PRIME FOCUS

PRIME FOCUS

www.primefocusworld.com

A PRISM solution (www.prism.net.in)

Prime Focus Annual Report 2010-2011

India - The Focus of Our World.

Prime Focus Limited Annual Report 2010 - 11

INDIA - THE FOCUS OF OUR WORLD

India is our home. India is where we started from 14 years ago when we embarked upon a journey that was both exciting and challenging. From humble beginnings in India, we were soon traversing the globe, travelling to the major centres of media and entertainment and building our offices there. Today, we are present in three continents and across four time zones with sixteen world-class facilities. We have been a part of some of the most successful international movie projects of the last few years. Today, we are a global Visual Entertainment Services group, respected and renowned in the media space for our creativity, technology and high service standards.

India is where we started. India is where we are focused. India produces more movies than any other country in the world. Our clients in India have been with us since we started, growing alongside us. Our clients have always been our prime focus. And to ensure that we continue to serve them with the very highest levels of creativity, technology and service, we have made substantial investments in India. We have revamped, revitalised, renewed, relocated and reinforced our domestic Indian facilities and management. We continue to invest in India.

The investments that we have made in India over the last year will result in enormous international benefits for the company. As the bedrock and powerhouse of the global group, these investments will allow India to provide even greater support to the group's international facilities. Through our pioneering WorldSourcing™ business model, we enable our clients to tap Prime Focus's global resources across continents and time-zones and integrate the best 'multi-local' offering with a strong and collaborative network, resulting in major time and cost benefits.

The world is being swept away by the 3D revolution. 3D has totally redefined the viewing experience by bringing reality closer. Its impact on the media space is spoken about in the same breath as the impact of sound and colour. Prime Focus has been at the forefront of this 3D revolution. Prime Focus was the only Asian company to be associated with Avatar - the biggest Hollywood film ever made. Our revolutionary View-D™ process is transforming the global feature film industry, converting 2D movies to 3D stereoscopic format at the highest level. As more and more movies are made in 3D and as more classics are converted into 3D formats, we are confident that India will play a pivotal role as we bring more top international projects to India and retain our position as leaders in this revolution.

India is our home. India is our global headquarters.

The world is our market.

India is the focus of our world.

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WHO WE ARE

Prime Focus is a global Visual Entertainment Services group. Visual Entertainment Services is a new definition for an industry where technology, visual delivery platforms and content are converging and evolving. Employing over 3,500 professionals worldwide, working in 16 facilities across three continents, we provide creative and technical services to the Film, Broadcast, Advertising and Media industries.

We offer a genuine end-to-end solution from pre-production to final delivery including visual effects, creative 3D conversion, video and audio post-production, digital content management and distribution, Digital Intermediate, versioning and adaptation, and equipment rental.

Our pioneering business model - 'WorldSourcing' - enables our talent to share their expertise across projects, locations, disciplines and sectors. It means we can operate in every major market and at every stage of a project's development. WorldSourcing has no borders, timezones or limits on capacity and is able to adapt to the constantly changing needs and ambitions of content creators worldwide.

We operate a network that combines global cost advantages, resources and talent pool with strong relationships and a deep understanding of the local markets we operate in. A tailored approach to each project ensures the delivery of a superior level of service aligned with a highly competitive pricing structure.

Mission

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

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

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

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

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

To deliver to our shareholders a commitment to working with full Integrity and Intelligence at all times.

Values

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

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

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

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

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

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

FOCUS ON INDIA

INDIA IS OUR HOME. INDIA IS ALSO THE BACKBONE OF OUR GLOBAL OFFERING. WE ARE REVITALISING OUR INDIAN OPERATIONS AND GROWING OUR LEADERSHIP TO FURTHER SERVICE THE INDIAN FILM ENTERTAINMENT, ADVERTISING AND BROADCAST MARKETS.

We are the largest visual entertainment services company in India, with more than 2,500 professionals working across both domestic and international feature film productions, advertising and broadcast programming. The Indian market has been growing and embracing the technology developments that are shaping world entertainment in visual effects and 3D. Indian film and advertising budgets are getting bigger and the industry is growing with the increase in theatrical revenues through the growing number of multiplexes and the success of Indian films overseas. 2010-11 witnessed several Indian movies crossing the Rs.100 crore mark at the box office. This has continued into the next year.

We have been revitalising our Indian offering to ensure that we continue to offer our loyal, local Indian client base world-class creativity and technical services, and the highest levels of customer service. This includes investment both in our facilities, and in a strong management team that services the Indian market place.

INVESTMENT IN OUR FACILITIES

We opened a new, state-of-the-art, 75,000 sq ft global headquarters in Mumbai. This facility has been working tirelessly to ensure that our Indian clients receive unmatched quality and service when they partner with us.

In December 2010, we announced the opening of a new Film VFX and 3D conversion facility in Chandigarh Special Economic Zone. With a proposed build-out of 50,000 sq ft, this facility will have capacity for 3,000 artists, and marks a major expansion to cater for both domestic and international film projects, whilst also providing a significant number of new jobs for the local population.

We also reconfigured the Prime Focus facilities in Mumbai, in line with our future vision and the demands of the market.

We relocated the Prime Focus Advertising facility from Lower Parel to Khar. This facility is currently being renovated from the ground up, and is due to be re-launched in September 2011. The newly revitalised Advertising offering will include new, state-of-the-art equipment and infrastructure and new talent, in addition to the refurbished, dedicated studio.

Prime Focus Technologies, the dynamic and highly successful technology arm of Prime Focus, which during the course of the last year has signed deals with STAR TV, Eros International and the organisers of the IPL cricket tournament, took possession of the vacated offices in Lower Parel, creating an office in Mumbai which works closely with the Prime Focus Technologies headquarters in Bangalore on the development of CLEAR™, its hybrid-cloud, multi-platform content operations platform.

We also began refurbishment on the Mastermind building in Royal Palms, the original home of the Prime Focus VFX division in India. Whilst most of the VFX artists have been relocated to the neighbouring Mainframe global headquarters, Mastermind is still used for extra VFX capacity and is currently receiving a full refit.

INVESTMENT IN A STRONG TEAM

The revitalising of the Indian offering is spearheaded by the new CEO of Prime Focus India. Early in 2011, Mr. Ramki Sankaranarayanan, President and CEO of Prime Focus Technologies, was also appointed CEO of Prime Focus in India, in a move which saw him become responsible for all of the operations and business lines of Prime Focus in India, in addition to maintaining his leadership of Prime Focus Technologies. Mr. Sankaranarayanan reports directly to Prime Focus Global CEO Mr. Namit Malhotra, who relocated to Los Angeles this year to personally direct the operations of Prime Focus in North America. Also joining Prime Focus this year was Mr. Navin Agarwal, who took on the position of Company Secretary, reporting to Mr. Nishant Fadia, CFO . This renewed focus and additional leadership is already paying dividends, with deals such as that signed with UTV Motion Pictures, which involves a close collaboration with Prime Focus on a slate of forthcoming UTV Motion Pictures productions.

Prime Focus India is now revitalized with significant investment in our facilities so that we can successfully cater to the demand expected from India, and also be the backbone for the work coming from the international market place.

OUR WORK ON SANJAY LEELA BHANSALI'S VISUAL EXTRAVAGANZA 'GUZAARISH' SAW US PICKING UP 'BEST SPECIAL EFFECTS' AT THE 2011 APSARA AWARDS, AND AN EME AWARD FOR 'VFX FOR THE BEST FILM CONTENT'. THE PRIME FOCUS VFX TEAM IN INDIA ADDED ANOTHER AWARD TO ITS KITTY BY WINNING THE 'AWARD OF EXCELLENCE' AT ASIFA IAD 2010 FOR THEIR WORK ON MANI RATNAM'S 'RAAVAN'.

'Guzaarish' - SLB Films

WE ALSO RECEIVED AN EME AWARD FOR 'VFX FOR THE BEST TV CONTENT' FOR THE HARVEY B-BROWN DIRECTED INDIGO AIRLINES 'ON-TIME' ADVERT, WHICH WENT ON TO BAG THE GOLD AWARD IN FILMCRAFT (SPECIAL EFFECTS) AT GOAFEST 2011.

AND IN SEPTEMBER 2010, PRIME FOCUS TECHNOLOGIES WAS HONOURED WITH THE ACCOLADE 'BEST OF IBC 2010' FOR CLEAR, WHICH IT WAS EXHIBITING FOR THE FIRST TIME IN EUROPE AT THE INTERNATIONAL BROADCASTING CONVENTION IN AMSTERDAM - ONE OF THE BIGGEST EVENTS IN THE INDUSTRY'S CALENDAR.

BOLLYWOOD FILM PROJECTS

MURDER 2
SHAITAN
PATIALA HOUSE
NO ONE KILLED JESSICA
GUZAARISH
TANU WEDS MANU
ANJAANA ANJAANI
RAVAAN
BUMM BUMM BOLE
BADMAASH COMPANY
TEES MAAR KHAN
F.A.L.T.U

ADVERTISING PROJECTS

PHILIPS 'GROOMING RANGE'
RELIANCE 'DIGITAL HD'
TOSHIBA 'SACHIN CUT OUT'
INDIGO AIRLINES 'ON TIME'
DOMINO'S MEXICAN WRAP
AXIS BANK 'THERE'S ALWAYS A SOLUTION'
SAMSUNG 'GURU'

FOCUS ON THE WORLD

PRIME FOCUS HAS DEMONSTRATED ITS STRONG CAPABILITIES TO SERVE THE GROWING DEMANDS OF THE WORLD ENTERTAINMENT BUSINESS THROUGH ITS WORLDSOURCING™ MODEL. MR. NAMIT MALHOTRA, PRIME FOCUS FOUNDER AND GLOBAL CEO HAS RELOCATED TO LOS ANGELES AND WILL DRIVE THIS MARKET FURTHER.

We offer to the world of entertainment our WorldSourcing™ business model - a unique global network of integrated studios. Our Global Digital Pipeline spreads across 3 continents and 4 time zones; 16 facilities with over 3,500 people working 24/7, 365 days, resulting in major time and cost benefits.

India is the bedrock of this global offering - the powerhouse behind the global group which is helping our international facilities to compete on the global stage.

This continued investment in the Prime Focus facilities in India has benefits for the company internationally, as well as domestically. Prime Focus' pioneering WorldSourcing™ business model has truly come into its own over the last year, which has seen a huge increase in the number of projects being completed through the Global Digital Pipeline™, using our global network to provide our clients capacity, global talent, and time and cost benefits.

PRIME FOCUS WORLD: STAR WARS, HARRY POTTER, TRANSFORMERS, X-MEN, SCREAM 4

Perhaps the most notable WorldSourcing™ success this year was the completion of the 3D conversion of Star Wars Episode I: The Phantom Menace for Lucasfilm, utilising View-D™, our proprietary 3D conversion process. Prime Focus was selected by Lucasfilm and ILM following an exhaustive testing process, with Star Wars creator George Lucas himself commenting, on Prime Focus' work: "It was incredibly important to me that we have the technology, the resources and the time to do this right. I'm very happy with the results I've been seeing on Episode I."

Episode I was completed by Prime Focus artists in Mumbai, Los Angeles and London, as were other 'WorldSourced™' 3D conversion projects such as Transformers: Dark of the Moon, Green Lantern and The Chronicles of Narnia: Voyage of the Dawn Treader.

And as lead facility on the conversion of the biggest release of 2011 so far, Prime Focus artists in Mumbai and London played a big part in the success of Harry Potter and the Deathly Hallows Part 2, which released in July 2011 and immediately shattered opening weekend box office records, with 60% of ticket sales internationally coming from 3D.

The WorldSourcing™ business model has also been leveraged for Film VFX work. Projects such as X-Men: First Class, Unknown and most notably Scream 4, have all been completed across the Global Digital Pipeline, with all of the VFX shots for Scream 4 completed by the VFX team in Mumbai.

The Advertising business in London has also been using the Global Digital Pipeline to win work from major European advertising agencies and brands keen to maximise their budgets and take advantage of reduced timelines without compromising quality.

These initiatives, bringing top-end international work into India, would not be possible without a world-class creative offering in India and a robust and efficient pipeline - both of which Prime Focus has in place.

Prime Focus will continue to invest locally in India, will continue to invest internationally in its facilities and Global Digital Pipeline, and will continue to pursue its innovative business model to ensure it remains the clear choice for both domestic and global clients.

INTERNATIONAL FILM PROJECTS

STAR WARS EPISODE I: THE PHANTOM MENACE
TRANSFORMERS 3: DARK OF THE MOON
GREEN LANTERN
X-MEN: FIRST CLASS
SCREAM 4

TREE OF LIFE
SUCKER PUNCH
TRON: LEGACY
THE CHRONICLES OF NARNIA: VOYAGE OF THE DAWN TREADER
THE A-TEAM

FOCUS ON 3D

THE POWER AND IMPACT OF 3D HAS BEEN REVOLUTIONARY. SUCH HAS BEEN THE SUCCESS AND ACCEPTANCE OF THIS MEDIUM BY THE GLOBAL AUDIENCES THAT TIME MAGAZINE WROTE RECENTLY: "3D IS NOW GOOD ENOUGH TO MAKE IT - AFTER SOUND AND COLOUR - THE THIRD SEA-CHANGE TO AFFECT MOVIES. THIS REALLY IS A REVOLUTION."

James Cameron was famously quoted as saying that every film he will hence be making will be in 3D. Jeffrey Katzenberg, CEO of Dreamworks™ Animation, predicted of 3D that, "It's the future of film-making ...within five-to-seven years, all films will be made in 3D."

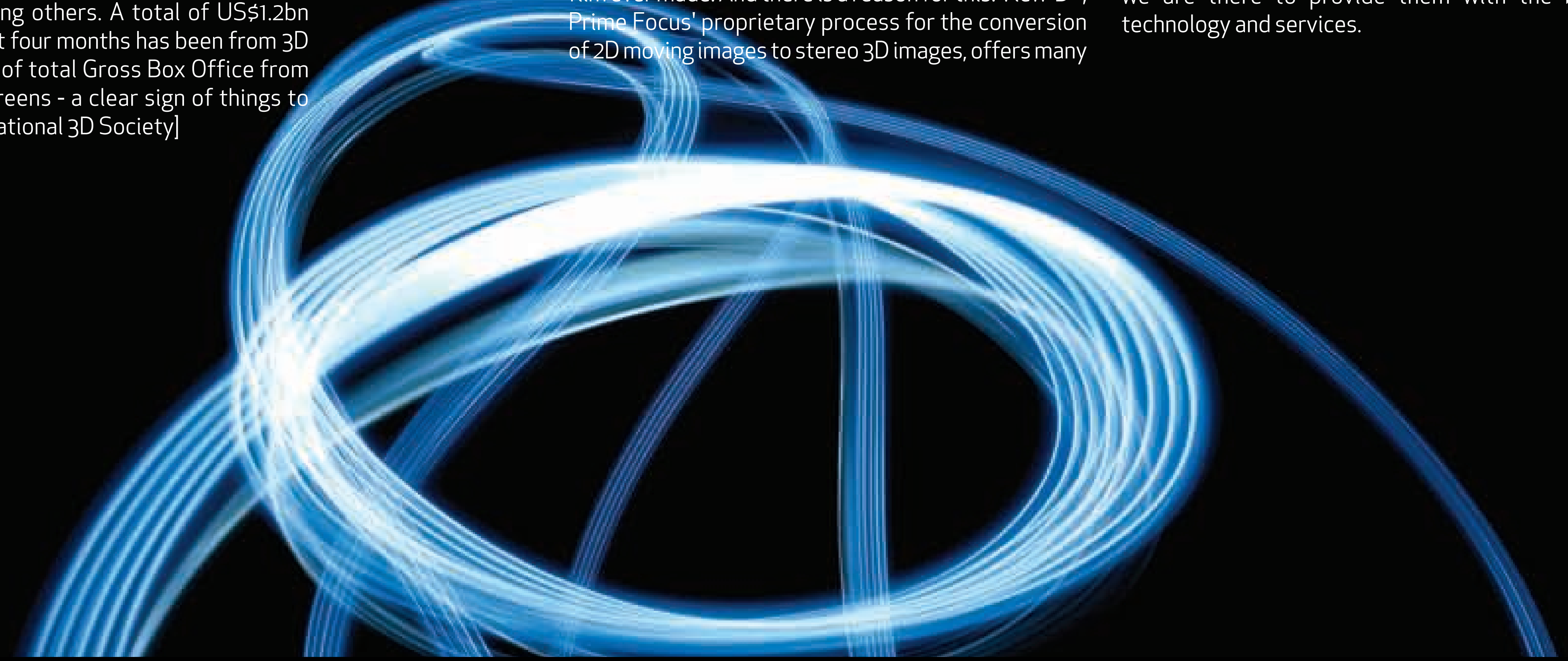
3D has been embraced by the audiences and the industry alike. Audiences love it for its almost real life entertainment and thrills. The producers, distributors and exhibitors love it since it decreases costs through digital distribution, increases revenue through higher ticket prices in theatres and reduces piracy.

Almost every recent phenomenal box office success has been in 3D - films such as Avatar, Alice in Wonderland, How To Train Your Dragon, Transformers: Dark of the Moon and Harry Potter and the Deathly Hallows: Part 2, among others. A total of US$1.2bn ticket sales in the last four months has been from 3D screens. This is 65% of total Gross Box Office from only 33% of total screens - a clear sign of things to come. [Source: International 3D Society]

3D is not just restricted to the films. It is spreading to television as well. There are already 9,000 theatre screens worldwide 3D ready, and growing rapidly. 200,000 3D TV sets shipped in 2009 and this figure is expected to touch 64 million by 2018, 90% CAGR! (Source: DisplaySearch)

Prime Focus has been at the forefront of the 3D revolution. We are the only Asian company associated with James Cameron's Avatar - the biggest Hollywood film ever made. And there is a reason for this. View-D™, Prime Focus' proprietary process for the conversion of 2D moving images to stereo 3D images, offers many advantages over other conversion methods, including superior quality of converted imagery, significantly shorter production timeframes, more iterations and creative control over virtually every pixel in the frame.

Prime Focus has demonstrated its 3D capabilities by converting some of the biggest blockbusters globally. We continue to invest aggressively in our facilities in India, to ensure that as the Indian media and entertainment industry adopts higher technologies, we are there to provide them with the best in technology and services.



"PRIME FOCUS DELIVERED ON EVERY LEVEL AND HELPED MAKE OUR 3D CONVERSION FOR HARRY POTTER AND THE DEATHLY HALLOWS: PART 2 ALL THAT WE COULD HAVE HOPED FOR AND MORE." DAVID YATES, DIRECTOR.

'Harry Potter and the Deathly Hallows Part 2' - Warner Bros.

FOCUS ON TECHNOLOGY

PRIME FOCUS TECHNOLOGIES IS THE DYNAMIC AND HIGHLY SUCCESSFUL TECHNOLOGY ARM OF PRIME FOCUS, WHICH DURING THE COURSE OF THE LAST YEAR HAS SIGNED DEALS WITH STAR TV, EROS INTERNATIONAL, SCHAWK AND THE BCCI.

Prime Focus Technologies (PFT) is the dynamic and highly successful technology arm of Prime Focus. With offices in each of Prime Focus' major international locations, PFT deploys a unique mixture of media and IT skills to provide solutions and benefits to some of the world's largest content owners, including STAR TV, Eros International, IPL, BCCI, JWT and Schawk!

CLEAR™ is PFT's award-winning unified multi-platform content operations solution, delivered through technology and services. It is agile, cost-effective, flexible and quick to roll-out, and is fast becoming the workflow management infrastructure of choice with content owners who recognise the need to remain ahead of the game as technology advances and new delivery platforms emerge.

CLEAR™ is supported by a suite of technology, infrastructure, talent and tools, which includes:

- CLEAR, the award–winning technology workflow management infrastructure, voted 'BEST OF IBC 2010'.
- Prime Focus' global network of studios, combining media and IT skills to provide world-class digital post-production services from Los Angeles to Mumbai via New York and London.
- A proven architecture for change, including the creation of a supplier eco-system, a Cloud based TV Digital supply chain and a multi-platform processing, packaging and delivery infrastructure.
- Proprietary processes and tools, including SLA-driven best practice frameworks and intelligent application tools covering areas such as ingest, QC, archive, cataloguing, Video on Demand production and subtitling.
- Security, incorporating advanced IT, physical, content and platform security measures.
- A flexible business model, which allows clients to deploy only the elements of the system which they require, and offers a number of flexible payment options.

TVBEUROPE Editors' Awards
Best of IBC2010

The proof of PFT's transformative offering is in the organisations that are using it.

STAR TV deployed CLEAR to facilitate its transition to HD, to migrate its broadcast operations to the cloud and to create an eco-system for suppliers. Once within the eco-system, the content is placed at the centre of STAR's organisation, enabling concurrent rather than sequential workflows.

For STAR TV, CLEAR handles:

- 2,500 commercials every day
- 280 hours of new programming every week (removing the need for 2,245 half-hour digibeta tapes)
- And 17,500 hours of programming content for playout in 17 different formats every year

"We see a complete transition in the next three months. Our advertisers are now digitally connected with us, and we will have an end-to-end, digitally driven, tapeless eco-system."

Sanjay Gupta, Chief Operating Officer for STAR TV

In sport, the Indian Premier League utilises CLEAR to broadcast the tournament globally via its YouTube web portal, to create and publish highlights packages which are ready within minutes of the game finishing, and to push content to consumers' mobile phones within seconds of the live event.

By the end of the 2010 IPL tournament, YouTube was reporting:

- 55.7 million channel views
- 31.7 million Video on Demand views
- And 93,000 subscribers across 200 countries, making the IPL channel the "#1 Most Subscribed Channel of All Time in India"

The IPL mobile internet platform for the 2010 tournament was also driven by CLEAR. 25,000 hours of IPL video content was downloaded and viewed by fans on their mobile devices.

"In PFT we found the best blend of TV and Internet skills to deliver rich experiences on the Web and Mobile. We are extremely pleased with PFT's contributions and they are a great team to work with."

