.67	2,833.28	1,068.77
Reserves and Surplus	1,623.68	1,758.76	1,784.97
Cash and Bank Balances	613.59	408.16	337.51
Gross Block	7,339.56	4,761.77	3,945.73
Net Block	4,528.88	2,415.17	1,741.90
Share Capital	128.23	127.23	127.23
Earning Per Share - Basic (In Rs.)	11.45	23.22	17.53


Total Income
(Rs. in million)
2,036.71
2,315.62
3,670.50
2006-07
2007-08
2008-09


Earnings Before Depreciation, Interest and Tax
(Rs. in million)
617.66
718.70
735.22
2006-07
2007-08
2008-09


Net Block
(Rs. in million)
1,741.90
2,415.17
4,528.88
2006-07
2007-08
2008-09


Earnings Per Share-Basic
(In Rs.)
17.53
23.22
11.45
2006-07
2007-08
2008-09

Corporate Information

BOARD OF DIRECTORS

Mr. Naresh Malhotra
Chairman & Whole-time Director

Mr. Namit Malhotra
Managing Director

Mr. Rakesh Jhunjhunwala
Non Executive Director

Mr. Chandir Gidwani
Non Executive Director

Mr. Kodi Raghavan Srinivasan
Independent and Non Executive Director

Mr. Rivkaran Chadha
Independent and Non Executive Director

Mr. Hariharan Padmanabhan
Independent and Non Executive Director

Mr. Somasekhar Sundaresan
Independent and Non Executive Director
(Resigned w.e.f January 8, 2009)

Mr. Padmanabha Gopal Aiyar
Independent and Non Executive Director
(Appointed w.e.f July 3, 2009)

CHIEF FINANCIAL OFFICER

Mr. Nishant Fadia

COMPANY SECRETARY AND COMPLIANCE OFFICER

Ms. Parina Shah

AUDITORS

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

BANKERS

Yes Bank Limited
Kotak Mahindra Bank Limited
Standard Chartered Bank
The Ratnakar Bank Limited
HSBC Limited
ICICI Bank Limited

REGISTRAR & TRANSFER AGENTS

Link Intime India Private Limited
(formerly Intime Spectrum Registry Limited)
C-13, Pannalal Silk Mills Compound, L. B. S. Marg,
Bhandup (W), Mumbai - 400 078.

REGISTERED & CORPORATE OFFICE

Prime Focus House,
Linking Road,
Opp. Citibank, Khar (West),
Mumbai - 400 052. India.

Notice

NOTICE is hereby given that the Twelfth Annual General Meeting of Prime Focus Limited will be held at Ramee Guestline Hotel, Regent Hall, 757, S. V. Road, Khar - West, Mumbai - 400 052 on Friday, September 25, 2009 at 11.00 a.m to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet of the Company as at March 31, 2009, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon;
2. To appoint a Director in place of Mr. Chandir Gidwani, who retires by rotation and being eligible, offers himself for re-appointment;
3. To appoint a Director in place of Mr. Hari Padmanabhan, who retires by rotation and being eligible, offers himself for re-appointment;
4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED that pursuant to the provisions of Section 224, 225 and other applicable provisions if any, of the Companies Act, 1956, M/s. S. R. Batliboi & Associates, Chartered Accountants, Mumbai, the retiring Auditors be and are hereby re-appointed as Auditors of the Company to hold the office from the conclusion of this meeting until conclusion of the next Annual General Meeting of the Company on remuneration to be decided by the Board of Directors at a later date in consultation with Auditors apart from reimbursement of actual out of pocket expenses incurred by them."

SPECIAL BUSINESS:

5. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution:

   "RESOLVED THAT Mr. Padmanabha Gopal Aiyar, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 with effect from July 3, 2009 and whose term of office expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By order of the Board of Directors

Place : Mumbai
Date : July 31, 2009

Parina Shah
Company Secretary

Registered Office:
Prime Focus House, Linking Road,
Khar (West),
Mumbai - 400 052.

Notes for members' attention:

1. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect to the Item Nos 5 of the Notice is annexed hereto. As required under Clause 49 of the listing agreement, brief information of Directors seeking appointment/re-appointment at the ensuing Annual General Meeting are also annexed hereto.

2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT PROXY/PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY/PROXIES NEED NOT BE A MEMBER OF THE COMPANY.** Proxies in order to be effective, should be duly filled, stamped, signed and deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting. Proxies submitted on behalf of limited companies, societies, partnership firms, etc. must be supported by appropriate resolution/ authority as applicable, issued on behalf of the appointing organisation. A form of Proxy and Admission Slip is enclosed with the report.

3. The Register of Members and the Share Transfer Books of the Company will remain closed from September 23, 2009 to September 25, 2009 (both days inclusive).

4. The Company or its Registrar and Share Transfer Agent (RTA) cannot act on any request received directly from the members holding equity shares in dematerialized form for any change of bank particulars or bank mandates. Such changes are to be advised only to the respective Depository Participants of the Members.

5. The Company has appointed M/s. Link Intime India Private Limited, as its Registrars and Share Transfer Agents. Members are requested to correspond with them for any queries at their below mentioned address:

   Link Intime India Private Limited
   C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (W), Mumbai - 400 078.

6. Members desirous of obtaining any information concerning the accounts and operations of the company are requested to send their queries to the Company Secretary at least ten days before the date of the meeting, so that the information required by the members can be made available at the meeting venue.

7. Members are requested to:

   a. Notify immediately any change in their registered address to the Depository Participant with whom they maintain the demat account for shares held in electronic mode and to the Company's Registrar and Transfer Agent for shares held in physical mode.

   b. Quote Ledger Folio No. /DP ID and Client ID numbers in all correspondence.

   c. Bring with them at the meeting their copy of Annual Report and attendance slip.

8. Incase of joint holders attending the meeting only such joint holder who is higher in the order of names will be entitled to vote.

9. Copies of all documents referred to in the Notice and Explanatory Statement annexed thereto are available for inspection at the Registered Office of the Company between 11:00 am to 1:00 pm on all working days upto the date of the Annual General Meeting.

10. Members are requested to visit the website of the company viz. www.primefocusworld.com/india/ for viewing the quarterly and annual financial results and to know about more about the company.

By order of the Board of Directors

Place : Mumbai
Date : July 31, 2009

Parina Shah
Company Secretary

Registered Office:
Prime Focus House, Linking Road,
Khar (West),
Mumbai - 400 052.

Annexure to Notice

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

Item No. 5

The Board of Directors of the Company had appointed Mr. Padmanabha Gopal Aiyar as an Additional Director of the Company w.e.f July 3, 2009. Pursuant to provisions of Section 260 of the Companies Act, 1956, Mr. Padmanabha Gopal Aiyar holds office only upto this Annual General Meeting. The Company has received a notice in writing along with a deposit of Rs. 500/- from a member of the Company as per the provisions of Section 257 of the Companies Act, 1956, signifying his intention to propose the appointment of Mr. Padmanabha Gopal Aiyar as a Director of the Company.

The Board of Directors considers that in view of the background and expertise of Mr. Padmanabha Gopal Aiyar, it would be in the interest of the Company to appoint him as a Director of the Company.

The Board of Directors recommends the resolution for appointment of Mr. Padmanabha Gopal Aiyar as a Director of the Company for approval of members of the Company.

None of the Directors of the Company except Mr. Padmanabha Gopal Aiyar, are concerned or interested in the resolution.

By order of the Board of Directors

Parina Shah
Company Secretary

Place : Mumbai
Date : July 31, 2009

Registered Office:
Prime Focus House, Linking Road,
Khar (West),
Mumbai - 400 052.

Additional Information

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

Name of Director	Mr. Chandir Gidwani	Mr. Hari Padmanabhan	Mr. Padmanabha Gopal Aiyar
Date of Birth	July 3, 1964	June 2, 1952	December 4, 1936
Date of Appointment	January 24, 2007	January 24, 2007	July 3, 2009
Expertise in specific functional areas	He is a Chartered Accountant. He has got two decades of experience in finance, audit accounts and senior general management.	His professional background includes over twenty-seven years of experience in India and the Middle East. He started his IT career with International Data Management (IDM) in 1979 for sales and distribution of Data Centre processing and in house computing in the western region.	He is a practicing advocate in Bombay High Court. He has expertise knowledge in Civil Law and industrial arbitration matters. He also has extensive knowledge in legal matters pertaining to cooperative society.
Qualifications	C.A.	B.E., IIT Kanpur, P.G. Diploma Management IIM Calcutta.	LLB.
Directorship held in other public companies (excluding foreign and private companies) as on March 31, 2009	1. Centrum Capital Limited 2. Rap Media Limited	Insyst Business Technologies Limited.	NIL
Memberships / Chairmanships of *Committees across public companies as on March 31, 2009	Chairman of Audit Committee: Rap Media Limited Member of Investor and Shareholder Grievance Committee: 1. Centrum Capital Limited	NIL	NIL

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

By order of the Board of Directors

Place : Mumbai
Date : July 31, 2009

Parina Shah
Company Secretary

Directors' Report

Dear Members,

Your directors hereby present the Annual Report of the Company along with the audited Accounts for the year ended March 31, 2009:

1. Financial Results:

The performance of the company for the financial year ended March 31, 2009 is summarized below:

(Rs. in lacs)

Particulars	Consolidated 2008-09	Consolidated 2007-08	Standalone 2008-09	Standalone 2007-08
Income from Operations	35,437.20	22,213.30	9,109.53	8,572.07
Other Income	1,267.82	942.85	1,174.85	755.75
Total Income	**36,705.02**	**23,156.15**	**10,284.38**	**9,327.82**
Less: Expenditure	29,352.78	15,969.12	5,150.84	4,178.21
Profit Before Interest, Depreciation and Tax	**7,352.24**	**7,187.03**	**5,133.54**	**5,149.61**
Less: Interest	2,100.22	1,097.35	1,409.29	727.33
Profit After Interest, Before Depreciation and Tax	**5,252.02**	**6,089.68**	**3,724.25**	**4,422.28**
Less: Depreciation	3,790.95	2,892.12	1,820.01	1,604.21
Profit Before Tax (PBT)	**1,461.07**	**3,197.56**	**1,904.24**	**2,818.07**
Less: Provision For Tax				
Current Tax	1.09	(29.84)	-	-
Deferred Tax	(133.51)	31.85	552.92	133.93
Fringe Benefit Tax	17.14	19.66	16.67	19.66
Profit After Tax	**1,576.35**	**3,175.89**	**1,334.65**	**2,664.48**
Less: Minority Interest	117.97	222.25	-	-
Profit After Tax (after adjustment of minority interest)	**1,458.38**	**2,953.64**	**1,334.65**	**2,664.48**
Add: Balance Brought Forward from previous year	7,796.33	5,051.26	7,519.61	5,063.70
Less: Adjustment pursuant to court permission received by subsidiary	1,745.17	-	-	-
Add: Deferred Tax Credited On Share Issue Expenses	-	148.70	-	148.70
Profit available for appropriation	**7,509.54**	**8,153.60**	**8,854.26**	**7,876.88**
Less: Interim Dividend & Tax	-	223.27	-	223.27
Less: Transfer To General Reserve	-	134.00	-	134.00
Balance Carried To Balance Sheet	**7,509.54**	**7,796.33**	**8,854.26**	**7,519.61**

2. 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, 2009.

3. Appropriations:

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

4. Overall Performance:

On a standalone basis, the total income increased by Rs. 956.56 lacs in 2008-09 an increase of 10.25% over previous year. However, the profit after tax of the company decreased from Rs. 2,664.48 lacs in 2007-08 to Rs. 1,334.65 lacs in 2008-09, this decrease is primarily due to high borrowing cost during the year.

On a consolidated basis, the total income increased by Rs. 13,548.87 lacs in 2008-09 an increase of 58.51% over previous year. The Company's financials includes results of new subsidiaries acquired at the beginning of the year. However, the profit after tax of the company after adjustment of minority interest decreased from Rs. 2,953.64 lacs in 2007-08 to Rs. 1,458.38 lacs in 2008-09.

5. Subsidiary Companies:

During the year, the Company through its overseas wholly owned subsidiary Prime Focus Investments Limited registered in UK have acquired following Companies abroad:

a. Post Logic Studios, INC;

b. 1800 Vine Street, LLC (subsidiary of Post Logic Studios, INC);

c. Prime Focus VFX Services I INC. (formerly known as Frantic Films Services INC);

d. Prime Focus VFX Technology INC (formerly known as Frantic Films Software INC);

e. Prime Focus VFX Services II INC (formerly known as Frantic Films VFX Services INC);

f. Prime Focus VFX USA INC (formerly known as Frantic Films USA INC);

g. Prime Focus VFX Pacific INC (formerly known as Frantic Films Pacific INC);

h. Prime Focus VFX Australia Pty Ltd (formerly known as Frantic Films Australia Pty. Ltd).

During the year, the Company also incorporated wholly owned subsidiary Prime Focus Motion Pictures Limited and has also acquired entire share capital of GVS Software Private Limited in India.

As per Section 212 of the Companies Act, 1956, the Company is required to attach the Directors' report, Balance Sheet and Profit and loss Account of its subsidiaries. We had applied to the Ministry of Corporate Affairs, Government of India, for an exemption from such an attachment as we present the audited consolidated financial statements in the Annual Report. The Government of India has granted us exemption from complying with the requirement of Section 212 vide letter no. 47/474/2007-CL- III dated July 31, 2009. Accordingly, the Annual Report does not contain the financial statements of these subsidiaries, however, only the required information as directed by the Ministry of Corporate Affairs forms part of this report.

We will make available the audited annual accounts and related information of subsidiaries, wherever applicable, upon request by any of our investors. These documents will also be available for inspection during business hours at our registered office in Mumbai, India.

6. Directors:

During the year, Mr. Somasekhar Sundaresan has resigned from the directorship of the Company on January, 8 2009. The Board places on record its appreciation for the valuable guidance and contribution made by him during his tenure as a Director of the Company.

At the ensuring Annual General Meeting Mr. Chandir Gidwani and Mr. Hari Padmanabhan will retire by rotation and being eligible offer themselves for reappointment in terms of provisions of Articles of Association of the Company.

Mr. Padmanabha Gopal Aiyar was appointed as an additional director of the Company with effect from July 3, 2009 and he holds office till the ensuing Annual General Meeting. The resolution for his appointment as Director is being moved at the ensuing Annual General Meeting.

The brief resume/details relating to directors who are to be reappointed/appointed are furnished in the explanatory statement to the notice of the ensuing annual general meeting.

7. Issue of Shares Pursuant to scheme of arrangement:

The Company issued and allotted 1,00,000 equity shares on January 30, 2009 pursuant to the scheme of arrangement of amalgamation of Storemedia Technologies Private Limited with the Company. These shares are admitted for trading at NSE and BSE.

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 USD 55 mn on December 12, 2007 and as at March 31, 2009, no bonds have been converted into equity shares of the Company.

10. Fixed Deposits:

The Company has not accepted or renewed any Fixed Deposits within the meaning of Section 58-A of the Companies Act, 1956.

11. Particulars of employees:

Particulars of employees, as required, under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are set out as under:

Sr. No.	Name	Age	Designation	Gross Remune-ration	Qualifi-cation	Experience	Date of joining	Previous Employment/ Designation
1.	Mr. Naresh Malhotra	64	Chairman and Whole time Director	30,00,000/-	B.COM	38	Since Inception	N.A
2.	Mr. Namit Malhotra	33	Managing Director	30,00,000/-	B.COM	14	Since Inception	N.A

Notes:

1. Remuneration includes salary, allowances, company's contribution to Provident Fund, taxable value of perquisites, wherever applicable.
2. The nature of employment is contractual.
3. Mr. Naresh Malhotra and Mr. Namit Malhotra are related to each other.
4. As on March 31, 2009, Mr. Naresh Malhotra holds 55,25,000 shares constituting 43.08% of the paid up share capital of the Company and Mr. Namit Malhotra holds 12,40,000 shares constituting 9.67% of the paid up share capital of the Company.

12. Consolidated Financial Statements:

In accordance with the Accounting Standard 21 on Consolidated Financial Statements, this Annual Report also includes Consolidated Financial Statements for the financial year 2008-2009.

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

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors, based on the representation received from the operating management, confirm that:

- in the preparation of annual accounts, applicable accounting standards have been followed along with proper explanation relating to material departure;
- in order to provide a true and fair view of the state of affairs of the Company as on March 31, 2009 and the profit for the year ended on that date, reasonable and prudent judgments and estimated have been made and generally accepted accounting policies have been selected and consistently applied;
- for safeguarding the assets of the Company and for preventing and detecting any material fraud and irregularities, proper and sufficient care has been taken for maintenance of adequate records in accordance with the provisions of the Companies Act, 1956;
- the annual accounts presented to the members have been prepared on going concern basis.

14. Awards and Achievements:

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

1. FilmFare Award 2009 for 'Best VFX in a Motion Picture' - Love Story 2050
2. FICCI BAF Jury Award for 'Best VFX Shot of the Year' - Love Story 2050
3. 24fps Award 2008 for 'Outstanding Contribution to Visual Effects' - Love Story 2050
4. IIFA Award 2009 for 'Best Visual Effects' for Ghajini
5. FICCI BAF Award 2008 for 'Best VFX in a Commercial' for Honda CBZ "Hero"
6. Golden Cursor Animation Awards- Best Animation/Live Action [Commercial- LG]
7. Golden Cursor Animation Awards- Best VFX Feature Film [Film- Love Story 2050]

15. Change of Registered Office:

During the year, the registered office of the Company has been shifted from Anand Kunj, North Avenue, Linking Road, Santacruz West, Mumbai - 400 054 to Prime Focus House, Opposite Citi Bank, Linking Road, Khar West, Mumbai - 400 052 with effect from April 18, 2009.

16. Auditors and Auditors' Report:

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

As regards the emphasis and qualifications made by the Auditors as stated in paragraph number 4 and 5 of their report on the accounts of Prime Focus Limited and paragraph 5 and 6 of their report on the Consolidated Financial Statements of the Company respectively, attention is invited to note no. 18 (c, d and e) to Schedule 17 on Significant Accounting Policies and notes forming part of the Accounts of the Company and Note no. 14 (c, d and e) to Schedule 18 of the Consolidated Financial Statements of the Company, wherein the detail explanation has been provided which in the opinion of the Board of Directors are self explanatory.

17. 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. Currently, we use CFL fixtures to reduce the power consumption in the illumination system.

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:

(Rs. in lacs)

Particulars	2008-09	2007-08
Foreign Exchange Earned:		
Technical Service receipts	470.24	620.77
Foreign Exchange Outgo:		
Professional fees	-	64.60
Payment on other accounts	158.86	57.87

18. Acknowledgements:

The Board takes this opportunity to thank all its employees for their dedicated service and firm commitment to the goals of the Company. The Board also wishes to place on record its sincere appreciation for the support received from shareholders, bankers and all other business associates. We look forward to the continued support of all these partners in progress.

For and on behalf of the Board of Directors

Place : Mumbai
Date : July 31, 2009

Naresh Malhotra
Chairman and Whole-time director

Management Discussion & Analysis

1. Economic overview

The year 2008-09 was a challenging one for the global economy. The global liquidity crisis spurred by sub-prime lending, spread across asset classes and paralyzed the world economy. In India, an uncertain political environment, high borrowing costs and later a global slump slashed exports and moderated domestic demand. The rupee depreciated sharply against the dollar. FIIs withdrew capital to conserve cash.

Despite the above conditions, India's GDP is estimated to have grown at 6.7% during the year. Given this growth and the recent rise of the rupee against the dollar, India is once again a trillion dollar economy. Per capita income has crossed Rs. 3,000 per month for the first time ever at Rs. 37,490 per annum.

A quarterly survey conducted by the RBI and released in May 2009 projects India's GDP to grow at 7.5% over a 10-year period. This growth is expected to ride on the back of domestic demand rather than overseas business, propelled by the strong fundamentals of the economy. 70% of India's billion plus population is below the age of 30, contributing to rising incomes and spurring a boom in consumption and spending. Approximately 55% of the population will be urban by 2050, up from the current 29%. Recreation spends are likely to increase manifold in the coming years. These factors are expected to provide a major impetus to the economy as well as the Entertainment & Media industry going forward.