Sameer Mehta, Director, Willow TV

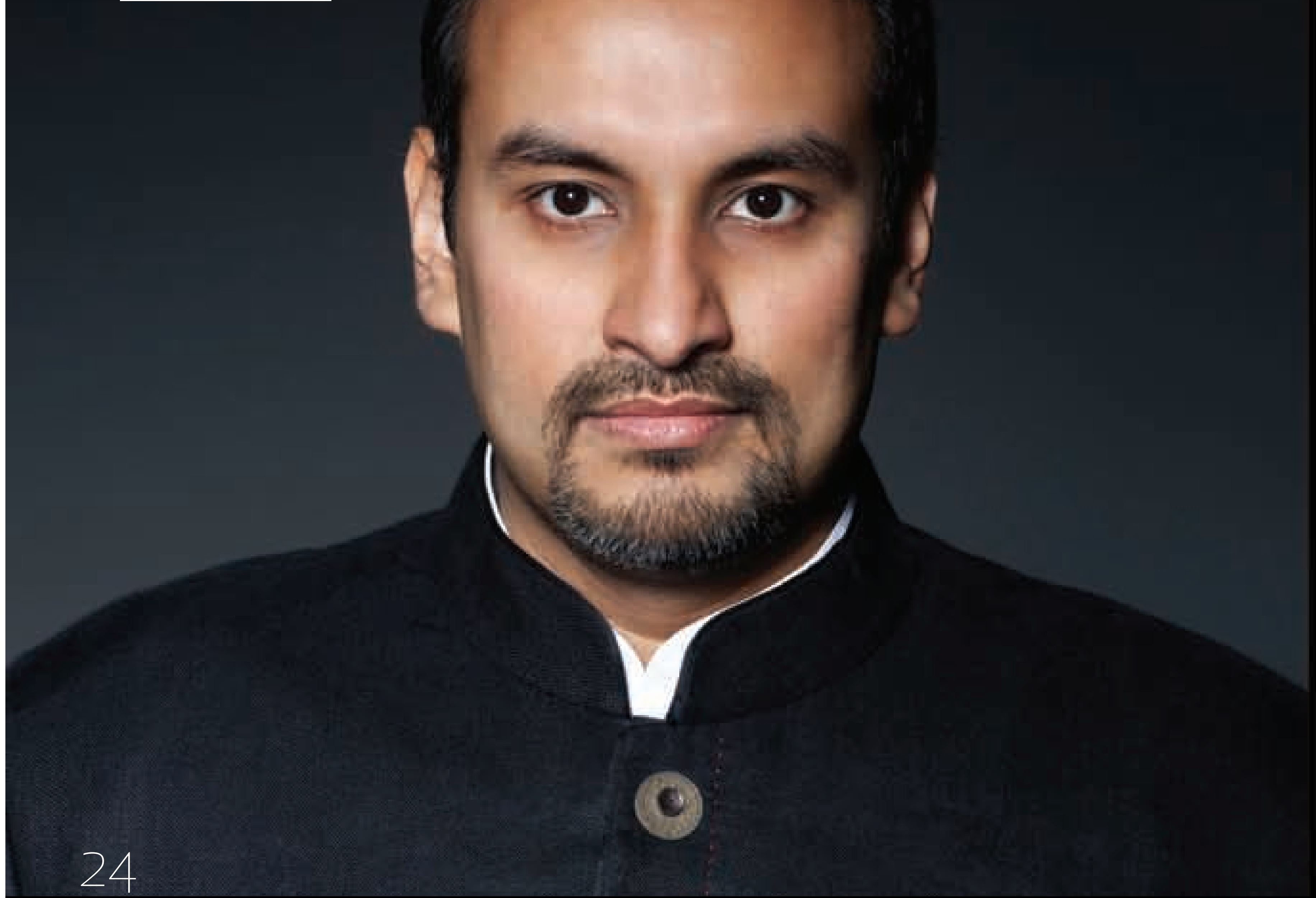
India's largest film studio, Eros International, is using CLEAR to digitize and catalogue its entire library of movies, comprising over 1,000 titles. This initiative helps Eros to monetize its intellectual property by enabling the production, repurposing and delivery of its content globally, across web, mobile and other new media platforms. It also allows the Company to archive, preserve and rights manage its library.

"Earlier, when we had an order for 10-15 movies, it used to take 4-5 days to deliver the content. Last week [with CLEAR], we delivered 45 movies in one week".

Sunil Pawar, Studio Manager, Eros International

MANAGING DIRECTOR'S MESSAGE

INDIA IS THE BEDROCK OF THE PRIME FOCUS GLOBAL OFFERING - THE POWERHOUSE BEHIND THE GLOBAL GROUP. WITHOUT INDIA, THE PRIME FOCUS GLOBAL OFFERING WOULD NOT EXIST.



Dear Shareholders,

I am extremely happy to share with you the highlights of an exciting and eventful year for the company. Prime Focus is firmly established at the forefront of delivering cutting-edge and top-class creative and technical services in the VFX , animation and post-production space to the media and entertainment industry globally. I am proud to say that in a short-span of fourteen years, Prime Focus has become a name synonymous with quality, innovation and committed delivery.

This year the company delivered sterling results. Here are the highlights :

- Total Income up by 12.21% to Rs. 5,179.36 million
- Profit After Tax (before minority interest) up by 123.87% to Rs. 881.88 million
- Net Worth up by 82.08% to Rs. 3,505.71 million
- Reserves up by 87.31% to Rs. 3,367.52 million

We started in India in a small way in 1997. Firmly believing in our dreams and focused on making them come true, we have been taking steady strides to evolve into a truly global Visual Entertainment Services group. Today, we have sixteen facilities spanning three continents and four time zones with over 3,500 people working around the clock to provide our clients with an unmatched service. We are focused on our operations and passionate about our clients, who have been with us throughout these fourteen eventful years, and have grown with us. We are committed to delivering our loyal clients the best creativity, technology and services. We want them to be part of the transformation of our business - bringing 'home' our learning from other parts of the world to help make our Indian facilities the best they can possibly be. India is the bedrock of the Prime Focus global offering - the powerhouse behind the global group. Without India, the Prime Focus global offering would not exist.

Over the course of last year, we have made significant investment in our facilities and infrastructure in India, and are committed to continue doing so. These investments will not only ensure that we continue to offer our local Indian clients a world-class service, but also have enormous benefits for the group globally.

As part of revitalising our operations in India, we opened our new, state of the art, 75,000 sq.ft. global headquarters in Mumbai, complete with 7 theatres and over 600 artist seats offering a complete and comprehensive end-to-end solution. In December 2010, we announced the opening of a 50,000 sq.ft. Film VFX and 3D conversion facility at Chandigarh. With a 3,000 artist capacity, this facility marks the major expansion in capacity to cater for both

domestic and international film projects, whilst also providing a significant number of new jobs for the local population. During the year, we also relocated the Prime Focus advertising facility from Lower Parel to Khar. The completely renovated Khar facility is scheduled for September 2011 re-launch. The Mastermind building in Royal Palms, the original home of the Prime Focus VFX division, is also undergoing refurbishment.

These initiatives continue to be spearheaded by the new CEO of Prime Focus India. Early in 2011, I appointed Mr. Ramki Sankaranarayanan, President and CEO of Prime Focus Technologies, as the new CEO of Prime Focus in India, in a move which saw him become responsible for all of the operations and business lines of Prime Focus in India, in addition to maintaining his leadership of Prime Focus Technologies. This renewed focus is already paying dividends and I am confident that Ramki will continue to drive and deliver the highest levels of service to our clients, and returns to our investors.

I have re-located to Los Angeles this year to personally direct the business in North America. Prime Focus today is a name to be reckoned with in the global media and entertainment industry. With our sustained investment in facilities and people, and with our commitment and focus to delivering world-class creativity, technology and services, Prime Focus is ready for its next phase of growth.

I thank all our clients, our investors, our vendors, and most of all, our people who have always remained focused on delivering matchless performance day on day, month on month, year on year.

Namit Malhotra

Managing Director

OVER THE COURSE OF LAST YEAR, WE HAVE MADE SIGNIFICANT INVESTMENT IN OUR FACILITIES AND INFRASTRUCTURE IN INDIA, AND ARE COMMITTED TO CONTINUE DOING SO. THESE INVESTMENTS WILL NOT ONLY ENSURE THAT WE CONTINUE TO OFFER OUR LOCAL CLIENTS A WORLD-CLASS OFFERING, BUT WILL ALSO HAVE ENORMOUS BENEFITS FOR THE GROUP GLOBALLY.

'The Chronicles of Narnia: Voyage of the Dawn Treader - Walden Media / Twentieth Century Fox'

CEO'S MESSAGE

Dear Shareholders

This has been a momentous year for Prime Focus, with notable successes both at home and abroad. Significant investment has been made in our facilities and infrastructure in India, allowing our talented and creative staff to continue offering the highest levels of service to our clients, both domestically and globally.

I am proud to have been entrusted with the direction of Prime Focus in India, and I am fully committed to building upon the hard work and successes which have led the company to its current market-leading position. I will continue to drive and deliver the highest levels of service for our clients, the best working conditions for our staff, and best returns for our investors.

I see the acceleration of digitisation globally within the Media & Entertainment industry. What is interesting is that the progress is across the content life cycle, right from the making of the content to distribution, exhibition and beyond. This, dovetailed to the insatiable demand for content for the 'digital consumer' and 3D, is pressing for change. Tape to tapeless, single screen to multi screen, prime time to my time, content delivered to any device, any place. All, many facets of this change. I will classify this as an opportunity to challenge convention and transform thought on how content is made, processed, managed, stored and monetised.

Your company has moved forward aggressively to offer technology services in addition to creative services. It is investing in the creation of technology and building new service lines for creative enablement and better monetisation of content.

It has set up a technology development center in Bangalore, India's Silicon Valley, which has built CLEAR™, the world's first Hybrid Cloud based Technical Infrastructure that helps manage content and its workflows. Another first is the innovation of setting up a TV domain specific cloud in India connecting the content suppliers to the broadcasters.

CLEAR today is already managing over a hundred thousand hours of content for clients like STAR TV, EROS, BCCI, Hindustan Unilever, JWT and others. TVB Europe Magazine gave a 'Best of IBC2010' award to CLEAR™ for its innovation and cost efficiency.

With CLEAR™ and a network of Prime Focus studios worldwide, we have fully embraced this new way of working, setting up our 'Global Digital Pipeline', which allows our artists and associates to collaborate on projects across geographies and timezones, and allows our clients to leverage the attendant cost and time advantages.

Just as the Indian IT industry emerged to be a strong supplier of Technology services over the last decade, I see the same opportunity for your company in the Media & Entertainment space.

I believe that there is no other company operating in the M&E industry that is better placed to take advantage of the rapid changes which we are seeing, offering technical and creative services. We will not rest on our laurels. We will continue to strive for more. More innovation. More market share. More value for our shareholders.

Ramki Sankaranarayanan

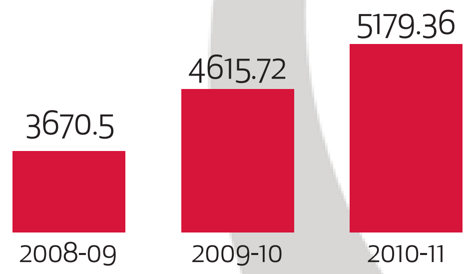
CEO, India

FINANCIAL SNAPSHOT

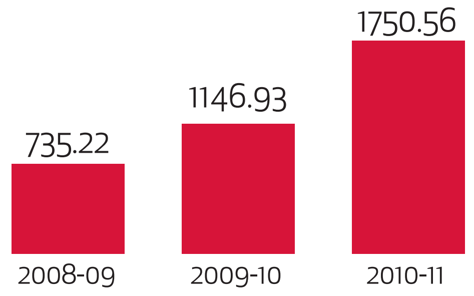
(₹ in million)

Particulars	2010-11	2009-10	2008-09
KEY OPERATING FIGURES			
Total Income	5179.36	4615.72	3670.50
Total Expenditure	3428.79	3468.79	2935.28
Earnings before Interest, Tax and Depreciation (EBITD)	1750.56	1146.93	735.22
Profit Before Tax	941.94	502.73	146.11
Profit Ater Tax (before minority interest)	881.88	393.93	157.64
KEY FINANCIAL FIGURES			
Net Worth	3505.71	1925.37	1751.23
Net Current Assets	2115.18	1382.94	1816.67
Reserves and Surplus	3367.52	1797.83	1623.68
Cash and Bank Balances	299.17	212.37	613.59
Gross Block	9693.53	7431.56	7339.56
Net Block	6628.21	4816.05	4528.88
Share Capital	138.87	128.23	128.23
Share Warrants	138.70	0.00	0.00
Earnings Per Share - Basic (IN ₹)	5.74	2.61	1.15

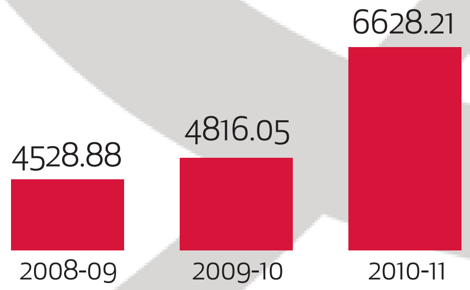
TOTAL INCOME (₹ IN MILLION)



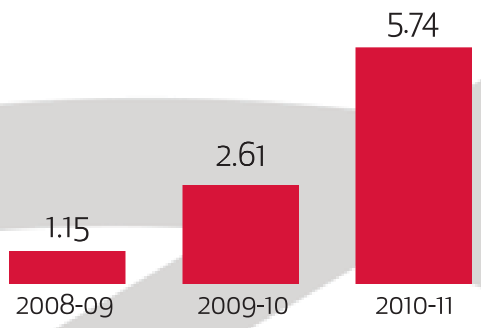
EBITD (₹ IN MILLION)



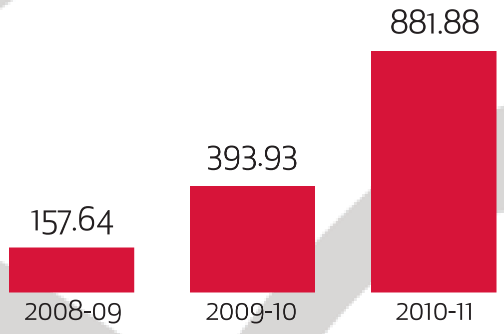
NET BLOCK (₹ IN MILLION)



EARNINGS PER SHARE - BASIC (IN ₹)



PAT - BEFORE MINORITY INTEREST (₹ IN MILLION)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Naresh Malhotra
Chairman & Whole-time Director

Mr. Namit Malhotra
Managing Director

Mr. Rakesh Jhunjhunwala
Non Executive Director

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

Mr. Kodi Raghavan Srinivasan
Independent and Non Executive Director

Mr. Rivkaran Chadha
Independent and Non Executive Director

Mr. Padmanabha Gopal Aiyar
Independent and Non Executive Director

Mr. Hariharan Padmanabhan
Independent and Non Executive Director
(Resigned w.e.f February 14, 2011)

CHIEF EXECUTIVE OFFICER

Mr. Ramki Sankaranarayanan

CHIEF FINANCIAL OFFICER

Mr. Nishant Fadia

COMPANY SECRETARY

Mr. Navin Agarwal

AUDITORS

M/s. MZS & Associates, Chartered Accountants

BANKERS

Yes Bank Limited

ICICI Bank Limited

Ratnakar Bank Limited

IDBI Bank Limited

Kotak Mahindra Bank Limited

REGISTRAR & TRANSFER AGENTS

Link Intime India Private Limited

REGISTERED OFFICE.

2nd Floor, Main Frame IT Park,

Building - H, Royal Palms,

Near Aarey Colony, Goregaon (East),

Mumbai - 400 065, India.

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.

DIRECTORS' REPORT

Dear Members,

Your directors are pleased to present the Annual Report of the Company along with the audited Accounts for the year ended March 31, 2011:

1. FINANCIAL PERFORMANCE:

The Standalone and Consolidated Audited Financial Results for the year ended March 31, 2011 are as follows:

(₹ in lacs)

	Consolidated		Standalone	
Particulars	**2010-11**	**2009-10**	**2010-11**	**2009-10**
Income from Operations	50,295.83	45,278.38	13,550.58	9,527.26
Other Income	1,497.74	878.85	481.63	504.28
Total Income	**51,793.57**	**46,157.23**	**14,032.21**	**10,031.54**
Less : Expenditure	34,287.92	34,687.89	8,047.81	4,949.02
Profit Before Interest, Depreciation and Tax	**17,505.65**	**11,469.35**	**5,984.40**	**5,082.52**
Less : Interest	2,630.47	2,183.40	1,386.15	1,235.60
Profit After Interest, Before Depreciation and Tax	**14,875.18**	**9,285.95**	**4,598.25**	**3,846.92**
Less : Depreciation	5,455.74	4,258.70	2,395.10	1,934.97
Profit Before Tax (PBT)	**9,419.44**	**5,027.25**	**2,203.15**	**1,911.95**
Less: Provision For Tax				
Current Tax	-	852.30	-	613.25
Deferred Tax	600.63	235.64	227.80	26.04
Profit After Tax	**8,818.81**	**3,939.31**	**1,975.35**	**1,272.66**
Less: Minority Interest	1,210.18	596.93	-	-
Profit After Tax (after adjustment of minority interest)	**7,608.63**	**3,342.38**	**1,975.35**	**1,272.66**
Add: Balance Brought Forward from previous year	10,851.92	7,509.54	10,126.92	8,854.26
Profit available for appropriation	**18,460.55**	**10,851.92**	**12,102.27**	**10,126.92**
Less: Transfer To General Reserve	-	-	-	-
Balance Carried To Balance Sheet	**18,460.55**	**10,851.92**	**12,102.27**	**10,126.92**

2. OPERATIONS REVIEW:

Total Income of your company for the year under review increased to ₹ 14,032.21 lacs from ₹ 10,031.54 lacs in the previous year and witnessed 39.88% growth. Profit before Tax, Depreciation & Interest (PBDIT) amounted to ₹ 5,984.40 lacs which is higher by 17.74 % in comparison to previous year. Net Profit after Tax is at ₹ 1,975.35 lacs as against ₹ 1,272.66 lacs in previous year.

On consolidated basis, total income of your company and its subsidiary stands at ₹ 51,793.57 lacs. Total Income has increased by 12.21% over previous financial year. Profit before Tax, Depreciation & Interest (PBDIT) was ₹ 17,505.65 lacs which is higher by 52.63% in comparison to previous year amount of ₹ 11,469.35 lacs. Profit After Tax (PAT) increased by 123.87% during the year under review and stands at ₹ 8818.81 lacs.

3. DIVIDEND:

In order to preserve funds for future activities, the Board of Directors of your Company do not recommend any Dividend for the year ended March 31, 2011.

4. APPROPRIATIONS:

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

5. CAPITAL:

During the year under review, the authorised share capital of the Company was increased from ₹ 15 Crores to ₹ 20 Crores to enable the Company to meet the additional capital requirements.

During the year under review, your Company has allotted 10,641,566 Equity Shares of face value of Re. 1/- each to Qualified Institutional Buyers under QIP as per Chapter VIII of the SEBI Regulations at a price of ₹ 68.58 per Equity Share (Including a premium of ₹ 67.58 per Equity Share), aggregating to ₹ 729,798,596 on November 10, 2010. The amount was raised with object to augment long term working capital requirements of the Company in view of the expected growth in the Company's business, prepay / repay debt, expand and to upgrade existing facilities, strengthen the financial position of our Company, fund other strategic initiatives and/or for other general corporate purposes.

Your Company has allotted 1,000,000 warrants convertible into Equity Shares on October 15, 2010 to Mr. Namit Malhotra, a member of the Promoters and Promoter Group carrying an option/ entitlement to subscribe to equivalent number of Equity Shares on a future date not exceeding 18 months from the date of allotment of such warrants. Each warrant shall be convertible into one equity share of nominal value of ₹ 10/- each at a price not less than the minimum price determined in accordance with the provision of Chapter VII of SEBI (ICDR) Regulations.

To augment and improve liquidity of Companys's equity share and enhance shareholder's value, Company's equity share of ₹ 10/- each fully paid up was subdivided into 10 equity shares of ₹ 1 fully paid up. The record date fixed for the purpose of sub division of equity shares of the company was November 1, 2010.

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

6. SUBSIDIARIES:

We have six direct subsidiary companies including two foreign subsidiary companies.

In accordance with the general circular no. 2/2011 dated February 08, 2011 issued by the Ministry of Corporate Affairs, the annual accounts of these subsidiary companies are not being attached with the balance sheet of the Company. The Company will make available the annual accounts of the subsidiary companies and related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the registered office of the Company and that of the respective subsidiary companies. The consolidated financial statements presented by the Company include the financial results of its subsidiary companies.

7. DIRECTORS:

In accordance with the requirements of the Companies Act, 1956, Mr.Kodi Raghvan Srinivasan and Mr. Padmanabha Gopal Aiyar, Independent and Non Executive Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. As stipulated in terms of Clause 49 of the listing agreement with the stock exchanges, the brief resume of Mr.Kodi Raghvan Srinivasan and Mr. Padmanabha Gopal Aiyar, will be provided in the Notice convening 14th Annual General Meeting of the Company.

Mr.Hari Padmanabhan resigned from the Board of Directors the Company with effect from February 14, 2011. The Board wishes to place on record its appreciation for his valuable contribution during his tenure as member of the Board.

8. CORPORATE GOVERNANCE REPORT AND GENERAL SHAREHOLDER INFORMATION:

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

9. PUBLIC DEPOSITS:

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

10. PARTICULARS OF EMPLOYEES:

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report. Having regard to the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the registered office of the Company.

11. DIRECTORS'RESPONSIBILITY STATEMENT U/S 217 (2AA) OF THE COMPANIES ACT, 1956:

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

- In the preparation of annual accounts, the applicable accounting standards have been followed and there are no material departures;
- They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011 and of the profit and loss account of the Company for the year ended on that date;
- They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- They have prepared the annual accounts on a going concern basis.

12. AWARDS AND ACHIEVEMENTS:

During the year, the Company has received several awards. Some prominent awards received are as follows:

- CGTantra Community Awards 2011 for Best VFX in Commercial for Zen Estilo ad.
- Apsara Awards 2011 for Best Visual Effects for 'Guzaarish'
- EME Awards 2011 for Best Film Content 'Guzaarish'
- EME Awards 2011 for the Best TV Content for Indigo Airlines 'On-Time' advert.
- Award of Excellence at ASIFA IAD 2010 for 'Raavan'

13. AUDITORS AND AUDITORS' REPORT:

M/s. S.R. Batliboi & Associates, Chartered Accountants resigned as Statutory Auditors of the Company and M/s. MZS & Associates, Chartered Accountants were appointed in their place at the Extra Ordinary General Meeting held on April 30, 2011 as Statutory Auditors of the Company.

M/s. MZS & Associates, Chartered Accountants, the Statutory Auditors hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The members are requested to consider their re-appointment and to fix their remuneration. The retiring auditors have, under Section 224 (1B) of the Companies Act, 1956, furnished confirmation of their eligibility for the re-appointment.

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 of their report on the Consolidated Financial Statements of the Company respectively, attention is invited to note no. 19 (c), (d) and (e) of Schedule 16 on Significant Accounting Policies and notes forming part of the Accounts of the Company and Note no. 16 (c), (d) and (e) of Schedule 18 of the Consolidated Financial Statements of the Company, wherein the detail explanation has been provided which in the opinion of the Board of Directors are self explanatory.

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

i. Conservation of Energy and Technology Absorption:

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/purchasing energy efficient equipments. We purchase PCs, laptops, air conditioners etc that meet environment standards, wherever possible and replace old equipment with more energy-efficient equipment. Our energy costs constitutes a very small part of our total expenses, the financial impact of these measures is not material but we constantly evaluate new developments and invest into latest energy efficient technology.

Your company is predominantly a service provider and research & development is carried out 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:

Activities relating to export, initiatives to increase exports, Developments of new export markets for Products and Services and Export Plan

The Company has continued to maintain focus and avail of export opportunities based on economic considerations. During the year, the Company has exports worth ₹ 6262.94 lacs.

(₹ in lacs)

Particulars	2010-2011	2009-2010
Foreign Exchange Earned: Technical Service receipts	2793.84	484.81
Foreign Exchange Outgo: Payment on other accounts	197.64	324.00

15. ACKNOWLEDGEMENTS:

Your Directors would like to express their appreciation for the assistance and co-operation received from the financial institutions, banks, Government authorities, customers, vendors and members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services by the executives and staff of the Company.

For and on behalf of the Board of Directors

Sd/-

Naresh Malhotra
Chairman and Whole-time Director

Place: Mumbai
Date: June 20, 2011

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC OVERVIEW

In its twice-yearly world economic outlook published in April 2011, the International Monetary Fund (IMF) has confirmed that the global economic recovery is proceeding steadily. It has estimated GDP growth at 4.4% for the current year and has projected a 4.5% growth in the next year.

While the US GDP grew at 3.1% in 2010, the euro zone continued to struggle with a growth of about 1% in GDP. The situation in the UK remained grim, considering that in February 2010, the authorities revised the GDP growth numbers to 1.7% from 1.8% for the current year, and from 2.3% to 2.2% for the year 2012. In the first quarter of 2011, the GDP actually contracted by 0.5%, largely due to a massive cut in spending, subdued wages and squeezed household budgets.

Emerging markets, especially those in India and China, continued their growth momentum, with 8.8% and 10% GDP growth respectively. In India, the economy is fast moving forward on the back of impressive growth in consumption, rise in salary-levels, rapid urbanisation and overall growth in the manufacturing and service sectors. Inflation does continue to remain a worry and concern, with the government raising interest rates to rein in growing inflation.

INDUSTRY OVERVIEW

After being impacted adversely by the global downturn in economy in 2008 and 2009, the global entertainment and media (E&M) industry has entered a positive growth phase in 2010, according to the Global Entertainment and Media Outlook : 2010-14 report by Price Waterhouse Coopers (PWC). This report estimates the global E&M spending grew by 4.6% in the year 2010. Over the next five years, the E & M spending is estimated to rise to USD 1.9 trillion in 2015, growing at a Compounded Annual Growth Rate (CAGR) of 5.7%.

Region-wise, the US continued to be the single-largest market at US$ 726 million in 2010 and is growing at a CAGR of 5.6%. Europe and Middle East combined are the second-largest market with a size of US$ 580 million and CAGR of 6.1%. Asia-Pacific is the fastest growing market with a size of US$ 425 million and CAGR of 9.2%, led by explosive growths in China and India.

Sector-wise, Television Distribution is the largest segment at US$ 230 billion with a CAGR of 8.3%, closely followed by Television Network (Broadcast and Cable) growing at a CAGR of 6.6%. The Film Entertainment segment is US$ 104 billion and expected to grow at CAGR of 5.3%. The highest growth is expected to come from the Video Gaming segment at 11.4% CAGR and which is worth US$ 46.0 billion in 2010. The music segment is pegged to grow at 5.2% CAGR with an estimated size of US$ 47.9 billion in 2010.

(source: Entertainment and Media Outlook : 2010-2014 report by Price Waterhouse Coopers (PWC)

The year also saw some clear trends emerging in the industry :

2010 marks the first time in history that 5 out of the top 10 and only the 5th time that 2 out of the top 5 highest grossing films were animation films. TOY STORY 3 grossed over US$ 1 billion. In fact, TOY STORY 3 is the highest grossing animated film ever and the first animated film to have grossed US$ 1 billion. With Harry Potter and the Deathly Hallows Part I, Inception, Shrek Forever After and The Twilight Saga – Eclipse also in the top 10, animation and VFX is now big business.

Digital technology continues to increase its dominance across all segments of the industry. Unprecedented changes in technology and consumer behaviour are making the industry more fragmented and diverse.

As 3D invades more and more of our daily lives through 3D televisions and 3D games with motion sensors, there is a growing readiness to pay for content driven by improved customer experience and convenience.

THE INDIAN MARKET

After a lacklustre 2009, the year 2010 was one filled with growth and dynamism for the industry. The industry registered a healthy growth of 11% over 2009 and touched INR 652 billion. This trend is expected to continue in 2011 when the industry is estimated to grow by 13%. This interesting year also saw an influx of new content distribution platforms, as well as growth in regional markets. There was a marked resurgence in advertising spends and DTH subscribers touched grew to almost 28 million by the end of 2010, a tremendous growth. Digitisation continued to be a key driver of growth, with greater adoption of digital prints by the film studios. With the rollout of 3G and new devices like tablets, new media comprising of gaming, digital advertising and animation and VFX are growing much faster. Animation and VFX stands apart insofar as growth opportunities are concerned, with a huge potential for growth in film-restoration and 2D-3D conversion.

As per FICCI-KPMG report 2011, film was the only segment of the industry that did not grow in 2010. The dismal performance of 2009 continued in 2010, with size shrinking to INR 83 billion from INR 89 billion in the previous year, a decline of 6.7%. As in 2009, the prime reason for this decline was lack of availability of good quality content.

2010 also saw unprecedented growth in the DTH platform. The net subscriber base increased by over 75% as compared to 2009 and 12 million new subscribers were added, making the total number of subscribers 28 million at the end of 2010. The Television segment grew by 15.5% in 2010, and is expected to touch INR 630 million by 2015, making it half the industry size and the second largest segment.

INDIAN ANIMATION AND VFX

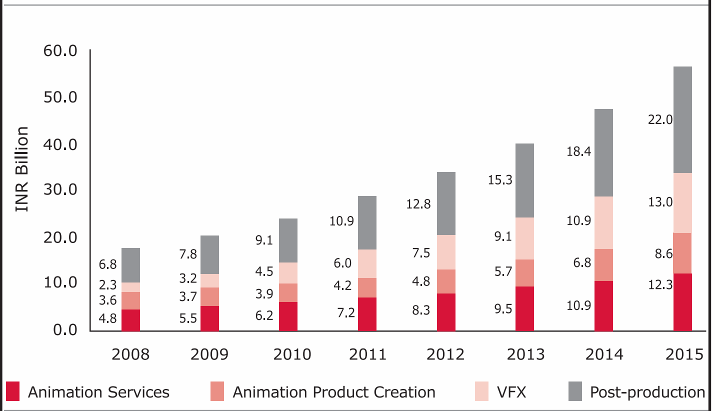
The Indian animation and VFX segment grew at 17.5% in 2010 over 2009 to reach INR 26.6 million. The growth was led by VFX and post production, which grew at 42% and 17%, while animation grew at 10%.

Even though seven animated movies were being made in 2010, only three (Toonpur Ka Superhero, Luv-Kush – The Warrior Twin and Ramayana – The Epic) were eventually released in the theatres, where they received lukewarm success. A primary reason for this is lack of distribution partners. On the other hand, globally, it was a year of super success for animated films. Two out of the top five and five out of the top ten highest grossing films were animated films. Toy Story 3 grossed over US$ 1 billion.

The quantum of work in the animation segment continued to be dominated by TV, which accounted for 60% of all work done in animation. Direct to DVD and Movies for theatres accounted for 20% each of the total quantum of work in this segment.

The VFX segment continued to play an ever-increasing role in movies world-wide. Of the top ten highest grossing movies of 2010, Iron Man2, Inception, TRON: Legacy and Clash of the Titans all heavily used VFX. In 2009, nine of the top ten highest grossing movies relied heavily on VFX. In the Indian film industry too, the demand for VFX is growing as Indian film-makers explore newer genres like sci-fi and mythology.

Size of Animation and VFX industry in India



Source: KPMG analysis and industry inerviews

BUSINESS OVERVIEW

Prime Focus Limited (Prime Focus) is a leading visual entertainment services company in Asia, and the largest in India. The company started in 1997 in Mumbai as a post production house. Today, with a pan-India presence in Mumbai, Delhi, Chennai, Bangalore, Hyderabad and Chandigarh, the company has transformed itself into a one-stop shop providing CREATIVE and TECHNICAL services for the film, broadcast, commercials, music, gaming and media industries. It is part of the global Prime Focus group which has offices in major markets like London, New York, Los Angeles and Vancouver. The company works with marquee clients that include the biggest names in the industry: Warner Bros, Universal, Paramount, 20th Century Fox, James Cameron, Ogilvy, JWT, BBC, Saatchi & Saatchi, Yash Raj Films, Dharma Productions, Red Chillies Entertainment and many more.

The company continues its aggressive foray into the Indian media and entertainment space with a combined focus on building its resources and introducing cutting edge new products. The company provides a unique 'multi-local' advantage to its customers via the use of its Global Digital Pipeline™. The company offers a full range of products and services, thereby reducing the need for multiple vendors and resulting in higher efficiencies of scope, scale and size for its customers.

The company has also launched SPF WORLDVERSIONING™, a service that enables smooth and seamless roll out of global and regional marketing campaigns. The company has partnered with SCHAWK! – the world's largest print supplier - to deliver CLEAR CPM™, a total campaign management tool. SPF WORLDVERSIONING™ brings the synergies of the global footprint of both companies together, enabling tailor-made control and coordination to suit clients/agencies' specific requirements.

OPERATIONAL HIGHLIGHTS

During the year, Prime Focus played a critical part in many international and Indian projects:

BOLLYWOOD

1. Murder 2
2. Shaitan
3. Patiala House
4. No One Killed Jessica
5. Guzaarish
6. Anjaana Anjaani
7. Ravaan
8. Bumm Bumm Bole
9. Badmaa$h Company

ADVERTISING PROJECTS

1. Philips 'Grooming Range'
2. Reliance 'Digital HD'
3. Toshiba 'Sachin Cut Out'
4. IndiGo Airlines 'On Time'
5. Domino's Mexican Wrap
6. Axis Bank 'There's Always a Solution'
7. Samsung 'Guru'

INTERNATIONAL FILMS

1. Star Wars Episode I: The Phantom Menace
2. Transformers 3: Dark of the Moon
3. Green Lantern
4. X-Men: First Class
5. Scream 4
6. Tree of Life
7. Sucker Punch
8. TRON: Legacy
9. The Chronicles of Narnia: Voyage of the Dawn Treader
10. The A-Team

UK BROADCAST PROJECTS

1. Great British Menu
2. Mary Portas: Secret Shopper
3. The House That Made Me
4. Take That 'Look Back, Don't Stare'
5. Vatican - The Hidden World
6. America The Story of Us
7. Stephen Hawking's Universe

UK ADVERTISING PROJECTS

1. Lucozade 'Yes'
2. Chanel 'Gabrielle'
3. Relentless 'Virtues'
4. ghd 'At the Stroke of Midnight'
5. O2 'Thinking of You'
6. Nokia 'Happy Navigators'
7. Stella Artois

TECHNOLOGY AND SERVICES

PRIME FOCUS continues to remain at the forefront in providing innovative creative and technical services in India. It is also one of the few players to offer its customers both width and depth across service categories and across time-zones. Spread over 3 continents and 4 time-zones, the company has a skills bank of over 3,500 highly qualified people working around the clock 365 days a year, and offers compulsive time and cost savings to its clients. The company today handles all aspects of content, from pre-production to final delivery. It operates at all levels and points in the value chain: from creating, capturing, crafting, and circulating to conserving content, thus giving flexibility and freedom to producers.

The company's WorldSourcing™ business model leverages Prime Focus' unique global network of integrated studios working over its Digital Global Pipeline™, and has been used to deliver many high-end projects over the course of the last year.

View-D™

View-D™ is a pioneering product in the conversion of 2D to stereo 3D images. This product was developed in-house through a robust R&D team. The process can be leveraged over the Global Digital Pipeline™, allowing Prime Focus facilities in Los Angeles, Vancouver, London and Mumbai to all contribute shots to the same project. This technology also offers a viable alternative to shooting with twin cameras, thereby resulting in savings of 30% to 40% in production costs. Entire libraries of content can be converted and repurposed for a new medium.

CLEAR™

CLEAR™ is another proprietary technology developed in-house by Prime Focus. It is a revolutionary multi-platform content operations infrastructure that allows content owners to take full control of their digital assets and associated business processes and manage them throughout the entire content life-cycle : from creation to process and distribution, to preservation. CLEAR™ is ready to use, fully flexible and customisable to any workflow requirement with best in class security measures to avoid content-misuse. It can be deployed in weeks, rather than months and years, thus resulting in immediate savings in costs of physical media, transfer and delivery.

CLEAR™ services some of the largest content owners in the world: STAR TV, ESPN STAR Sports, Sony, HBO, Eros International, IPL, BCCI and many others.

SPF WORLDVERSIONING™

SPF WORLDVERSIONING™ is a new service to assist with the smooth rollout of global and media marketing campaigns. Prime Focus has partnered with SCHAWK! – the world's largest print supplier, to deliver a campaign management tool – CLEAR CPM™, which provides a seamless interface for TV, online and print management delivery. The service helps manage the entire process and has the capability of providing the clients/agency with real-time input, status and tracking of the campaign.

AWARDS WON DURING THE YEAR

- 'Best Special Effects' for 'Guzaarish' at 2011 Apsara Awards
- EME Award for 'VFX for the Best Film Content' for 'Guzaarish'
- 'Award of Excellence' at ASIFA IAD 2010 for ' Raavan'
- EME Award for 'VFX for the Best TV Content' for 'On-Time' (IndiGo Airlines)
- Gold Award in 'Filmcraft (Special Effects)' at Goafest 2011 - 'On-Time' (IndiGo Airlines)
- CLEAR™ awarded 'BEST OF IBC 2010' at the International Broadcasting Convention in Amsterdam in September 2010

OPPORTUNITIES & THREATS

With the industry bouncing back with double-digit growth in all sectors except films and with the near horizon looking exciting and promising, the industry holds a lot of positives and opportunities in both the traditional as well as new media spaces.

With digitisation and digital platforms growing aggressively (last year saw a record increase of 12 million subscribers in DTH base) TRAI has revised the date for digitisation of the entire industry to 31st March, 2015 in a phased manner and the DTH subscriber base is expected to increase to 70 million by 2015. However, profitability continues to remain an issue, particularly with high taxation rates (aggregating to 30%-35%

of total revenues). The average monthly subscription hovers between Rs. 160-195 which is low, in line with the typicality of Indian markets of stiff resistance to pay for content.

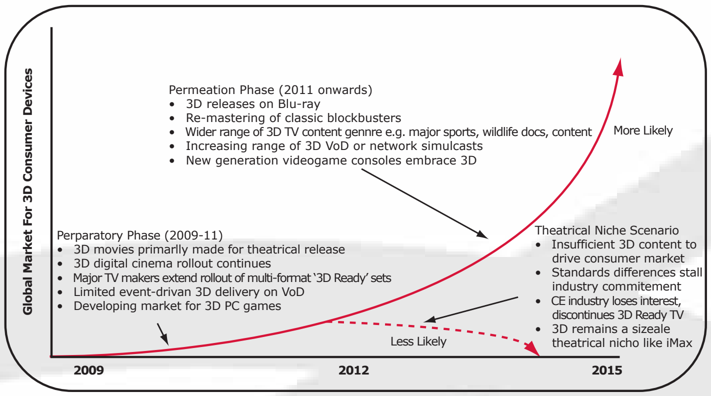
Archiving and restoration services are in a nascent stage in India, but have a tremendous prospect of growth in the coming years. To preserve the rich film heritage, the Ministry of Information and Broadcasting has allocated a corpus fund of INR 6.6 billion. Besides preserving content, digitally archiving and restoring it also gives the content owner the added flexibility of delivering it across different delivery platforms.

The film segment continues to search for quality content as most films failed to make a mark at the box office. While many big budget films with top stars fared moderately, films with original story-lines and content tuned to an evolved audience continued to do well, proving that there is definitely a market beyond the 'stars'. Unless filmmakers, already facing spiralling costs of production and marketing, manage to make films with a strong audience connect, the film industry will continue to have selective success.

In terms of growth prospects, 3D and VFX are poised to offer even larger opportunities. Rapid advances in 3D technology have increased its penetration beyond theatres to homes in the form of 3D television sets and 3D gaming. Gaming is expected to grow to US$ 90 billion by 2015.

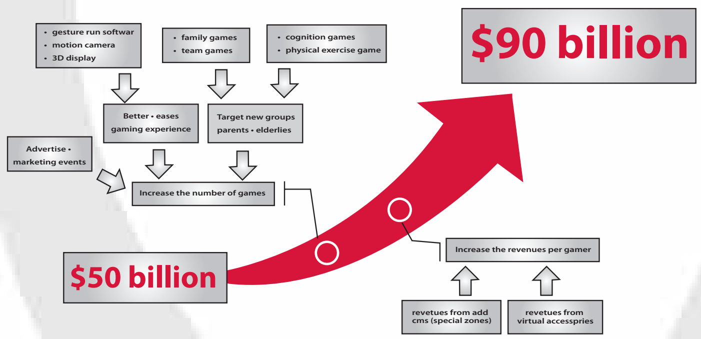
3D Industry Development Scenarios

Consumer 3D Market Development Scenarios



Source: Future Source Consulting

Video Games Industry 2010-2015



Source: www.gadgetdotred.com

Source: Future Source Consulting

VFX today is a critical part of filmmaking, both in Hollywood as well as in India. Five of the top ten and two of top five highest grossing films had VFX (including animation). With its inherent cost advantages, India is advantageously placed to reap the benefits of the double-digit growth expected in the VFX industry for the next few years.

The proliferation of the internet and the recent rollout of 3G is having a profound effect on usage and consumption patterns in new media. Today, consumers are not merely demanding content, but they are also dictating how they want it, where they want it and when they want it. This is opening up new avenues and opportunities in creating value by way of context, coverage and convenience of content to consumers.

With too many players, each offering only a part of the solution, fragmentation remains a cause for concern, as does revenue leakages. The Indian consumers' reluctance to pay for content is a constraint the industry still has to overcome.

RISK MANAGEMENT

The company has effective risk management in place to meet the risks and uncertainties that the company foresees. The company takes full cognisance of the fact that effective risk management is important in delivering sustained returns to its shareholders.

1. Entertainment and Media is an industry that is highly impacted by changes in macro-economic conditions. The company's services and products are extensively

used in creating content for films and television. As production of films and content for television is directly affected by adverse economic conditions, the company's operations will also be affected by this.

However, the company has a diverse portfolio of products and services that will help resist any such economic adversity. With world-class technologies in digital restoration of content and the capability of leveraging its global reach and talent, the company is also at the forefront of the new media revolution, and therefore, is sufficiently capable of adapting itself in case of adverse economic conditions.

2. The company operates basically in the creative and technical services sector, which does not have high entry barriers. This allows a lot of new entrants to come and start offering same/similar services, and thereby, increase competition. The company understands that its products and services need to be different from those offered by the competition. The company is confident that it has pioneering products and services that make it stand apart from the competition. Bundled with the unique global backbone of WorldSourcing ™ that integrates studios across the globe, the company also has products and services that are used at all points on the value chain in content creation. The company has established a reputation with leading players over the years due to its top quality products and offerings. The company believes that with its diversified product offering, global reach and resources, and local presence, the company's products and services are uniquely different from its competitors and hence, the company will continue to enjoy a competitive edge.

3. The company operates in an industry that is characterised by rapid innovations in technology and changing consumer behaviour. Each new technology involves huge capital investment in hardware and software requirements. The company is aware of the fact that it has to remain abreast of these changes to maintain its position as a leader.

   Toward this, the company has taken adequate measures by ensuring that its products and services are the latest both in technology as well as evolving industry needs. The company keeps tapping the changing pulse of the industry and consumer needs across the globe and its dedicated R&D department ensures that its products and services are upgraded. The company is also at the forefront in innovation, as evidenced through its SPF WORLDVERSIONING™ , View-D™ and CLEAR™ products. The company continues to focus on developing ground-breaking products and technologies. The company also invests in updating its systems and upgrading its infrastructure to meet evolving challenges and needs.

4. As the company has international operations and its revenues are also received in currencies like GBP, USD and Euro, it is exposed to risks in fluctuation of exchange rates which can affect its profitability. The company exercises sufficient care and due caution in ensuring that its risk on account of fluctuations in exchange rate is covered and the company is insulated to the maximum extent possible. However, the company does not trade in foreign exchange derivatives.

5. The company's personnel are vital to the successful operation of the company. Any major attrition of these highly skilled personnel will have a detrimental affect on the company's operation and profitability. The company is proud of its world-class work force and has in place sufficient and appropriate systems to ensure its people are satisfied and happy. With a strong emphasis on values, the company continues to be a preferred place to work, and to attract some of the best talent in the industry. The company's work-force is now over 3,500 across the globe. Attrition rates are in-line with the industry.

OUTLOOK

There is a lot to look forward to in the forthcoming year. With the industry estimated to grow at a CAGR of 14% and reach a size of INR 1275 billion, all segments of the industry are positively placed for sustained growth. Prime Focus is well-poised and positioned to ride this wave of growth and expansion of opportunities.

The new media, comprising of gaming, digital advertising, and Animation and VFX, are set to dominate growth in the industry, with CAGR of 31%,28% and 19% respectively till 2015. Another strong emerging area of growth is in the 3D segment. Movies like Avatar have been game-changers and with advances in technology (both hardware and software), 3D is set to permeate beyond the theatrical experience to homes and gaming by way of 3D televisions and 3D gaming. Services like restoration archiving are also expected to take off and grow substantially.

Overall Industry size (INR Bn)*	2007	2008	2009	2010	GAGR (2007-10)	2011P	2012P	2013P	2014P	2015P	CAGR (2010-15)
Television	211	241	257	297	12%	341	389	455	533	630	**16%**
Print	160	172	175	193	6%	211	231	254	280	310	**10%**
Film	93	104	89	83	-3%	91	98	109	120	132	**10%**
Radio	7	8	8	10	11%	12	15	18	21	25	**20%**
Music	7	7	8	9	5%	9	11	13	16	19	**17%**
Out of Home	14	16	14	17	6%	19	22	24	27	30	**12%**
Animation and VFX	4	7	8	10	32%	13	17	23	31	38	**31%**
Gaming	4	7	8	10	32%	13	17	23	31	38	**31%**
Digital Advertising	4	6	8	10	39%	13	18	22	28	36	**28%**
Total	**516**	**579**	**587**	**652**	**8%**	**738**	**834**	**957**	**1104**	**1275**	**14%**

Source: KPMG analysis and industry interviews
*Taken for calendar years
Note: Numbers have been rounded to the nearest integer

Prime Focus is the largest Visual Entertainment Services player in India and a leading player in Asia. With a geographic presence across three continents and a unique global network of integrated studios located in all the major markets in the world, Prime Focus offers its spectrum of services in 4 time-zones on a 24/7 basis. Prime Focus has a range of creative and technical products and services that are aimed at all value points and functions in the industry. From content creation to conservation and from crafting to circulation, it has products like SPF WORLDVERSIONING™, CLEAR™ and View-D™ that deliver compulsive time and cost advantages for customers.

The future outlook for the company is bright and optimistic and the company expects to take full advantage of its unique competencies, capabilities and capacities to further strengthen its position as a leading player.

HUMAN RESOURCES

Prime Focus continues to respect and recognise the importance of its people. The company continually strives to achieve best-in-class working conditions for its people to ensure that they continue to maintain highest levels of performance, productivity and innovation, and are motivated to drive the company ahead as a leader. The company keeps updating and upgrading its HR processes and policies to ensure that merit and performance are recognised and rewarded, and its employees are satisfied.

The company had over 3,500 employees as at 31st March 2011. The company continues to recognise that people are critical in achieving success on a sustainable basis, and that retaining its employees keeping them motivated is a challenge. The company is confident of meeting this challenge, and does not foresee any major attrition happening during the year.

FINANCIAL PERFORMANCE

The total income of the Company increased to Rs. 5,179.36 million compared to Rs. 4,615.72 million in the previous year, a rise of 12.21%. EBIDTA improved from Rs. 1,146.93 million in the previous year to Rs. 1,750.56 million in the current year, registering a growth of 52.63%. The Profit before Tax for the current year stood at Rs. 941.94 million against Rs. 502.72 million in the previous year, indicating a rise of 87.37%. The Profit after Tax (before minority interest) increase to Rs. 881.88 million from Rs. 393.93 million in the previous year, an increase of 123.87%.

CAUTIONARY STATEMENT

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

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

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

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

2. BOARD OF DIRECTORS:

The Board of Directors provide strategic direction and thrust to the operations of the Company, thereby enhancing the value of the stakeholders.