2. Industry overview

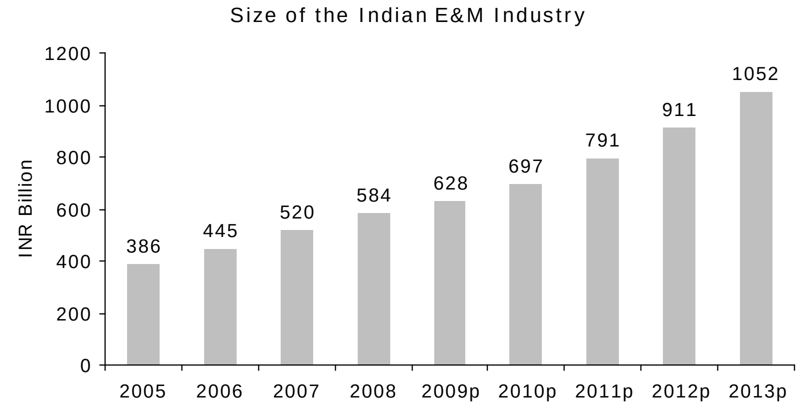
Entertainment & Media (E&M) industry

Propelled by a buoyant economy, favourable demographics, rapid urbanization and rising disposable incomes, the Indian E&M industry has been one of the fastest growing sectors in the country in recent times, reaching a size of Rs. 584 billion in 2008 by exhibiting a growth of 12.4% over the previous year. This industry consists of a range of diverse segments - Print, Television, Films, Advertising and Radio are some of its major segments and Animation, Gaming, visual effects (VFX), music and Out-Of-Home (OOH) media are some of the emerging segments.

The E&M industry has also undergone significant transformation over the past few years. Niche content genres have emerged across sectors – niche magazines, reality television, etc. There is an increase in demand for regional content given the emergence of Tier II and Tier III towns as important growth centres. Technological innovations and increasing competition are ensuring that an array of media content, consumption and delivery choices are being presented to the Indian consumer. Television, Film and Music industries have been major beneficiaries of digitization. Besides, convergence between Entertainment, Information and Telecommunications is also gaining significant importance in the industry. Simultaneously, the Government has taken several positive measures on the regulatory front, leading to a new wave of growth for the industry. These include:

- Permitting 100% Foreign Direct Investment (FDI) through the automatic route for the film and advertising industries, 49% foreign holding in cable TV and Direct To Home (DTH), 100% FDI in non-news publications, 26% FDI in news publications and 20% FDI in FM radio.
- Permitting setting up of uplinking hubs for satellite uplinking by private TV broadcasters from Indian soil.
- Giving industry status to the Film industry.
- Opening FM radio operations to the private sector.

Film



Source: FICCI - KPMG Media & Entertainment Industry Report 2009

With around 900 movie releases and over 3 billion movie goers annually, the Indian Film industry is one of the largest in the world. It is estimated to reach Rs. 109 billion in 2008, a growth of 13.4% over 2007. The Indian Film industry has undergone tremendous changes over the past few years, including the availability of organized funding, corporatization, advent of multiplexes and an increase in overseas collections. Ancillary revenues are making greater contributions to the revenues of the industry, de-risking the business of film making to some extent. In terms of number of hit films, 2008 was not as good a year as 2007 with many big films failing at the box office and IPL matches affecting occupancy levels at cinema halls. However, the last quarter of 2008 witnessed a significant improvement with big ticket releases leading to an increase in footfalls and occupancy rates in cinema halls. Global recognition has also come through the success of films like Slumdog Millionaire and deals between Hollywood and Indian production houses.

Television

With over 450 Cable & Satellite (C&S) channels in the country, the Television industry has not only grown phenomenally but has also transformed completely in the last few years. By the end of 2008, the industry is estimated to have reached a size of Rs. 241 billion, a growth of 13.8% over 2007. There has been rapid increase in the number of channels in news and other niche segments such as lifestyle, kids and infotainment apart from General Entertainment Channels (GECs). The average daily time spent by viewers in watching television has also gone up. In television distribution, digital mediums have emerged in the form of DTH, Digital Cable and Internet Protocol Television (IPTV). Some of India’s biggest corporate houses have invested in DTH. The implementation of CAS in selected zones of Delhi, Mumbai and Kolkata from 2007 gave an important push towards digitization of cable. With commercial IPTV services launched in Delhi and Mumbai in 2008, IPTV has made a small beginning.

Advertisement

Advertising revenue is one of the key drivers of growth of the Indian E&M industry as it propels many other media industries such as Television, Radio, Print, Internet, etc. Over the past three years, advertising revenue is estimated to have grown at a CAGR of 17.1% to reach an estimated Rs. 221.6 billion in 2008. Television advertising itself was an estimated Rs. 82.5 billion market. Till recently, the growth in television advertising was driven to a significant extent by increasing advertisement spends from fast growing sectors such as telecommunication. However, in the wake of the recent global economic slowdown, even the fast growing sectors are cutting down on advertisement spends.

India as an off-shoring hub for media services

While currently outsourcing of media and entertainment related services accounts for a very small proportion of the global outsourcing market, this business has witnessed rapid growth in the last few years, both through captive centres as well as third party outsourcing. Availability of qualified talent and cost savings are the major drivers of off-shoring to India. While a large proportion of the work coming in is in standard services like IT and HR, off-shoring has also commenced in niche areas like animation, VFX and gaming. For instance, global entertainment companies are increasingly partnering with Indian creative houses to send a significant part of their digital production and post production work to processing studios in India. As the number of films, ad films and television programmes using special effects as well as the proportion of special effects in them keep increasing; studios are distributing projects across multiple facilities to handle the volume of work and thus are looking for outsourcing post production services. India is well positioned to capture a sizeable market share in this space.

3. Business overview

Prime Focus Limited (Prime Focus) is a global Visual Entertainment Services group that provides creative and technical services for the Film, Television, Advertisement, Gaming and Internet industries. The Company offers end-to-end solutions at every stage of project development from pre-production to final delivery including previsualisation, equipment hire, visual effects, video and audio post production, Digital Intermediate and digital asset management.

Over the past decade, Prime Focus has created enviable brand equity by virtue of its strengths viz. integrated facilities and services, cutting-edge technology as well as a diverse talent pool. The key differentiator of the Company is its "worldsourcing" model. This allows the Company to leverage its global network to provide access to the best global talent and the most cost effective solutions to clients across the world, without compromising on quality, timing or accountability.

The Company has a strong presence across every major market in India as well as globally viz. North America and UK. It operates out of 19 facilities spread across 10 locations globally, which include Vancouver (Canada), Winnipeg (Canada), Los Angeles (USA), New York (USA), London (UK), Mumbai (India), Chennai (India), Hyderabad (India), Bangalore (India) and Goa (India).

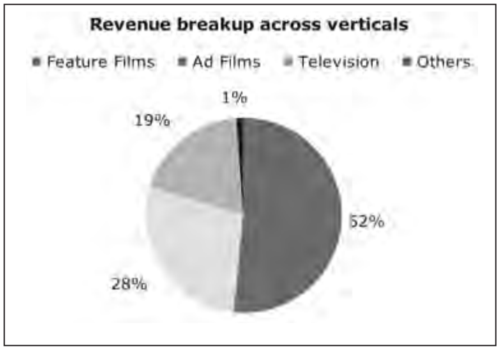
Prime Focus has built this global enterprise through strategic acquisitions over the past few years. Each of these acquisitions have significantly enhanced the Company's presence across geographies and verticals as well as added to its expertise and talent pool.

Year in review

In 2008-09, the Company seamlessly integrated the above acquisitions and invested time, money and energy to build a platform for growth in the years to come. The integration panned across a global team of highly qualified and experienced professionals, technology and expertise acquired over the years as well as infrastructure and facilities.

The Company also expanded its operations by hiring exceptional talent at key positions globally. New facilities in Mumbai and Vancouver have been added to prepare for future growth. A large number of prestigious projects were executed by the Company in Films, Television as well as the Advertisement segments in India, USA and UK. Several of these were recognized by the industry through awards and accolades.

Prime Focus began implementing its 'worldsourcing' model with several projects from the UK and North American divisions sharing work with the Indian facilities. Several restoration projects sourced by the North American division were also completed in India. The Company follows a diversified and de-risked revenue model with income generation distributed across verticals and geographies.



Prime Focus believes that the long term opportunity in the global media industry is huge. With its global talent pool and presence in strategic locations as well as state-of-the-art technology, infrastructure and facilities, the Company is well poised to make the most of this opportunity.

4. Opportunities and threats

A favourable demographic composition, growing economy, rising disposable incomes and increasing spends on entertainment and recreation are strong growth drivers, which will propel the E&M industry to greater heights. Over the next five years, the industry is projected to grow at a CAGR of 12.5% to reach the size of Rs. 1052 billion by 2013 (FICCI-KPMG Media & Entertainment Industry Report 2009). Given the low media penetration in the country, there exists a significant opportunity for all players to expand their market.

According to the FICCI-KPMG Media & Entertainment Industry Report 2009, the Indian Film industry is projected to grow at a CAGR of 9.1% over the next five years to reach approximately Rs. 168.6 billion by 2013. Domestic box office collections are expected to continue to remain the dominant revenue source for the industry. Ancillary revenue streams such as television rights, home video rights, music rights, digital rights, in-film placements, brand placements etc are expected to grow significantly in the coming years and enable film makers to reduce costs and excessive dependence on box office collections. Original content, technological advances and agility in responding to changing customer preferences are factors that are expected to be key differentiators and growth drivers in the coming years.

By 2013, the total number of television owning households in India is estimated to be 149 million from 123 million in 2008 and around 85% of these are estimated to be C&S subscribers. Digitization of distribution is expected to happen at a rapid pace and digital distribution platforms are likely to demand higher Average Revenue Per User (ARPU). At the same time, digitization of cable is expected to pick up pace, independent of the pace of implementation of CAS. Besides better picture and sound quality, digitization may also lead more choices in channels across mass as well as niche categories. These factors are likely to push up the average TV viewership time. On the whole, the Television industry is projected to grow at the rate of 14.5% over 2009-13 and reach a size of Rs. 473 billion by 2013.

The Advertising industry is expected to exhibit lower growth rate going forward due to the turbulent macro economic environment. It is estimated that advertising revenues will grow at a CAGR of 12.4% to reach a projected Rs. 396.8 billion by 2013. The emergence of India’s young middle class with greater earning power and higher disposable incomes signifies good potential for increased marketing and advertising spends in the country. Given the low advertising to GDP ratio in India of 0.47% vis-à-vis developed economies like U.S.A where it is as high as 0.9%, the prospect of further rise in advertising spends remains strong.

Globally, as the number of films, ad films and television programmes along with the proportion of special effects required in them keeps increasing, India has a strong potential to emerge as a major off-shoring hub for post production services. Apart from technical know-how and talent, India’s competitive edge comes from people’s fluency in English as well as the ability to operate 24/7 through shift work, which leads to greater utilization of assets. Also, the cost differential for India in comparison to the UK market is as high as 6-8 times and 3-4 times for the US market. Overseas production houses and special effects studios are thus beginning to outsource work to India. The fastest growing area of post production outsourcing is visual effects. Besides visual effects, another area of good potential in post production services is digital film restoration. Film restoration is a very laborious process and is a very expensive job in the west. In India, it can be done within reasonable cost.

Prime Focus is well poised to maximize the opportunities that lie ahead by virtue of its strengths viz. strong presence in strategic locations, cutting-edge technology, state-of-the-art infrastructure and facilities, world class talent, long-term relationships in the industry, strong pipeline of upcoming films, sound financials and a highly qualified and experienced management team.

Concerns like technological obsolescence and shortage of skilled manpower remain. However, these are threats faced by the entire industry. Prime Focus has taken adequate measures to ensure that it continues on a growth path.

5. Outlook

Prime Focus is optimistic about the long term prospects of the Indian economy as well as the E&M industry and is fully geared to aggressively participate in this opportunity. Going forward, the Company's strategy is to develop two key areas of business: VFX and Digital Asset Management. There is strong demand for VFX in India, UK and North America in terms of the local opportunity as well as the off-shoring opportunity from UK and North America. Digital asset management is another important area of growth for the Company. It is becoming increasingly imperative for all current and old media to be held digitally. Through its proprietary digital asset management system 'CLEAR', Prime Focus has taken the lead in the process of digital remastering and cataloguing content. Full throttle implementation of the 'worldsourcing' model on the back of projects from studios in UK and North America is another primary objective of the Company.

Prime Focus is looking at a strong pipeline of work in the coming few months. The Company is mandated to execute several prestigious assignments in the VFX and Digital Intermediate (DI) space across various production houses not only in India but globally as well. *Dil Bole Hadippa* (Yashraj Films), *Wanted Dead or Alive* (Boney Kapoor), *Wake Up Sid* (Dharma Productions), *Ajab Prem Ki Ghazab Kahani* (Tips) and *Main aur Mrs. Khanna* (UTV), *Blue* (Shree Ashtavinayak) are some of the key upcoming projects in India. 3D (stereo) films promise to be the next key growth driver for the Company. Prime Focus has developed tools for production of stereo films that puts the Company in the running for much of this work. Image processing of films is another area of growth that the Company is currently exploring. It intends to begin marketing these services in the coming year.

6. Risk management

The Company is operating in an environment that is becoming more and more competitive. As it gets into the expansion mode, it is poised to exploit several new opportunities. The Company ensures that the risks it undertakes are commensurate with the returns. Through strategic focus, forward thinking and contingency planning, the Company has devised a risk management policy to control risks involved in all corporate activities in order to maximize opportunities and minimize adversity.

<u>Economic Risk</u>

The business is substantially affected by the prevailing economic conditions in India.

Factors that may adversely affect the Indian economy and in turn the business include rise in interest rates, inflation, changes in tax, trade, fiscal and monetary policies, scarcity of credit etc. However, given the resilience of the economy in the face of recession as well as its strong fundamentals including favourable demographics, rapid urbanization, high savings rate, increasing domestic demand across all asset classes etc, the Company does not expect to be significantly affected by this risk in the long term.

Geographic Risk

This risk arises from excessive dependence on any particular geographical region for business.

Prime Focus's presence in all major media markets of the world viz. India, UK and North America goes a long way to mitigate this risk. The Company has diversified its operations within each of these regions as well. In India, Prime Focus is present in Mumbai, Hyderabad, Chennai, Goa and Bangalore, thus catering not only to the Hindi film industry but to the Telegu, Tamil and Kannada film industries as well. In North America, the Company's operations are suitably distributed between Los Angeles and New York in USA and Winnipeg and Vancouver in Canada. Hence, the Company does not expect to be significantly affected by this risk.

Competition Risk

The Company faces competition from other players in the VFX and post production space.

Prime Focus has established phenomenal brand recall and goodwill in the market. Given its expertise, extensive experience, strong presence in strategic international locations, global infrastructure, state-of-the-art technology, long-term relationships in the industry, strong pipeline of upcoming films and a highly qualified and experienced management team, Prime Focus does not expect to be significantly affected by this risk.

7. Internal control systems and their adequacies

The Company has set up internal control procedures commensurate with its size and nature of the business. These business procedures ensure optimum use and protection of resources and compliance with the policies, procedures and statutes. The internal control systems provide for well-defined policies, guidelines, authorizations and approval procedures. The prime objective of such audits is to test the adequacy and effectiveness of the internal controls laid down by the management and to suggest improvements.

8. Discussion on financial performance

Income: The Company recorded total income of Rs. 3,670.50 million as compared to Rs. 2,315.62 million for the previous year.

EBIDTA: The Company's EBIDTA stood at Rs. 735.22 million against Rs. 718.70 million in 2007-08.

PAT: The Profit After Tax (PAT) of the Company for the year 2008-09 was Rs. 157.64 million as against Rs. 317.59 million in 2007-08.

9. Material developments in human resources

Prime Focus recognizes the importance of human capital and values it highly. The Company's strong management team and motivated and talented employees are its biggest strength. The Company has put in place sound policies for the growth and progress of its employees. Individual Performance Management Systems are being implemented to encourage merit and enhance innovative thinking among employees. Roles and Responsibilities are clearly defined at all levels. The Company aims to employ best-in-class talent and to facilitate the same, it has put in place a well drawn recruitment policy and a performance-based compensation policy. Prime Focus recognizes the importance of providing training and development opportunities to its people to enhance their skills and experience, which in turn enables the Company to achieve its business objectives. As on 31^{st} March 2009, Prime Focus India had 291 employees on its payrolls. The Company also has a strong professional and technical team of 418 personnel.

10. 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)

Corporate Governance broadly refers to set of rules and practices designed to govern the behaviour of corporate enterprise. It refers to a system by which Companies are governed, controlled and managed. A detailed Report on Corporate Governance is set out below:

1. Company's Philosophy on Code of Governance:

The Company believes in setting the highest standard in good and ethical Corporate Governance Practices. The company has a strong legacy of fair, transparent and ethical Corporate Governance practices.

2. Board of Directors:

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

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

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

Sr. No	Name of Director	Status of Director	No. of outside Directorship held in Public Limited Companies*	Membership held in Committee of Directorship #	Chairmanship held in Committee of Directors #
1.	Mr. Naresh Malhotra	Executive Director	1	Nil	Nil
2.	Mr. Namit Malhotra	Executive Director	1	Nil	Nil
3.	Mr. Kodi Raghavan Srinivasan	Independent and Non Executive Director	Nil	Nil	Nil
4.	Mr. Rakesh Radheyshyam Jhunjhunwalla	Non-Executive Director	11	1	1
5.	**Mr. Somasekhar Sundaresan	Independent and Non Executive Director	Nil	Nil	Nil
6.	Mr. Rivkaran Chadha	Independent and Non Executive Director	Nil	Nil	Nil
7.	Mr. Hariharan Padmanabhan	Independent and Non Executive Director	1	Nil	Nil
8.	Mr. Chandir Gidwani	Non-Executive Director	2	1	1

* This excludes directorship held in Private Companies, Foreign Companies, Companies formed under section 25 of the Companies Act, 1956 and directorship held as an alternate director.

**Mr. Somasekar Sundaresan resigned w.e.f January 8, 2009.

Committee of Director includes Audit Committee, Shareholders/Investors Grievance Committee and Remuneration Committee of Directors only.

The above does not include Membership/Chairmanship in Committee of Directors of Prime Focus Limited.

b) Board Meetings:

The Board meets at least once a quarter to review the quarterly results and other items on agenda.

During the year 2008-2009, seven board meetings were held. The board meetings were held on April 30, 2008, June 23, 2008, July 31, 2008, October 22, 2008, December 5, 2008 (adjourned to December 6, 2008), January 2, 2009 and January 30, 2009. The last Annual General Meeting of the company was held on December 31, 2008.

Attendance of each Director at Board Meetings for the year 2008-09 and last Annual General Meeting:

Name of the Director	No. of Meetings held	No. of Meetings Attended	Attendance at last Annual General Meeting
Mr. Naresh Malhotra	7	7	Present
Mr. Namit Malhotra	7	7	Present
Mr. Kodi Raghavan Srinivasan	7	4	Present
Mr. Rakesh Jhunjhunwalla	7	0	Absent
*Mr. Somasekhar Sundaresan	7	3	Absent
Mr. Rivkaran Chadha	7	4	Absent
Mr. Hariharan Padmanabhan	7	2	Absent
Mr. Chandir Gidwani	7	3	Absent

*Mr. Somasekhar Sundaresan resigned w.e.f January 8, 2009.

3. Board Committees:

A. Audit Committee:

The Audit Committee of the Company has been constituted to oversee the Company's financial reporting process, internal control systems, review Management Discussion and Analysis of financial condition and results of operations and statement of significant related party transactions as submitted by the management

i. The Audit Committee comprises of the following members of the Board:

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

ii. During the year 2008-09 the audit Committee met five times on the following dates:

April 30, 2008, July 31, 2008, October 22, 2008, December 5, 2008, January 29, 2009.

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

Name Of the Director	No. of Meeting Attended
Mr. Kodi Raghavan Srinivasan	5
Mr. Rivkaran Chadha	5
Mr. Namit Malhotra	5
Overall Attendance:	100%

B. Remuneration Committee:

The Board of Directors had constituted a Remuneration Committee comprising of Non Executive Independent Directors viz. Mr. Kodi Raghavan Srinivasan, Mr. Hari Padmanabhan and Mr. Rivkaran Chadha. Mr. Rivkaran Chadha is the Chairman of the Committee. The committee will ensure appropriate disclosure on the remuneration of Directors and will deal with remuneration Package of Directors, service contract, notice period, severance fee and stock option, if any.