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

The Board of Directors of the Company has an optimum combination of executive and non-executive directors and is in conformity with Clause 49 of the Listing Agreement. The names and categories of the Directors on the Board, the number of directorships and committee positions held by them in other Public Limited Companies as on March 31, 2011 are as under :

Sr. No	Name of Director	Category of Director	No. of Directorship*	Membership held in Committee of Directorship#	Chairmanship held in Committee of Directors #
1.	Mr. Naresh Malhotra	Chairman & Whole Time Director	1	Nil	Nil
2.	Mr. Namit Malhotra	Managing Director	1	Nil	Nil
3.	Mr. Rakesh Radheyshyam Jhunjhunwalla	Non-Executive Director	8	Nil	Nil
4.	Mr. Chandir Gidwani	Non - Executive Director	5	1	1
5.	Mr. Kodi Raghavan Srinivasan	Non - Executive Director(Independent)	Nil	Nil	Nil
6.	Mr. Padmanabha Gopal Aiyar	Non - Executive Director(Independent)	Nil	Nil	Nil

Sr. No	Name of Director	Category of Director	No. of Directorship*	Membership held in Committee of Directorship#	Chairmanship held in Committee of Directors #
7.	Mr. Rivkaran Chadha	Non - Executive Director(Independent)	Nil	Nil	Nil
8.	Mr. Hari Padmanabhan##	Non - Executive Director(Independent)	N.A	N.A	N.A

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

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

\## Resigned with effect from February 14, 2011.

b) Board Meetings:

During the year 2010-2011, the Board met five times on May 15, 2010; August 10, 2010, August 27, 2010; November 15, 2010; February 14, 2011. The gap between two board meetings did not exceed four months. Apart from physical meetings, the Board of Directors also considered and approved certain matters by circular resolutions, which were as a matter of good corporate practice ratified at the next meeting of the Board.

Attendance of each Director at Board Meetings for the year 2010-11 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	5	5	Present
Mr. Namit Malhotra	5	2	Present
Mr. Kodi Raghavan Srinivasan	5	2	Absent
Mr. Rakesh Jhunjhunwalla	5	--	Absent
Mr. Padmanabha Gopal Aiyar	5	4	Absent
Mr. Rivkaran Chadha	5	5	Present
Mr. Hariharan Padmanabhan*	5	--	Absent
Mr. Chandir Gidwani	5	2	Absent

* Resigned with effect from February 14, 2011

3. BOARD COMMITTEES:

A. Audit Committee:

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

i. As on March 31, 2011, the Audit Committee comprises of the following members of the Board:

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

ii. During the year 2010-11 the Audit Committee met five times on the following dates:
May 15, 2010; August 10, 2010; August 26, 2010, November 15, 2010 and February 14, 2011.

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

Name Of the Director	No. of Meeting Attended
Mr. Rivkaran Chadha	5
Mr. Kodi Raghavan Srinivasan	3
Mr. Namit Malhotra	2

iv. Terms of Reference:

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

a. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

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

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

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

e. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

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

g. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

h. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

i. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

k. To review the functioning of the Whistle Blower mechanism, in case the same is existing.

l. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.

m. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

B. Remuneration Committee:

As on March 31, 2011, the Remuneration Committee comprised of Non Executive Independent Directors viz. Mr. Rivkaran Chadha, Mr. Kodi Raghavan Srinivasan and Mr. G.P.Aiyar. Mr. Rivkaran Chadha is the Chairman of the Committee. The Committee deals with the remuneration policy for the Directors of the Company. During the year 2010-2011, the Remuneration Committee met once on May 15, 2010.

Attendance of each Director at Remuneration Committee Meetings for the year 2010-11:

Name of the Director	No. of Meetings held	No. of Meetings Attended
Mr. Rivkaran Chadha	1	1
Mr. Kodi Raghavan Srinivasan	1	1
Mr. Padmanabha Gopal Aiyar	N.A.	N.A.

Detail of Directors Remuneration paid for the year ended March 31, 2011 is as below:

Name of Director	Remuneration Paid (₹)	Sitting Fees(₹)	Total (₹)
Mr. Naresh Malhotra	30,00,000/-	Nil	30,00,000/-
Mr. Namit Malhotra	30,00,000/-	Nil	30,00,000/-
Mr. Rakesh Jhunjhunwala	Nil	Nil	Nil
Mr. Padmanabha Gopal Aiyar	Nil	80,000/-	80,000/-
Mr. Rivkaran Chadha	Nil	1,00,000/-	1,00,000/-
Mr. Kodi Raghavan Srinivasan	Nil	40,000/-	40,000/-
Mr. Hariharan Padmanabhan*	Nil	Nil	Nil
Mr. Chandir Gidwani	Nil	40,000/-	40,000/-

* Resigned with effect from February 14, 2011

C. Shareholders'/Investors' Grievance Committee:

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

As on 31st March, 2011, the Committee consists of:-

Chairman	Mr. Rivkaran Chadha
Members	Mr. Kodi Raghavan Srinivasan
	Mr. Naresh Malhotra

4. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

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

5. GENERAL BODY MEETINGS:

i. General Meeting

a. Annual General Meeting:

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

Financial Year	Date	Location	Time
2007-2008	December 31, 2008*	Ramee Guestline Hotel, Regent Hall, 757, S. V. Road,Khar West, Mumbai – 400 052.	11.00.a.m
2008-2009	September 25, 2009	Ramee Guestline Hotel, Regent Hall, 757, S. V. Road, Khar West, Mumbai – 400 052.	11.00 a.m
2009-2010	September 30, 2010	Prime Focus Office, Main Frame IT Park, Building – H, Royal Palms, Near Aarey Colony, Goregaon (East), Mumbai – 400 065	11.30 a.m

*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 Meeting held in the Financial Year 2010-2011.

ii. Postal Ballot

There were no resolutions passed by postal ballot in the Financial year 2010-2011.

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 30, 2010	8	1. Re-appointment of Mr. Naresh Malhotra as Chairman and Whole time Director for the period of Five Years. 2. Re-appointment of Mr. Namit Malhotra as Managing Director for the period of Five Years 3. Alteration of Articles of Association by deleting Article No. 191 to 194 of Section B of Part II 4. Increase in Authorized Share Capital of the Company 5. Issue of 10,00,000 Warrants, convertible into Equity Shares, on preferential basis to Promoters 6. Raising of funds by issue via Placement to Qualified Institutional Buyers (QIB) / ADR / GDR / FCCB and / or any other Convertible instrument(s) and also preferential allotment of shares or warrants or other convertible instruments to the extent of USD 50 million 7. Approval of Employees Stock Option Plan (ESOP) 8. Approval of Employees Stock Option Plan (ESOP) to Employees of Subsidiary Companies including Step Down Subsidiaries

6. DISCLOSURES:

a. Related Parties transactions

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

b. Compliances by the Company

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

c. Whistle Blower Policy

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

d. CEO/CFO certification

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

e. Compliance with mandatory and non mandatory requirements

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

7. CODE OF CONDUCT:

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

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

8. MEANS OF COMMUNICATION:

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

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

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

9. GENERAL SHAREHOLDER INFORMATION:

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

On September 30, 2011 at 11.30 a.m. at: Prime Focus Office, Main Frame IT Park,

Building –H, Royal Palms, Near Aarey Colony, Goregaon (East), Mumbai- 400 065.

b. Financial Calendar: April 1, 2011 to March 31, 2012

c. Date of Book Closure: September 23, 2011 to September 30, 2011 (both days inclusive)

d. 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.

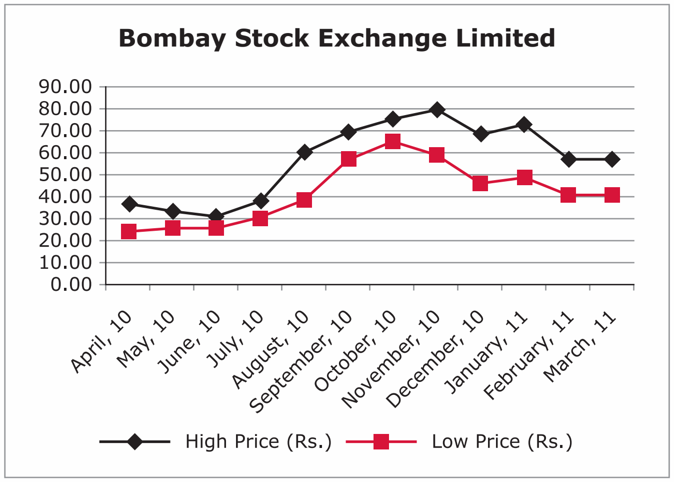
e. Stock Code:

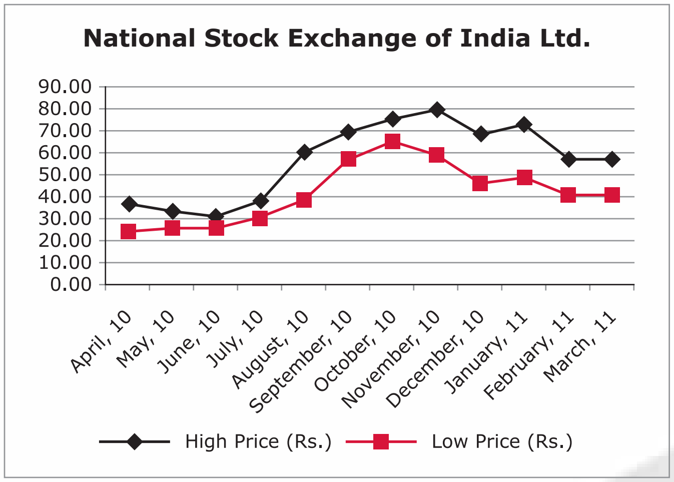
Bombay Stock Exchange Limited	:	532748
National Stock Exchange of India Limited (NSE)	:	PFOCUS
ISIN	:	INE367G01038

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

Month	Bombay Stock Exchange Limited			National Stock Exchange of India Ltd.		
	High Price (₹)	Low Price (₹)	Volume (No. of Shares)	High Price (₹)	Low Price (₹)	Volume (No. of Shares)
April, 10	36.55	24.00	3801254	36.50	24.05	8191951
May, 10	33.30	25.72	152155	33.50	25.60	164414
June, 10	31.40	25.72	190646	31.39	25.70	269674
July,10	37.86	30.06	758631	37.96	29.80	989969
August,10	60.69	38.50	3701230	60.70	38.31	5179465
September,10	69.40	57.00	1943165	69.40	57.20	2622327
October,10	75.30	65.25	1524304	74.80	65.65	2121603
November, 10	79.85	59.00	7271522	80.00	58.65	11228744
December, 10	68.50	46.30	2934819	68.30	47.10	5064477
January, 11	73.35	49.10	4592751	73.40	48.50	2133094
February,11	56.70	41.00	1035849	57.20	41.00	1957815
March,11	57.00	40.75	4678543	57.20	40.20	4823809

*Company has made stock split/ subdivision of equity shares from face value of ₹ 10/- each to ₹ 1/- each vide ordinary resolution passed at 13th Annual General Meeting held on September 30, 2010. Accordingly, share price data have been adjusted for period prior to stock split/subdivision.



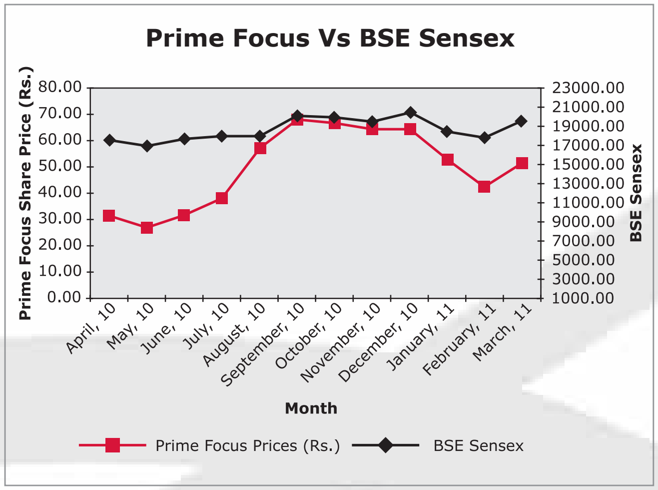


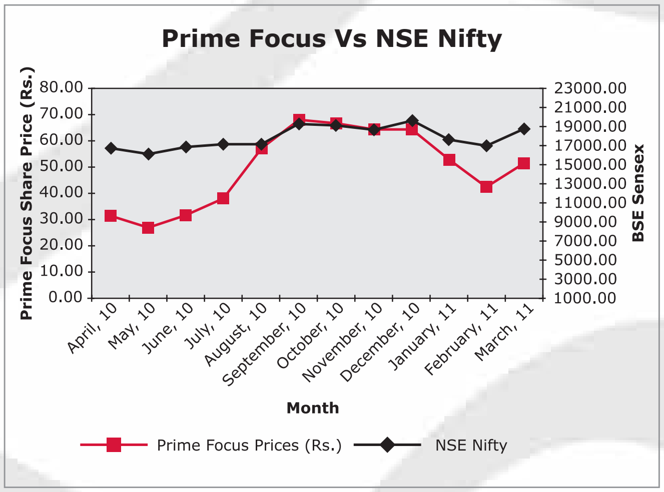
f. **Performance of share price of the Company in comparison with the broad based indices.**

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

Month	BSE		NSE	
	Share Price	Sensex	Share Price	NSE Nifty
April, 10	31.27	17558.71	31.13	5278.00
May, 10	26.89	16944.63	26.75	5086.30
June, 10	31.33	17700.90	31.25	5312.50
July,10	37.86	17868.29	37.96	5367.60
August,10	57.17	17971.12	57.38	5402.40
September,10	68.00	20069.12	68.25	6029.95
October,10	66.70	20032.34	66.65	6017.70
November, 10	64.20	19521.25	64.25	5862.70
December, 10	64.50	20509.09	64.55	6134.50
January, 11	52.75	18327.76	53.05	5505.90
February,11	42.10	17823.40	42.65	5333.25
March,11	51.45	19445.22	51.45	5833.75

* Company has made stock split/ subdivision of equity shares from face value of ₹ 10/- each to ₹ 1/- each vide ordinary resolution passed at 13th Annual General Meeting held on September 30, 2010. Accordingly, share price data have been adjusted for period prior to stock split/subdivision.





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

Financial Year	Date of AGM/ Board Meeting	Due for transfer to IEPF	Amount of Unclaimed Dividend as on March 31, 2011(₹)
2007-2008	July 30, 2007	August, 2014	14,731.50

h. Registrar and Share Transfer Agent:

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

i. Demat Connectivity Agent:

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

Dematerialization of Shares and Liquidity:

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

The total number of shares dematerialized as on March 31, 2011 are 13,88,65,726 shares representing 99.99 % of Paid-up Share Capital.

j. Secretarial Audit:

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

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

The Company has allotted 10,00,000 warrants convertible into Equity Shares on October 15, 2010 to Mr. Namit Malhotra, a member of the Promoters and Promoter Group carrying an option/ entitlement to subscribe to equivalent number of Equity Shares on a future date not exceeding 18 months from the date of allotment of such warrants. Each warrant shall be convertible into one equity share of nominal value of Rs. 10/- each at a price not less than the minimum price determined in accordance with the provision of Chapter VII of SEBI (ICDR) Regulations

On December 12, 2007, the Company issued 550 FCCB of a face value of USD 1,00,000 each aggregating to USD 55.00 million and as at March 31, 2011; no bonds have been converted into equity shares of the Company.

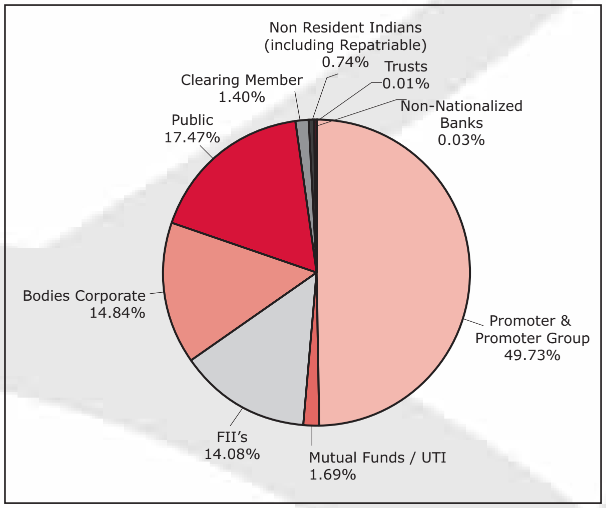
l. Registered Office and address for Correspondence:

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

m. Distribution of Shareholding as on March 31, 2011:

The broad shareholding distribution of the Company as on March 31, 2011 with respect to categories of investors was as follows:

Sr. No.	Category	No. of Equity Shares	Percentage %
1.	Promoter & Promoter Group	6,90,62,720	49.73
2.	Mutual Funds / UTI	23,53,151	1.69
3.	FII's	1,95,23,284	14.09
4.	Bodies Corporate	2,06,20,732	14.84
5.	Public	2,42,66,560	17.47
6.	Clearing Member	19,46,733	1.40
7.	Non Resident Indians (including Repatriable)	10,33,266	0.74
8.	Trusts	11,000	0.01
9.	Non-Nationalized Banks	50,000	0.03
	Total	13,88,67,446	100.00



The broad shareholding distribution of the Company as on March 31, 2011 with respect to holdings was as follows:

Range	No. of Shareholders	Percentage %	No. of Shares	Percentage %
1 - 500	7,326	69.36	13,65,799	0.98
501 - 1000	1,404	13.29	11,64,897	0.84
1001 - 2000	669	6.33	10,42,826	0.75
2001 - 3000	265	2.51	6,82,342	0.49
3001 - 4000	132	1.25	4,79,225	0.35
4001 - 5000	164	1.55	7,85,010	0.57
5001 - 10000	269	2.55	20,48,756	1.47
10001 and above	334	3.16	13,12,98,591	94.55
TOTAL :	10,563	100.00	13,88,67,446	100.00

Annual Declaration by the Managing Director pursuant to the Listing Agreement

As the Managing Director of Prime Focus Limited and as required by Clause 49(I) (D) (ii) of the Listing Agreement with the Stock Exchanges, I hereby declare that all the Board members and Senior Management Personnel of the Company have affirmed compliance with the Company's Code of Conduct for the Financial Year ended March 31, 2011.

Namit Malhotra
Managing Director

Date: June 20, 2011

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To,

The Members
Prime Focus Limited
2nd Floor, Building – H, Main Frame IT Park,
Royal Palms, Aarey Colony, Goregaon (East),
Mumbai – 400 065, India.

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 2011.** 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 20, 2011
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, 2011 and also the related profit and loss account and the cash flow statement for the year ended March 31, 2011 annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) order, 2004, issued by the Central Government of India in terms of Sub-Section (4A) of section 227 of ' The Companies Act, 1956' of India ('the Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. *As more fully described in Note 19 to Schedule 16 to the financial statements, the Company has not revalued the FCCB of $ 55 million at the exchange rate prevailing as at March 31, 2011, March 31, 2010, March 31, 2009 and March 31, 2008, which in our opinion is not in accordance with Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" and has also not provided for the premium payable on redemption of these FCCB. Had the Company revalued the FCCB's as at March 31, 2011, the profit for the year ended March 31, 2011 and the reserves as at that date would have been lower by ₹ 13.48 million and ₹ 278.54 million respectively and Foreign Currency Monetary Item Translation Difference account would have been ₹ 13.48 million. Further, had the Company provided for the premium on redemption, the securities premium as at March 31, 2011 would have been lower by ₹ 598.16 million. Consequent to the above, the FCCB balance at March 31, 2011 would have been higher by ₹ 890.18 million. This had caused the previous auditors to qualify their audit opinion on the financial statements relating to preceding year.*

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

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

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

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

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

v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

vi. In our opinion and to the best of our information and according to the explanations given to us, and subject to our comments in paragraph 4 above, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

   a. in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2011;

   b. in the case of the profit and loss account, of the profit for the year ended March 31, 2011; and

   c. in the case of cash flow statement, of the cash flows for year ended March 31, 2011.

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

Abuali Darukhanawala
Partner (M. No. 108053)
Place: Mumbai
Date : June 20, 2011

ANNEXURE REFERRED TO IN PARAGRAPH [3] OF OUR REPORT OF EVEN DATE

Re: Prime Focus Limited

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

(b) We have been informed that all the fixed assets have not been physically verified by the management during the year. However, there is a regular programme of verification. For the assets physically verified by the management during the year, the Company is in process of reconciling the assets physically verified with the books of account.

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

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

iii. 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, we have been explained that major purchase of fixed assets is of specialized equipments, for which comparative quotes cannot be obtained in all the case, considering the above, we believe that there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets. During the course of our audit, no significant weakness has been noticed in the internal control system in respect of these areas. *However, the internal control system for the sale of film related services is inadequate since the Company does not have formal documentation with customers in few cases, which is an industry issue per management. In our opinion this is a continuing failure to correct major weakness in the internal control system.*

v. (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that needs to be entered into the register maintained under section 301 have been so entered.

(b) In respect of transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.

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

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

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

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

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

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

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

xi. As per the information and explanations given to us by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

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

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

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

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

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

xvii. According to the information and explanations given to us, and on an broad 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, except for issue of shares through Qualified Institutional Placement to Qualified Institutional Buyers.