Detail of Directors Remuneration paid for the year ended March 31, 2009 is as below:

Name of Director	Remuneration Paid (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
Mr. Naresh Malhotra	30,00,000/-	Nil	30,00,000/-
Mr. Namit Malhotra	30,00,000/-	Nil	30,00,000/-
Mr. Rakesh Jhunjhunwala	Nil	Nil	Nil
Mr. Somasekhar Sundaresan	Nil	60,000/-	60,000/-
Mr. Rivkaran Chadha	Nil	80,000/-	80,000/-
Mr. Kodi Raghavan Srinivasan	Nil	80,000/-	80,000/-
Mr. Hariharan Padmanabhan	Nil	40,000/-	40,000/-
Mr. Chandir Gidwani	Nil	60,000/-	60,000/-

C. Shareholders'/Investors' Grievance Committee:

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

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

4. Management Analysis and Review Report:

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

5. General Body Meetings:

i. General Meeting

a. Annual General Meeting:

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

Financial Year	Date	Location	Time
2005-2006	September 29, 2006	Hotel Rangsharda Natyamndir, K.C. Marg, Bandra Reclamation, Bandra West, Mumbai - 400 050	3.00 p.m
2006-2007	September 28, 2007	Hotel Rangsharda Natyamndir, K. C. Marg, Bandra Reclamation, Bandra West, Mumbai - 400 050	3.00 p.m
2007-2008	December 31, 2008*	Ramee Guestline Hotel, Regent Hall, 757, S. V. Road, Khar West, Mumbai - 400 052.	11.00.a.m

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

b. Extraordinary General Meeting:

There were no Extra Ordinary General Meetings in the Financial Year 2008-2009.

c. Court Convened Meeting:

During the financial year under review, Company also held one Court Convened Meeting of Shareholders as per the directions of the Hon'ble High Court of Judicature at Bombay on September 17, 2008 at 11.00 a.m to approve the Scheme of Arrangement ("Scheme") between Prime Focus Limited, Storemedia Technologies Private Limited and their respective Shareholders and Creditors for amalgamation and transfer of business of Storemedia Technologies Private Limited, the Transferor company to Prime Focus Limited, the Transferee Company, along with the utilization of the securities premium account in the manner provided in the Scheme. The said meeting was chaired by Mr. Sanjay R. Buch, the Partner of Crawford Bayley & Co. Solicitor and Advocates. The same was approved by the Shareholders and the Hon'ble High Court of Judicature at Bombay.

ii. Postal Ballot

Details of Resolutions passed last year through postal ballot, the persons who conducted the postal ballot exercise and details of the voting pattern:

During the year ended March 31, 2009, the company sought approval from its shareholders for passing ordinary resolution through postal ballot in accordance with the provisions of Section 192A of the Act, read with Companies (Passing of the Resolution by Postal Ballot) Rules, 2001. The Board of Directors of the company at its meeting held on October 22, 2008 had appointed Scrutinizer Mr. Ashish Kumar Jain of M/s. A. K. Jain & Co., Practising Company Secretaries for conducting Postal Ballot in fair and transparent manner. The Postal Ballot forms received were kept in boxes sealed by the Scrutinizer. The declared results of the postal ballot were announced by the Chairman at the registered office of the Company.

Details of the Ordinary Resolution passed on December 22, 2008:

Particulars of Resolution	Whether Ordinary or Special	Total postal ballot forms received	Net valid postal ballot forms	Postal ballot forms with assent for the resolution	Postal ballot forms with dissent for the resolution	Postal ballot forms with neutral for the resolution
Creation of Security under section 293 (1) (a) of the Companies Act, 1956	Ordinary	163	160	145 (90.63%)	12 (7.5%)	3 (1.87%)

iii. Special Resolutions:

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

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

6. Disclosures:

a. Related Parties transactions

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

b. Compliances by the Company

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

c. Whistle Blower Policy

Though there is no formal Whistle Blower Policy, the Company takes cognizance of complaints made and suggestions given by the employees and others. Even anonymous complaints are looked into and whenever necessary, suitable corrective steps are taken. 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 have made certification 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 relating to corporate governance. The Company has adopted the non-mandatory requirements of the clause 49 of the listing agreement pertaining to the constitution of remuneration committee as per the details given in point 3B above

7. Code of Conduct:

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

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

8. Means of Communication:

a. The Board of Directors of the Company approves and takes on record the quarterly, half yearly and yearly financial results in the proforma prescribed by Clause 41 of the Listing Agreement within one month of the close of the respective period. Quarterly results are submitted to the Stock Exchanges in terms of the requirements of Clause 41 of the Listing Agreement.

b. Quarterly results are published in the Free Press Journal and Navshakti

c. The Company has its own website and all the vital information relating to the Company is displayed on the said website. The address of the website is www.primefocusworld.com/india/

9. General Shareholder Information:

a. **Annual General Meeting:** Date, time and venue -
On September 25, 2009 at 11.00 a.m. at:
Ramee Guestline Hotel, Regent Hall,
757, S. V. Road, Khar (West),
Mumbai - 400 052.

b. **Financial Calendar:** April 1, 2009 to March 31, 2010 (tentative)

c. **Date of Book Closure:** September 23, 2009 to September 25, 2009 (both days inclusive)

d. **Dividend payment Date:** Not Applicable

e. **Listing on Stock Exchanges:**

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

i. **Bombay Stock Exchange Limited (BSE)**
Phiroze Jeejobhoy Towers
Dalal Street, Fort, Mumbai - 400 001.
Tel: +91-22-22721233/34
Fax: +91-22-22723719/2272 3027

ii. **National Stock Exchange of India Limited (NSE)**
Exchange Plaza,
Bandra Kurla Complex
Bandra East, Mumbai - 400 051
Tel: +91-22-26598100-8114
Fax: +91-22-26598237/38

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

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

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

f. **Stock Code :**

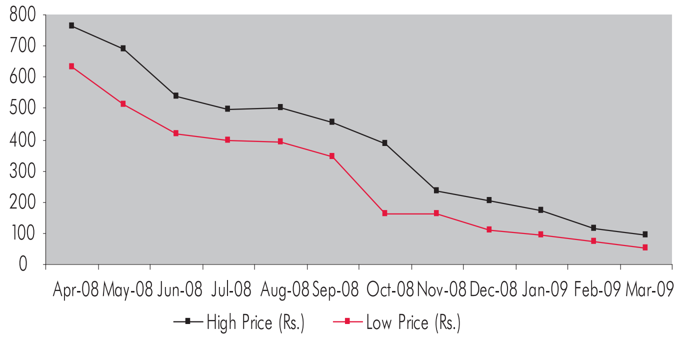
Bombay Stock Exchange Limited	:	532748
National Stock Exchange of India Limited (NSE)	:	PFOCUS
ISIN	:	INE367G01020

g. **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:

	Bombay Stock Exchange			National Stock Exchange		
Month	High Price (Rs.)	Low Price (Rs.)	Volume (No. of Shares)	High Price (Rs.)	Low Price (Rs.)	Volume (No. of Shares)
April-2008	764.00	630.00	1,01,957	761.05	633.00	29,540
May-2008	695.00	505.50	99,060	689.00	514.00	1,54,972
June-2008	539.95	405.00	1,38,844	536.00	420.10	2,01,849
July-2008	480.00	398.25	26,029	499.00	396.10	17,605
August-2008	504.55	405.00	14,633	504.00	391.50	20,122
September-2008	451.00	330.00	1,39,899	456.00	346.00	1,25,621
October-2008	388.00	170.00	11,541	388.00	160.25	21,898
November-2008	238.00	160.20	61,352	235.00	161.00	9,583
December-2008	195.00	107.10	4,61,908	205.00	107.50	6,34,456
January-2009	172.50	97.00	8,07,428	172.45	95.00	11,16,323
February-2009	111.75	73.90	2,23,425	112.50	73.00	3,80,242
March-2009	94.45	51.80	3,47,402	95.00	51.20	4,95,278

Bombay Stock Exchange (In Rs. per share)

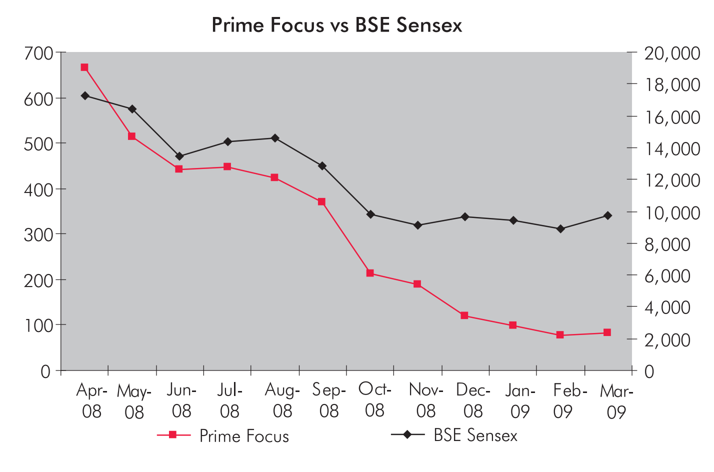
National Stock Exchange (In Rs. per share)

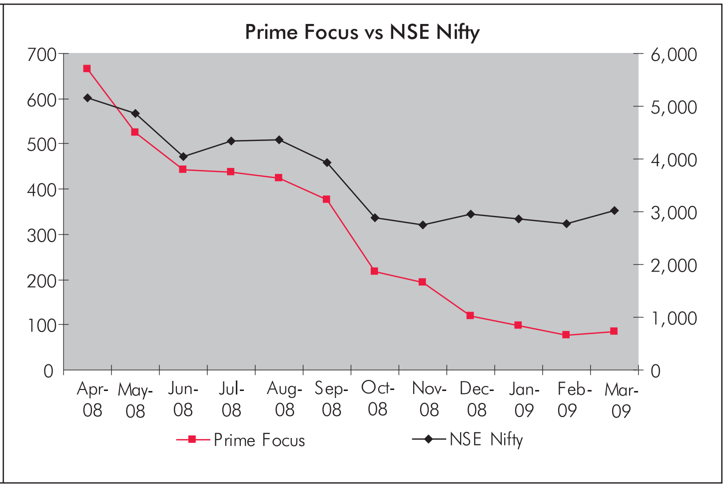


Performance of share price of the Company in comparison with the broad based indices.

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

	BSE		NSE	
Month	**Share Price**	**Sensex**	**Share Price**	**NSE Nifty**
April-2008	665.00	17,287.31	665.00	5,165.90
May-2008	514.35	16,415.57	524.60	4,870.10
June-2008	442.05	13,461.60	442.60	4,040.55
July-2008	446.35	14,355.75	437.55	4,332.95
August-2008	423.45	14,564.53	423.70	4,360.00
September-2008	371.05	12,860.43	376.60	3,921.20
October-2008	214.15	9,788.06	217.30	2,885.60
November-2008	190.00	9,092.72	194.80	2,755.10
December-2008	119.50	9,647.31	119.70	2,959.15
January-2009	98.95	9,424.24	98.60	2,874.80
February-2009	76.50	8,891.61	76.35	2,763.65
March-2009	83.45	9,708.50	83.90	3,020.95





h. **Status of Unclaimed Dividend:**

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

Financial Year	Date of AGM/ Board Meeting	Due for transfer to IEPF	Amount of Unclaimed Dividend as on March 31, 2009 (Rs.)
2007-2008	July 30, 2007	August, 2014	14,883/-

i. **Registrar and Share Transfer Agent:**

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

j. **Demat Connectivity Agent:**

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

Dematerialization of Shares and Liquidity:

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

The total number of shares dematerialized as on March 31, 2009 are 1,28,22,406 shares representing 99.99% of Paid -up Share Capital.

k. **Secretarial Audit:**

A qualified practicing Company Secretary carries out secretarial audit to reconcile the total admitted capital with the National Secutites Depository Limited (NSDL) and Central Depository Services Limited (CDSL). And total issued and listed capital. The secretarial audit report confirms that the total issued/ paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

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

The Company had issued USD 55 mn FCCB on December 12, 2007 and as at March 31, 2009, no bonds have been converted into equity shares of the Company.

Please refer note no. 18 to schedule 17 forming part of Standalone Accounts of the Company for more detailed information.

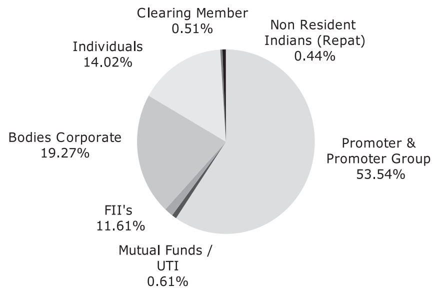
m. **Registered Office and address for correspondence:**

Parina Shah
Company Secretary
Prime Focus Limited
Prime Focus House, Linking Road, Opp. Citibank,
Khar, Mumbai - 400052, India.
Phone : +91-22-67155000
Fax : +91-22-67155100

n. **Distribution of Shareholding as on March 31, 2009:**

The broad shareholding distribution of the Company as on March 31, 2009 with respect to categories of investors was as follows:

Sr. No.	Category	No. of Equity Shares	Percentage %
1.	Promoter & Promoter Group	68,65,000	53.5383
2.	Mutual Funds / UTI	78,498	0.6122
3.	FII's	14,89,140	11.6134
4.	Bodies Corporate	24,71,343	19.2734
5.	Individuals	17,97,754	14.0202
6.	Clearing Member	65,028	0.5071
7.	Non Resident Indians (Repat)	55,825	0.4354
	Total	**1,28,22,588**	**100.00**



The broad shareholding distribution of the Company as on March 31, 2009 with respect to holdings was as follows:

Range	No. of Holders	Percentage %	No. of Shares	Percentage %
1 - 500	6,722	94.5562	4,40,513	3.4354
501 - 1000	185	2.6023	1,47,466	1.1500
1001 - 2000	90	1.2660	1,29,455	1.0096
2001 - 3000	25	0.3517	63,395	0.4944
3001 - 4000	18	0.2532	64,513	0.5032
4001 - 5000	15	0.2110	70,689	0.5513
5001 - 10000	28	0.3939	2,03,009	1.5832
10001 and above	26	0.3657	1,17,03,548	91.2729
TOTAL :	**7,109**	**100.00**	**1,28,22,588**	**100.00**

For and on behalf of the Board of Directors

(Naresh Malhotra)
Chairman and Whole Time Director

Place : Mumbai
Date : June 30, 2009

Annual Declaration by the Managing Director pursuant to Clause 49(I) (D) (ii) of the Listing Agreement

As the Managing Director of Prime Focus Limited and as required by Clause 49(I) (D) (ii) of the Listing Agreement with the Stock Exchanges, I hereby declare that all the Board members and senior management personnel of the Company have affirmed compliance with the Company's Code of Conduct for the Financial Year 2008-2009.

Namit Malhotra
Managing Director

Place : Mumbai
Date : June 30, 2009

Corporate Governance Compliance Certificate

To,

The Members
Prime Focus Limited
Prime Focus House, Linking Road,
Opp. Citibank, Khar,
Mumbai- 400 052.

We have examined all relevant records of Prime Focus Limited (the Company) for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited and National Stock Exchange of India Limited for the financial year ended 31st March 2009. We have obtained all the information and explanations to the best of our knowledge and belief were necessary for the purpose of this certification.

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

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

(a) all the mandatory conditions of the said Clause 49 of the Listing Agreement.

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

For S. N. ANANTHASUBRAMANIAN & CO.

S. N. Ananthasubramanian
C. P. No.: 1774

Date : June 29, 2009
Place : Thane

Auditors’ Report

To

The Members of **Prime Focus Limited**

1. We have audited the attached balance sheet of Prime Focus Limited (‘the Company’) as at March 31, 2009 and also the profit and loss account and the cash flow statement for the year ended March 31, 2009 annexed thereto. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor’s Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Without qualifying our opinion, we draw attention to Note 18(e) on Schedule 17. The Company had in the previous year issued Foreign Currency Convertible Bonds (FCCB) aggregating to USD 55 million. Subsequent to year-end, the Company has received a letter from the Reserve Bank of India (‘RBI’) stating that it is not an eligible borrower to issue the Foreign Currency Convertible Bonds under External Commercial Borrowings (ECB) guidelines. The Company has obtained legal opinion confirming its eligibility and is in process of filing for compounding application with the RBI for the above mentioned matter and resultant compliances. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

5. *As more fully described in Note 18 to Schedule 17 to the financial statements, the Company has not revalued the FCCB of USD 55 million at the exchange rate prevailing as at 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, 2009, the profit for the year ended March 31, 2009 and the reserves as at that date would have been lower by Rs. 208.3 million and Rs. 219.0 million respectively and Foreign Currency Monetary Item Translation Difference account would have been Rs. 416.7 million. Further, had the Company provided for the premium on redemption, the securities premium as at March 31, 2009 would have been lower by Rs. 269.1 million. Consequent to the above, the FCCB balance at March 31, 2009 would have been higher by Rs. 904.8 million.*

6. Further to our comments in the Annexure referred to above, we report that:

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

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

   iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

   iv. *Subject to our comment in paragraph 5 above,* in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

v. On the basis of the written representations received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

vi. In our opinion and to the best of our information and according to the explanations given to us, *subject to our comments in paragraph 5 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, 2009;

b) in the case of the profit and loss account, of the profit for the year ended March 31, 2009; and

c) in the case of cash flow statement, of the cash flows for the year ended March 31, 2009.

For **S. R. BATLIBOI & ASSOCIATES**
Chartered Accountants

per Govind Ahuja
Partner
Membership No.: 48966

Place : Mumbai
Date : June 30, 2009

Annexure to the Auditors' Report

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

Re: Prime Focus Limited

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

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification. Accordingly, certain fixed assets have been physically verified by the management during the year. As informed, no material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year.

(ii) The Company does not have any inventory. Accordingly, the provisions of clause 4(ii) (b) and (c) of the Companies (Auditor's Report) Order, 2003 (as amended) ('CARO') are not applicable to the Company.

(iii) As informed, the Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 ('the Act'). Accordingly clauses 4(iii) (b), (c), (d), (f) and (g) of CARO are not applicable to the Company.

(iv) In our opinion and according to the information and explanations given to us, having regard to the fact that major purchase of fixed assets is of specialized equipments, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. *However, the internal control system for the sale of film related services is inadequate since the Company does not have formal documentation with customers in few cases, which is an industry issue per management.*

(v) According to the information and explanations provided by the management, there are no contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 of the Act.

(vi) The Company has not accepted any deposits from the public.

(vii) The Company has an internal audit system, *the scope and coverage of which, in our opinion requires to be enlarged to be commensurate with the size and nature of its business.*

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for the services of the Company.

(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax customs duty, cess have generally been regularly deposited with the appropriate authorities *though there has been slight delay in a few cases.* The provisions relating to excise duty are not applicable to the Company.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to excise duty are not applicable to the Company.

(c) According to the records of the Company, there are no dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty and cess on account of any dispute. The provisions relating to excise duty are not applicable to the Company.

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of CARO are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the CARO are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

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

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.

(xix) The Company has unsecured debentures outstanding during the year on which no security or charge is required to be created.