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

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

Abuali Darukhanawala
Partner (M. No. 108053)

Place: Mumbai
Date : June 20, 2011

BALANCE SHEET AS AT MARCH 31, 2011

(Amount in ₹)

Particulars	Sch No	31.03.2011	31.03.2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	138,867,446	128,225,880
Share Warrant		138,695,000	-
Reserves and Surplus	2	2,885,598,392	1,990,951,456
		3,163,160,838	**2,119,177,336**
LOAN FUNDS			
Secured Loans	3	1,196,666,690	1,518,716,022
Unsecured Loans	4	2,162,696,800	2,162,696,800
		3,359,363,490	**3,681,412,822**
DEFERRED TAX LIABILITY (NET)	5	**187,302,752**	**164,522,724**
		6,709,827,080	**5,965,112,882**
APPLICATION OF FUNDS			
FIXED ASSETS	6		
Gross Block		3,241,155,538	2,183,590,961
Less: Accumulated Depreciation / Amortisation		1,014,742,332	776,505,056
Net Block		**2,226,413,206**	**1,407,085,905**
Add : Capital Work in Progress (including Capital Advances)		52,365,953	600,694,204
		2,278,779,159	**2,007,780,109**
INVESTMENTS	7	**2,302,296,996**	**2,302,272,496**
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry Debtors	8	1,073,178,596	677,701,400
Cash and Bank Balances	9	110,206,389	151,804,967
Other Current Assets (Unbilled Revenue)		56,315,230	62,187,006
Loans and Advances	10	1,122,347,170	888,985,987
		2,362,047,385	**1,780,679,360**
Less : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	11	230,593,402	124,119,677
Provisions	12	2,703,058	1,499,406
		233,296,460	**125,619,083**
NET CURRENT ASSETS		**2,128,750,925**	**1,655,060,277**
		6,709,827,080	**5,965,112,882**
NOTES TO ACCOUNTS	16		

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

As per our report of even date

For and on behalf of the Board of Directors

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

Abuali Darukhanawala
(Partner)
Membership No.108053

Naresh Malhotra
(Chairman and Whole-time Director)

Namit Malhotra
(Managing Director)

Navin Agarwal
(Company Secretary)

Place : Mumbai
Date : June 20, 2011

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(Amount in ₹)

Particulars	Sch No	31.03.2011	31.03.2010
INCOME			
Income from Operations		1,355,058,259	952,725,593
Other Income	13	48,162,737	50,428,044
		1,403,220,996	**1,003,153,637**
EXPENDITURE			
Operating Costs	14	804,781,319	494,901,551
Interest	15	138,614,865	123,560,270
Depreciation	6	239,509,622	193,496,726
		1,182,905,806	**811,958,547**
PROFIT BEFORE TAX		**220,315,190**	**191,195,090**
PROVISION FOR TAX			
Current Tax		50,402,617	61,325,086
Less : MAT Credit Entitlement		(50,402,617)	-
		-	61,325,086
Deferred Tax		22,780,031	2,603,856
TOTAL TAX EXPENSE		**22,780,031**	**63,928,942**
PROFIT AFTER TAX		**197,535,159**	**127,266,148**
Balance brought forward from previous year		1,012,692,279	885,426,131
SURPLUS CARRIED TO BALANCE SHEET		**1,210,227,438**	**1,012,692,279**
EARNINGS PER SHARE			
Basic - Nominal Value of Shares ₹ 1/-		1.49	0.99
Diluted - Nominal Value of Shares ₹ 1/-		1.26	0.89
NOTES TO ACCOUNTS	16		

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

As per our report of even date

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

Abuali Darukhanawala
(Partner)
Membership No.108053

For and on behalf of the Board of Directors

Naresh Malhotra
(Chairman and Whole-time Director)

Namit Malhotra
(Managing Director)

Navin Agarwal
(Company Secretary)

Place : Mumbai
Date : June 20, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Amount in ₹)

	Particulars	31.03.2011	31.03.2010
A.	**Cash flow from Operating activities**		
	Net Profit before taxation	**220,315,190**	**191,195,090**
	Adjustments for :		
	Depreciation	239,509,622	193,496,726
	(Profit)/ Loss on sale of Fixed Assets	(1,559,543)	13,000
	(Profit)/ Loss on sale of Investments	-	(2,025,000)
	Foreign exchange (Gain)/Loss (net)	25,595,790	21,293,707
	Interest Income	(36,215,199)	(30,675,625)
	Dividend Income	(23,306)	(26,381)
	Interest Expense	138,614,865	123,560,271
	Bad Debts Written Off	271,750	1,705,718
	Provision for Doubtful Debts	32,600,000	31,000,000
	Undertaking Fees	-	(11,310,427)
	Sundry Credit Balances Written Back	-	(1,934, 892)
	Provision for Gratuity	1,203,652	274,554
	Operating profit before working capital changes	**620,312,821**	**516,566,741**
	Movements in working capital :		
	Decrease / (Increase) in Sundry Debtors	(432,219,432)	(328,993,840)
	Decrease / (Increase) in Loans and Advances	(83,856,192)	(30,616,456)
	Increase/(Decrease) in Current Liabilities	116,828,506	45,463,736
	Cash generated from operations	**221,065,703**	**202,420,180**
	Direct Taxes Paid (net of refunds)	27,557,967	(53,386,673)
	Fringe Benefit Tax Paid	-	(191,675)
	Exchange Rate Difference	24,958,123	13,577,538
	Net Cash from Operating activities	**273,581,793**	**162,419,370**
B.	**Cash flow from Investing activities**		
	Purchase of Fixed Assets	(506,802,777)	(170,092,301)
	Proceeds from Sale of Fixed Assets	4,106,670	5,000
	Purchase of Current Investments	-	(3,500)
	Purchase of Investment in Subsidiaries	(24,500)	-
	Share Application in Subsidiary	326,981,383	(127,527,166)
	Loans given to Subsidiary	(488,383,775)	-
	Sale of Current Investments	-	7,025,000
	Inter- Corporate Deposits given	(64,500,000)	(1,000,000)
	Inter- Corporate Deposits received back	16,552,116	1,000,000
	Margin Money and Fixed Deposits under lien	14,716,777	114,226,241
	Interest Received	21,412,404	19,462,878
	Dividends Received	23,306	26,381
	Net Cash from Investing activities	**(675,918,396)**	**(156,877,467)**

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Amount in ₹)

	Particulars	31.03.2011	31.03.2010
C.	**Cash flow from Financing activities**		
	Proceeds from Long Term Borrowings	292,978,765	367,890,206
	Repayment of Long Term Borrowings	(539,481,175)	(342,277,093)
	Proceeds from Short Term Borrowings	350,000,000	250,000,000
	Repayment of Short Term Borrowings	(426,963,699)	(312,921,569)
	Proceeds from issuance of Share Warrants	138,695,000	-
	Proceeds from issuance of QIP	729,798,596	-
	Expenses on issuance of QIP	(22,045,253)	-
	Interest Paid	(147,675,144)	(170,440,986)
	Dividends Paid	(103)	(48)
	Net Cash from Financing activities	**375,306,987**	**(207,749,490)**
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(27,029,616)**	**(202,207,587)**
	Cash and Cash Equivalents at the Beginning of the year	36,203,948	238,292,902
	Unrealised Gain/(Loss) on Foreign Currency Cash and Cash equivalents	19,100	118,633
	Cash and Cash Equivalents at the End of the year	**9,193,432**	**36,203,948**
	Components of Cash and Cash equivalents, as at March 31, 2011		
	Cash	427,031	268,238
	With Banks:		
	On Current Accounts	6,946,401	33,215,710
	On Fixed Deposits	1,820,000	2,720,000
	Cash and Cash Equivalents at the End of the year	**9,193,432**	**36,203,948**
	Bank deposits having maturity of more than 90 days	99,857,575	114,574,353
	Interest Accrued on bank deposits	1,155,382	1,026,666
	Cash and Bank Balance (Refer Schedule 9)	**110,206,389**	**151,804,967**

As per our report of even date
For MZS & Associates
Chartered Accountants
Firm Registration No.: 106400w

For and on behalf of the Board of Directors

Abuali Darukhanawala
(Partner)
Membership No.108053

Naresh Malhotra
(Chairman and Whole-time Director)

Namit Malhotra
(Managing Director)

Navin Agarwal
(Company Secretary)

Place : Mumbai
Date : June 20, 2011

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Schedule 1		
SHARE CAPITAL		
Authorised :		
200,000,000 Shares of ₹ 1/- each (Previous year 15,000,000 Shares of ₹ 10/- each)	**200,000,000**	**150,000,000**
Issued, Subscribed and Paid-Up:		
138,867,446 Shares of ₹ 1/- each (Previous year 12,822,588 Shares of ₹ 10/- each) (Refer Note 8 & 9 to Schedule 16)	138,867,446	128,225,880
Of the above :		
i. 36,000,000 Equity Shares of ₹ 1/- each (Previous year 3,600,000 Equity Shares of ₹ 10/- each) each were allotted as fully paid up pursuant to scheme of arrangement for consideration other than cash.		
ii. 40,000,000 Equity Shares of ₹ 1/- each (Previous year 4,000,000 Equity Shares of ₹ 10/- each) were allotted as fully paid up bonus shares by capitalisation of Reserves.		
	138,867,446	**128,225,880**
Schedule 2		
RESERVES AND SURPLUS		
Securities Premium at the beginning of the year	964,859,177	964,859,177
Add : Addition on account of QIP	719,157,030	-
Less : Issue Expenses Pertaining to QIP	22,045,253	-
Securities Premium at the end of the year	**1,661,970,954**	**964,859,177**
General Reserve at the beginning of the year	13,400,000	13,400,000
General Reserve at the end of the year	**13,400,000**	**13,400,000**
Profit and Loss Account	**1,210,227,438**	**1,012,692,279**
	2,885,598,392	**1,990,951,456**
Schedule 3		
SECURED LOANS		
Loans from Banks (Refer Note 3 to Schedule 16)		
Term Loans	508,702,418	620,905,292
(Amount repayable within one year ₹ 260,254,521/- (Previous year ₹ 214,085,190/-))		
Buyers Credit	313,676,577	443,311,546
(Amount repayable within one year ₹ 130,352,069/- (Previous year ₹ 264,737,680/-))		
Cash Credit/Over Draft	115,868,506	191,263,774
Short Term Demand Loan	250,000,000	250,000,000
Loans from Others		
Vehicle Finance	8,419,189	13,235,410
(Amount repayable within one year ₹ 4,545,620/- (Previous year ₹ 4,733,070/-))		
	1,196,666,690	**1,518,716,022**

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Schedule 4		
UNSECURED LOANS		
Zero Coupon Foreign Currency Convertible Bonds (Refer Note 19 to Schedule 16)	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	242,610,953	177,001,361
Gross Deferred Tax Liability	**242,610,953**	**177,001,361**
DEFERRED TAX ASSET		
Provision for Doubtful Debts	54,765,092	10,536,900
Differences due to accelerated amortisation of intangibles under Income Tax Act	103,061	140,611
Share Issue Expenses	440,048	1,801,126
Gross Deferred Tax Asset	**55,308,201**	**12,478,637**
Net Deferred Tax Liability	**187,302,752**	**164,522,724**

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011

Schedule 6
FIXED ASSETS

(Amount in ₹)

	Description of asset	Gross Block				Depreciation				Net Block	
		As on 01.04.2010	Additions	Deductions	As on 31.03.2011	As on 01.04.2010	Deductions	For the Year	As on 31.03.2011	As on 31.03.2011	As on 31.03.2010
(A)	**TANGIBLE ASSETS**										
	Building	68,228,276	433,410,762	1,635,000	**500,004,038**	5,593,927	312,657	6,991,575	**12,272,845**	**487,731,193**	62,634,349
	Plant & Machinery	1,895,415,458	412,939,940	151,722	**2,308,203,676**	713,455,269	-	191,575,023	**905,030,292**	**1,403,173,384**	1,181,960,189
	Furniture & Fixtures	88,124,012	97,281,868	527,737	**184,878,143**	26,992,627	129,512	17,534,062	**44,397,177**	**140,480,966**	61,131,385
	Office Equipments	22,678,559	40,533,284	-	**63,211,843**	9,046,686	-	7,599,126	**16,645,812**	**46,566,031**	13,631,873
	Vehicles	36,728,921	1,502,828	1,630,803	**36,600,946**	8,818,764	804,398	3,616,536	**11,630,902**	**24,970,044**	27,910,157
	Total (A)	**2,111,175,226**	**985,668,682**	**3,945,262**	**3,092,898,646**	**763,907,273**	**1,246,567**	**227,316,322**	**989,977,028**	**2,102,921,618**	**1,347,267,953**
(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	37,095,735	75,841,157	-	**112,936,892**	7,277,783	-	12,167,521	**19,445,304**	**93,491,588**	29,817,952
	Total (B)	**72,415,735**	**75,841,157**	**-**	**148,256,892**	**12,597,783**	**-**	**12,167,521**	**24,765,304**	**123,491,588**	**59,817,952**
	Total (A + B)	**2,183,590,961**	**1,061,509,839**	**3,945,262**	**3,241,155,538**	**776,505,056**	**1,246,567**	**239,483,843**	**1,014,742,332**	**2,226,413,206**	**1,407,085,905**
	Previous year	2,201,901,774	58,582,973	76,893,786	2,183,590,961	583,008,330	-	193,496,726	776,505,056	1,407,085,905	
	Capital Work In Progress *	-	-	-	-	-	-	-	-	52,365,953	600,694,204

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

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Schedule 7		
INVESTMENTS		
Long Term Investments (At Cost)		
Trade		
In Subsidiary Companies		
Quoted, fully paid up		
Prime Focus London Plc, UK	610,703,583	610,703,583
19,567,003 (Previous year: 19,567,003) equity shares of 5 pence each		
Market Value ₹ 238,552,428/- (Previous year: ₹ 150,345,934/-)		
Unquoted, fully paid up		
Prime Focus Technologies Pvt. Ltd.	75,500	51,000
7,550 (Previous year: 5,100) equity shares of ₹ 10/- each		
Flow Post Solutions Pvt. Ltd.	51,000	51,000
5,100 (Previous year: 5,100) equity shares of ₹ 10/- each		
Prime Focus International Ltd.	1,690,349,846	1,690,349,846
21,748,973 (Previous year: 21,748,973) equity share of 1/- pound each		
Prime Focus Motion Pictures Ltd.	500,000	500,000
50,000 (Previous year: 50,000) equity shares of ₹ 10/- each		
GVS Software Pvt. Ltd.	100,000	100,000
10,000 (Previous year: 10,000) equity shares of ₹ 10/- each		
Other than trade		
Unquoted - fully paid up		
The Shamrao Vithal Co-operative Bank Ltd.	100,000	100,000
4,000 (Previous year : 4,000) shares of ₹ 25/- each		
Mainframe Premises Co-Operatie Society Ltd.	3,500	3,500
350 (Previous year : 350) shares of ₹ 10/- each		
Current Investments		
Other than Trade Quoted		
Cinemax India Ltd.	413,567	413,567
9,172 (Previous year : 9,172) equity shares of ₹ 10/- each		
Market Value ₹ 3,87,517/- (Previous year ₹ 584,129/-)		
	2,302,296,996	**2,302,272,496**
Aggregate amount of quoted Investments	611,117,150	611,117,150
Aggregate amount of unquoted Investments	1,691,179,846	1,691,155,346
Investments purchased and sold during the year: (Refer Note 21(b) to Schedule 16)		

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Schedule 8		
SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	500,607,339	188,871,555
Unsecured, considered doubtful (Net of Service Tax)	63,600,000	31,000,000
Other debts		
Unsecured, considered good	658,339,640	568,611,792
	1,222,546,979	**788,483,347**
Less: Service Tax	85,768,383	79,781,947
	1,136,778,596	**708,701,400**
Less: Provision for Doubtful Debts (Net of Service Tax)	63,600,000	31,000,000
	1,073,178,596	**677,701,400**
Included in Sundry Debtors are :		
i. Amount receivable from subsidiaries ₹ 494,259,645/- (Previous year: ₹ 131,811,672/-)		
Schedule 9		
CASH AND BANK BALANCES		
Cash on hand	427,031	268,238
Balances with Scheduled banks		
In Current Accounts	6,946,401	33,215,710
In Fixed Deposit Accounts (Refer Note below)	102,832,957	118,321,019
	110,206,389	**151,804,967**
Note :		
i. As margin for Letter of Credit / Buyers Credit - ₹ 13,904,144/- (Previous year ₹ 42,831,484/-)		
ii. Lien on Fixed Deposit against Bank Guarantee availed - ₹ 35,953,432/- (Previous year - ₹ 33,369,679/-)		
iii. As margin for Term Loan - ₹ 50,000,000/- (Previous year - ₹ 37,500,000)/-		
iii. Accrued interest on Fixed Deposits - ₹ 1,155,381 (Previous year - ₹ 1,026,667)		

SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2011

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Schedule 10		
LOANS AND ADVANCES		
Unsecured - Considered Good		
Advances recoverable in Cash or in Kind or for value to be received	131,905,383	158,236,580
Deposits	133,512,913	54,848,443
Inter Company Deposits	156,081,944	94,934,931
Share Application (Pending Allotment) (Refer Note 6 to Schedule 16)	-	361,571,656
Loans to subsidiary (Refer Note 6 to Schedule 16)	492,046,944	-
Advances to subsidiaries (Refer Note 6 to Schedule 16)	86,538,699	69,575,123
MAT Credit Entitlement	50,402,617	-
Advance Payment of Taxes	71,858,670	149,819,254
(Net of Provision for Tax - ₹ 121,650,956/- (Previous year ₹ 90,011,398/-))		
	1,122,347,170	**888,985,987**
Schedule 11		
CURRENT LIABILITIES		
Sundry creditors		
Total Outstanding dues to Micro and Small Enterprises (Refer Note 4 to Schedule 16)	-	-
Dues of creditors other than Micro and Small Enterprises	164,851,806	94,339,231
Owed to Group Company	28,369,431	-
Other Liabilities	7,746,415	3,817,277
Bank Book Overdraft	693,679	2,894,405
Interest Accrued but not due	6,064,822	8,746,293
Advances from Customers	22,852,517	14,307,636
Unclaimed Dividend *	14,732	14,835
	230,593,402	**124,119,677**

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

Particulars	31.03.2011	31.03.2010
Schedule 12		
PROVISIONS		
Provision for Gratuity (Refer Note15(a) to Schedule 16)	2,703,058	1,499,406
	2,703,058	**1,499,406**

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2011

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Schedule 13		
OTHER INCOME		
Dividend		
Long Term Investments - Non Trade	23,306	26,381
Interest Income		
Bank Deposits (TDS - ₹ 1,344,185/- (Previous year - ₹ 2,030,697/-))	13,954,061	12,516,440
Others (TDS - ₹ 1,251,582/- (Previous year - ₹ Nil))	22,261,138	18,159,185
Profit on Sale of Investment	-	2,025,000
Profit on Sale of Asset	1,559,543	-
Undertaking Fee	-	11,310,427
Excess Provision Write Back	-	1,934,892
Insurance Claim Received	2,172,666	-
Miscellaneous Income (Refer Note 20 to Schedule 16)	8,192,023	4,455,719
	48,162,737	**50,428,044**
Schedule 14		
OPERATING AND OTHER EXPENSES		
Personnel Expenses		
Salaries, Staff Remuneration and Bonus	117,910,325	80,508,985
Contribution to Provident and Other Fund (Refer Note 15(b) to Schedule 16)	4,188,996	2,039,638
Gratuity (Refer Note 15(a) to Schedule 16)	1,203,652	274,554
Staff Welfare	3,886,512	1,929,000
Technician Fees	304,532,491	175,527,374
Technical Services Payments	34,711,103	6,461,751
Communication Cost	11,568,548	7,846,371
Consumables Stores	16,721,501	19,322,661
Director’s Sitting Fees	262,000	180,000
Electricity Charges	45,918,120	23,805,592
Insurance Cost	8,771,686	6,725,964
Legal and Professional Fees	13,519,869	7,267,803
Loss on sale of Assets (net)	-	13,000
Rates and Taxes	2,261,673	1,145,933
Rebates and Discount	25,813,992	24,668,323
Rent	33,796,375	31,380,774

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2011

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Traveling and Conveyance	32,545,505	11,830,663
Miscellaneous Expenses	46,348,111	19,235,040
Repairs & Maintenance		
Repairs and Maintenance-Equipment	24,397,121	13,481,149
Repairs and Maintenance-Studio/Office Premises	15,469,597	4,513,426
Bad Debts Written Off	271,750	1,705,718
Provision for Doubtful Debts	32,600,000	31,000,000
Exchange Loss (net)	25,595,790	21,293,707
Auditor’s Remuneration		
As Auditor		
Audit Fees	2,400,000	2,000,000
In Other Matters	86,602	744,125
	804,781,319	**494,901,551**
Schedule 15		
FINANCIAL EXPENSES		
Interest on Working Capital Finance	52,812,584	55,695,953
Interest on Term Loan	67,561,198	18,722,226
Interest on Buyer’s Credit	15,057,566	36,373,261
Interest on Others	1,160,535	1,845,036
Bank Charges	2,022,982	10,923,794
	138,614,865	**123,560,270**

NOTES TO ACCOUNTS

Schedule 16

1. NATURE OF OPERATIONS:

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

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Preparation

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

b. Use of Estimates

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

c. Fixed Assets

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

d. Depreciation

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

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

e. Intangible Assets

Film Rights

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

Software

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

f. Impairment

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

g. Leases

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

h. Investments

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

i. Revenue Recognition

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

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

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

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

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

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

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

j. Foreign Currency Transactions

Initial Recognition

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

Conversion

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

Exchange Differences

Exchange differences, in respect of accounting periods commencing on or after December 7, 2006, arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, and in other cases, are accumulated in a “Foreign Currency Monetary Item Translation Difference Account” in the enterprise’s financial statements and amortized over the balance period of such long-term asset/liability but not beyond accounting period ending on or before March 31, 2012.

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

k. Income Taxes

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognized 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 recognized only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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

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

Minimum Alternative Tax (MAT) credit is recognized 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 post production services to the media and entertainment industry viz., Films and Television. The Company's operating businesses are organized and managed according to the services and are identified as reportable segment based on the dominant source and nature of risks and returns as primary and secondary segments. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

m. Earnings Per Share

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

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

n. Provisions

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

o. Cash & Cash Equivalents

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

p. Derivative Instruments

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

q. Retirement and other Employee Benefits

Post employment benefits and other long term benefits:

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.

3. DETAIL OF CHARGES PROVIDED FOR SECURED LOANS:

Nature	Value	Security
Term Loan	₹ 56,767,678/-	i. Subservient Charge on the movable Fixed Assets and Receivables of the Company. ii. Personal Guarantee of the Promoter Director. iii. Pledge of Shares by Promoters. iv. Escrow of rent payment receivable by Promoters.
Term Loan	₹ 130,888,966/-	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future and Term Deposits. ii. First Charge on the Fixed Assets of the Company, both present and future (except Royal Palms property). iii. Personal Guarantees of the Promoter Director.
Term Loan	₹ 248,616,978/-	i. First Charge against the Property Financed & Project Assets. ii. Personal Guarantees of the Promoter Director.
Term Loan	₹ 72,428,796/-	i. First Charge against the equipment financed.
Buyers Credit	₹ 313,676,577/-	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future and Term Deposits. ii. First Charge on the Fixed Assets of the Company, both present and future (except Royal Palms property). iii. Personal Guarantees of the Promoter Director.
Cash Credit / Over Draft	₹ 92,269,598/-	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future. ii. First Charge on the Fixed Assets of the Company, both present and future. iii. Personal Guarantees of the Promoter Director.
Cash Credit / Over Draft	₹ 23,598,908/-	i. First Charge on Current Asset. ii. Personal Guarantee of Director. iii. Pledge of Shares by Promoters.
Short Term Demand Loan	₹ 250,000,000/-	i. First Charge on Current Asset. ii. Personal Guarantee of Director. iii. Pledge of Shares by Promoters.
Vehicle Loan	₹ 8,419,189/-	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, 2011. The information regarding micro, small and medium enterprises has been determined on the basis of information available with the management.

5. SEGMENT INFORMATION:

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

Geographical Segment

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

Income from Operations by Geographical Area (Amount in ₹)

	2011	2010
India	728,764,158	807,375,018
United Kingdom	272,809,439	23,898,957
U.S.	342,978,448	116,716,311
Canada	10,258,844	3,914,337
Other Countries	247,370	820,970
	1,355,058,259	**952,725,593**

Segment Assets by Geographical Area and additions to Segment Assets (Amount in ₹)

	Segments Assets		**Additions to Fixed Assets and Intangibles**	
	2011	2010	**2011**	2010
India	3,442,288,474	3,140,018,104	1,061,509,839	58,582,973
United Kingdom	265,096,292	36,405,615	Nil	Nil
U.S.	223,389,322	106,233,480	Nil	Nil
Canada	7,550,103	446,019	Nil	Nil
Other Countries	1,655,526	4,172,164	Nil	Nil
	3,939,979,717	**3,287,275,382**	**1,061,509,839**	**58,582,973**

6. RELATED PARTY DISCLOSURES:

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

i) Subsidiary Companies

Prime Focus London Plc.

Prime Focus International Limited (formerly known as Prime Focus Investments Limited)

Prime Focus Technologies Private Limited

Flow Post Solutions Private Limited

GVS Software Private Limited

Prime Focus Motion Pictures Limited

ii) Step-down Subsidiaries

Subsidiary of Prime Focus International Limited

Prime Focus International Services UK Limited
Prime Focus North America, Inc
1800 Vine Street LLC (Subsidiary of Prime Focus North America, Inc)
Prime Focus VFX Services I Inc
Prime Focus VFX Services II Inc
Prime Focus VFX Technology Inc
Prime Focus VFX Pacific Inc
Prime Focus VFX USA Inc
Prime Focus VFX Australia Pty Limited

Subsidiary of Prime Focus London Plc.

Prime Focus Visual Entertainment Services Limited
VTR Media Investments Limited
PF Film UK Limited (formerly known as 37 Dean Street Limited)
PF Broadcast & Commercial Limited
Busy Buses Limited
Prime Focus Technologies UK Limited
Amazing Spectacles Limited (Subsidiary of VTR Media Investments Limited)
Clipstream Limited
Meanwhile Content Limited (formerly known as United Sound & Vision Limited) (Subsidiary of VTR Media Investments Limited)
Prime Focus Productions 1 Limited (Subsidiary of VTR Media Investments Limited)
Prime Focus Productions 2 Limited (Subsidiary of VTR Media Investments Limited)
Prime Focus Productions 3 Limited (Subsidiary of VTR Media Investments Limited)
Prime Focus Productions 5 Limited (Subsidiary of VTR Media Investments Limited)

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

i) Key Management Personnel

Mr. Naresh Malhotra - Chairman and Whole-time Director
Mr. Namit Malhotra – Managing Director

ii) Relatives of Key Management Personnel

Mr. Premnath Malhotra

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

Blooming Bud Coaching Private Limited
N2M Reality Private Limited

c. **Particulars of Related Party Transactions**

(Amount in ₹)

S. No		2011	2010
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. Share Warrant Application Received		
	Namit Malhotra	138,695,000	Nil
		138,695,000	**Nil**
	C. Payment made towards purchase of Shares of Prime Focus Technologies Pvt. Ltd.		
	Namit Malhotra	24,500	Nil
		24,500	**Nil**
	D. Balance Outstanding at the year end – Remuneration Payable		
	Namit Malhotra	192,528	168,700
	Naresh Malhotra	Nil	170,147
		192,528	**338,847**
2	**Relatives of Key management Personnel**		
	A. Professional Fees		
	Premnath Malhotra	Nil	140,000
		Nil	**140,000**
3	**Step-down Subsidiaries #**		
	A. Revenue		
	i. Prime Focus North America, Inc	342,973,442	116,716,311
	ii. Prime Focus VFX Services II, Inc	10,258,844	3,914,337
	B. Technical Service payments		
	i. Prime Focus North America, Inc	12,613,875	Nil
	ii. Prime Focus VFX Services II, Inc	990,444	Nil
	C. Loans and Advances - Given		
	i. Prime Focus North America, Inc	1,688,996	2,512,327
	ii. Prime Focus VFX Services II, Inc	1,688,996	12,224,533
	D. Loans and Advances - Repaid		
	i. Prime Focus North America, Inc	(4,837,954)	Nil
	ii. Prime Focus VFX Services II, Inc	(10,709,905)	(1,648,150)

(Amount in ₹)

S. No		2011	2010
	E. Balance outstanding at the year end		
	i. Debtors		
	1. Prime Focus VFX Services II	7,550,102	446,019
	2. Prime Focus North America, Inc	223,389,322	106,233,480
	ii. Advances to subsidiary		
	1. Prime Focus North America, Inc	(14,549,789)	1,238,238
	2. Prime Focus VFX Services II	1,051,702	11,011,923
4	**Subsidiaries**		
	A. Revenue		
	i. Prime Focus London Plc	272,809,439	22,974,961
	ii. Prime Focus Technologies Private Limited	302,675	93,055
	B. Technical Service Payments		
	i. Prime Focus London Plc	Nil	Nil
	C. Share Application		
	i. Prime Focus London Plc	Nil	234,044,490
	ii. Prime Focus International Limited	Nil	127,527,166
	D. Loans and Advances - Given		
	i. Prime Focus London Plc	494,576,300	19,191,769
	ii. Prime Focus Technologies Private Limited	99,445,016	35,248,646
	E. Loans and Advances - Repaid		
	i. Prime Focus London Plc	33,279,560	Nil
	ii. Prime Focus Technologies Private Limited	68,685,371	7,598,450
	F. Interest on loans to Subsidiary		
	i. Prime Focus London Plc	7,415,166	Nil
	ii. Prime Focus Technologies Private Limited	8,405,965	5,340,411
	G. Balance outstanding at the year end		
	i. Debtors		
	1. Prime Focus London Plc.	262,893,927	25,009,912
	2. Prime Focus Technologies Private Limited	426,294	122,262
	ii. Advances to subsidiary		
	1. Prime Focus London Plc.	(13,819,643)	11,000,415
	2. Flow Post Solutions Private Limited	4,972	4,972
	3. Prime Focus Motion Pictures Limited	584,747	584,747
	4. Prime Focus Technologies Private Limited	84,897,278	45,734,828

(Amount in ₹)

S. No		2011	2010
	iii. Loans to subsidiary		
	1. Prime Focus London Plc.	492,046,944	Nil
	iv. Share application money		
	1. Prime Focus International Limited	Nil	127,527,166
	2. Prime Focus London Plc.	Nil	234,044,490
5	**Enterprises owned or significantly influenced by Key Management Personnel or their relatives**		
	A. Rent		
	i. Blooming Bud Coaching Private Limited	24,000,000	24,000,000
	B. Deposits given		
	i. N2M Reality Private Limited	70,000,000	Nil
	C. Balance outstanding at the year end – Deposits		
	i. Blooming Bud Coaching Private Limited	48,000,000	48,000,000
	ii. N2M Reality Private Limited	70,000,000	Nil

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

Company has given guarantee for lease taken by Step down Subsidiaries (Prime Focus North America Inc.) (Refer note 14 (v) to Schedule 16).

7. LEASES:

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

(Amount in ₹)

	2011	2010
Lease Payments due within one year	2,500,000	2,500,000
Lease Payments due later than one but not later than five years	3,646,000	6,146,000
Lease Payments due later than five years	Nil	Nil

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

c. Amount of lease rental charged to the Profit and loss account in respect of operating leases is ₹ 33,796,375/- (Previous year ₹ 31,380,774/-).

8. STOCK SPLIT/SUB-DIVISION OF EQUITY SHARES:

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

9. QUALIFIED INSTITUTIONS PLACEMENT:

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

10. ISSUE OF WARRANTS:

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

11. EARNINGS PER SHARE (EPS):

	2011	2010
Net profit as per profit and loss account including exceptional items for calculation of basic and diluted EPS.	₹ 197,535,159	₹ 127,266,148
Weighted average number of equity shares in calculating basic EPS. (Refer Note 8 and 9 to Schedule 16)	132,540,816	128,225,880
Add : Weighted average number of equity shares which would be issued on conversion of FCCB.	19,527,595	19,527,600
Add : Weighted average number of equity shares which would be issued on conversion of Warrants.	4,575,342	-
Weighted average number of equity shares in calculating diluted EPS.	156,643,754	147,753,480
Basic EPS	₹ 1.49	₹ 0.99
Diluted EPS	₹ 1.26	₹ 0.89

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

13. CAPITAL COMMITMENT:

(Amount in ₹)

		2011	2010
i.	Estimated amount of contracts remaining to be executed on capital account and not provided for:	57,921,682	52,943,001

14. CONTINGENT LIABILITIES NOT PROVIDED FOR:

(Amount in ₹)

		2011	2010
i.	On account of undertakings given by the Company in favour of Customs authorities at the time of import of capital goods under EPCG Scheme. The Company is confident of meeting its future obligations on such undertakings in the normal course of business.	693,529,871	748,591,339
ii.	On account of undertaking given on future probable obligation on behalf of subsidiary company in the course of acquisitions made. (Refer Note 25 to Schedule 16)	60,966,157	61,080,721
iii.	Matters pending with Tax Authorities (Block Assessment). Company has been advised that it has a valid case based on similar decided matters.	112,684	112,684
iv.	Matters pending with Tax Authorities towards addition made by the tax authorities for the AY 2007-08. Company has gone for an appeal to CIT (Appeals) and has made full payment of demand under protest.	5,271,860	5,271,860
v.	Guarantee for Lease taken by step-down subsidiary.	44,631,320 (USD 1,000,000)	44,979,660 (USD 1,000,000)
vi.	Premium on conversion of FCCB (Refer Note 19 (c) to Schedule 16)	598,162,095	420,381,905

15. GRATUITY AND OTHER POST-EMPLOYMENT BENEFIT PLANS:

a. Define benefit plans:

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

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

Profit and Loss account

Net employee benefit expense (recognized in Employee Cost)

(Amount in ₹)

Particulars	March 31, 2011	March 31, 2010
Current service cost	1,203,652	736,074
Interest cost on benefit obligation	-	88,726
Expected return on plan assets	-	-
Net actuarial(gain) / loss recognized in the year	-	(540,246)
Past service cost	-	-
Net benefit expense	**1,203,652**	**274,454**
Actual return on plan assets	Not Applicable	Not Applicable

Balance sheet

(Amount in ₹)

Details of Provision for gratuity	March 31, 2011	March 31, 2010
Defined benefit obligation	2,703,058	1,499,406
Fair value of plan assets.	-	-
Amount recognized in the balance sheet	**2,703,058**	**1,499,406**

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

(Amount in ₹)

Particulars	March 31, 2011	March 31, 2010
Opening defined benefit obligation	1,499,406	1,224,852
Interest cost	-	88,726
Current service cost	1,203,652	736,074
Benefits paid	-	-
Actuarial (gains) / losses on obligation	-	(540,246)
Closing defined benefit obligation	**2,703,058**	**1,499,406**

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

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

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

Particulars	March 31, 2011 %	March 31, 2010 %
Discount rate	8.25%	7.75%
Expected rate of return on assets	Not Applicable	Not Applicable
Employee turnover	2%	2 %

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

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

(Amount in ₹)

Particulars	March 31, 2011	March 31, 2010
Defined benefit obligation	2,703,058	1,499,406
Plan assets	-	-
Surplus / (deficit)	(2,703,058)	(1,499,406)
Experience adjustment on plan liabilities (gain) / loss	-	(320,360)
Experience adjustment on plan asses	-	-

b. Defined Contribution Plan:

Amount recognized as an expense and included in Schedule – 14 as Contribution to Provident Fund ₹ 2,777,813/- (Previous Year ₹ 1,585,924/-).

16. DIRECTORS REMUNERATION:

(Amount in ₹)

Particulars	March 31, 2011	March 31, 2010
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

(Amount in ₹)

Particulars	March 31, 2011	March 31, 2010
Profit as per Profit and Loss Account	197,535,159	127,266,148
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	1,559,543	(13,000)
Net Profit as per Section 349 of the Companies Act, 1956	205,094,702	133,253,148
Maximum remuneration allowed to Managing and Whole time Directors at 10% of the net profits as calculated above	20,509,470	13,325,315
Remuneration Paid to Directors	6,000,000	6,000,000

17. **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, 2011: ₹ 492,046,944/-. (Previous Year ₹ Nil)
   Maximum Amount outstanding during the year ₹ 492,046,944/- (Previous Year ₹ 241,870,474/-)

2. Prime Focus Technologies Private Limited :

Balance as at March 31, 2011: ₹ 84,897,278/- (Previous Year ₹ 41,624,979/-)
Maximum Amount outstanding during the year ₹ 85,244,098/- (Previous Year ₹ 45,258,248/-)

18. UNHEDGED FOREIGN CURRENCY EXPOSURE:

(Amount in ₹)

	(March 31, 2011)	(March 31, 2010)	Purpose
Buyer's Credit (Liability)	265,901,172 (USD 5,957,724 @ Closing Rate of 1 USD = ₹ 44.63)	439,771,909 (USD 9,777,138 @ Closing Rate of 1 USD = ₹ 44.98)	For import of equipments.
	47,775,405 (EUR 753,999 @ Closing Rate of 1 EUR = ₹ 63.36)	3,539,637 (EUR 58,175 @ Closing Rate of 1 EUR = ₹ 60.84)	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)	493,833,351 (USD 5,005,214 CAD 164,266 & GBP 3,665,810)	136,872,866 (USD 2,484,470 & GBP 366,247)	Amount receivable for services rendered to Overseas Subsidiary and others.
Loans and Advances (Assets)	493,098,646 (USD 11,024,701 CAD 22,882)	Nil	Advances given to Overseas Subsidiary and others.
Investment in Foreign Subsidiary – Prime Focus London Plc (Assets)	610,703,583 (GBP 7,522,444)	610,703,583 (GBP 7,522,444)	Investment in Subsidiary
Investment in Foreign Subsidiary – Prime Focus International Limited (Assets)	1,690,349,846 (USD 43,000,000)	1,690,349,846 (USD 43,000,000)	Investment in Subsidiary.
Investment in Foreign Subsidiary – Prime Focus London Plc (Assets)	Nil	234,044,490 (USD 4,600,000)	Share Application in Subsidiary.
Investment in Foreign Subsidiary – Prime Focus International Limited (Assets)	Nil	127,527,166 (USD 2,753,011)	Share Application in Subsidiary.

19. 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 – ₹ 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 a reseted conversion rate of ₹ 110.90 per equity share. Further, under certain conditions, the Company has the option to redeem the bonds on or after December 12, 2010. Unless previously converted or redeemed or purchased and cancelled, the Company will redeem these bonds, at 143.66% at the end of the five years from the date of issue i.e. on December 13, 2012. As at March 31, 2011, no bonds have been converted into equity shares of ₹ 1/- each and the entire balance of 550 bonds have been included and disclosed in the Schedule of "Unsecured Loans".

c. The FCCB's as detailed above are compound instruments with an option of conversion into specified number of shares and an underlying foreign currency liability with the redemption at a premium in the event of non conversion at the end of the period. The bonds are redeemable only if there is no conversion of bonds earlier. The payment of premium on redemption is contingent in nature, the outcome of which is dependent on uncertain future events. Hence no provision is considered necessary nor has been made in the accounts in respect of such premium amounting to ₹ 598,162,095/- (Previous Year ₹ 420,381,905/-). However, in the event of redemption, the premium payable would be adjusted against the balance in the Securities Premium Account.

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

e. Had the Company revalued the bonds as at March 31, 2011 considering it as a long term monetary liability, the profit for the year ended March 31, 2011 would have been lower by ₹ 39,062,293/- (Previous Year: ₹ 46,124,146/-) . The reserves as on that date would have been lower by ₹ 252,963,508/- (Previous Year: ₹ 265,060,354/-) and foreign currency monetary item would have been ₹ 39,062,293/- (Previous Year: ₹ 46,124,146/-).

20. MISCELLANEOUS INCOME:

As the Company is engaged in providing post production services, net income of ₹ 3,475,819/- (Previous Year ₹ 1,955,719/-) from production of TV Programme (gross ₹ 13,600,000/-(Previous Year ₹ 27,096,993/-) less: direct cost of ₹ 10,124,181/- (Previous Year ₹ 25,141,274/-)) is disclosed under other income as Miscellaneous Income. The revenue of the Company for the year including revenue from TV production income is ₹ 1,368,658,259/- (Previous Year ₹ 979,822,586/-).

21. INVESTMENTS:

a. Investments include ₹ 610,703,583/- (Previous Year: ₹ 610,703,583/-) in Prime Focus London Plc, UK ['PF UK'], a subsidiary company. PF UK has been recording profits since March 2009. The Market value of shares as on March 31, 2011 is ₹ 238,552,428/- (Previous Year: ₹ 150,345,934/-). The share trading of the Company were suspended on March 31, 2011, and hence the last traded price on September 29, 2010 of Pence 17 has been considered for calculation of market value of investments.

These being long term and strategic investments and also in view of the projected profitable operations of these companies, the management is of the view that there is no diminution other than temporary in the value of these investments.

b. Investments purchased and sold during the year:

(Amount in ₹)

Particulars	Face Value	As at March 31, 2010	Purchased During the Year	Redeemed During the Year	As at March 31, 2011
Trade Unquoted units					
Prime Focus Technologies Pvt. Ltd. – Equity Shares	₹ 10/-	51,000	24,500	-	75,500

22. EARNINGS IN FOREIGN CURRENCY – ON RECEIPT BASIS:

(Amount in ₹)

Particulars	March 31, 2011	March 31, 2010
Technical Service receipts	279,377,620	47,932,431
Interest Received	6,163	548,911
	279,383,783	**48,481,342**

23. EXPENDITURE IN FOREIGN CURRENCY – ON PAYMENT BASIS:

(Amount in ₹)

Particulars	March 31, 2011	March 31, 2010
a. On Interest & Finance Charges	19,378,466	30,563,043
b. On Other accounts	385,050	1,836,798
	19,763,516	**32,399,841**

24. C I F VALUE OF IMPORTS:

(Amount in ₹)

Particulars	March 31, 2011	March 31, 2010
Capital Goods	205,955,120	322,731,165

25. During the FY 2008-09 the Company was allotted 505,050 ordinary shares of 5 pence each in Prime Focus London Plc, a subsidiary of the Company, as fully paid up, for consideration other than cash, for providing an undertaking on certain future obligations, to the vendors under the Share Purchase Agreement entered by Prime Focus London Plc. to acquire Machine Effects Limited. The outcome is dependent on certain future events for which no reliable estimate can be made. Further, in current year, the Company has filed a suit in the Bombay High Court alleging that the terms of the undertaking are not tenable and hence no provision is considered necessary.

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

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

As per our report of even date

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

For and on behalf of the Board of Directors

Abuali Darukhanawala
(Partner)
Membership No.108053

Naresh Malhotra
(Chairman and Whole-time Director)

Namit Malhotra
(Managing Director)

Navin Agarwal
(Company Secretary)

Place : Mumbai
Date : June 20, 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(₹ in Lacs)

1.	**RegistrationDetails**		
	Registration Details	:	11-108981
	State Code	:	11
	Balance Sheet Date	:	March 31,2011
2.	**Capital Raised during the year**		
	Public Issue	:	Nil
	Rights Issue	:	Nil
	Bonus Issue	:	Nil
	Private Placement (Refer Note 9 to Schedule 16)	:	7297.99
3.	**Position of Mobilisation and Deployment of Funds**		
	Total Liabilities	:	69,431.24
	Total Assets	:	69,431.24
	Sources of Funds		
	Paid up Capital	:	1,388.67
	Share Warrants	:	1,386.95
	Reserves and Surplus	:	28,855.98
	Secured Loans	:	11,966.67
	Unsecured Loans	:	21,626.97
	Deferred Tax Liability	:	1,873.03
	Application of Funds		
	Net Fixed Assets	:	22,787.79
	Investments	:	23,022.97
	Net Current Assets	:	21,287.51
	Miscellaneous Expenditure	:	Nil
	Accumulated Losses	:	Nil
4.	**Performance of the Company**		
	Total Income	:	14,032.21
	Total Expenditure	:	11,829.06
	Profit Before Tax	:	2,203.15
	Profit After Tax	:	1,975.35
	Earning Per Share (Basic)	:	1.49
	Dividend Rate	:	Nil
5.	**Generic Names of Principal Products of the Company**		
	Item Code No.	:	N.A.
	Product / Description	:	Digital and Post Production Services

For and on behalf of the Board of Directors

Naresh Malhotra
(Chairman and Whole-time Director)

Namit Malhotra
(Managing Director)

Navin Agarwal
(Company Secretary)

Place : Mumbai
Date : June 20, 2011

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

Name of the Subsidiary Company	The Financial Year / period of the Subsidiary Company ended on	Holding Company	Date From which they became Subsidiary company	Number of Shares held by the Company with its nominees in the Subsidiary at the end of the Financial Year of the Subsidiary Company	Extent of Interest in the Subsidiary Company	Net aggregate amount of the subsidiary company's profit /(Loss) so far as it consern the members of yhe Holding company			
						Not dealt in the Holding company's accounts		Dealt with in the holding company's accounts	
						For the financial year ended 31 st March 2011	for the previous financial year of the subsidiary company since it became the company's subsidiary	For the financial year ended 31st March 2011	for the previous financial year of the subsidiary company since it became the company's subsidiary
Prime focus London Plc	31-Mar-11	Prime Focus Limited	28-Apr-06	19,567,003	59.96%	(881,204)	(10,585,268)	-	-
Prime Focus Visual Entertainment Services Limited	31-Mar-11	Prime Focus London Plc	28-Apr-06	1,000	100%	(37,681,264)	563,601,039	-	-
VTR Media Investment Limited	31-Mar-11	Prime Focus London Plc	28-Apr-06	2	100%	385,832	(449,456,150)	-	-
Amazing Spectacles Limited	31-Mar-11	VTR Media Investment Limited	28-Apr-06	2	100%	-	(20,218,312)	-	-
Clipstream Limited	31-Mar-11	Prime Focus London Plc	28-Apr-06	2	100%	-	(56,845,074)	-	-
Meanwhile Content Limited	31-Mar-11	VTR Media Investment Limited	28-Apr-06	2	100%	(452,946)	9,622,399	-	-
Machin Effects Limited*	31-Mar-11	Prime Focus London Plc	18-Jan-08	100	100%	30,488,958	(53,752,414)	-	-
PF Film UK Limited[2]	31-Mar-11	Prime Focus London Plc	2-Dec-08	1	100%	-	-	-	-
PF Broadcast & Commercial Limited	31-Mar-11	Prime Focus London Plc	12-Jan-11	1	100%	178,833,986	-	-	-
Busy Buses Limited	31-Mar-11	Prime Focus London Plc	1-Apr-10	3	100%	-	-	-	-
Prime Focus Technologies UK Limited	31 Mar 11	Prime Focus London Plc	13 Aug 10	1	100%	-	-	-	-
Prime Focus Productions 1 Limited	31 Mar 11	VTR Media Investment Limited	1 Dec 10	1	100%	-	-	-	-
Prime Focus Productions 2 Limited	31 Mar 11	VTR Media Investment Limited	1 Dec 10	1	100%	-	-	-	-
Prime Focus Productions 3 Limited	31 Mar 11	VTR Media Investment Limited	1 Dec 10	1	100%	-	-	-	-
Prime Focus Productions 5 Limited	31 Mar 11	VTR Media Investment Limited	1 Dec 10	1	100%	-	-	-	-
Prime Focus International Ltd[1]	31-Mar-11	Prime Focus Limited	19-Dec-07	21,748,973	100%	5,936,780	4,594,606	-	-
Prime Focus International Services UK Limited	31 Mar 11	Prime Focus International Ltd	23 Mar 11	1	100%	-	-	-	-

Name of the Subsidiary Company	The Financial Year / period of the Subsidiary Company ended on	Holding Company	Date From which they became Subsidiary company	Number of Shares held by the Company with its nominees in the Subsidiary at the end of the Financial Year of the Subsidiary Company	Extent of Interest in the Subsidiary Company	Net aggregate amount of the subsidiary company's profit /(Loss) so far as it consern the members of yhe Holding company			
						Not dealt in the Holding company's accounts		Dealt with in the holding company's accounts	
						For the financial year ended 31 st March 2011	for the previous financial year of the subsidiary company since it became the company's subsidiary	For the financial year ended 31st March 2011	for the previous financial year of the subsidiary company since it became the company's subsidiary
Prime Focus VFX service I, Inc	31-Mar-11	Prime Focus International Ltd	1-Apr-08	100 Common Voting	100%	3,408	(995,792)	-	-
Prime Focus VFX service II, Inc	31-Mar-11	Prime Focus International Ltd	1-Apr-08	100 Common Voting & 1000 Class B	100%	(20,582,501)	7,128,648	-	-
Prime Focus VFX Technology, Inc	31-Mar-11	Prime Focus International Ltd	1-Apr-08	100 Common Voting & 1 Class B	100%	(1,648,141)	(2,478,459)	-	-
Prime Focus VFX Pacific , Inc	31-Mar-11	Prime Focus International Ltd	1-Apr-08	1 Common Voting	100%	(32,727,911)	61,068,923	-	-
Prime Focus VFX USA, Inc	31-Mar-11	Prime Focus International Ltd	1-Apr-08	100 Common Voting	100%	78,913,393	(38,871,550)	-	-
Prime Focus VFX Australia Pty. Ltd.	31-Mar-11	Prime Focus International Ltd	1-Apr-08	100 Common Voting	100%	18,876	1,179	-	-
Prime Focus North America, Inc	31-Mar-11	Prime Focus International Ltd	1-Apr-08	5,100	100%	428,057,989	96,191,196	-	-
1800 Vine street, Inc	31-Mar-11	Prime Focus North America, Inc	1-Apr-08	-	100%	(5,270,949)	(24,800,210)	-	-
Prime Focus Technologies Pvt. Ltd.	31-Mar-11	Prime Focus Limited	8-Mar-08	7,550	75.50%	18,793,070	675,515	-	-
Flow Post Solutions Pvt. Ltd.	31-Mar-11	Prime Focus Limited	28-Feb-08	5,100	51%	-	(15,975)	-	-
Prime Focus Motion Pictures Ltd.	31-Mar-11	Prime Focus Limited	22-Aug-08	50,000	100%	-	(10,515)	-	-
GVS Software Pvt. Ltd.	31-Mar-11	Prime Focus Limited	1-Apr-08	10,000	100%	-	(10,515)	-	-