(xx) The Company has not raised money by public issues during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S. R. BATLIBOI & ASSOCIATES**
Chartered Accountants

per Govind Ahuja
Partner
Membership No.: 48966

Place : Mumbai
Date : June 30, 2009

Balance Sheet as at March 31, 2009

In Rupees

Particulars	Sch No.	31.03.2009	31.03.2008
Sources of Funds			
Shareholders' Funds			
Share Capital	1	128,225,880	127,225,880
Shares Pending Allotment		-	1,000,000
Reserves and Surplus	2	1,863,685,308	1,730,220,095
		1,991,911,188	**1,858,445,975**
Loan Funds			
Secured Loans	3	1,622,939,837	1,190,127,577
Unsecured Loans	4	2,162,696,800	2,162,696,800
		3,785,636,637	**3,352,824,377**
Deferred Tax Liability (Net)	5	161,918,866	106,627,043
		5,939,466,691	**5,317,897,395**
Application of Funds			
Fixed Assets	6		
Gross Block		2,201,901,774	1,654,772,675
Less: Accumulated Depreciation / Amortisation		583,008,330	403,092,457
Net Block		**1,618,893,444**	**1,251,680,218**
Add: Capital Work in Progress (Including Capital Advances)		444,256,612	550,443,405
		2,063,150,056	**1,802,123,623**
Investments	7	2,307,268,996	551,573,006
Current Assets, Loans And Advances			
Sundry Debtors (Including Service Tax)	8	524,266,132	536,795,198
Cash And Bank Balances	9	470,804,682	217,523,598
Loans And Advances	10	748,977,715	2,464,028,311
		1,744,048,529	**3,218,347,107**
Less: Current Liabilities & Provisions			
Current Liabilities	11	173,776,038	233,437,691
Provisions	12	1,224,852	20,708,650
		175,000,890	**254,146,341**
Net Current Assets		**1,569,047,639**	**2,964,200,766**
Miscellaneous Expenditure *(To the extent not written off or adjusted)*	13	**-**	-
		5,939,466,691	**5,317,897,395**
Notes to Accounts	17		

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

As per our report of even date

For **S. R. Batliboi & Associates**
Chartered Accountants

Per Govind Ahuja
(Partner)
Membership No. 48966

Place : Mumbai
Date : June 30, 2009

For and on behalf of the Board of Directors

Naresh Malhotra
(Chairman)

Namit Malhotra
(Managing Director)

Parina Shah
(Company Secretary)

Profit and Loss Account for the year ended March 31, 2009

In Rupees

Particulars	Sch No	31.03.2009	31.03.2008
Income			
Income From Operations		910,952,696	857,207,351
Other Income	14	117,484,775	75,574,946
		1,028,437,471	**932,782,297**
Expenditure			
Operating Costs	15	515,083,757	408,577,935
Exceptional Item-Miscellaneous Expenditure Written Off		-	9,243,597
Interest	16	140,929,013	72,733,056
Depreciation	6	182,000,565	160,420,738
		838,013,335	**650,975,326**
Profit Before Tax		**190,424,136**	**281,806,971**
Adjustment Pursuant To The Scheme Of Arrangement			
Adjustment To Carrying Value Of Assets		-	250,000,000
Withdrawn From Business Restructuring Reserve		-	(250,000,000)
Profit Before Tax		**190,424,136**	**281,806,971**
Provision For Tax			
Current Tax		21,382,872	3,603,730
Less: Mat Credit Entitlement		(21,382,872)	(3,603,730)
Fringe Benefit Tax		1,667,099	1,965,517
Deferred Tax		55,291,824	13,392,533
Total Tax Expense		**56,958,923**	**15,358,050**
Profit After Tax		**133,465,213**	**266,448,921**
Balance Brought Forward From Previous Year		751,960,918	506,369,661
Add: Deferred Tax Credited On Share Issue Expense		-	14,869,524
		751,960,918	**521,239,185**
Profit Available For Appropriation		**885,426,131**	**787,688,106**
Appropriations			
Interim Dividend		-	19,083,882
Dividend Distribution Tax		-	3,243,306
Transfer To General Reserve		-	13,400,000
Surplus Carried To Balance Sheet		**885,426,131**	**751,960,918**
Earnings Per Share			
Basic - Nominal Value Of Shares Rs. 10/-		**10.48**	**20.94**
Diluted - Nominal Value Of Shares Rs. 10/-		**9.33**	**20.16**
Notes To Accounts	17		

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

As per our report of even date

For **S. R. Batliboi & Associates**
Chartered Accountants

Per Govind Ahuja
(Partner)
Membership No. 48966

Place : Mumbai
Date : June 30, 2009

For and on behalf of the Board of Directors

Naresh Malhotra
(Chairman)

Namit Malhotra
(Managing Director)

Parina Shah
(Company Secretary)

Cash Flow Statement for the year ended March 31, 2009

In Rupees

Particulars	31.03.2009	31.03.2008
A. Cash flow from Operating activities		
Profit Before Tax	**190,424,136**	**281,806,971**
Adjustments for:		
Depreciation	182,000,565	160,420,738
(Profit)/Loss on sale of Fixed Assets	1,563,623	-
(Profit)/Loss on sale of Investments	(3,398,268)	452,540
Foreign exchange (Gain)/Loss (net)	(49,681,918)	(8,634,989)
Interest Income	(44,158,071)	(29,632,495)
Dividend Income	(29,133)	(2,017,860)
Interest Expense	140,929,013	72,733,056
Bad Debts Written Off	49,867,257	-
Undertaking Fees	(8,570,928)	(18,538,748)
Sundry Credit Balances Written Back	(1,591,869)	-
Provision for Gratuity	1,224,852	-
Excess Provision Written Back	(1,305,912)	-
Miscellaneous Expenditure Written Off	-	9,243,597
Operating profit before working capital changes	**457,273,347**	**465,832,810**
Movements in working capital:		
Decrease/ (Increase) in Sundry Debtors	(37,404,547)	(293,031,943)
Decrease/ (Increase) in Loans and Advances	(67,180,837)	(83,776,850)
Increase/(Decrease) in Current Liabilities	(91,309,160)	149,563,614
Cash generated from operations	**261,378,803**	**238,587,631**
Direct Taxes Paid (net of refunds)	(81,032,579)	(77,758,785)
Fringe Benefit Tax Paid	(1,526,765)	(2,228,192)
Exchange Rate Difference	39,008,508	33,409
Net Cash from Operating activities	**217,827,967**	**158,634,063**
B. Cash flow from Investing activities		
Purchase of Fixed Assets	(398,398,686)	(891,857,139)
Proceeds from Sale of Fixed Assets	17,083,490	12,957,479
Purchase of Current Investments	-	(83,000,000)
Purchase of Investment in subsidiaries	(600,000)	(59,860,765)
Share Application in subsidiary	-	(1,768,685,905)
Loans given to subsidiary	(250,403,922)	(242,338,671)
Loans received from subsidiary	407,062,385	-
Sale of Current Investments	33,953,822	193,005,205
Inter - Corporate Deposits given	(74,500,000)	-
Inter - Corporate Deposits received back	101,063,700	-
Margin Money and Fixed Deposits under lien	(62,900,712)	128,885,937
Interest Received	38,575,248	29,823,515
Dividends Received	29,133	2,017,860
Net Cash from Investing activities	**(189,035,542)**	**(2,679,052,484)**

Cash Flow Statement for the year ended March 31, 2009

In Rupees

Particulars	31.03.2009	31.03.2008
C. Cash flow from Financing activities		
Proceeds from Long Term Borrowings	567,762,646	132,434,000
Repayment of Long Term Borrowings	(329,435,799)	(55,783,583)
Proceeds from Short Term Borrowings	920,521,200	935,359,651
Repayment of Short Term Borrowings	(865,000,000)	(483,339,135)
Proceeds from Issuance of FCCB	-	2,162,696,800
Interest Paid	(133,158,457)	(72,733,056)
Dividends Paid	(437)	(19,068,562)
Tax on Dividend Paid	-	(3,243,306)
Expenses on Issuance of FCCB	-	(58,240,318)
Net Cash from Financing activities	**160,689,153**	**2,538,082,491**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**189,481,578**	**17,664,070**
Cash and Cash Equivalents at the Beginning of the year	48,790,269	23,699,029
Cash and Cash Equivalents Acquired on Merger	-	189,680
Unrealised Gain/(Loss) on Foreign Currency Cash and Cash equivalents	21,055	7,237,490
Cash and Cash Equivalents at the End of the year	**238,292,902**	**48,790,269**
Components of Cash and Cash equivalents, as at March 31, 2009		
Cash	289,122	1,202,683
With Banks:		
On Current Accounts	234,944,610	47,587,586
On Fixed Deposits	3,059,170	-
Cash and Cash Equivalents at the End of the year	**238,292,902**	**48,790,269**
Bank deposits having maturity of more than 90 days	228,800,594	165,899,883
Interest Accrued on bank deposits	3,711,186	2,833,446
Cash and Bank Balance (Refer Schedule 9)	**470,804,682**	**217,523,598**

As per our report of even date
For **S. R. Batliboi & Associates**
Chartered Accountants

Per Govind Ahuja
(Partner)
Membership No. 48966

Place : Mumbai
Date : June 30, 2009

For and on behalf of the Board of Directors

Naresh Malhotra (Chairman)

Namit Malhotra (Managing Director)

Parina Shah (Company Secretary)

Schedules forming part of Balance Sheet as at March 31, 2009

In Rupees

Particulars	31.03.2009	31.03.2008
Schedule 1		
SHARE CAPITAL		
Authorised:		
15,000,000 (Previous year: 15,000,000) Shares of Rs. 10 each	150,000,000	150,000,000
Issued, Subscribed and Paid-Up:		
12,822,588 (Previous year: 12,722,588) Shares of Rs. 10 each	128,225,880	127,225,880
Of the above:		
i. 3,600,000 (Previous year: 3,500,000) Equity Shares of Rs. 10 each were allotted as fully paid up pursuant to scheme of arrangement for consideration other than cash		
ii. 4,000,000 (Previous year: 4,000,000) Equity Shares of Rs. 10 each were allotted as fully paid up bonus shares by capitalisation of Reserves		
	128,225,880	**127,225,880**
Schedule 2		
RESERVES AND SURPLUS		
Securities Premium at the beginning of the year	964,859,177	1,267,794,616
Less : Issue Expenses Pertaining to IPO	-	65,620,141
Less : FCCB Issue Expenses	-	58,240,318
Less : Drawal as per proposed Scheme of Merger	-	179,074,980
Securities Premium at the end of the year	**964,859,177**	**964,859,177**
General Reserve at the beginning of the year	13,400,000	-
Add : Transferred during the year	-	13,400,000
General Reserve at the end of the year	**13,400,000**	**13,400,000**
Business Restructuring Reserve at the beginning of the year	-	-
Add : Pursuant to Merger	-	70,925,020
Add : Transfer from Share Premium pursuant to Scheme of Merger	-	179,074,980
Less : Drawal as per proposed Scheme of Merger	-	250,000,000
Business Restructuring Reserve at the end of the year	-	-
Profit and Loss Account	**885,426,131**	**751,960,918**
	1,863,685,308	**1,730,220,095**

Schedules forming part of Balance Sheet as at March 31, 2009

In Rupees

Particulars	31.03.2009	31.03.2008
Schedule 3		
SECURED LOANS		
Loans from Banks (Refer Note 3 to Schedule 17)		
Term Loans	357,051,665	129,908,957
(Amount repayable within one year Rs. 84,664,578 (Previous year: Rs. 12,688,282))		
Buyers Credit	745,447,595	601,365,830
(Amount repayable within one year Rs. 257,547,142 (Previous year: Rs. 274,845,275))		
Cash Credit/Over Draft	477,488,638	66,967,437
Short Term Demand Loan	25,000,000	380,000,000
Loans from Others		
Vehicle Finance	17,951,939	11,885,353
(Amount repayable within one year Rs. 5,832,534 (Previous year: Rs. 3,884,695))		
	1,622,939,837	**1,190,127,577**
Schedule 4		
UNSECURED LOANS		
Zero Coupon Foreign Currency Convertible Bonds (Refer Note 18 to Schedule 17)	2,162,696,800	2,162,696,800
550 (Previous year: 550) Bonds @ USD 100,000 each aggregating to USD 55,000,000 (Previous year: USD 55,000,000)		
	2,162,696,800	**2,162,696,800**
Schedule 5		
DEFERRED TAX LIABILITY		
Difference in depreciation and other differences in block of assets as per tax books and financial books	178,284,835	138,218,736
Gross Deferred Tax Liability	**178,284,835**	**138,218,736**
DEFERRED TAX ASSET		
Unabsorbed Depreciation	5,255,112	16,472,194
Differences due to accelerated amortisation of intangibles under Income Tax Act	187,481	249,975
Difference on Derivative Losses	7,321,123	-
Share Issue Expenses	3,602,253	14,869,524
Gross Deferred Tax Asset	**16,365,969**	**31,591,693**
Net Deferred Tax Liability	**161,918,866**	**106,627,043**

Schedules forming part of Balance Sheet as at March 31, 2009

Schedule 6

FIXED ASSETS

In Rupees

Description of asset	Gross Block				Depreciation					Net Block	
	As on 01.04.2008	Additions	Deductions	As on 31.03.2009	As on 01.04.2008	Adjustments	Deductions	For the Year	As on 31.03.2009	As on 31.03.2009	As on 31.03.2008
(A) TANGIBLE ASSETS											
Building	68,228,276	-	-	68,228,276	3,369,685	-	-	1,112,121	4,481,806	63,746,470	64,858,591
Plant & Machinery	1,428,548,189	563,836,894	52,198,771	1,940,186,312	375,723,288	-	1,031,311	165,285,929	539,977,906	1,400,208,406	1,052,824,900
Furniture & Fixtures	70,255,536	17,539,794	-	87,795,330	10,564,009	-	-	7,941,135	18,505,144	69,290,186	59,691,527
Office Equipments	12,902,999	4,789,581	-	17,692,580	3,970,039	-	-	2,234,267	6,204,306	11,488,274	8,932,960
Vehicles	23,967,675	15,159,740	3,700,493	35,426,922	3,770,762	-	1,053,380	2,663,218	5,380,600	30,046,322	20,196,913
Total (A)	**1,603,902,675**	**601,326,009**	**55,899,264**	**2,149,329,420**	**397,397,783**	**-**	**2,084,691**	**179,236,670**	**574,549,762**	**1,574,779,658**	**1,206,504,891**
(B) INTANGIBLE ASSETS											
Goodwill	5,320,000	-	-	5,320,000	5,320,000	-	-	-	5,320,000	-	-
Rights	30,000,000	-	-	30,000,000	-	-	-	-	-	30,000,000	30,000,000
Software	15,550,000	1,702,354	-	17,252,354	374,673	-	-	2,763,895	3,138,568	14,113,786	15,175,327
Total (B)	**50,870,000**	**1,702,354**	**-**	**52,572,354**	**5,694,673**	**-**	**-**	**2,763,895**	**8,458,568**	**44,113,786**	**45,175,327**
Total (A + B)	**1,654,772,675**	**603,028,363**	**55,899,264**	**2,201,901,774**	**403,092,456**	**-**	**2,084,691**	**182,000,565**	**583,008,330**	**1,618,893,444**	**1,251,680,218**
Previous year	**922,887,147**	**746,900,621**	**15,015,093**	**1,654,772,675**	**244,729,334**	**26,081,254**	**2,057,614**	**134,339,483**	**403,092,457**	**1,251,680,218**	
Capital Work In Progress *	-	-	-	-	-	-	-	-	-	444,256,612	550,443,405

** Note:- Borrowing Cost included in Capital Work In Progress - Rs.36,116,998 (Previous year Rs.12,418,419)*

Schedules forming part of Balance Sheet as at March 31, 2009

In Rupees

Particulars	31.03.2009	31.03.2008
Schedule 7		
INVESTMENTS		
Long Term Investments (At Cost)		
Trade		
In Subsidiary Companies		
Quoted, fully paid up		
Prime Focus London Plc, UK (earlier known as VTR Plc) 19,567,003 (Previous year: 17,041,751) equity shares of 5 pence each *Market Value Rs. 99,656,756 (Previous year: Rs. 549,322,950)*	610,703,583	515,401,884
Unquoted, fully paid up		
Prime Focus Technologies Pvt. Ltd. 5,100 (Previous year: 5,100) equity shares of Rs.10/- each	51,000	51,000
Flow Post Solutions Pvt. Ltd. 5,100 (Previous year: 5,100) equity shares of Rs.10/- each	51,000	51,000
Prime Focus Investment Ltd., UK 21,748,973 equity shares of 1 pound each (Previous year: 1 share of 1 pence each)	1,690,349,846	1
Prime Focus Motion Pictures Ltd. 50,000 (Previous year: Nil) equity shares of Rs.10/- each	500,000	-
GVS Software Pvt. Ltd. 10,000 (Previous year: Nil) equity shares of Rs.10/- each	100,000	-
Other than trade		
Unquoted - fully paid up		
The Shamrao Vithal Co-operative Bank Limited 4,000 (Previous year: 4,000) shares of Rs 25 each	100,000	100,000
Current Investments (at lower of cost and market value)		
Other than Trade Quoted		
Cinemax India Limited 9,170 (Previous year: 9,170) equity shares of Rs.10 each *Market Value Rs. 413,567 (Previous year : Rs. 969,121)*	413,567	969,121
Other than Trade Unquoted units of Mutual Fund		
ICICI Prudential FMP Series 34 - Fifteen Months Plan Nil (Previous year: 3,000,000) Units of Rs. 10 each	-	30,000,000
Other Investments		
DSP Merrill Lynch - Principal Protected Debenture 5 (Previous year: 5) Units of Rs. 1,000,000 each	5,000,000	5,000,000
	2,307,268,996	**551,573,006**
Aggregate amount of quoted Investments	**611,117,150**	**516,371,005**
Market Value Rs. 100,070,323 (Previous year: Rs. 550,292,071)		
Aggregate amount of unquoted Investments	**1,696,151,846**	**35,202,001**

Investments purchased and redeemed during the year: (Refer Note 7 to Schedule 17)

Schedules forming part of Balance Sheet as at March 31, 2009

In Rupees

Particulars	31.03.2009	31.03.2008
Schedule 8		
SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	179,060,264	159,104,791
Other debts		
Unsecured, considered good	345,205,868	377,690,407
	524,266,132	**536,795,198**
Included in Sundry Debtors are:		
i. Service Tax amount of Rs. 68,469,227 (Previous year: Rs. 59,508,824), which is payable upon collection		
ii. Amount receivable from subsidiaries Rs. 12,359,076 (Previous year: Rs. 24,453,125)		
Schedule 9		
CASH AND BANK BALANCES		
Cash on hand	289,122	1,202,683
Balances with Scheduled banks		
In Current Accounts	234,944,610	47,587,586
In Fixed Deposit Accounts	235,570,950	168,733,329
(Refer Note below)		
	470,804,682	**217,523,598**
Note :		
i. As margin for Letter of Credit / Buyers Credit - Rs. 192,293,449 (Previous year: Rs. 137,183,339)		
ii. Lien on Fixed Deposit against Bank Guarantee availed - Rs. 36,507,145 (Previous year: Rs. 28,716,544)		
iii. Accrued interest on Fixed Deposits - Rs. 3,711,186 (Previous year: Rs. 2,833,446)		
Schedule 10		
LOANS AND ADVANCES		
Unsecured - considered good		
Advances recoverable in Cash or in Kind or for value to be received	145,677,246	226,883,547
Deposits	55,425,248	39,855,858
Inter Company Deposits	90,422,602	80,964,384
Share Application (Pending Allotment)	-	1,768,685,905
Loans to subsidiary (Refer Note 10 to Schedule 17)	241,870,474	243,702,761
Advances to subsidiaries (Refer Note 10 to Schedule 17)	40,920,636	10,306,925
MAT Credit Entitlement	24,986,602	3,603,730
Advance Payment of Taxes	149,674,907	90,025,201
(Net of Provision for Tax - Rs. 169,829,366 (Previous year: Rs. 148,446,494))		
	748,977,715	**2,464,028,311**

Schedules forming part of Balance Sheet as at March 31, 2009

In Rupees

Particulars	31.03.2009	31.03.2008
Schedule 11		
CURRENT LIABILITIES		
Sundry creditors		
Total Outstanding dues to Micro and Small Enterprises		
(Refer Note 4 to Schedule 17)	-	-
Dues of creditors other than Micro and Small Enterprises	64,197,110	145,520,309
Other Liabilities	72,848,926	66,616,092
Interest Accrued but not due	10,698,742	5,396,712
Deferred Revenue Income	11,310,427	-
Advances from Customers	14,705,950	15,889,257
Unclaimed Dividend *	14,883	15,321
	173,776,038	**233,437,691**
** Note: Appropriate amount shall be transferred to "Investor Education and Protection Fund" if and when due.*		
Schedule 12		
PROVISIONS		
Provision for Gratuity (Refer Note14(a) to Schedule 17)	1,224,852	-
	1,224,852	-
Provision for Undertaking		
Beginning of the year	20,708,650	-
Add: Provision for the year	-	20,708,650
Less: Settled during the year	20,708,650	-
End of the year	-	20,708,650
	1,224,852	**20,708,650**
Schedule 13		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary expenses		
As per last balance sheet	-	87,013,738
Add: incurred during the year	-	-
	-	**87,013,738**
Less: Share issue expenses adjusted against Securities Premium	-	65,620,141
Less: Other Adjustments	-	12,150,000
Less: Amortised / Written off during the year	**-**	**9,243,597**

In Rupees

Particulars	31.03.2009	31.03.2008
Schedule 14		
OTHER INCOME		
Dividend		
Long Term Investments - Non Trade	29,133	14,318
Current Investments	-	2,003,542
Interest Income		
Bank Deposits (TDS - Rs. 2,856,674 , Previous year: Rs. 1,950,455)	20,481,880	21,914,248
Others (TDS - Rs. Nil , Previous year: Rs. Nil)	23,676,191	7,718,247
Profit / (Loss) on Sale of Investment	3,398,268	-
Exchange Gain (net) (Refer Note 5 to Schedule 17)	49,681,918	8,634,989
Undertaking Fee (Refer Note 8 to Schedule 17)	8,570,928	18,538,749
Excess Provision Write Back	1,305,912	-
Insurance Claim Received	6,370,250	-
Miscellaneous Income (Refer Note 19 to Schedule 17)	3,970,295	16,750,853
	117,484,775	**75,574,946**
Schedule 15		
OPERATING AND OTHER EXPENSES		
Personnel Expenses		
Salaries, Staff Remuneration and Bonus	80,565,675	59,414,898
Contribution to Provident and Other Fund (Refer Note 14(b) to Schedule 17)	1,928,412	1,147,275
Gratuity (Refer Note 14(a) to Schedule 17)	1,224,852	-
Staff Welfare	5,001,368	7,081,923
Editors' Charges & Commissions	189,173,444	166,393,377
Technical Services Payments	12,896,519	32,077,947
Communication Cost	11,276,229	9,405,343
Consumables Stores	19,393,237	19,965,983
Director's Sitting Fees	320,000	224,120
Electricity Charges	29,022,371	19,312,363
Insurance Cost	6,269,564	5,384,170
Legal and Professional Fees	17,240,745	7,888,924

Schedules forming part of Profit and Loss Account for the year ended March 31, 2009

In Rupees

Particulars	31.03.2009	31.03.2008
Schedule 15 (contd.)		
Loss on sale of Assets (net)	1,563,623	-
Rates and Taxes	5,207,383	1,286,149
Rebates and Discount	8,955,973	10,124,294
Rent	32,087,647	18,035,697
Traveling and Conveyance	11,861,777	21,370,657
Miscellaneous Expenses	15,024,130	18,971,079
Repairs & Maintenance		
Repairs and Maintenance-Equipment	9,958,654	6,225,502
Repairs and Maintenance-Studio/Office Premises	4,233,649	3,960,889
Bad Debts Written Off	49,867,257	-
Auditor’s Remuneration		
Audit Fees	1,500,000	67,345
Other Matters	511,248	240,000
	515,083,757	**408,577,935**
Schedule 16		
FINANCIAL EXPENSES		
Interest on Bank Overdraft	35,502,394	4,898,375
Interest on Term Loan	36,556,499	25,931,784
Interest on Buyer’s Credit	61,996,379	29,292,530
Interest on Others	2,711,103	6,425,947
Bank Charges	4,162,638	6,184,420
	140,929,013	**72,733,056**

Schedule 17 - Notes to Accounts

1. **Nature of Operations:**

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

2. **Statement of Significant Accounting Policies:**

a. **Basis of Preparation**

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

b. **Use of Estimates**

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

c. **Fixed Assets**

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

d. **Depreciation**

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

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

e. **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.

f. **Intangible Assets**

Film Rights

The Company amortises film costs using the individual-film-forecast method. Under the individual-film-forecast method, such costs are amortised for each film in the ratio that current period revenue for such films bears to management's estimate of remaining unrecognised ultimate revenue as at the beginning of the current fiscal year. Management regularly reviews and revises, where necessary, its total estimates on a film-by-film basis, which may result in a change in the rate of amortisation and/or a write down of the intangible asset to fair value. No amortization has been done in the current year as the rights are not exercisable in the current year.

g. **Leases**

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

h. **Investments**

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

i. **Revenue Recognition**

Technical services receipts

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

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

Interest

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

Dividends

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

Fee for providing undertaking

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

j. **Foreign Currency Transactions**

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at the fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange Differences

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

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

k. **Income Taxes**

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

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 across various countries of operation are not set off against each other as the Company does not have a legal right to do so. 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.