STATEMENT PURSUANT TO SECTION 212 (8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES FOR THE YEAR ENDED MARCH 31,2011

Name Of The Subsidiary Company	Country of Registration	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary	Turnover	Profit befor taxation	Provision for Taxation	Profit after taxation	Proposed Dividend
Prime focus London Pic	U.K.	116,929,075	471,228,017	1,503,668,000	1,503,668,000	Nil	1,062,568	(1,451,676)	-	(1,451,676)	-
Prime Focus Visual Entertainment Services Limited	U.K.	71,715	492,733,583	679,558,733	679,558,733	Nil	2,002,319,034	(62,075,278)	-	(62,075,278)	-
VTR Media Investment Limited	U.K.	143	(288,925,293)	52,517,900	52,517,900	-	-	635,610	-	635,610	-
Amazing Spectacles Limited	U.K.	143	(143)	-	-	-	-	-	-	-	-
Clipstream Limited	U.K.	143	(66,897,208)	-	-	-	-	-	-	-	-
Meanwhile Content Limited	U.K.	143	(2,609,641)	-	-	-	-	(746,173)	-	(746,173)	-
Machin Effects Limited*	U.K.	7,172	(7,172)	-	-	-	-	50,226,833	-	50,226,833	-
PF Film UK Limited[2]	U.K.	1	-	1	1	-	-	-	-	-	-
PF Broadcast & Commercial Limited	U.K.	1	300,612,176	401,117,041	401,117,041	-	299,488,822	296,935,007	-	296,935,007	-
Busy Buses Limited	U.K.	143	(143)	-	-	-	-	-	-	-	-
Prime Focus Technologies UK Limited	U.K.	1	-	1	1	-	-	-	-	-	-
Prime Focus Productions 1 Limited	U.K.	72	-	72	72	-	-	-	-	-	-
Prime Focus Productions 2 Limited	U.K.	72	-	72	72	-	-	-	-	-	-
Prime Focus Productions 3 Limited	U.K.	72	-	72	72	-	-	-	-	-	-
Prime Focus Productions 5 Limited	U.K.	72	-	72	72	-	-	-	-	-	-
Prime Focus International Ltd[1]	U.K.	1,559,729,774	10,364,625	1,570,167,835	1,570,241,271	-	-	5,936,780	-	5,936,780	-
Prime Focus International Services UK Limited	U.K.	1	-	1	1	-	-	-	-	-	-
Prime Focus VFX service I, Inc.	Canada	460	(1,472,779)	7,566,863	7,566,863	-	-	3,408	-	3,408	-
Prime Focus VFX service II, Inc.	Canada	27,251,941	61,155,492	361,025,202	361,025,202	-	110,503,418	(20,582,501)	-	(20,582,501)	-
Prime Focus VFX Technology, Inc.	Canada	460	(17,970,490)	34,161,723	34,161,723	-	22,581,680	(1,648,141)	-	(1,648,141)	-

Name Of The Subsidiary Company	Country of Registration	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary	Turnover	Profit befor taxation	Provision for Taxation	Profit after taxation	Proposed Dividend
Prime Focus VFX Pacific , Inc.	Canada	460	60,557,154	200,733,786	200,733,786	-	396,986,147	(32,727,911)	-	(32,727,911)	-
Prime Focus VFX USA, Inc.	U.S.A.	460	(72,923,422)	181,853,513	181,853,513	-	241,971,017	78,913,393	-	78,913,393	-
Prime Focus VFX Australia Pty. Ltd.	Australia	4,596	(1,714,312)	2,163,964	2,163,964	-	-	18,876	-	18,876	-
Prime Focus North America, Inc	U.S.A.	227,620	1,051,289,955	2,031,828,111	2,031,828,111	-	1,843,017,550	464,523,789	36,465,800	428,057,989	-
1800 Vine street, Inc	U.S.A.	-	553,608,663	1,069,798,116	1,069,798,116	-	-	(5,270,949)	-	(5,270,949)	-
Prime Focus Technologies Pvt. Ltd.	India	100,000	19,832,662	203,735,607	203,735,607	-	109,649,593	25,708,473	816,989	24,891,484	-
Flow Post Solutions Pvt. Ltd.	India	100,000	(25,919)	90,400	90,400	-	-	-	-	-	-
Prime Focus Motion Pictures Ltd.	India	500,000	(10,515)	650,464,978	650,464,978	-	-	-	-	-	-
GVS Software Pvt. Ltd.	India	100,000	(10,515)	100,000	100,000	-	-	-	-	-	-

Exchange Rate : 1 GBP = INR 71.7151 ; 1 CAD = GBP 0.6409 ; 1 USD = GBP 0.6223.

Note

[1] Formerly Known as Prime Focus Investments Limited

[2] Formerly Known as 37 Dean Street Limited

* Subsidiaries that are liquidated during the year.

AUDITORS' REPORT

To the Board of Directors of
Prime Focus Limited

1. We have audited the attached consolidated balance sheet of Prime Focus Limited ("the Company") and its subsidiaries (collectively known as 'the Group'), as at March 31, 2011, 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 subsidiaries, whose financial statements reflect total assets of ₹ 4,040,763,041 as at 31st March 2011, the total revenue of ₹ 4,300,868,883 and cash flows amounting to ₹ 106,683,063 for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, consolidated financial statements, notified pursuant to the Companies (Accounting Standards) Rules, 2006.

5. *As more fully described in Note 16 to Schedule 18 to the financial statements, the Group has not revalued the FCCB of $ 55 million at the exchange rate prevailing as at March 31, 2011, March 31, 2010 and March 31, 2009, which in our opinion is not in accordance with Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" and not provided for the premium payable on redemption of these FCCB. Had the Group revalued the bonds as at March 31, 2011, the profit for the year ended March 31, 2011 would have been lower by 13.48 million and the reserves as at that date would have been lower by 278.54 million and Foreign Currency Monetary Item Translation Difference account would have been 13.48 million. Further, had the Group provided for the premium on redemption, the securities premium as at March 31, 2011 would have been lower by 598.16 million. Consequent to the above, the FCCB balance at March 31, 2011 would have been higher by 890.18 million. This had caused us to qualify our audit opinion on the financial statements relating to preceding year.*

6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, subject to our comments in paragraph 5 above, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated balance sheet, of the state of affairs of the Company as at March 31, 2011;

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

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

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

Abuali Darukhanawala
Partner (M. No. 108053)

Place:Mumbai
Date : June 20, 2011

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011

(Amount in ₹)

Particulars	Sch No	31.03.2011	31.03.2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	138,867,446	128,225,880
Share Warrant		138,695,000	-
Reserves and Surplus	2	3,367,521,809	1,797,830,884
		3,645,084,255	**1,926,056,764**
LOAN FUNDS			
Secured Loans	3	2,450,598,793	2,471,655,982
Unsecured Loans	4	2,162,696,800	2,162,696,800
		4,613,295,593	**4,634,352,782**
MINORITY INTEREST		**416,084,862**	**283,732,536**
DEFERRED TAX LIABILITY (NET)	5	**188,833,649**	**165,236,629**
		8,863,298,359	**7,009,378,711**
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	6	9,693,528,987	7,431,562,750
Less: Accumulated Depreciation / Amortisation		3,065,322,747	2,615,517,127
Net Block		**6,628,206,240**	**4,816,045,623**
Add : Capital Work in Progress (including Capital Advances)		116,400,749	740,637,013
		6,744,606,989	**5,556,682,636**
INVESTMENTS	7	**2,829,879**	**2,011,109**
DEFERRED TAX ASSET (NET)		**-**	**67,066,719**
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories		2,745,828	20,212,318
Sundry Debtors	8	1,693,800,520	1,150,656,642
Cash and Bank Balances	9	299,171,945	212,365,703
Other Current Assets (Unbilled Revenue)		56,315,230	62,187,006
Loans and Advances	10	1,110,888,455	898,381,403
		3,162,921,978	**2,343,803,072**
Less : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	11	1,045,039,876	959,367,866
Provisions	12	2,703,058	1,499,406
		1,047,742,934	**960,867,272**
NET CURRENT ASSETS		**2,115,179,044**	**1,382,935,800**
MISCELLANEOUS EXPENDITURE	13	**682,447**	**682,447**
(To the extent not written off or adjusted)			
		8,863,298,359	**7,009,378,711**
NOTES TO ACCOUNTS	18		

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

As per our report of even date

For and on behalf of the Board of Directors

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

Abuali Darukhanawala
(Partner)
Membership No.108053

Naresh Malhotra
(Chairman and Whole-time Director)

Namit Malhotra
(Managing Director)

Navin Agarwal
(Company Secretary)

Place : Mumbai
Date : June 20, 2011

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2011

(Amount in ₹)

Particulars	Sch No	31.03.2011	31.03.2010
INCOME			
Income from Operations		5,029,582,721	4,527,837,574
Other Income	14	149,774,066	87,884,910
		5,179,356,787	**4,615,722,484**
EXPENDITURE			
Operating Costs	15	3,358,837,573	3,331,408,360
Exceptional Item - Miscellaneous Expenditure Written Off	16	69,954,691	137,380,420
Interest	17	263,047,066	218,339,893
Depreciation	6	545,573,993	425,869,260
		4,237,413,323	**4,112,997,933**
PROFIT BEFORE TAX		**941,943,464**	**502,724,551**
PROVISION FOR TAX			
Current Tax		55,526,444	85,365,872
Less : MAT Credit Entitlement		(55,526,444)	(136,108)
		-	**85,229,764**
Deferred Tax		60,062,820	23,564,344
TOTAL TAX EXPENSE		**60,062,820**	**108,794,108**
PROFIT AFTER TAX (Before adjustment of Minority Interest)		**881,880,644**	**393,930,443**
Less Minority Interest		121,017,350	59,692,252
PROFIT AFTER TAX		**760,863,294**	**334,238,191**
Balance brought forward from previous year		1,085,192,013	750,953,822
SURPLUS CARRIED TO BALANCE SHEET		**1,846,055,307**	**1,085,192,013**
EARNINGS PER SHARE			
Basic - Nominal Value of Shares ₹ 1/-		5.74	2.61
Diluted - Nominal Value of Shares ₹ 1/-		4.86	2.26
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 MZS & Associates
Chartered Accountants
Firm Registration No.: 106400w

Abuali Darukhanawala
(Partner)
Membership No.108053

For and on behalf of the Board of Directors

Naresh Malhotra
(Chairman and Whole-time Director)

Namit Malhotra
(Managing Director)

Navin Agarwal
(Company Secretary)

Place : Mumbai
Date : June 20, 2011

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2011

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Cash flow from Operating activities		
Net Profit before taxation	**941,943,464**	**502,351,638**
Adjustments for :		
Depreciation	545,573,993	425,876,707
(Profit)/ Loss on sale of Fixed Assets	4,955,331	(6,294,059)
(Profit)/ Loss on sale of Investments	-	(2,025,000)
Foreign exchange (Gain)/Loss (net)	10,509,384	(18,735,111)
Tax Written Off	349,614	845,756
Interest Income	(33,742,985)	(42,867,172)
Dividend Income	(23,306)	(26,381)
Interest Expense	253,833,498	210,900,002
Bad debts Written Off	30,232,089	80,497,331
Provision for Doubful Debts	32,600,000	31,273,905
Undertaking Fees	-	(11,310,427)
Sundry Credit Balances Written Back	(15,000)	(1,934,892)
Provision for Share Based payment	-	7,209,394
Provision for Gratuity	1,203,652	274,554
Miscellaneous Expenditure Written Off - Corporate Restructuring	67,694,715	-
Impairment of Investment Adjustment	(681,814)	(529,371)
Operating profit before working capital changes	**1,854,432,635**	**1,175,506,874**
Movements in Working Capital :		
Decrease / (Increase) in Sundry Debtors	(514,696,174)	(267,087,408)
Decrease / (Increase) in Inventories	18,022,274	16,443,140
Decrease / (Increase) in Loans and Advances	(793,255,617)	(125,121,461)
Increase/(Decrease) in Current Liabilities	718,309,316	245,189,192
Cash generated from operations	**1,282,812,434**	**1,044,930,337**
Direct Taxes paid (Net of Refunds)	27,862,726	(60,824,026)
Fringe Benefit Tax Paid	-	(210,212)
Exchange Rate Difference	24,958,123	13,577,538
Net Cash from Operating activities	**1,335,633,283**	**997,473,637**
Cash flow from investing activites		
Purchase of Fixed Assets	(2,272,972,813)	(768,406,002)
Proceeds from Sale of Fixed Assets	45,663,011	6,312,059
Purchase of Current Investments	(158,797,588)	(569,899,491)
Purchase of Investment in Subsidiaries	(24,500)	-
Sale of Current Investments	644,807,231	140,964,177
Inter- Corporate Deposits given	(64,500,000)	(1,000,000)
Inter- Corporate Deposits received back	16,552,116	1,000,000
Margin money and Fixed Deposits under lien	(4,777,092)	114,226,241
Interest Received	40,480,034	35,764,425
Dividends Received	23,306	26,381
Net Cash from Investing Activities	**(1,753,546,295)**	**(1,041,012,210)**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2011

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Cash flow from Financing activities		
Proceeds from long term borrowings	822,758,236	394,677,240
Repayment of long term borrowings	(968,570,388)	(358,863,826)
Proceeds from short term borrowings	542,890,777	395,033,739
Repayment of short term borrowings	(436,609,223)	(405,249,923)
Proceeds from issuance of Share Warrants	138,695,000	-
Proceeds from issuance of QIP	729,798,596	-
Expenses on issuance of QIP	(22,045,253)	-
Interest paid	(276,140,301)	(257,780,717)
Dividends Paid	(103)	(48)
Foreign exchange Gain/(Loss) (net)	6,619,380	(51,032)
Net Cash from Financing activities	**537,396,721**	**(232,234,567)**
Effect of exchange differences on translation	(39,830,261)	(23,133,050)
Net increase/(decrease) in cash and cash equivalents (A+B+C+D)	**79,653,448**	**(298,906,190)**
Cash and Cash Equivalents at the Beginning of the year	**96,764,684**	**389,474,422**
Translation adjustment on Opening Cash and Cash equivalents	2,227,887	6,077,819
Unrealised Gain/(Loss) on Foreign Currency Cash and Cash equivalents	19,100	118,633
Cash and cash equivalents at the end of the year	**178,665,119**	**96,764,684**
Components of Cash and Cash equivalents, as at March 31, 2011		
Cash	1,779,545	2,038,594
With Banks:		
- On Current Accounts	175,065,574	92,006,090
- On Fixed Deposits	1,820,000	2,720,000
Cash and Cash Equivalents at the End of the year	**178,665,119**	**96,764,684**
Bank deposits having maturity of more than 90 days	119,351,444	114,574,353
Interest Accrued on bank deposits	1,155,382	1,026,667
Cash and Bank Balance (Refer Schedule 9)	**299,171,945**	**212,365,704**

As per our report of even date

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

Abuali Darukhanawala
(Partner)
Membership No.108053

Place : Mumbai
Date : June 20, 2011

For and on behalf of the Board of Directors

Naresh Malhotra
(Chairman and Whole-time Director)

Namit Malhotra
(Managing Director)

Navin Agarwal
(Company Secretary)

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2011

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Schedule 1		
SHARE CAPITAL		
Authorised :		
200,000,000 Shares of ₹ 1/- each (Previous year 15,000,000 Shares of ₹ 10/- each)	**200,000,000**	**150,000,000**
Issued, Subscribed and Paid-Up:		
138,867,446 Shares of ₹ 1/- each (Previous year 12,822,588 Shares of ₹ 10/- each) (Refer Note 8 & 9 to Schedule 18)	138,867,446	128,225,880
Of the above :		
i. 36,000,000 Equity Shares of ₹ 1/- each (Previous year 3,600,000 Equity Shares of ₹ 10/- each) each were allotted as fully paid up pursuant to scheme of arrangement for consideration other than cash.		
ii. 40,000,000 Equity Shares of ₹ 1/- each (Previous year 4,000,000 Equity Shares of ₹ 10/- each) were allotted as fully paid up bonus shares by capitalisation of Reserves.		
	138,867,446	**128,225,880**
Schedule 2		
RESERVES AND SURPLUS		
Securities Premium at the beginning of the year	964,859,177	964,859,177
Add : Addition on account of QIP	719,157,030	-
Less : Issue Expenses Pertaining to QIP	22,045,253	-
Securities Premium at the end of the year	**1,661,970,954**	**964,859,177**
General Reserve at the beginning of the year	13,400,000	13,400,000
General Reserve at the end of the year	**13,400,000**	**13,400,000**
Foreign Currency Translation Reserve	**(153,904,452)**	**(265,620,306)**
Profit and Loss Account	**1,846,055,307**	**1,085,192,013**
	3,367,521,809	**1,797,830,884**

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2011

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Schedule 3		
SECURED LOANS		
Loans from Banks (Refer Note 3 to Schedule 18)		
Term Loans	1,356,310,985	1,334,378,847
(Amount repayable within one year ₹ 260,254,521/- (Previous year ₹ 214,085,190/))		
Buyers Credit	331,114,533	443,311,546
(Amount repayable within one year ₹ 130,352,069/- (Previous year ₹ 264,737,680/-))		
Cash Credit/Over Draft	373,995,044	295,716,154
Short Term Demand Loan	250,000,000	250,000,000
Hire Purchase Obligation	130,759,042	135,014,025
Loans from Others		
Vehicle Finance	8,419,189	13,235,410
(Amount repayable within one year ₹ 4,545,620/- (Previous year ₹ 4,733,070/-))		
	2,450,598,793	**2,471,655,982**
Schedule 4		
UNSECURED LOANS		
Zero Coupon Foreign Currency Convertible Bonds (Refer Note 16 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	244,141,847	177,715,266
Gross Deferred Tax Liability	**244,141,847**	**177,715,266**
DEFERRED TAX ASSET		
Provision for Doubtful Debts	54,765,089	10,536,900
Differences due to accelerated amortisation of intangibles under Income Tax Act	103,061	140,611
Share Issue Expenses	440,048	1,801,126
Gross Deferred Tax Asset	**55,308,198**	**12,478,637**
Net Deferred Tax Liability	**188,833,649**	**165,236,629**

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2011

Schedule 6

FIXED ASSETS

(Amount in ₹)

	Description of Asset	Gross Block					Depreciation						Net Block	
		As on 01.04.2010	Op Revaluation Adjustment	Additions	Deductions	As on 31.03.2011	As on 01.04.2010	Op Revaluation Adjustment	Deductions	For the Year	Fair Value Reserve	As on 31.03.2011	As on 31.03.2011	As on 31.03.2010
(A)	**TANGIBLE ASSETS**													
	Land and Building	1,161,900,390	(8,520,836)	433,410,762	1,635,000	1,585,155,316	43,238,753	(293,293)	11,476,280	6,991,575	-	38,460,755	1,546,694,562	1,118,661,639
	Leasehold Improvement	430,340,328	14,850,627	48,182,780	3,896,745	489,476,990	286,356,297	9,758,554	3,896,764	32,992,925	375,503	325,586,515	163,890,475	143,984,031
	Plant & Machinery	4,268,878,374	32,310,609	690,786,039	119,447,840	4,872,527,182	2,073,805,321	17,723,220	100,261,247	433,817,552	(176,879)	2,424,907,967	2,447,619,214	2,195,073,057
	Furniture & Fixtures	284,450,544	6,136,217	101,729,718	4,421,650	387,894,829	169,547,094	4,034,318	2,429,263	34,001,727	13,401	205,167,277	182,727,552	114,903,451
	Office Equipments	25,751,256	87,723	40,627,207	-	66,466,186	10,885,613	66,111	-	7,929,682	5,227	18,886,633	47,579,553	14,865,643
	Vehicles	46,905,469	341,588	5,616,543	6,570,162	46,293,438	12,069,537	83,118	1,608,237	5,782,011	20,254	16,346,683	29,946,755	34,835,932
	Total (A)	**6,218,226,361**	**45,205,928**	**1,320,353,049**	**135,971,397**	**7,447,813,941**	**2,595,902,615**	**31,372,028**	**119,671,791**	**521,515,472**	**237,506**	**3,029,355,831**	**4,418,458,110**	**3,622,323,753**
(B)	**INTANGIBLE ASSETS**													
	Goodwill	125,577,195	6,014,737	-	122,793,965	8,797,967	5,320,000	-	-	-	-	5,320,000	3,477,967	120,257,195
	Goodwill on Consolidation	477,652,745	16,291,528	40,664,993	-	534,609,266	-	-	-	-	-	-	534,609,266	477,652,745
	Rights	545,172,721	25,766,677	809,400,285	649,380,231	730,959,452	-	-	-	-	-	-	730,959,452	545,172,721
	Software	64,933,729	963,966	916,980,880	11,530,214	971,348,361	14,294,520	250,528	8,220,388	24,058,520	263,736	30,646,916	940,701,444	50,639,209
	Total (B)	**1,213,336,390**	**49,036,908**	**1,767,046,158**	**783,704,410**	**2,245,715,046**	**19,614,520**	**250,528**	**8,220,388**	**24,058,520**	**263,736**	**35,966,916**	**2,209,748,129**	**1,193,721,870**
	Total (A + B)	**7,431,562,751**	**94,242,836**	**3,087,399,207**	**919,675,807**	**9,693,528,987**	**2,615,517,135**	**31,622,556**	**127,892,179**	**545,573,993**	**501,242**	**3,065,322,747**	**6,628,206,240**	**4,816,045,622**
	Previous Year	7,339,558,095	(438,632,371)	1,269,147,346	738,510,319	7,431,562,750	2,810,679,718	(184,604,492)	414,521,514	425,869,260	(21,905,844)	2,615,517,127	4,816,045,622	
	Capital Work In Progress *	-	-	-	-	-	-	-	-	-	-	-	116,400,749	740,637,013

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

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2011

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Schedule 7		
INVESTMENTS		
Other than trade		
Unquoted - fully paid up		
The Shamrao Vithal Co-operative Bank Limited	100,000	100,000
4,000 (Previous year : 4,000) shares of ₹ 25/- each		
Mainframe Premises Co-Operatie Society Limited	3,500	3,500
350 (Previous year : 350) shares of ₹ 10/- each		
Current Investments		
Other than Trade Quoted		
Cinemax India Limited	413,567	413,567
9,172 (Previous year : 9,172) equity shares of ₹ 10/- each		
Market Value ₹ 387,517 (Previous year ₹ 584,129)		
Conexion Media Group Plc	878,510	1,494,042
1,750,000 (Previous year: 1,750,000) Ordinary shares of £1.00 each		
(Market Value 878,510 (GBP 12,250) (Previous year: 1,494,042 (GBP 21,875))		
Other Investments		
Busy Buses Limited	1,434,302	-
	2,829,879	**2,011,109**
Aggregate amount of quoted Investments	1,292,077	1,907,609
Aggregate amount of Unquoted Investments	1,537,802	103,500
Schedule 8		
SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	1,030,049,904	191,965,877
Unsecured, considered doubtful (Net of Service Tax)	75,934,463	31,000,000
Other debts	**1,105,984,367**	**222,965,877**
Unsecured, considered good	749,518,999	1,038,472,714
	1,855,503,366	**1,261,438,591**
Less: Service Tax	85,768,383	79,781,949
	1,769,734,983	1,181,656,642
Less: Provision for Doubtful Debts (Net of Service Tax)	75,934,463	31,000,000
	1,693,800,520	**1,150,656,642**

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2011

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Schedule 9		
CASH AND BANK BALANCES		
Cash on hand	1,779,545	2,038,594
Balances with Scheduled banks		
In Current Accounts	175,065,574	92,006,090
In Fixed Deposit Accounts (Refer Note below)	122,326,826	118,321,019
	299,171,945	**212,365,703**