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

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

l. **Segment Reporting**

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

m. **Earnings Per Share**

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

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

n. **Provisions**

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

o. **Cash & Cash Equivalents**

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

p. **Derivative Instruments**

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

q. **Retirement and other Employee Benefits**

i) Post employment benefits and other long term benefits:

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

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.

ii) Short term employee benefits:

Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

3. **Detail of charges provided for Secured Loans:**

Nature	**Value**	**Security**
Term Loan	Rs. 357,051,665	i. First Charge against the Property financed.
		ii. Subservient Charge on the movable Fixed Assets and Receivables of the Company.
		iii. Personal Guarantee of the Promoter Director.
		iv. Pledge of Shares by Promoters.
Buyers Credit	Rs. 745,447,595	i. Letter of Credit.
		ii. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future and Term Deposits.
		iii. First Charge on the Fixed Assets of the Company, both present and future.
		iv. Personal Guarantees of the Promoter Director.
Cash Credit / Over Draft	Rs. 477,488,637	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future.
		ii. First Charge on the Fixed Assets of the Company, both present and future.
		iii. Personal Guarantees of the Promoter Director.
Short Term Demand Loan	Rs. 25,000,000	i. First Charge on Current Asset and Personal Guarantee of Director.
		ii. Post Dated Cheques of the Company.
Vehicle Loan	Rs.17,951,939	i. First Charge on the Vehicles financed.

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

5. **Changes in Accounting Policy:**

During the previous year, the Company had adjusted Mark-to-Market losses on loans/liabilities for fixed assets as per the requirement of Schedule VI of the Companies Act, 1956 as per legal advice received. Consequent to recent amendment to AS-11, the company has debited the foreign exchange fluctuation including Mark-to-Market loss on loans/liability on derivative contract aggregating to Rs. 45,167,461 as at March 31, 2008 to Profit and Loss Account.

6. **Changes in Accounting Estimates:**

During the year ended March 31, 2009, the company has changed the useful life of certain Plant & Machinery items prospectively from April 1, 2008. Consequent to such change, the unamortised depreciable amount will be charged over the revised remaining useful life of those assets. This change in estimate has resulted in profit after tax being higher by Rs. 29,046,386.

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

In Units

Particulars	**Face Value**	**As at March 31, 2008**	**Purchased During the Year**	**Redeemed During the Year**	**As at March 31, 2009**
Other than Trade Unquoted units of Mutual Fund - Units					
ICICI Prudential FMP Series 34 - 15 Months Plan	Rs. 10	3,000,000	-	3,000,000	-
Long Term Investments (At Cost) - Other than Trade					
In Subsidiary Companies					
Quoted, fully paid up					
Prime Focus London Plc.– Equity Shares	5 pence	17,041,751	2,525,252	-	19,567,003
Unquoted, fully paid up					
Prime Focus Investment Limited – Equity Shares	1 Pound	1	21,748,972	-	21,748,973
Prime Focus Motion Pictures Limited – Equity Shares	Rs. 10	-	50,000	-	50,000
GVS Software Private Limited – Equity Shares	Rs. 10	-	10,000	-	10,000

8. During the year the Company was allotted 2,020,202 ordinary shares of 5 pence each in Prime Focus London Plc., a subsidiary of the Company, at a premium of 44.50 pence each, as fully paid up.

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

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

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

Geographical Segment

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

Income from Operations by Geographical Area

In Rupees

	2009	2008
India	871,346,356	774,476,726
United Kingdom	3,102,375	82,730,625
U.S.	3,790,333	Nil
Canada	26,887,389	Nil
Other Countries	5,826,243	Nil
	910,952,696	**857,207,351**

Segment Assets by Geographical Area and additions to Segment Assets

In Rupees

	Segments Assets		Additions to Fixed Assets and intangibles	
	2009	2008	2009	2008
India	3,147,572,053	2,907,745,938	603,028,363	746,900,621
United Kingdom	180,341,830	24,453,125	Nil	Nil
U.S.	2,789,262	Nil	Nil	Nil
Canada	6,528,676	Nil	Nil	Nil
Other Countries	5,615,682	Nil	Nil	Nil
	3,342,847,503	**2,932,199,063**	**603,028,363**	**746,900,621**

10. **Related party disclosures:**

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

i) **Subsidiary Companies**

Prime Focus London Plc (formerly known as VTR Plc.)
Prime Focus Technologies Private Limited
Flow Post Solutions Private Limited
Prime Focus Investments Limited
GVS Software Private Limited
Prime Focus Motion Pictures Limited

ii) **Step-down Subsidiaries**

Post Logic Studios, Inc
1800 Vine Street LLC
Prime Focus VFX Services I Inc
Prime Focus VFX Services II Inc
Prime Focus VFX Technology Inc
Prime Focus VFX Pacific Inc
Prime Focus VFX USA Inc
Prime Focus VFX Australia Pty Limited
Blue Post Production Limited
The Machine Room Limited
VTR Media Investments Limited
The Hive Animation Limited
Clipstream Limited
K Post Limited
United Sound & Vision Limited
Machine Effects Limited
PF (Post Production) Limited
37 Dean Street Limited

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

i) **Key Management Personnel**

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

ii) **Relatives of Key Management Personnel**

Ms. Neha Malhotra
Mr. Premnath Malhotra

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

Blooming Buds Coaching Private Limited

c. Particulars of Related Party Transactions

In Rupees

S.No		2009	2008
1	**Key Management Personnel**		
	a. Remuneration		
	Namit Malhotra	3,000,000	3,000,000
	Naresh Malhotra	3,000,000	3,000,000
		6,000,000	**6,000,000**
	b. Balance Outstanding at the year end – Remuneration Payable		
	Namit Malhotra	244,800	Nil
	Naresh Malhotra	244,800	Nil
		489,600	**Nil**
2.	**Relatives of Key Management Personnel**		
	Professional Fees		
	Neha Malhotra	450,000	600,000
	Premnath Malhotra	220,000	240,000
		670,000	**840,000**
3.	**Step-down Subsidiaries**		
	a. Revenue		
	i) Post Logic Studios, Inc	3,790,333	Nil
	ii) Prime Focus VFX Services II	26,887,389	Nil
	b. Technical Service Payments		
	i) Prime Focus VFX Services II	1,093,700	Nil
	c. Interest on loans		
	i) Post Logic Studios, Inc.	10,868,456	Nil
	d. Loans and Advances - Given		
	i) Post Logic Studios, Inc.	17,455,872	Nil
	e. Loans and Advances - Repaid		
	i) Post Logic Studios, Inc.	(153,732,130)	Nil
	f. Balance outstanding at the year end		
	i) Debtors		
	1. Prime Focus VFX Services II	6,528,675	Nil
	ii) Advances to subsidiary		
	1. Post Logic Studios, Inc	2,516,244	Nil
	2. Prime Focus VFX Services II	729,691	Nil

In Rupees

S.No		2009	2008
4.	**Subsidiaries**		
	a. Revenue		
	i) Prime Focus London Plc	3,102,375	82,730,625
	ii) Prime Focus Technologies Private Limited	36,683	Nil
	b. Technical Service Payments		
	i) Prime Focus London Plc	4,476,191	Nil
	c. Investment in Equity Shares *(including shares received for consideration other than cash)*		
	i) Prime Focus London Plc	95,301,700	99,006,162
	ii) Prime Focus Investments Limited	1,690,349,845	Nil
	iii) Prime Focus Motion Pictures Limited	500,000	Nil
	iv) GVS Software Private Limited	100,000	Nil
	v) Prime Focus Technologies Private Limited	Nil	51,000
	vi) Flow Post Solutions Private Limited	Nil	51,000
	d. Share Application		
	i) Prime Focus London Plc	Nil	78,336,060
	ii) Prime Focus Investment Limited	Nil	1,690,349,845
	e. Loans and Advances - Given		
	i) Prime Focus London Plc	246,956,933	743,726,603
	ii) Prime Focus Technologies Private Limited	33,600,998	Nil
	f. Loans and Advances - Repaid		
	i) Prime Focus London Plc	(261,156,240)	(505,418,674)
	g. Interest on loans to Subsidiary		
	i) Prime Focus London Plc	7,886,350	Nil
	ii) Prime Focus Technologies Private Limited	1,183,166	Nil
	h. Balance outstanding at the year end		
	i) Debtors		
	1. Prime Focus London Plc.	5,830,400	24,453,125
	ii) Advances to subsidiary		
	1. Prime Focus London Plc.	2,300,817	10,306,925
	2. Flow Post Solutions Private Limited	4,972	4,000
	3. Prime Focus Motion Pictures Limited	584,747	Nil
	4. Prime Focus Technologies Private Limited	33,600,998	Nil
	iii) Loans to subsidiary		
	1. Prime Focus London Plc.	241,870,474	Nil
	iv) Share application money		
	1. Prime Focus Investment Limited	Nil	1,690,349,845

In Rupees

S.No		2009	2008
5.	**Enterprises owned or significantly influenced by Key Management Personnel or their relatives**		
	a. Rent		
	i) Blooming Buds Coaching Private Limited	21,250,000	19,050,000
	b. Deposits given		
	i) Blooming Buds Coaching Private Limited	13,200,000	Nil
	c. Balance outstanding at the year end – Deposits		
	i) Blooming Buds Coaching Private Limited	48,000,000	34,800,000

Step-down Subsidiaries liquidated during the year:

i) Clear (Post Production) Limited

ii) Outpost Post Production Limited

11. Leases:

Office premise is obtained on operating lease. The lease term is for 60 months and further renewable at the option of the Company. In case of Lease Agreement with Maharashtra Film Stage and Culture Development for 180 months, an escalation clause for increase in the lease amount in 4^{th}, 6^{th} and 11^{th} year of Agreement by Rs. 500,000, Rs. 500,000 and Rs. 600,000 per year respectively exists. There are no restrictions imposed by lease arrangements. There are no sub-leases.

In Rupees

	2009	2008
Total Lease Payments for the year	31,154,647	19,050,000
Lease Payments due within one year	34,760,000	24,000,000
Lease Payments due later than one but not later than five years	75,415,890	60,000,000
Lease Payments due later than five years	46,517,465	Nil

12. Earnings per Share (EPS):

In Rupees

	2009	2008
Net profit as per profit and loss account including exceptional items for calculation of basic and diluted EPS	133,465,213	266,448,922
Weighted average number of equity shares in calculating basic EPS	12,739,300	12,722,588
Add : Weighted average number of equity shares which would be issued on conversion of FCCB.	1,562,205	470,801
Weighted average number of equity shares in calculating diluted EPS	14,301,505	13,218,047
Basic EPS	10.48	20.94
Diluted EPS	9.33	20.16

13. Contingent Liabilities not provided for:

In Rupees

	2009	2008
i. Estimated amount of contracts remaining to be executed on capital account and not provided for:	16,154,431	Nil
ii. 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.	797,033,046	596,854,904
iii. Guarantees given by Banks on behalf of the Company	36,344,600	28,794,600
iv. On account of undertaking given on future probable obligation on behalf of subsidiary company in the course of acquisitions made (Refer Note No. 8)	69,357,145	Nil
v. On account of Unexpired Letters of Credit.	Nil	109,447,659
vi. Matters pending with Tax Authorities (TDS Scrutiny)	Nil	581,804
vii. Matters pending with Tax Authorities (Block Assessment) Company has been advised that it has a valid case based on similar decided matters.	1,046,969	37,560,468
viii. Matters pending with Customs Authorities for which appeal is pending with Appellate Tribunal. On the basis of legal advice obtained, the Company is confident that no provision is required in respect of this case at this point of time.	2,117,500	2,117,500
ix. Guarantee for Lease taken by step-down subsidiary	506,400,000 (USD 10,000,000)	Nil
x. Premium on conversion of FCCB (Refer Note No. 18 (c))	269,140,513	49,453,774
xi. Compounding application pending with Reserve Bank of India (Refer Note No. 18 (e))		

14. Gratuity and other post-employment benefit plans:

a. **Define benefit plans:**

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

The Company did not make any provision in respect of the gratuity benefit in previous year as amount was not material. In Current year, the Company has adopted Accounting Standard 15 (Revised 2005) which is mandatory from accounting periods starting from April 1, 2007. However, this adoption does not have a material impact on the profit and loss account. Hence, the entire charge of Rs. 1,224,852 has been debited to the profit and loss account for the year and accordingly amounts for the previous year have not been furnished.

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

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

In Rupees

	March 31, 2009
Current service cost	549,095
Interest cost on benefit obligation	68,227
Expected return on plan assets	-
Net actuarial (gain)/loss recognised in the year	223,785
Past service cost	383,745
Net benefit expense	1,224,852

Actual return on plan assets Not Applicable

Balance sheet

Details of Provision for gratuity

In Rupees

	March 31, 2009
Defined benefit obligation	1,224,852
Fair value of plan assets	-
Amount recognised in the balance sheet	1,224,852

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

In Rupees

	March 31, 2009
Opening defined benefit obligation	383,745
Interest cost	68,227
Current service cost	549,095
Benefits paid	-
Actuarial (gains)/ losses on obligation	223,785
Closing defined benefit obligation	1,224,852

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

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

The principal assumptions used in determining gratuity and post-employment medical benefit obligations for the Company's plans are shown below:

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

b. **Defined Contributing Plan:**

Amount recognized as an expense and included in Schedule – 15 as Contribution to Provident and Other Fund Rs. 1,928,412 *(Previous year : Rs. 1,147,275).*

15. Directors' remuneration:

In Rupees

	March 31, 2009	March 31, 2008
Salaries	6,000,000	6,000,000
Perquisites	Nil	Nil
Contribution to Provident Fund	Nil	Nil
TOTAL	**6,000,000**	**6,000,000**

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

In Rupees

	March 31, 2009	March 31, 2008
Profit as per Profit and Loss Account	133,465,213	266,448,922
Add: Directors' Remuneration	6,000,000	6,000,000
(Loss)/Profit on sale of Fixed Assets as per Section 349 of the Companies Act, 1956	(1,563,623)	(294,807)
Net Profit as per Section 349 of the Companies Act, 1956	137,901,590	272,154,115
Maximum remuneration allowed to Managing and Whole time Directors at 10% of the net profits as calculated above	13,790,159	27,215,411
Remuneration Paid to Directors	6,000,000	6,000,000

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

1. Prime Focus London Plc:

Balance as at March 31, 2009 : Rs. 12,974,350.

Maximum Amount outstanding during the year Rs. 251,316,179 *(Previous year Rs. 491,937,500)*

The amount will be due for payment by end of March 2010.

2. Post Logic Studios, Inc.:
   Balance as at March 31, 2009 : Rs. Nil
   Maximum Amount outstanding during the year Rs. 150,542,131 *(Previous year Rs. 104,187,973)*

3. Prime Focus Technologies Private Limited:
   Balance as at March 31, 2009 : Rs. 33,600,998
   Maximum Amount outstanding during the year Rs. 35,675,198 *(Previous year Rs. Nil)*

17. Derivative Instruments and Unhedged Foreign Currency Exposure:

In Rupees

Particulars of Derivatives	March 31, 2009	March 31, 2008	Purpose
Currency Swap			
USD – JPY	USD 1,529,000 (JPY 191,125,000)	USD 2,425,000 (JPY 303,125,000)	Hedge against exposure to foreign currency fluctuations
INR – USD	Nil	10,616,800 (USD 230,000)	

Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet Date

In Rupees

	March 31, 2009	March 31, 2008	Purpose
Buyer's Credit (Liability)	608,982,313 (USD 11,968,992 @ Closing Rate of 1 USD = Rs. 50.88) 38,443,998 (EUR 569,873 @ Closing Rate of 1 EUR = Rs.67.46)	429,640,970 (USD 10,716,700 @ Closing Rate of 1 USD = Rs.40.10) 127,860,176 (EUR 2,018,212 @ Closing Rate of 1 EUR = Rs.63.53)	For import of equipments For import of equipments
Zero Coupon Foreign Currency Convertible Bonds (Liability)	2,162,696,800 (USD 55,000,000)	2,162,696,800 (USD 55,000,000)	For strategic acquisitions and / or strategic alliances outside of India
Sundry Debtors (Assets)	20,780,460 (USD 408,421)	24,453,125 (GBP 305,303)	Amount receivable for services rendered
Loans and Advances (Assets)	234,048,000 (USD 4,600,000)	344,172,000 (USD 8,600,000)	Advances given to Overseas Subsidiary and others
Investment in Foreign Subsidiary – Prime Focus London (Assets)	610,703,583 (GBP 7,522,444)	515,401,884 (GBP 6,385,451)	Investment in Subsidiary
Investment in Foreign Subsidiary – Prime Focus Investment Limited (Assets)	1,690,349,846 (USD 43,000,000)	Nil	Investment in Subsidiary

18. Foreign Currency Convertible Bonds (FCCB):

a. On December 12, 2007, the Company issued 550 Foreign Currency Convertible Bonds (FCCB's) of a face value of USD 100,000 each, aggregating to USD 55.00 million (equivalent – Rs. 2,162,696,800). The net proceeds from the issue of the Bonds are to be used for strategic acquisitions and/or strategic alliances outside of India, for investment into wholly owned subsidiaries and/or joint ventures outside of India, for announced and future acquisitions, for foreign currency capital expenditure or for any other use, as may be permitted under applicable laws or regulations from time to time.

b. As per the terms of the issue, the holders have an option to convert FCCB into Equity Shares at an initial conversion rate of Rs. 1,386.79 per equity share at a fixed exchange rate of Rs. 39.39 per USD subject to certain adjustments as per the terms of the issue. 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, 2008, no bonds have been converted into equity shares of Rs. 10 each and the entire balance of 550 bonds have been included and disclosed in the Schedule of "Unsecured Loans".

c. The FCCB's as detailed above are hybrid 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 Rs. 269.14 million *(Previous year : Rs. 49.45 million)*. However, in the event of redemption, the premium payable would be adjusted against the balance in the Securities Premium Account.

d. The management is of the opinion that the bonds are a non monetary liability and hence, the exchange gain/ loss on translation of FCCB liability in the event of redemption have not been recognized.

e. Subsequent to year-end, the Company has received a letter from the Reserve Bank of India ('RBI') stating that it is not an eligible borrower to issue the Foreign Currency Convertible Bonds ('FCCB') of USD 55 million under External commercial borrowings (ECB) guidelines. The Company has obtained legal opinion confirming its eligibility and is in process of filing for compounding application with the RBI for the above mentioned matter and resultant compliances. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

19. **Miscellaneous Income:**

Miscellaneous Income includes income from production of TV Programme and distribution of films of Rs. 11,550,000 *(Previous year : Rs. 34,599,670)* against which cost of Rs. 10,597,920 *(Previous year : Rs. 28,011,996)* is incurred.

20. **Earnings in Foreign Currency – On receipt basis:**

In Rupees

	2009	**2008**
Technical Service receipts	47,024,138	62,076,910

21. **Expenditure in Foreign Currency – On payment basis:**

In Rupees

	2009	**2008**
a. Professional Fees	-	6,459,785
b. Payment on other accounts	15,886,121	5,787,113
	15,886,121	**12,246,898**

22. **C I F Value of imports:**

In Rupees

	2009	**2008**
Capital Goods	188,306,477	224,949,730

23. Previous year's figures have been regrouped where necessary to confirm to this year's classification. The figures of previous year were audited by a firm of Chartered accountants other than S.R. BATLIBOI & ASSOCIATES.

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

As per our report of even date

For **S. R. Batliboi & Associates**
Chartered Accountants

Per Govind Ahuja
(Partner)
Membership No. 48966

Place : Mumbai
Date : June 30, 2009

For and on behalf of the Board of Directors

Naresh Malhotra	**Namit Malhotra**	**Parina Shah**
(Chairman)	(Managing Director)	(Company Secretary)

Balance Sheet Abstract and Company's General Business Profile

1.	**Registration Details**		**(Rs. in Lacs)**
	Registration Details	:	11-108981
	State Code	:	11
	Balance Sheet Date	:	March 31,2009
2.	**Capital Raised during the year**		
	Public Issue	:	Nil
	Rights Issue	:	Nil
	Bonus Issue	:	Nil
	Private Placement	:	0.10
3.	**Position of Mobilisation and Deployment of Funds**		
	Total Liabilities	:	59,394.67
	Total Assets	:	59,394.67
	Sources of Funds		
	Paid up Capital	:	1,282.26
	Secured Loans	:	16,229.40
	Reserves and Surplus	:	18,636.85
	Unsecured Loans	:	21,626.97
	Deferred Tax Liability	:	1,619.19
	Application of Funds		
	Net Fixed Assets	:	20,631.50
	Investments	:	23,072.69
	Net Current Assets	:	15,690.48
	Miscellaneous Expenditure	:	Nil
	Accumulated Losses	:	Nil
4.	**Performance of the Company**		
	Turnover	:	10,284.35
	Total Expenditure	:	8,380.11
	Profit Before Tax	:	1,904.24
	Profit After Tax	:	1,334.65
	Earning Per Share (Annualised)	:	10.48
	Dividend Rate	:	Nil
5.	**Generic Names of Principal Products of the Company**		
	Item Code No.	:	N.A.
	Product / Description	:	Digital and Post Production Services

For and on behalf of the Board

Naresh Malhotra
(Chairman)

Namit Malhotra
(Managing Director)

Parina Shah
(Company Secretary)

Place : Mumbai
Date : June 30, 2009

Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Company's Interest in Subsidiary Companies for the year ended March 31, 2009

(Figures in INR)

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 concerns the members of the Holding Company			
						Not dealt in the Holding Company's accounts		Dealt with in the Holding Company's accounts	
						for the financial year ended 31st March, 2009	for the previous financial years of the Subsidiary Company since it became the Company's subsidiary	for the financial year ended 31st March, 2009	for the previous financial years of the Subsidiary Company since it became the Company's Subsidiary
Prime Focus London Plc[1]	31-Mar-09	Prime Focus Limited	28-April-06	19,567,003	59.96%	(180,589,352)	243,501,479	Nil	Nil
Blue Post Production Limited	31-Mar-09	Prime Focus London Plc [1]	28-Apr-06	1,000	100%	45,597,572	129,199,283	Nil	Nil
The Machine Room Limited	31-Mar-09	Prime Focus London Plc [1]	28-Apr-06	2	100%	(53,298,280)	41,439,303	Nil	Nil
VTR Media Investment Limited	31-Mar-09	Prime Focus London Plc [1]	28-Apr-06	2	100%	-	(374,841,372)	Nil	Nil
The Hive Animation Limited	31-Mar-09	VTR Media Investment Limited	28-Apr-06	2	100%	-	(42,965,196)	Nil	Nil
Clipstream Limited	31-Mar-09	VTR Media Investment Limited	28-Apr-06	2	100%	-	(67,870,614)	Nil	Nil
K Post Limited	31-Mar-09	VTR Media Investment Limited	28-Apr-06	2	100%	18,652,902	100,488,881	Nil	Nil
United Sound & Vision Limited	31-Mar-09	VTR Media Investment Limited	28-Apr-06	2	100%	-	9,622,399	Nil	Nil
Machine Effects Limited	31-Mar-09	Prime Focus London Plc [1]	18-Jan-08	100	100%	(17,989,280)	(12,445,797)	Nil	Nil
PF (Post Production) Limited	31-Mar-09	Prime Focus London Plc [1]	4-Jun-07	1	100%	204,744,119	-	Nil	Nil
37 Dean Street Limited	31-Mar-09	Prime Focus London Plc [1]	2-Dec-08	1	100%	-	-	Nil	Nil
Prime Focus Investments Ltd	31-Mar-09	Prime Focus Limited	19-Dec-07	21,748,973	100%	-	(74,508)	Nil	Nil
Prime Focus VFX Service I, Inc[2]	31-Mar-09	Prime Focus Investments Ltd.	1-Apr-08	100 common Voting	100%	(999,107)	-	Nil	Nil
Prime Focus VFX Service II, Inc[3]	31-Mar-09	Prime Focus Investments Ltd.	1-Apr-08	100 common Voting &1000 Class B	100%	27,151,342	-	Nil	Nil
Prime Focus VFX Technology, Inc[4]	31-Mar-09	Prime Focus Investments Ltd.	1-Apr-08	100 Common Voting &1 Class B	100%	(875,144)	-	Nil	Nil
Prime Focus VFX Pacific, Inc[5]	31-Mar-09	Prime Focus Investments Ltd.	1-Apr-08	1 Common Voting	100%	92,906,694	-	Nil	Nil
Prime Focus VFX USA, Inc[6]	31-Mar-09	Prime Focus Investments Ltd.	1-Apr-08	100 Common Voting	100%	(115,638,643)	-	Nil	Nil
Prime Focus VFX Australia Pty. Ltd.[7]	31-Mar-09	Prime Focus Investments Ltd.	1-Apr-08	100 Common Voting	100%	(17,184)	-	Nil	Nil

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 concerns the members of the Holding Company			
						Not dealt in the Holding Company's accounts		Dealt with in the Holding Company's accounts	
						for the financial year ended 31st March, 2009	for the previous financial years of the Subsidiary Company since it became the Company's subsidiary	for the financial year ended 31st March, 2009	for the previous financial years of the Subsidiary Company since it became the Company's Subsidiary
Post Logic Studios, Inc	31-Mar-09	Prime Focus Investments Ltd.	1-Apr-08	5,100	100%	13,091,740	-	Nil	Nil
1800 Vine Street, Inc	31-Mar-09	Post Logic Studios, Inc	1-Apr-08	-	100%	(20,736,223)	-	Nil	Nil
Prime Focus Technologies Pvt Limited	31-Mar-09	Prime Focus Ltd.	8-Mar-08	5.100	51%	386,699	(7,761)	Nil	Nil
Flow Post Solutions Pvt Limited	31-Mar-09	Prime Focus Ltd.	28-Feb-08	5,100	51%	(5,401)	(7,761)	Nil	Nil
PF Motion Pictures Limited	31-Mar-09	Prime Focus Ltd.	22-Aug-08	50,000	100%	(5,000)	-	Nil	Nil
GVS Software Pvt Limited	31-Mar-09	Prime Focus Ltd.	1-Apr-08	10,000	100%	(5,000)	-	Nil	Nil

Statement pursuant to exemption received under Section 212(8) of the Companies Act, 1956 relating to subsidiary companies for the year ended March 31, 2009

(Figures in INR)

Name of the Subsidiary Company	Country of Registration	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment insubsidiary	Turnover	Profit before taxation	Provision for taxation	Profit after taxation	Proposed Dividend
Prime Focus London Plc[1]	**U.K.**	118,711,246	489,385,179	923,533,945	923,533,945	-	172,087,096	(180,821,330)	11,662,795	(169,158,535)	-
Blue Post Production Limited	**U.K.**	72,759	173,995,713	174,068,472	174,068,472	-	425,192,879	45,597,572	-	45,597,572	-
The Machine Room Limited	**U.K.**	146	(8,207,459)	(8,207,313)	(8,207,313)	-	13,845,622	(53,298,280)	-	(53,298,280)	-
VTR Media Investment Limited	**U.K.**	146	(348,204,023)	(348,203,878)	(348,203,878)	30,876,935	-	-	-	-	-
The Hive Animation Limited	**U.K.**	146	(42,965,167)	(42,965,021)	(42,965,021)	-	-	-	-	-	-
Clipstream Limited	**U.K.**	146	(67,870,586)	(67,870,441)	(67,870,441)	-	-	-	-	-	-
K Post Limited	**U.K.**	146	117,863,791	117,863,937	117,863,937	-	136,539,092	18,652,902	-	18,652,902	-
United Sound & Vision Limited	**U.K.**	146	9,622,419	9,622,564	9,622,564	-	-	-	-	-	-
Machine Effects Limited	**U.K.**	7,276	(29,202,618)	(29,195,342)	(29,195,342)	-	54,844,390	(17,989,280)	-	(17,989,280)	-
PF (Post Production) Limited	**U.K.**	73	190,716,883	190,716,956	190,716,956	-	533,424,204	204,744,119	-	204,744,119	-
37 Dean Street Limited	**U.K.**	73	-	73	73	-	-	-	-	-	-
Prime Focus Investments Ltd	**U.K.**	1,582,425,044	(74,508)	1,582,425,044	1,582,425,044	-	-	-	-	-	-
Prime Focus VFX Service I, Inc [2]	**Canada**	406	(1,303,775)	406	406	-	1,665,308	(999,107)	-	(999,107)	-
Prime Focus VFX Service II, Inc [3]	**Canada**	24,067,663	72,643,616	53,973,069	53,973,069	-	160,338,090	27,151,342	-	27,151,342	-
Prime Focus VFX Technology, Inc [4]	**Canada**	406	(14,378,590)	406	406	-	19,450,760	(875,144)	-	(875,144)	-
Prime Focus VFX Pacific, Inc [5]	**Canada**	406	83,110,758	330,135	330,135	-	176,746,438	92,906,694	-	92,906,694	-
Prime Focus VFX USA, Inc [6]	**U.S.A**	406	(135,845,039)	1,438,703	1,438,703	-	130,705,112	(115,638,643)	-	(115,638,643)	-
Prime Focus VFX Australia Pty. Ltd. [7]	**Australia**	4059	(1,531,091)	4,059	4,059	-	-	(17,184)	-	(17,184)	-

(Figures in INR)

Name of the Subsidiary Company	Country of Registration	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary	Turnover	Profit before taxation	Provision for taxation	Profit after taxation	Proposed Dividend
Post Logic Studios, Inc	**U.S.A.**	259,526	639,581,953	721,404,165	721,404,165	-	798,195,125	(44,193,673)	57,285.413	13,091,740	-
1800 Vine Street, Inc	**U.S.A.**	-	633,776,569	1,164,616,228	1,164,616,228	-	-	(20,736,223)	-	(20,736,223)	-
Prime Focus Technologies Pvt Limited	**India**	100,000	743,016	1,257,483	1,257,483	-	18,441,995	1,219,377	461,143	758,234	-
Flow Post Solutions Pvt Limited	**India**	100,000	(25,808)	100,000	100,000	-	-	(10,590)	-	(10,590)	-
PF Motion Pictures Limited	**India**	500,000	(5,000)	500,000	500,000	-	-	(5,000)	-	(5,000)	-
GVS Software Pvt Limited	**India**	100,000	(5,000)	100,000	100,000	-	-	(5,000)	-	(5,000)	-

Exchange Rate: 1 GBP = INR 78.11; 1 CAD = GBP 0.5225; 1 USD = GBP 0.5936

Note:
1 Formerly known as VTR Plc
2 Formerly known as Frantic Films Service, Inc
3 Formerly known as Frantic Films VFX Services, Inc
4 Formerly known as Frantic Films Software, Inc
5 Formerly known as Frantic Films Pacific, Inc
6 Formerly known as Frantic Films USA, Inc
7 Formerly known as Frantic Films Australia Pty. Ltd.

Auditor's Report on the Consolidated Financial Statements

The Board of Directors

Prime Focus Limited

1. We have audited the attached consolidated balance sheet of Prime Focus Limited ("the Company") and its subsidiaries (collectively known as "the Group"), as at March 31, 2009, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 4,085,489,948 as at 31st March 2009, the total revenue of Rs. 2,641,476,143 and cash flows amounting to Rs. (58,149,104) 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. Without qualifying our opinion, we draw attention to Note 14(e) on Schedule 18. The group had in the previous year issued Foreign Currency Convertible Bonds (FCCB) aggregating to USD 55 million. Subsequent to year-end, the group has received a letter from the Reserve Bank of India ('RBI') stating that it is not an eligible borrower to issue the Foreign Currency Convertible Bonds under External Commercial Borrowings (ECB) guidelines. The group has obtained legal opinion confirming its eligibility and is in process of considering various options, including filing for compounding application with the RBI for the above mentioned matter and resultant compliances. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

6. *As more fully described in Note 14 to Schedule 18 to the financial statements, the group has not revalued the FCCB of USD 55 million at the exchange rate prevailing as at 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, 2009, the loss for the year ended March 31, 2009 would have been higher by Rs. 208.3 million and the reserves as at that date would have been lower by Rs. 219.0 million and Foreign Currency Monetary Item Translation Difference account would have been Rs. 416.7 million. Further, had the group provided for the premium on redemption, the securities premium as at March 31, 2009 would have been lower by Rs. 269.1 million. Consequent to the above, the FCCB balance at March 31, 2009 would have been higher by Rs. 904.8 million.*

7. 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 6 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, 2009**;**

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

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

For **S. R. BATLIBOI & ASSOCIATES**
Chartered Accountants

per Govind Ahuja
Partner
Membership No.: 48966

Place : Mumbai
Date : June 30, 2009

Consolidated Balance Sheet as at March 31, 2009

In Rupees

Particulars	Sch No	31.03.2009	31.03.2008
Sources of Funds			
Shareholders' Funds			
Share Capital	1	128,225,880	127,225,880
Shares Pending Allotment		-	1,000,000
Reserves and Surplus	2	1,623,676,537	1,758,757,114
		1,751,902,417	**1,886,982,994**
LOAN FUNDS			
Secured Loans	3	2,583,005,481	1,339,654,694
Unsecured Loans	4	2,162,696,800	2,162,696,800
		4,745,702,281	**3,502,351,494**
Minority Interest		**242,222,831**	**374,377,575**
DEFERRED TAX LIABILITY (NET)	5	**76,092,730**	**105,023,264**
	TOTAL	**6,815,920,259**	**5,868,735,327**
Application of Funds			
FIXED ASSETS	6		
Gross Block		7,339,558,095	4,761,769,751
Less: Accumulated Depreciation / Amortisation		2,810,679,718	2,346,604,413
Net Block		**4,528,878,377**	**2,415,165,338**
Add: Capital Work in Progress (including Capital Advances)		452,082,634	550,443,406
		4,980,961,011	**2,965,608,744**
INVESTMENTS	7	17,609,686	69,845,127
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories		37,351,868	2,414,845
Sundry Debtors (Including Service Tax)	8	1,032,614,338	893,724,403
Cash and Bank Balances	9	613,586,078	408,160,147
Loans and Advances	10	850,958,634	2,190,909,810
		2,534,510,918	**3,495,209,205**
Less: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	11	716,618,950	641,219,099
Provisions	12	1,224,852	20,708,650
		717,843,802	**661,927,749**
NET CURRENT ASSETS		**1,816,667,116**	**2,833,281,456**
MISCELLANEOUS EXPENDITURE *(To the extent not written off or adjusted)*	13	682,446	-
	TOTAL	**6,815,920,259**	**5,868,735,327**
NOTES TO ACCOUNTS	18		

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

As per our report of even date

For **S. R. Batliboi & Associates**
Chartered Accountants

Per Govind Ahuja
(Partner)
Membership No. 48966

Place : Mumbai
Date : June 30, 2009

For and on behalf of the Board of Directors

Naresh Malhotra	**Namit Malhotra**	**Parina Shah**
(Chairman)	(Managing Director)	(Company Secretary)

Consolidated Profit and Loss Account for the year ended March 31, 2009

In Rupees

Particulars	Sch No	31.03.2009	31.03.2008
Income			
Income from Operations		3,543,719,888	2,221,329,972
Other Income	14	126,782,252	94,285,195
		3,670,502,140	**2,315,615,167**
Expenditure			
Operating & Other Expenses	15	3,002,749,068	1,538,985,194
Exceptional Items (Refer Note 16 to Schedule 18)	16	(67,471,028)	57,926,849
Financial Expenses	17	210,022,415	109,735,176
Depreciation / Amortisation (Refer Note 5 to schedule 18)		379,095,345	289,212,395
		3,524,395,800	**1,995,859,614**
PROFIT BEFORE TAX		**146,106,340**	**319,755,553**
PROVISION FOR TAX			
Current Tax		21,629,987	619,902
Less: MAT Credit Entitlement		(21,521,027)	(3,603,730)
		108,960	(2,983,828)
Deferred Tax		(13,350,884)	3,184,506
Fringe Benefit Tax		1,713,776	1,965,517
Total Tax Expense		**(11,528,148)**	**2,166,195**
PROFIT AFTER TAX (Before adjustment of Minority Interest)		**157,634,488**	**317,589,358**
Less: Minority Interest		11,797,165	22,225,047
PROFIT AFTER TAX (After adjustment of Minority Interest)		**145,837,323**	**295,364,311**
Balance brought forward from previous year		779,633,328	519,293,864
Add: Adjustment pursuant to the court permission received by subsidiary (Refer note 17 to Schedule 18)		(174,516,829)	-
Add: Adjustments for Effect of Overseas Subsidiary Transition to IFRS		-	(44,447,690)
Less: Minority Interest in respect of above		-	(19,287,937)
Less: Cost of Equity		-	(10,992,571)
Add: Deferred Tax Credited on Share Issue Expense		-	14,869,523
		605,116,499	**519,996,205**
PROFIT AVAILABLE FOR APPROPRIATION		**750,953,822**	**815,360,516**
Appropriations			
Interim Dividend		-	19,083,882
Dividend Distribution Tax		-	3,243,306
Transfer to General Reserve		-	13,400,000
SURPLUS CARRIED TO BALANCE SHEET		**750,953,822**	**779,633,328**
Earnings per Share (Refer Note 10 to Schedule 18)			
Basic - Nominal Value of Shares Rs. 10/-		**11.45**	**23.22**
Diluted - Nominal Value of Shares Rs. 10/-		**10.20**	**22.35**
NOTES TO ACCOUNTS	18		

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

As per our report of even date

For **S. R. Batliboi & Associates**
Chartered Accountants

Per Govind Ahuja
(Partner)
Membership No. 48966

Place : Mumbai
Date : June 30, 2009

For and on behalf of the Board of Directors

Naresh Malhotra (Chairman)

Namit Malhotra (Managing Director)

Parina Shah (Company Secretary)

Consolidated Cash Flow Statement for the year ended March 31, 2009

In Rupees

Particulars	31.03.2009	31.03.2008
A. Cash flow from Operating activities		
Net Profit before taxation	146,106,340	319,755,553
Adjustments for:		
Depreciation	379,095,345	289,212,395
(Profit)/ Loss on Sale of Fixed Assets	(39,061,544)	(8,737,035)
(Profit)/ Loss on Sale of Investments	(3,398,268)	452,540
Foreign Exchange (Gain)/Loss (net)	(38,751,861)	(8,634,989)
Interest Income	(25,326,570)	(29,912,774)
Dividend Income	(29,133)	(2,017,860)
Interest Expense	210,022,415	103,360,360
Bad debts Written Off	64,363,841	-
Undertaking Fees	(8,570,928)	(18,538,748)
Sundry Credit Balances Written Back	(1,589,359)	-
Provision for Gratuity	1,224,852	-
Excess Provision Written Back	(1,300,370)	-
Miscellaneous Expenditure Written Off	-	9,243,597
Provision for Doubtful Debts	6,277,465	-
Operating profit before working capital changes	**689,062,225**	**654,183,039**
Movements in Working Capital:		
Decrease / (Increase) in Sundry Debtors	15,503,165	(186,759,856)
Decrease / (Increase) in Inventories	(182,207,371)	(298,728)
Decrease / (Increase) in Loans and Advances	992,296,818	(1,769,247,095)
Increase / (Decrease) in Current Liabilities	604,838,083	35,291,729
Cash generated from Operations	**2,119,492,920**	**(1,266,830,911)**
Direct Taxes Paid (net of refunds)	(92,594,742)	(75,700,211)
Fringe Benefit Tax Paid	(1,573,442)	(2,228,192)
Exchange Rate Difference	27,294,655	1,397,499
Net Cash from / (used in) Operating activities	**2,052,619,391**	**(1,343,361,815)**
B. Cash flow from Investing activites		
Purchase of Fixed Assets	(608,077,493)	(1,144,153,751)
Proceeds from Sale of Fixed Assets	57,708,657	31,071,404
Purchase of Current Investments	-	(83,000,000)
Amount paid for acquisition of subsidiaries	(1,698,912,281)	(59,660,763)
Sale of Current Investments	33,953,822	193,005,204
Inter- Corporate Deposits given	(74,500,000)	-
Inter- Corporate Deposits received back	101,063,700	-
Margin Money and Fixed Deposits under Lien	(62,900,712)	128,885,937
Interest Received	59,849,686	30,103,794
Dividends Received	29,133	2,017,860
Expense incurred for incorporation of subsidiary	(585,147)	-
Net Cash used in Investing activities	**(2,192,370,635)**	**(901,730,315)**

Consolidated Cash Flow Statement for the year ended March 31, 2009

In Rupees

Particulars	31.03.2009	31.03.2008
C. Cash flow from Financing activities		
Redemption of Preference Shares	(479,929,179)	-
Proceeds from Long Term Borrowings	1,358,866,263	132,434,000
Repayment of Long Term Borrowings	(333,392,252)	(55,783,582)
Proceeds from Short Term Borrowings	934,681,135	935,359,652
Repayment of Short Term Borrowings	(962,700,922)	(483,339,134)
Loans Borrowed (net)	-	(102,499,512)
Proceeds from Issuance of FCCB	-	2,162,696,800
Proceeds from Issuance of Shares to Minorities	-	39,072,000
Interest Paid	(240,780,656)	(103,360,360)
Dividend Paid	(437)	(19,068,562)
Tax on Dividend Paid	-	(3,243,306)
Expenses on Issuance of Securities	-	(58,240,318)
Net Cash from Financing activities	**276,743,952**	**2,444,027,678**
Effect of exchange differences on translation	(5,657,534)	(2,135,920)
Net Increase in Cash and Cash Equivalents (A+B+C)	**131,335,174**	**196,799,628**
Cash and Cash Equivalents at the Beginning of the year	239,426,818	36,018,658
Translation Adjustment on Opening Cash and Cash Equivalents	(1,758,679)	(818,638)
Cash and Cash Equivalents Acquired on Merger	-	189,680
Cash and Cash Equivalents received pursuant to purchase of subsidiary	12,049,930	-
Unrealised Gain/(Loss) on Foreign Currency Cash and Cash Equivalents	21,055	7,237,490
Cash and Cash Equivalents at the End of the year	**381,074,298**	**239,426,818**
Components of Cash and Cash Equivalents as at March 31, 2009		
Cash	1,371,905	2,264,374
With Banks:	-	
On Current Accounts	376,643,223	237,162,444
On Fixed Deposits	3,059,170	-
Cash and Cash Equivalents at the End of the year	**381,074,298**	**239,426,818**
Bank deposits having maturity of more than 90 days	228,800,594	165,899,883
Interest Accrued on bank deposits	3,711,186	2,833,446
Cash and Bank Balance (Refer Schedule 9)	**613,586,078**	**408,160,147**

As per our report of even date

For **S. R. Batliboi & Associates**
Chartered Accountants

Per Govind Ahuja
(Partner)
Membership No. 48966

Place : Mumbai
Date : June 30, 2009

For and on behalf of the Board of Directors

Naresh Malhotra (Chairman)

Namit Malhotra (Managing Director)

Parina Shah (Company Secretary)

Schedules forming part of Consolidated Balance Sheet as at March 31, 2009

In Rupees

Particulars	31.03.2009	31.03.2008
Schedule 1		
SHARE CAPITAL		
Authorised:		
15,000,000 (Previous year: 15,000,000) Shares of Rs. 10 each	150,000,000	150,000,000
Issued, Subscribed and Paid-Up:		
12,822,588 (Previous year: 12,722,588) Shares of Rs. 10 each	128,225,880	127,225,880
Of the above:		
i. 3,600,000 (Previous year: 3,500,000) Equity Shares of Rs. 10 each were allotted as fully paid up pursuant to scheme of arrangement for consideration other than cash		
ii. 4,000,000 (Previous year: 4,000,000) Equity Shares of Rs. 10 each were allotted as fully paid up bonus shares by capitalisation of Reserves		
	128,225,880	**127,225,880**

RESERVES AND SURPLUS		
Securities Premium at the Beginning of the year	964,859,177	1,265,672,814
Add : Consolidation Adjustments	-	2,121,802
Less : Issue Expenses Pertaining to IPO	-	65,620,141
Less : FCCB Issue Expenses	-	58,240,318
Less : Drawal as per proposed Scheme of Merger	-	179,074,980
Securities Premium at the End of the year	**964,859,177**	**964,859,177**
General Reserve at the Beginning of the year	13,400,000	-
Add : Transferred during the year	-	13,400,000
General Reserve at the End of the year	**13,400,000**	**13,400,000**
Business Restructuring Reserve at the Beginning of the year	-	-
Add : Pursuant to Merger	-	70,925,020
Add : Transfer from Share Premium pursuant to Scheme of Merger	-	179,074,980
Less : Drawal as per proposed Scheme of Merger	-	250,000,000
Business Restructuring Reserve at the End of the year	**-**	**-**
Fair Value Reserve	4,354,314	-
Foreign Currency Translation Reserve	(109,890,776)	864,610
Profit and Loss Account	750,953,822	779,633,328
	1,623,676,537	**1,758,757,114**

Schedules forming part of Consolidated Balance Sheet as at March 31, 2009

In Rupees

Particulars	31.03.2009	31.03.2008
Schedule 3		
SECURED LOANS		
Loans from Banks (Refer Note 3 to schedule 18)		
Term Loans	1,236,596,251	129,908,957
(Amount repayable within one year Rs. 84,664,578		
(Previous year: Rs.12,688,282))		
Buyer's Credit	725,211,319	557,501,144
(Amount repayable within one year Rs. 257,547,142		
(Previous year: Rs. 274,845,275))		
Cash Credit/Over Draft	499,863,627	66,967,437
Short Term Demand Loan	25,000,000	380,000,000
Other Secured Liability	20,236,276	193,391,803
Hire Purchase Obligation	48,376,014	-
Loans from Others		
Vehicle Finance	27,721,994	11,885,353
(Amount repayable within one year Rs. 5,832,534		
(Previous year: Rs. 3,884,695))		
	2,583,005,481	**1,339,654,694**
Schedule 4		
UNSECURED LOANS		
Zero Coupon Foreign Currency Convertible Bonds		
(Refer Note 14 to schedule 18)	2,162,696,800	2,162,696,800
550 (Previous year: 550) Bonds @ USD 100,000 each		
aggregating to USD 55,000,000 (Previous year: USD 55,000,000)		
	2,162,696,800	**2,162,696,800**
Schedule 5		
DEFERRED TAX LIABILITY		
Difference in Depreciation and Other Differences in Block of Assets		
as per tax books and Financial Books	178,699,302	147,306,514
Effect of Expenditure debited to Profit and Loss Account		
in the current year but allowed for tax purposes in following years	-	(9,087,778)
Gross Deferred Tax Liability	**178,699,302**	**138,218,736**
DEFERRED TAX ASSET		
Unabsorbed Depreciation	5,255,112	18,075,973
Differences due to Accelerated Amortisation of Intangibles		
under the Income Tax Act	187,481	249,975
Differences on Derivative Losses	7,321,123	-
Share Issue Expenses	3,602,253	14,869,524
Carried Forward Losses	86,240,603	-
Gross Deferred Tax Asset	**102,606,572**	**33,195,472**
Net Deferred Tax Liability	**76,092,730**	**105,023,264**

Schedules forming part of Consolidated Balance Sheet as at March 31, 2009

Schedule 6

FIXED ASSETS

In Rupees

	GROSS BLOCK						DEPRECIATION							NET BLOCK	NET BLOCK
Description of Asset	As on 1-4-2008	Consideration Adjustments	Additions on Acquisition	Additions	Deductions	As on 31-03-2009	As on 1-04-2008	Consolidation Adjustments	Depreciation on Assets taken over	Adjustments	Deductions	For the year	As on 31-03-2009	As on 31-03-2009	As on 31-03-2008
(A) TANGIBLE ASSETS															
Land and Building	419,191,444	(30,123,964)	1,236,563,136	279,881	-	1,625,910,496	201,036,226	(16,389,010)	2,266,066	-	-	37,181,536	224,094,817	1,401,815,679	218,155,219
Leasehold Improvement	-	-	195,684,433	1,616,081	-	197,300,514	-	1,741,445	126,013,304	-	-	19,317,826	147,072,576	50,227,938	-
Plant & Machinery	3,472,644,478	(175,448,410)	1,425,180,012	746,604,858	1,114,012,233	4,354,968,704	1,888,531,897	(128,981,787)	889,049,393	(8,462,004)	831,464,077	294,823,756	2,103,497,176	2,251,471,528	1,584,112,573
Furniture & Fixtures	436,353,141	(31,422,987)	73,721,899	24,698,239	-	503,350,292	242,180,858	(21,007,961)	58,431,706	(708,966)	-	26,255,331	305,150,967	198,199,325	194,172,290
Office Equipments	12,902,999	-	2,157,340	5,020,417	-	20,080,756	3,970,039	(1,947)	945,814	20,021	-	2,581,841	7,515,768	12,564,988	8,932,960
Vehicles	28,129,754	(357,241)	2,128,286	15,159,740	3,700,493	41,360,046	5,203,144	(155,849)	634,627	(8,556)	1,053,380	3,563,016	8,183,001	33,177,046	22,926,610
Total (A)	**4,369,221,816**	**(237,352,601)**	**2,935,435,105**	**793,379,216**	**1,117,712,726**	**6,742,970,810**	**2,340,922,163**	**(164,795,109)**	**1,077,340,909**	**(9,159,506)**	**832,517,457**	**383,723,306**	**2,795,514,305**	**3,947,456,505**	**2,028,299,652**
(B) INTANGIBLE ASSETS															
Goodwill	258,618,836	(21,741,213)	-	-	102,632,713	134,244,910	5,320,000	-	-	-	-	-	5,320,000	128,924,910	253,298,836
Goodwill on Consolidation	53,819,611	-	-	344,310,821	-	398,130,433	-	-	-	-	-	-	-	398,130,433	53,819,611
Rights	64,571,906	(2,967,385)	-	-	31,604,521	30,000,000	-	-	-	-	-	-	-	30,000,000	64,571,906
Software	15,550,000	-	9,595,157	9,066,785	-	34,211,942	374,673	(9,714)	4,948,908	-	-	4,531,546	9,845,412	24,366,530	15,175,327
Total (B)	**392,560,354**	**(24,708,598)**	**9,595,157**	**353,377,607**	**134,237,234**	**596,587,285**	**5,694,673**	**(9,714)**	**4,948,908**	**-**	**-**	**4,531,546**	**15,165,412**	**581,421,872**	**386,865,680**
Total (A + B)	**4,761,782,170**	**(262,061,199)**	**2,945,030,262**	**1,146,756,822**	**1,251,949,961**	**7,339,558,095**	**2,346,616,836**	**(164,804,823)**	**1,082,289,816**	**(9,159,506)**	**832,517,457**	**388,254,852**	**2,810,679,717**	**4,528,878,377**	**2,415,165,333**
Previous Year	**3,945,733,192**	**(200,867,835)**	**-**	**1,059,580,427**	**42,663,615**	**4,761,782,169**	**2,229,918,153**	**(131,701,668)**	**-**	**-**	**14,743,195**	**263,143,547**	**2,346,616,836**	**2,415,165,333**	**-**
Capital Work In Progress *	-	-	-	-	-	-	-	-	-	-	-	-	-	444,256,612	550,443,405

* Note:- Borrowing Cost included in Capital Work In Progress - Rs.36,116,998 (Previous year Rs.12,418,419)

Schedules forming part of Consolidated Balance Sheet as at March 31, 2009

In Rupees

Particulars	31.03.2009	31.03.2008
Schedule 7		
INVESTMENTS		
Long Term Investments (At Cost)		
Other than Trade		
Unquoted - fully paid up		
The Shamrao Vithal Co-operative Bank Limited		
4,000 (Previous year: 4,000) shares of Rs. 25 each	100,000	100,000
Current Investments (at lower of cost and market value)		
Other than Trade Quoted		
Cinemax India Limited		
9,170 (Previous year: 9,170) equity shares of Rs. 10 each *(Market Value Rs. 413,567 (Previous year: Rs. 969,121))*	413,567	969,121
Music Copy Right Solutions PLC	12,096,119	33,776,006
1,750,000 (Previous year: 1,750,000) Ordinary shares of £1.00 each *(Market Value 12,096,119 (GBP 166,250)* *(Previous year: 33,776,006 (GBP 424,375)*		
Other than Trade Unquoted units of Mutual Fund		
ICICI Prudential FMP Series 34 - Fifteen Months Plan Nil (Previous year : 3,000,000) Units of Rs. 10 each	-	30,000,000
Other Investments		
DSP Merrill Lynch - Principal Protected Debenture	5,000,000	5,000,000
5 (Previous year: 5) Units of Rs. 1,000,000 each		
	17,609,686	**69,845,127**
Aggregate amount of Quoted Investments	12,509,686	34,745,127
Market Value Rs. 12,509,686 (Previous year: Rs. 34,745,127)		
Aggregate amount of Unquoted Investments	5,100,000	35,100,000
Schedule 8		
SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Secured, considered good	-	9,550,800
Unsecured, considered good	290,887,332	206,709,424
Considered Doubtful	16,921,536	11,787,677
	307,808,868	**228,047,901**
Other debts		
Unsecured, considered good	741,726,985	677,464,179
	1,049,535,853	**905,512,080**
Less: Provision for Doubtful Debts	16,921,515	11,787,677
	1,032,614,338	**893,724,403**

Included in Sundry Debtors are:

i. Service Tax amount of 69,619,181 (Previous year: Rs. 59,508,824) which is payable upon collection

Schedules forming part of Consolidated Balance Sheet as at March 31, 2009

In Rupees

Particulars	31.03.2009	31.03.2008
Schedule 9		
CASH AND BANK BALANCES		
Cash on hand	1,371,905	2,264,374
Balances with Scheduled banks		
In Current Accounts	376,643,223	237,162,444
In Fixed Deposit Accounts (Refer Note below)	235,570,950	168,733,329
	613,586,078	**408,160,147**

Note :

i. As margin for Letter of Credit / Buyers Credit - Rs. 192,293,449 (Previous year: Rs. 137,183,339)

ii. As 100% margin against Bank Guarantee availed - Rs. 36,507,145 (Previous year: Rs. 28,716,544)

iii. Accrued interest on Fixed Deposits considered - Rs. 3,711,186 (Previous year: Rs. 2,833,446)

Particulars	31.03.2009	31.03.2008
Schedule 10		
LOANS AND ADVANCES		
Unsecured - Considered good		
Advances recoverable in Cash or in Kind or for value to be received	493,827,156	1,976,460,638
Deposits	87,413,599	39,855,858
Inter Company Deposits	90,422,602	80,964,384
Interest Receivable	1,183,166	-
MAT Credit Entitlement	24,986,602	3,603,730
Advance Payment of Taxes *(Net of Provision for Tax - Rs. 169,829,366 (Previous year: Rs. 148,446,494))*	153,125,509	90,025,200
	850,958,634	**2,190,909,810**
Schedule 11		
CURRENT LIABILITIES		
Sundry creditors		
Total Outstanding dues to Micro and Small Enterprises (Refer Note 4 to Schedule 18)	-	-
Dues of creditors other than Micro and Small Enterprises	250,295,655	346,359,473
Other liabilities	360,838,614	278,955,048
Interest accrued but not due	10,698,742	-
Deferred Revenue Income	60,065,106	-
Advances from Customers	34,705,950	15,889,257
Unclaimed Dividend *	14,883	15,321
	716,618,950	**641,219,099**

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

Schedules forming part of Consolidated Balance Sheet as at March 31, 2009

In Rupees

Particulars	31.03.2009	31.03.2008
Schedule 12		
PROVISIONS		
Provision for Gratuity (Refer Note 12(a) to Schedule 18)	1,224,852	-
	1,224,852	-
Provision for Undertaking		
Beginning of the year	20,708,650	-
Add: Provision for the year	-	20,708,650
Less: Settled during the year	20,708,650	-
End of the year	-	20,708,650
	1,224,852	**20,708,650**
Schedule 13		
MISCELLANEOUS EXPENDITURE *(To the extent not written off or adjusted)*		
Preliminary expenses	-	-
As per last balance sheet	-	87,013,738
Add: incurred during the year	682,446	-
	682,446	**87,013,738**
Less: Share issue expenses adjusted against Securities Premium	-	65,620,141
Less: Other Adjustments	-	12,150,000
Less: Amortised / Written off during the year	-	9,243,597
	682,446	**-**

In Rupees

Particulars	31.03.2009	31.03.2008
Schedule 14		
OTHER INCOME		
Dividend	29,133	2,017,860
Interest Income	25,326,570	29,912,774
Profit / (Loss) on Sale / Revaluation of Investment	3,398,268	-
Sundry Credit Balances written back	1,589,359	-
Profit on sale of Assets (net)	39,061,544	8,737,035
Exchange Gain (net)	38,751,861	8,634,989
Insurance Claim Received	6,370,250	6,307,571
Cenvat Credit	517,991	-
Bad Debts recovered	908,360	-
Undertaking Fee	8,570,928	18,538,748
Miscellaneous Income (Refer Note 15 to Schedule 18)	2,257,988	20,136,218
	126,782,252	**94,285,195**
Schedule 15		
OPERATING AND OTHER EXPENSES		
Personnel Expenses		
Salaries, Staff Remuneration and Bonus	1,023,256,908	768,638,660
Contribution to Provident and Other Fund (Refer Note 12(b) to Schedule 18)	71,031,362	59,090,379
Gratuity Expense (Refer Note 12(a) to Schedule 18)	1,224,852	-
Staff welfare	14,478,080	7,081,923
Editors' Charges & Commissions	892,247,245	150,627,295
Technical services payments	125,111,783	157,096,592
Communication Cost	35,811,100	14,275,602
Consumables and Consumable Stores	72,563,472	19,965,983
Directors' Sitting Fees	320,000	224,120
Electricity Charges	101,284,215	49,215,146
Insurance Cost	49,241,761	17,291,766
Legal and Professional Fees	42,025,245	8,634,212
Rates and Taxes	18,529,271	1,286,149
Rebates and discount	8,955,973	10,124,294
Rent	210,603,967	169,959,868

In Rupees

Particulars	31.03.2009	31.03.2008
Schedule 15 *(Contd.)*		
Travelling and Conveyance	68,727,838	31,149,392
Miscellaneous Expenses	126,013,060	47,861,597
Repairs & Maintenance		
Repairs and Maintenance-Equipment	58,452,942	11,741,469
Repairs and Maintenance-Studio/Office premises	4,391,527	3,960,889
Bad Debts Written Off	64,363,841	3,105,034
Provision for Doubtful Debts	6,277,465	-
Auditor's remuneration		
Audit Fees	7,837,161	5,401,324
Other Matters	-	2,253,500
	3,002,749,068	**1,538,985,194**
Schedule 16		
EXCEPTIONAL ITEM		
VAT Claim (Refer Note 16 to Schedule 18)	(122,180,287)	-
Damages for Loss of Employment	-	35,441,993
Legal Fees	-	13,241,259
(Write Back) / Written off during the year (Refer Note 16 to Schedule 18)	54,709,259	9,243,597
	(67,471,028)	**57,926,849**
Schedule 17		
FINANCIAL EXPENSES		
Interest on Bank Overdraft	54,683,352	35,525,679
Interest on Term Loan	59,068,908	54,548,950
Interest on Buyers Credit	61,996,379	-
Interest on Others	23,818,837	6,425,947
Bank charges	10,454,939	13,234,600
	210,022,415	**109,735,176**

Schedule 18

1. Nature of Operations:

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

2. Statement of Significant Accounting Policies:

a. Basis of Preparation

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

The financial statements of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the holding company namely March 31, 2009.

b. Principles of Consolidation

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

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

i. The financial statements of the parent and the subsidiary have been combined on a line-by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting profits in full. An unrealised loss resulting from intra-group transactions has also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the Group.

ii. The Assets & Liabilities of 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.

iv. The consolidated financial statements are prepared using uniform accounting policies to the extent practicable across the Group. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by Group, except in case of the accounting policies mentioned below, where there exists variance between Parent and the subsidiary:

   a. Fixed Assets

   b. Depreciation

   c. Foreign Currency Translation

   d. Current Investments

v. Goodwill arising on consolidation:

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

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

Name of Subsidiary	Principal Activity	Country of Incorporation	Percentage of Holding
Prime Focus London Plc. (formerly known as VTR Plc, UK)	Post Production and VFX services	England & Wales	59.96%
Prime Focus Investments Ltd.	Media and other Investments	England & Wales	100%
Prime Focus Technologies Pvt. Ltd.	Digital Asset Management	India	51%
Flow Post Solutions Pvt. Ltd.	Post Production services	India	51%
GVS Software Pvt Ltd.	No activity as of date	India	100%
Prime Focus Motion Pictures Ltd.	No activity as of date	India	100%
Subsidiary undertakings of Prime Focus London Plc. (formerly known as VTR Plc, UK)			
Blue Post Production Limited	Broadcast Post Production	England & Wales	100%
The Machine Room Limited	Film Transfer, Video Mastering & DVD	England & Wales	100%
VTR Media Investments Limited	Media Investments	England & Wales	100%
The Hive Animation Limited	Post Production Service	England & Wales	100%
Clipstream Limited	Digital Content Management	England & Wales	100%
K Post Limited	Post Production of Television Commercials	England & Wales	100%
United Sound & Vision Limited	Post Production of Television Commercials	England & Wales	100%
Machine Effects Limited	Graphics for Feature Films	England & Wales	100%
PF (Post Production) Limited	Post Production	England & Wales	100%
37 Dean Street Limited	Post Production	England & Wales	100%
Associates of Prime Focus London Plc. (formerly known as VTR Plc., UK)			
VTR North Limited	Post Production of Television Commercials	England & Wales	20%
Petrol Digital Media Limited	DVD Mastering & Authorising	England & Wales	49%
Subsidiary undertakings of Prime Focus Investments Ltd. w.e.f. April 1, 2008			
Prime Focus VFX Services I Inc	Post Production and VFX services	Canada	100%
Prime Focus VFX Services II Inc	Post Production and VFX services	Canada	100%
Prime Focus VFX Technology Inc	Post Production and VFX services	Canada	100%
Prime Focus VFX Pacific Inc	Post Production and VFX services	Canada	100%
Prime Focus VFX USA Inc	Post Production and VFX services	USA	100%
Prime Focus VFX Australia Pty Ltd	Post Production and VFX services	Australia	100%
Post Logic Studios, Inc	Post Production and VFX services	USA	100%
Subsidiary undertakings of Post Logic Studios, Plc.			
1800 Vine Street LLC	NA	USA	100%
Subsidiary undertakings of Prime Focus London Plc. (formerly known as VTR Plc, UK) – Liquidated during the year			
Clear (Post Production) Limited	Post Production of TV commercials	England & Wales	100%
Outpost Post Production Limited	Post Production of TV commercials	England & Wales	100%

During the year consequent to Prime Focus Investments Limited, acquiring the above mentioned subsidiaries there is an increase in net assets by Rs. 464,718,402 and decrease in profit before tax by Rs. 62,402,284 and decrease in profit after tax by Rs. 5,116,871.

d. **Use of Estimates**

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

e. **Fixed Assets**

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

f. **Depreciation**

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

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

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

However, one of the subsidiary company, Prime Focus London Plc, UK, 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%

Impairment

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

g. **Intangible Assets**

Film Rights

The Group amortises film costs using the individual-film-forecast method. Under the individual-film-forecast method, such costs are amortised for each film in the ratio that current period revenue for such films bears to management's estimate of remaining unrecognised ultimate revenue as at the beginning of the current fiscal year. Management regularly reviews and revises, where necessary, its total estimates on a film-by-film basis, which may result in a change in the rate of amortisation and/or a write down of the intangible asset to fair value. No amortization has been done in the current year as the rights are not exercisable in the current year.

h. **Leases**

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

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

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

i. **Stocks**

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

j. **Investments**

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

In case of one of the subsidiary Prime Focus London Plc., quoted investments are revalued at each period end according to the movement in the share price at the time. The change in value of the investment is charged or credited to the fair value reserve in the balance sheet.

k. **Revenue Recognition**

Technical services receipts

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

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

Interest

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

Dividends

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

Fee for providing undertaking

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

l. **Foreign Currency Transactions**

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at the fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange Differences

Exchange differences arising on a monetary item that, in substance, form part of the company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognized as income or as expenses.

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

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

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

m. **Income Taxes**

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

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 across various countries of operation are not set off against each other as the Group does not have a legal right to do so. 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.

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

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

n. **Segment Reporting**

The Group's operations predominantly relate to providing end-to-end digital post production services to the media and entertainment industry viz., Film, Advertising 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.

o. **Earnings Per Share**

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

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

p. **Provisions**

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

q. **Cash & Cash Equivalents**

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

r. **Derivative Instruments**

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

s. **Retirement and other Employee Benefits**

i) Post employment benefits and other long term benefits:

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

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

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

ii) Short term employee benefits:

Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

3. **Detail of charges provided for Secured Loans:**

Nature	**Value**	**Security**
Term Loan	Rs. 357,051,665	i. First Charge against the Property financed.
		ii. Subservient Charge on the movable Fixed Assets and Receivables of the Company.
		iii. Personal Guarantee of the Promoter Director.
		iv. Pledge of Shares by Promoters.
Buyers Credit	Rs. 745,447,595	i. Letter of Credit.
		ii. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future and Term Deposits.
		iii. First Charge on the Fixed Assets of the Company, both present and future.
		iv. Personal Guarantees of the Promoter Director.

Nature	Value	Security
Cash Credit / Over Draft	Rs. 477,488,637	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future.
		ii. First Charge on the Fixed Assets of the Company, both present and future.
		iii. Personal Guarantees of the Promoter Director.
Short Term Demand Loan	Rs. 25,000,000	i. First Charge on Current Asset and Personal Guarantee of Director.
		ii. Post Dated Cheques of the Company
Vehicle Loan	Rs. 17,951,939	i. First Charge on the Vehicles Financed
Bank Loans of subsidiary (Prime Focus London Plc.)	Rs. 270,309,763	i. Secured by a fixed and floating charge over the assets of the Subsidiary and Group.
Hire Purchase Creditors (Prime Focus London Plc.)	Rs. 48,376,015	i. Secured against respective movable assets.
Term Loan (Subsidiaries of Prime Focus Investments Ltd.)	Rs. 612,402,314	i. Secured against property and other equipments.
Cash Credit/ Over Draft (Subsidiaries of Prime Focus Investments Ltd.)	Rs. 19,207,498	i. Secured against book debts.
Vehicle Finance (Subsidiaries of Prime Focus Investments Ltd.)	Rs. 9,770,555	i. Secured against vehicle financed.

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

5. **Changes in Accounting Policy:**

   During the previous year, the Company had adjusted Mark-to-Market losses on loans/liabilities for fixed assets as per the requirement of Schedule VI of the Companies Act, 1956 as per legal advice received. Consequent to recent amendment to AS-11, the company has debited the foreign exchange fluctuation including Mark-to-Market loss on loans/liability on derivative contract aggregating to Rs. 45.16 million as at March 31, 2008 to Profit and Loss Account.

   In the current year, four subsidiaries of the group has changed (with retrospective effect) its method of providing Depreciation on fixed assets from the Written Down Value (WDV) method at the rates based on technical estimates of useful life, to the Straight Line Method (SLM) at the rates prescribed in Schedule XIV to the Companies Act, 1956 or technical estimates of the useful life whichever is higher.

   Had those companies continued to use the earlier basis of providing depreciation, the charge to the Profit and Loss Account for the current year would have been higher by Rs. 13,307,991 (GBP 170,375) and the net block of fixed assets would correspondingly be lower by the said amount. The net charge of GBP 170,375 (CAD 305,387) arising out of retrospective re-computation has been recognized in the current year's Profit and Loss Account.

6. **Changes in Accounting Estimates:**

During the year ended March 31, 2009, the Group has changed the useful life of certain Plant & Machinery items prospectively from April 1, 2008. Consequent to such change, the unamortised depreciable amount will be charged over the revised remaining useful life of those assets. This change in estimate has resulted in profit after tax being higher by Rs. 29.04 million.

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

Income from Operations by Geographical Area **In Rupees**

	2009	**2008**
India	889,751,733	774,476,726
United Kingdom	1,223,008,867	1,371,514,922
U.S.	801,985,458	Nil
Canada	514,699,429	Nil
Other Countries	114,274,401	75,338,324
	3,543,719,888	**2,221,329,972**

Segment Assets by Geographical Area and additions to Segment Assets **In Rupees**

	Segments Assets		**Additions to Fixed Assets and intangibles**	
	2009	**2008**	**2009**	**2008**
India	3,217,051,075	2,907,745,938	603,028,363	746,900,621
United Kingdom	1,451,287,582	856,019,819	91,640,688	258,847,768
U.S.	1,957,762,778	Nil	35,317,539	Nil
Canada	587,125,075	Nil	35,411,907	Nil
Other Countries	5,615,682	7,724,210	Nil	Nil
	7,218,842,192	**3,771,489,967**	**765,398,497**	**1,005,748,389**

8. **Related party disclosures:**

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

i) Key Management Personnel

Mr. Naresh Malhotra - Chairman

Mr. Namit Malhotra - Managing Director

ii) Relatives of Key Management Personnel

Ms. Neha Malhotra

Mr. Premnath Malhotra

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

Blooming Buds Coaching Private Limited

b. **Particulars of Related Party Transactions** **In Rupees**

S. No		2009	2008
1.	**Key Management Personnel**		
	a. Remuneration		
	Namit Malhotra	3,000,000	3,000,000
	Naresh Malhotra	3,000,000	3,000,000
		6,000,000	**6,000,000**
	b. Balance Outstanding at the year end – Remuneration Payable		
	Namit Malhotra	244,800	Nil
	Naresh Malhotra	244,800	Nil
		489,600	**Nil**
2.	**Relatives of Key management Personnel**		
	Professional Fees		
	Neha Malhotra	450,000	600,000
	Premnath Malhotra	220,000	240,000
		670,000	**840,000**
3.	**Enterprises owned or significantly influenced by Key Management Personnel or their relatives**		
	a Rent		
	i) Blooming Buds Coaching Private Limited	21,250,000	19,050,000
	b Deposits given		
	i) Blooming Buds Coaching Private Limited	13,200,000	Nil
	c Balance receivable at the year end – Deposits		
	i) Blooming Buds Coaching Private Limited	48,000,000	34,800,000

9. **Leases:**

a. Operating Leases:

Office premise is obtained on operating lease. The lease term is for 60 months and further renewable at the option of the Group. In case of Lease Agreement with Maharashtra Film Stage and Culture Development for 180 months, an escalation clause for increase in the lease amount in 4th, 6th and 11th year of Agreement by Rs. 500,000, Rs. 500,000 and Rs. 600,000 per year respectively exists. There are no restrictions imposed by lease arrangements. There are no sub-leases.

In Rupees

	2009	2008
Total Lease Payments for the year	117,164,068	114,288,550
Lease Payments due within one year	101,588,783	136,023,880
Lease Payments due later than one but not later than five years	342,731,023	460,000,477
Lease Payments due later than five years	294,496,998	379,682,105

b. Finance Leases:

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

In Rupees

	2009	**2008**
Total Lease Payments for the year	8,670,722	Nil
Less: amount representing finance charges	1,611,953	Nil
Present value of minimum lease payments (Rate of interest: 17% p.a.)	7,058,769	Nil
Lease Payments due within one year [Present Value Rs. 26,740,543 as on 31.03.2009 (Rs. Nil as on 31.03.2008)]	34,682,885	Nil
Lease Payments due later than one but not later than five years [Present Value Rs. 54,776,846 as on 31.03.2009 (Rs. Nil as on 31.03.2008)]	60,695,048	Nil
Lease Payments due later than five years	Nil	Nil

10. Earnings Per Share (EPS): **In Rupees**

	2009	**2008**
Net profit as per consolidated profit and loss account including exceptional items for calculation of basic and diluted EPS	145,837,323	295,364,311
Weighted average number of equity shares in calculating basic EPS	12,739,300	12,722,588
Add: Weighted average number of equity shares which would be issued on conversion of FCCB	1,562,205	470,801
Add:Weighted average number of equity shares diluted on merger	Nil	24,658
Weighted average number of equity shares in calculating diluted EPS	14,301,505	13,218,047
Basic EPS	11.45	23.22
Diluted EPS	10.20	22.35

11. Contingent Liabilities not provided for:

In Rupees

		2009	**2008**
i.	Estimated amount of contracts remaining to be executed on capital account not provided for	16,154,431	Nil
ii.	On account of undertakings given by the Group in favour of Customs authorities at the time of import of capital goods under EPCG Scheme. The Group is confident of meeting its future obligations on such undertakings in the normal course of business	797,033,046	596,854,904
iii.	Guarantees given by Banks on behalf of the Group	36,344,600	28,794,600

In Rupees

		2009	2008
iv.	On account of undertaking given on future probable obligation on behalf of subsidiary company in the course of acquisitions made by Prime Focus London Plc. to vendors of Machine Effects Ltd., U.K.	69,357,145	Nil
v.	On account of Unexpired Letters of Credit	Nil	109,447,659
vi.	Matters pending with Tax Authorities (TDS Scrutiny)	Nil	581,804
vii.	Matters pending with Tax Authorities (Block Assessment). The Group has been advised that it has a valid case based on similar decided matters.	1,046,969	37,560,468
viii.	Matters pending with Customs Authorities for which appeal is pending with Appellate Tribunal. On the basis of legal advice obtained, the Group is confident that no provision is required in respect of this case at this point of time	2,117,500	2,117,500
ix.	Premium on conversion of FCCB	269,140,513	49,453,774
x.	Compounding application pending with Reserve Bank of India		

12. Gratuity and other post-employment benefit plans:

a. **Define benefit plans:**

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

The parent company did not make any provision in respect of the gratuity benefit in previous year as amount was not material. In Current year, it has adopted Accounting Standard 15 (Revised 2005) which is mandatory from accounting periods starting from April 1, 2007. However, this adoption does not have a material impact on the profit and loss account. Hence, the entire charge of Rs. 1,224,852 has been debited to the profit and loss account for the year and accordingly amounts for the previous year have not been furnished.

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

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

Particulars	**March 31, 2009 Amount in Rs.**
Current service cost	549,095
Interest cost on benefit obligation	68,227
Expected return on plan assets	-
Net actuarial (gain)/ loss recognised in the year	223,785
Past service cost	383,745
Net benefit expense	**1,224,852**

Actual return on plan assets **Not Applicable**

Balance sheet

Details of Provision for gratuity	March 31, 2009 Amount in Rs.
Defined benefit obligation	1,224,852
Fair value of plan assets	-
Amount recognised in the balance sheet	**1,224,852**

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

Particulars	March 31, 2009 Amount in Rs.
Opening defined benefit obligation	383,745
Interest cost	68,227
Current service cost	549,095
Benefits paid	-
Actuarial (gains) / losses on obligation	223,785
Closing defined benefit obligation	**1,224,852**

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

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

The principal assumptions used in determining gratuity and post-employment medical benefit obligations for the parent company's plans are shown below:

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

b. **Defined Contributing Plan:**

Amount recognized as an expense and included in Schedule – 15 as Contribution to Provident and Other Fund Rs. 71,031,362 (Previous Year: Rs. 59,090,379)

13. Derivative Instruments and Unhedged Foreign Currency Exposure:

In Rupees

Particulars of Derivatives	**Value (March 31, 2009)**	**Value (March 31, 2008)**	**Purpose**
Currency Swap			
USD – JPY	USD 1,529,000 (JPY 191,125,000)	USD 2,425,000 (JPY 303,125,000)	Hedge against exposure to foreign currency fluctuations.
INR – USD	Nil	10,616,800 (USD 230,000)	
Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet Date			
Buyer's Credit (Liability)	608,982,313 (USD 11,968,992 @ Closing Rate of 1 USD = Rs. 50.88)	429,640,970 (USD 10,716,700 @ Closing Rate of 1 USD = Rs.40.10)	For import of equipments
	38,443,998 (EUR 569,873 @ Closing Rate of 1 EUR = Rs.67.46)	127,860,176 (EUR 2,018,212 @ Closing Rate of 1 EUR = Rs.63.53)	For import of equipments
Zero Coupon Foreign Currency Convertible Bonds (Liability)	2,162,696,800 (USD 55,000,000)	2,162,696,800 (USD 55,000,000)	For strategic acquisitions and / or strategic alliances outside of India

14. Foreign Currency Convertible Bonds (FCCB):

a. On December 12, 2007, the Group issued 550 Foreign Currency Convertible Bonds (FCCB's) of a face value of USD 100,000 each, aggregating to USD 55.00 million (equivalent – Rs. 2,162,696,800). The net proceeds from the issue of the Bonds are to be used for strategic acquisitions and/or strategic alliances outside of India, for investment into wholly owned subsidiaries and/or joint ventures outside of India, for announced and future acquisitions, for foreign currency capital expenditure or for any other use, as may be permitted under applicable laws or regulations from time to time.

b. As per the terms of the issue, the holders have an option to convert FCCB into Equity Shares at an initial conversion rate of Rs. 1,386.79 per equity share at a fixed exchange rate of Rs. 39.39 per USD subject to certain adjustments as per the terms of the issue. Further, under certain conditions, the Group has the option to redeem the bonds on or after December 12, 2010. Unless previously converted or redeemed or purchased and cancelled, the Group will redeem these bonds, at 143.66% at the end of the five years from the date of issue i.e. on December 13, 2012. As at March 31, 2009, no bonds have been converted into equity shares of Rs. 10 each and the entire balance of 550 bonds have been included and disclosed in the Schedule of "Unsecured Loans".

c. The FCCB's as detailed above are hybrid 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 Rs. 269.14

million (Previous Year Rs. 49.45 million). However, in the event of redemption, the premium payable would be adjusted against the balance in the Securities Premium Account.

d. The management is of the opinion that the bonds are a non monetary liability and hence, the exchange gain/ loss on translation of FCCB liability in the event of redemption have not been recognized.

e. Subsequent to year-end, the Group has received a letter from the Reserve Bank of India ('RBI') stating that it is not an eligible borrower to issue the Foreign Currency Convertible Bonds ('FCCB') of USD 55 million under External commercial borrowings (ECB) guidelines. The Group has obtained legal opinion confirming its eligibility and is in process of filing for compounding application with the RBI for the above mentioned matter and resultant compliances. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

15. **Miscellaneous Income:**

Miscellaneous Income includes income from production of TV Programme and distribution of films of Rs. 11,550,000 (Previous Year Rs. 34,599,670) against which cost of Rs. 10,597,920 (Previous Year Rs. 28,011,996) is incurred.

16. **Exceptional Items**:

During the year under review i.e. April 1, 2008 to March 31, 2009, there were two judgments by the High Court of Justice in London. Under these rulings the Court had approved reclaiming VAT on several expenses (like Staff entertainment and subsistence, stock exchange listing costs, petty cash expenses, etc.) which were excluded previously. Further the Court has now allowed for this reclaim to be calculated from 1996 onwards.

Based on above and as advised by accountancy experts, Prime Focus London Plc. and its subsidiaries have filed for VAT refund and has recognised Rs. 122,180,287 (GBP 1,564,208) as an exceptional income for the year ended March 31, 2009.

Prime Focus London Plc. has written off Rs. 54,709,259 (GBP 700,413) being old unrecoverable balances.

17. **Corporate Restructuring of Prime Focus London Plc.**

During the year, Outpost Post Production Limited (erstwhile Video Tape Recording Limited), subsidiary of Prime Focus London Plc., was liquidated as per restructuring plan. In terms of Court permission received by the Prime Focus London Plc. to adjust the liquidation loss against the share premium, it has adjusted the loss of GBP 3,678,675 arising out of liquidation to its Share Premium account and accordingly an amount of Rs. 174,516,829 (GBP 2,398,573) being share of the parent company is shown as reduction from opening balance in the Profit and Loss Account.

18. Previous year's figures have been regrouped where necessary to confirm to this year's classification. The previous year's figures are not strictly comparable as current year's figure includes results of new acquisitions made by the parent company. The figures of previous year were audited by a firm of Chartered accountants other than S. R. Batliboi & Associates.

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

As per our report of even date

For **S. R. Batliboi & Associates**
Chartered Accountants

Per Govind Ahuja
(Partner)
Membership No. 48966

Place : Mumbai
Date : June 30, 2009

For and on behalf of the Board of Directors

Naresh Malhotra	**Namit Malhotra**	**Parina Shah**
(Chairman)	(Managing Director)	(Company Secretary)

PRIME FOCUS LIMITED

Registered Office: Prime Focus House, Linking Road, Opposite Citi Bank,
Khar (West), Mumbai - 400052

ATTENDANCE SLIP

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

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

I/We hereby record my/our presence at the 12th Annual General Meeting of the Company held at Ramee Guestline Hotel, Regent Hall, 757, S.V.Road, Khar (West), Mumbai -400 052 on Friday, September 25, 2009 at 11. a.m.

Name of the equity shareholder/proxy/representative ________________________________

Signature of the equity shareholder/proxy/representative ________________________________

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

PRIME FOCUS LIMITED

Registered Office: Prime Focus House, Linking Road, Opposite Citi Bank,
Khar (West), Mumbai - 400052

PROXY FORM

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

I / We________________________________of________________________________ being a member/members of PRIME FOCUS LIMITED hereby appoint____________________of__________________or failing him________________________________of ________________________________as my/our proxy to vote for me/us and on my/our behalf at the 12th Annual General Meeting of the Company to be held on Friday September 25, 2009 at 11.00 a. m. or at any adjournment thereof.

Signed: ________________________________

Date: ________________________________

Affix Re. 1/-
Revenue
Stamp

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

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DISCLAIMER

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