Note :

i. As margin for Letter of Credit / Buyers Credit - ₹ 13,904,144/- (Previous year ₹ 42,831,484/-)
ii. Lien on Fixed Deposit against Bank Guarantee availed - ₹ 35,953,432/- (Previous year - ₹ 33,369,679/-)
iii. As margin for Term Loan - ₹ 50,000,000/- (Previous year - ₹ 37,500,000/-)
iii. Accrued interest on Fixed Deposits - ₹ 1,155,381/- (Previous year - ₹ 1,026,667/-)

Particulars	31.03.2011	31.03.2010
Schedule 10		
LOANS AND ADVANCES		
Unsecured - considered good		
Advances recoverable in Cash or in Kind or for value to be received	587,395,306	350,464,779
Deposits	228,299,344	82,240,303
Inter Company Deposits	156,081,944	94,934,931
MAT Credit Entitlement	55,526,444	136,108
Advance Payment of Taxes	83,585,417	370,605,282
(Net of Provision for Tax - ₹ 121,650,956/- (Previous year ₹ 90,011,398/-)		
	1,110,888,455	**898,381,403**
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	720,012,158	586,904,055
Other Liabilities	227,125,806	150,307,373
Bank Book Overdraft	2,088,035	2,894,405
Deferred Revenue Income	-	61,856,368
Interest Accrued but not due	6,064,822	8,746,293
Advances from Customers	89,734,323	148,644,536
Unclaimed Dividend *	14,732	14,835
	1,045,039,876	**959,367,866**

* 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, 2011

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Schedule 12		
PROVISIONS		
Provision for Gratuity (Refer Note 14(a) to Schedule 18)	2,703,058	1,499,406
	2,703,058	**1,499,406**
Schedule 13		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary expenses	682,447	682,447
	682,447	**682,447**

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2011

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Schedule 14		
OTHER INCOME		
Dividend		
Long Term Investments - Non Trade	23,306	26,381
Interest Income		
Bank Deposits (TDS - ₹ 1,344,185/- (Previous year ₹ 2,030,697/-))	14,092,188	30,030,694
Others (TDS - ₹ 1,251,582/- (Previous year ₹ Nil/-))	19,650,797	12,818,796
Profit / (Loss) on Sale of Investment	-	2,025,000
Profit / (Loss) on Sale of Asset	-	6,307,059
Exchange Gain (net)	-	18,732,883
Undertaking Fee	-	11,310,427
Excess Provision Write Back	15,000	1,934,892
Insurance Claim Received	2,172,666	-
Miscellaneous Income (Refer Note 17 to Schedule 18)	113,820,109	4,698,778
	149,774,066	**87,884,910**
Schedule 15		
OPERATING AND OTHER EXPENSES		
Personnel Expenses		
Salaries, Staff Remuneration and Bonus	1,077,092,508	1,025,418,109
Contribution to Provident and Other Fund (Refer Note14(b) to Schedule 18)	4,542,975	60,815,182
Gratuity (Refer Note 14(a) to Schedule 18)	1,203,652	274,554
Staff Welfare	22,521,183	10,606,724
Technician Fees	941,734,776	903,419,395
Technical Services Payments	73,447,170	385,383,863
Communication Cost	46,267,566	35,207,717
Consumables Stores	53,644,516	83,287,000
Director’s Sitting Fees	262,000	180,000
Electricity Charges	114,398,440	93,177,525
Insurance Cost	41,753,245	48,379,569
Legal and Professional Fees	125,227,085	41,513,492
Loss on sale of Assets (net)	4,955,331	13,000
Rates and Taxes	2,266,673	14,671,016
Rebates and Discount	25,813,992	24,668,323
Rent	255,603,620	176,176,256

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2011

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Traveling and Conveyance	143,958,898	85,245,210
Miscellaneous Expenses	237,341,154	157,751,764
Repairs & Maintenance		
Repairs and Maintenance-Equipment	70,049,747	58,425,010
Repairs and Maintenance-Studio/Office Premises	22,673,101	4,806,969
Bad Debts Written Off	30,232,088	80,496,939
Provision for Doubtful Debts	32,600,000	31,273,890
Hardware & Software Purchase	6,429,949	-
Exchange Loss (net)	10,509,384	-
Auditor’s Remuneration		
Audit Fees	14,221,918	9,716,853
Other Matters	86,602	500,000
	3,358,837,573	**3,331,408,360**
Schedule 16		
EXCEPTIONAL ITEM		
VAT Claim	-	(33,893,556)
Liquidation Income	(50,226,807)	(111,885,626)
Share Based Payments	-	7,209,406
Goodwill W/off	117,921,521	19,304,211
Damages for Loss of Employment	-	201,146
Legal Fees	-	101,420,522
(Write Back) / Written off during the year (Refer Note 18 to Schedule 18)	2,259,977	155,024,317
	69,954,691	**137,380,420**
Schedule 17		
FINANCIAL EXPENSES		
Interest on Bank Overdraft	54,618,216	68,998,121
Interest on Term Loan	143,423,003	90,658,752
Interest on Buyer’s Credit	15,057,566	36,373,261
Interest on Others	38,017,172	7,313,380
Bank Charges	11,931,109	14,996,379
	263,047,066	**218,339,893**

CONSOLIDATED NOTES TO ACCOUNTS

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, 2011. The financial statements are presented in the general format specified in Schedule VI to the Act.

b. Principles of Consolidation

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

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

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

ii. The Assets & Liabilities of non-integral Subsidiaries are translated into Indian Rupees at the rate of exchange prevailing as of the Balance Sheet date. Revenue and Expenses are translated into Indian Rupees at an average closing rate.

iii. The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent for its separate financial statements. However, as these financial statements are not statutory financial statements, full compliance with the Act are not required and hence these financial statements do not reflect all the disclosure requirements of the Act.

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

a. Fixed Assets
b. Depreciation
c. Foreign Currency Translation
d. Current Investments
e. Goodwill on consolidation
f. Intangible Assets
g. Revenue Recognition

v. Goodwill arising on consolidation

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

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

Goodwill of PF London is ₹ 3,477,967/- (Previous year ₹ 120,257,195/-).

Goodwill arising on consolidation is evaluated for impairment annually.

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

Name of Subsidiary	Principal Activity	Country of Incorporation	Percentage of Holding
Prime Focus London Plc.	Post Production and VFX services.	England & Wales	59.96%
Prime Focus International Ltd. (formerly known as Prime Focus Investments Ltd.)	Media and other Investments.	England & Wales	100%
Prime Focus Technologies Pvt. Ltd.	Digital Asset Management.	India	75.50%
Flow Post Solutions Pvt. Ltd.	Dormant.	India	51%
GVS Software Pvt. Ltd.	Dormant.	India	100%
Prime Focus Motion Pictures Ltd.	Dormant.	India	100%

Name of Subsidiary	Principal Activity	Country of Incorporation	Percentage of Holding
Subsidiary undertakings of Prime Focus London Plc.			
Prime Focus Visual Entertainment Services Ltd.	Broadcast Post Production.	England & Wales	100%
VTR Media Investments Ltd.	Media Investments.	England & Wales	100%
PF Film UK Ltd. (formerly known as 37 Dean Street Ltd.)	Dormant.	England & Wales	100%
Busy Buses Ltd.	Dormant.	England & Wales	100%
PF Broadcast & Commercial Ltd.	Post Production Services.	England & Wales	100%
Clipstream Ltd.	Digital Content Management.	England & Wales	100%
Prime Focus Technologies UK Ltd.	Dormant.	England & Wales	100%
Subsidiary undertakings of VTR Media Investments Ltd.			
Amazing Spectacles Ltd.	Post Production Service.	England & Wales	100%
Meanwhile Content Ltd.	Post Production of Television Commercials.	England & Wales	100%
Prime Focus Productions 1 Ltd.	Dormant.	England & Wales	100%
Prime Focus Productions 2 Ltd.	Dormant.	England & Wales	100%
Prime Focus Productions 3 Ltd.	Dormant.	England & Wales	100%
Prime Focus Productions 5 Ltd.	Dormant.	England & Wales	100%
Associates of Prime Focus London Plc.			
VTR North Ltd.	Post Production of Television Commercials.	England & Wales	20%
Subsidiary undertakings of Prime Focus International Ltd. (formerly known as Prime Focus Investments Ltd.)			
Prime Focus VFX Services I Inc	Post Production and VFX services.	Canada	100%
Prime Focus VFX Services II Inc	Post Production and VFX services.	Canada	100%
Prime Focus VFX Technology Inc	Post Production and VFX services.	Canada	100%
Prime Focus VFX Pacific Inc	Post Production and VFX services.	Canada	100%
Prime Focus VFX USA Inc	Post Production and VFX services.	USA	100%
Prime Focus VFX Australia Pty Ltd	Post Production and VFX services.	Australia	100%
Prime Focus North America Inc	Post Production and VFX services.	USA	100%
Prime Focus International Services UK Ltd.	Dormant.	England & Wales	100%

Name of Subsidiary	Principal Activity	Country of Incorporation	Percentage of Holding
Subsidiary undertakings of Prime Focus North America Inc.			
1800 Vine Street LLC	NA	USA	100%
Subsidiary undertakings of Prime Focus London Plc. – Liquidated during the year			
Machine Effects Ltd.	Graphics for Feature Films.	England & Wales	100%
Subsidiary undertakings of Prime Focus London Plc. – Liquidated during the previous year			
PF (Post Production) Ltd.	Post Production	England & Wales	100%
K Post Ltd.	Post Production of Television Commercials	England & Wales	100%
The Machine Room Ltd.	Film Transfer, Video Mastering & DVD	England & Wales	100%

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%
Furniture & Fixtures and Electrical Fittings	10.00%	6.33%
Office Equipments	16.21%	13.91%
Vehicles	9.50%	9.50%

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

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

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

Gross book value of assets of PF London Group is ₹ 1,455,429,312/- (Previous year ₹ 1,784,483,060/-). Net book value of assets is ₹ 628,579,728/- (Previous year ₹ 1,074,547,834/-) and depreciation charge for the year is ₹ 82,353,004/- (Previous Year ₹ 92,303,358/-).

g. Impairment

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

h. 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. The period of amortisation only starts at the point at which the asset starts to produce economic returns.

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

Value of films rights of PF London Group is ₹ 51,579,221/- (Previous Year ₹ 515,172,721/-).

The Other Intangibles are amortised over a period of 10 years, reflecting the fact that the underlying technology will continue to provide benefit in the future.

Software

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

i. 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 recognised as an expense in the Profit and Loss account on a straight line basis over the leased term.

j. Stocks

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

k. 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 until its disposal or is impaired, at which time the cumulative gain or loss previously recognised in fair value reserve is included in the profit and loss account.

Value of Current Investments of PF London Group is ₹ 2,312,812/- (Previous Year ₹ 1,494,042/-).

l. Revenue Recognition

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

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

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

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

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

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

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

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

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

m. 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, PF London Group, all differences are charged to the Profit and Loss Account. This is in variance with the policy adopted by the Group.

Total Exchange (gain) / loss of PF London Group recognized in Profit and Loss Account is ₹ 51,362,832/- (Previous Year ₹ 40,206,957/-). The said Exchange loss is included in Exceptional item.

n. 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, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

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

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

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

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

o. Segment Reporting

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

p. 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.

q. 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.

r. 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.

s. 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.

t. Retirement and other Employee Benefits

Post employment benefits and other long term benefits:

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

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

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

u. Stock based compensation

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

3. DETAIL OF CHARGES PROVIDED FOR SECURED LOANS:

Nature	Value	Security
Term Loan	₹ 56,767,678	i. Subservient Charge on the movable Fixed Assets and Receivables of the Company. ii. Personal Guarantee of the Promoter Director. iii. Pledge of Shares by Promoters. iv. Escrow of rent payment receivable by Promoters.
Term Loan	₹ 130,888,966	i. First Charge on the Company’s entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future and Term Deposits. ii. First Charge on the Fixed Assets of the Company, both present and future (except Royal Palms property). iii. Personal Guarantees of the Promoter Director.
Term Loan	₹ 248,616,978	i. First Charge against the Property Financed & Project Assets. ii. Personal Guarantees of the Promoter Director.
Term Loan	₹ 72,428,796	i. First Charge against the equipment financed.
Buyers Credit	₹ 313,676,577	i. First Charge on the Company’s entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future and Term Deposits. ii. First Charge on the Fixed Assets of the Company, both present and future (except Royal Palms property). iii. Personal Guarantees of the Promoter Director.

Nature	Value	Security
Cash Credit / Over Draft	₹ 92,269,598	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future. ii. First Charge on the Fixed Assets of the Company, both present and future. iii. Personal Guarantees of the Promoter Director.
Cash Credit / Over Draft	₹ 23,598,908	i. First Charge on Current Asset. ii. Personal Guarantee of Director. iii. Pledge of Shares by Promoters.
Short Term Demand Loan	₹ 250,000,000	i. First Charge on Current Asset. ii. Personal Guarantee of Director. iii. Pledge of Shares by Promoters.
Vehicle Loan	₹ 8,419 ,189	i. First Charge on the Vehicles Financed.
Bank Loans of subsidiary (Prime Focus London Plc.)	₹ 357,170,600	i. Secured by a fixed and floating charge over the assets of the Prime Focus London Plc Subsidiaries and PF London Group. ii. Secured against book debts.
Hire Purchase Creditors (Prime Focus London Plc.)	₹ 130,759,042	i. Secured against respective movable assets.
Term Loan (Subsidiaries of Prime Focus International Ltd.)	₹ 739,633,306	i. Secured against property and other equipments.
Cash Credit/Over Draft (Subsidiaries of Prime Focus International Ltd.)	₹ 1,637,938	i. Secured against book debts.

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. 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

(Amount in ₹)

	2011	2010
India	838,111,056	857,669,677
United Kingdom	2,067,445,325	1,560,036,206
U.S.	1,731,789,178	988,846,184
Canada	391,989,792	754,962,320
Other Countries	247,370	366,323,188
	5,029,582,721	**4,527,837,574**

Segment Assets by Geographical Area and additions to Segment Assets

(Amount in ₹)

	Segments Assets		Additions to Fixed Assets and Intangibles	
	2011	2010	**2011**	2010
India	4,279,146,439	3,214,447,884	1,723,880,571	61,882,142
United Kingdom	2,291,386,170	2,079,149,253	427,280,664	602,767,247
U.S.	3,033,271,070	2,110,050,244	697,305,235	516,802,473
Canada	453,383,370	469,581,648	261,878,902	154,620,716
Other Countries	1,655,526	4,172,164	Nil	Nil
	10,058,842,575	**7,877,401,154**	**3,110,345,372**	**1,336,072,579**

6. RELATED PARTY DISCLOSURES:

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

i) Key Management Personnel

Mr. Naresh Malhotra - Chairman and Whole-time Director

Mr. Namit Malhotra – Managing Director

ii) Relatives of Key Management Personnel

Mr. Premnath Malhotra

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

Blooming Bud Coaching Private Limited

N2M Reality Private Limited

Particulars of Related Party Transactions

(Amount in ₹)

S.No		2011	2010
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. Share Warrant Application Received Namit Malhotra	138,695,000	Nil
		138,695,000	**Nil**
	C. Payment made towards purchase of Shares of Prime Focus Technologies Pvt. Ltd. Namit Malhotra	24,500	Nil
		24,500	**Nil**

	D. Balance Outstanding at the year end – Remuneration Payable Namit Malhotra Naresh Malhotra	 192,528 Nil	 168,700 170,147
		192,528	**338,847**
2	**Relatives of Key management Personnel** Professional Fees Premnath Malhotra	 Nil	 140,000
		Nil	**140,000**
3	**Enterprises owned or significantly influenced by Key Management Personnel or their relatives**		
	A Rent i) Blooming Bud Coaching Private Limited	 24,000,000	 24,000,000
	B. Deposits given i) N2M Reality Private Limited	 70,000,000	 Nil
	C. Balance outstanding at the year end – Deposits i) Blooming Bud Coaching Private Limited ii) N2M Reality Private Limited	 48,000,000 70,000,000	 48,000,000 Nil

* Key management personnel have given personal guarantee and have pledged part of their share holdings for borrowings obtained by the Company (Refer Note 3 to Schedule 18).

7. LEASES:

a. Operating Leases

The Company has taken the premises on non-cancellable operating lease basis. The tenure of lease is for 60 months and further expandable for 10 years without non cancellation clause on mutual consent with escalation clause. In case of PF London group the tenure of lease for the premises taken on non-cancellable operating lease ranges from 5 years to 10 years without any escalation clause. Future lease rentals in respect of the said premises taken on non-cancellable operating leases are as follows:

(Amount in ₹)

	2011	2010
Lease Payments due within one year	78,051,848	74,453,081
Lease Payments due later than one but not later than five years	291,958,631	291,311,734
Lease Payments due later than five years	126,577,152	172,694,224

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

Amount of lease rental charged to the Profit and Loss Account in respect of operating leases is ₹ 255,603,620/- (Previous Year ₹ 176,176,256/-).

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.

(Amount in ₹)

	2011	2010
Total Lease Payments for the year	59,111,845	30,657,855
Less : Amount representing finance charges	12,196,572	7,020,615
Present value of minimum lease payments (Rate of interest: 17% p.a.)	46,915,273	23,637,241
Lease Payments due within one year [Present Value ₹ 51,789,360/- as on 31.03.2011 (₹ 26,483,980/- as on 31.03.2010)]	62,508,463	30,657,855
Lease Payments due later than one but not later than five years [Present Value ₹ 67,597,197/- as on 31.03.2011 (₹ 21,935,894/- as on 31.03.2010)]	79,173,364	22,993,391
Lease Payments due later than five years	Nil	Nil

8. STOCK SPLIT/SUB-DIVISION OF EQUITY SHARES:

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

9. QUALIFIED INSTITUTIONS PLACEMENT:

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

10. ISSUE OF WARRANTS:

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

11. EARNINGS PER SHARE (EPS):

	2011	2010
Net profit as per consolidated profit and loss account including exceptional items for calculation of basic and diluted EPS.	₹ 760,863,294	₹ 334,238,191
Weighted average number of equity shares in calculating basic EPS. (Refer Note 8 and 9 to Schedule 18)	132,540,816	128,225,880
Add : Weighted average number of equity shares which would be issued on conversion of FCCB.	19,527,595	19,527,600
Add : Weighted average number of equity shares which would be issued on conversion of Warrants.	4,575,342	-
Weighted average number of equity shares in calculating diluted EPS.	156,643,754	147,753,480
Basic EPS	₹ 5.74	₹ 2.61
Diluted EPS	₹ 4.86	₹ 2.26

12. CAPITAL COMMITMENT:

(Amount in ₹)

	2011	2010
Estimated amount of contracts remaining to be executed on capital account and not provided for:	57,921,682	176,017,943

13. CONTINGENT LIABILITIES NOT PROVIDED FOR:

(Amount in ₹)

		2011	2010
i.	On account of undertakings given by the Company in favour of Customs authorities at the time of import of capital goods under EPCG Scheme. The Company is confident of meeting its future obligations on such undertakings in the normal course of business.	693,529,871	748,591,339
ii.	On account of undertaking given on future probable obligation on behalf of subsidiary company in the course of acquisitions made.(Refer Note 20 to Schedule 18)	60,966,157	61,080,721
iii.	Matters pending with Tax Authorities (Block Assessment). Company has been advised that it has a valid case based on similar decided matters.	112,684	112,684
iv.	Matters pending with Tax Authorities towards addition made by the tax authorities for the AY 2007-08. Company has gone for an appeal to CIT (Appeals) and has made full payment of demand under protest.	5,271,860	5,271,860
v.	Premium on conversion of FCCB (Refer Note 16 (c) to Schedule 18)	598,162,095	420,381,905

14. GRATUITY AND OTHER POST-EMPLOYMENT BENEFIT PLANS:

a. Define benefit plans:

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

The following tables summaries 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)

(Amount in ₹)

Particulars	**March 31, 2011**	March 31, 2010
Current service cost	1,203,652	736,074
Interest cost on benefit obligation	-	88,726
Expected return on plan assets	-	-
Net actuarial(gain) / loss recognised in the year	-	(540,246)
Past service cost	-	-
Net benefit expense	**1,203,652**	**274,454**
Actual return on plan assets	Not Applicable	Not Applicable

Balance sheet

(Amount in ₹)

Details of Provision for gratuity	**March 31, 2011**	March 31, 2010
Defined benefit obligation	2,703,058	1,499,406
Fair value of plan assets.	-	-
Amount recognised in the balance sheet	**2,703,058**	**1,499,406**

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

(Amount in ₹)

Particulars	**March 31, 2011**	March 31, 2010
Opening defined benefit obligation	1,499,406	1,224,852
Interest cost	-	88,726
Current service cost	1,203,652	736,074
Benefits paid	-	-
Actuarial (gains) / losses on obligation	-	(540,246)
Closing defined benefit obligation	**2,703,058**	**1,499,406**

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

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

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

Particulars	**March 31, 2011**	March 31, 2010
	%	%
Discount rate	8.25%	7.75%
Expected rate of return on assets	Not Applicable	Not Applicable
Employee turnover	2%	2 %

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

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

(Amount in ₹)

Particulars	**March 31, 2011**	March 31, 2010
Defined benefit obligation	2,703,058	1,499,406
Plan assets	-	-
Surplus / (deficit)	(2,703,058)	(1,499,406)
Experience adjustment on plan liabilities (gain) / loss	-	(320,360)
Experience adjustment on plan assest	-	-

b. Defined Contribution Plan:

Amount recognized as an expense and included in Schedule – 15 as Contribution to Provident Fund ₹ 2,777,813/- (Previous Year ₹ 1,585,924/-).

15. UNHEDGED FOREIGN CURRENCY EXPOSURE:

(Amount in ₹)

	March 31, 2011	March 31, 2010	**Purpose**
Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet Date			
Buyer's Credit (Liability)	265,901,172 (USD 5,957,724 @ Closing Rate of 1 USD = ₹ 44.63)	439,771,909 (USD 9,777,138 @ Closing Rate of 1 USD = ₹ 44.98)	For import of equipments.
	47,775,405 (EUR 753,999 @ Closing Rate of 1 EUR = ₹ 63.36)	3,539,637 (EUR 58,175 @ Closing Rate of 1 EUR = ₹ 60.84)	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.

16. 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 – ₹ 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 a reseted conversion rate of ₹ 110.90 per equity share. Further, under certain conditions, the Company has the option to redeem the bonds on or after December 12, 2010. Unless previously converted or redeemed or purchased and cancelled, the Company will redeem these bonds, at 143.66% at the end of the five years from the date of issue i.e. on December 13, 2012. As at March 31, 2011, no bonds have been converted into equity shares of ₹ 1/- each and the entire balance of 550 bonds have been included and disclosed in the Schedule of "Unsecured Loans".

c. The FCCB's as detailed above are compound instruments with an option of conversion into specified number of shares and an underlying foreign currency liability with the redemption at a premium in the event of non conversion at the end of the period. The bonds are redeemable only if there is no conversion of bonds earlier. The payment of premium on redemption is contingent in nature, the outcome of which is dependent on uncertain future events. Hence no provision is considered necessary nor has been made in the accounts in respect of such premium amounting to ₹ 598,162,095/- (Previous Year ₹ 420,381,905/-). However, in the event of redemption, the premium payable would be adjusted against the balance in the Securities Premium Account.

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

e. Had the Company revalued the bonds as at March 31, 2011 considering it as a long term monetary liability, the profit for the year ended March 31, 2011 would have been lower by ₹ 39,062,293/- (Previous Year ₹ 46,124,146/-) . The reserves as on that date would have been lower by ₹ 252,963,508/- (Previous Year ₹ 265,060,354/-) and foreign currency monetary item would have been ₹ 39,062,293/- (Previous Year ₹ 46,124,146/-).

17. MISCELLANEOUS INCOME:

As the Company is engaged in providing post production services, net income of ₹ 3,475,819/- (Previous Year ₹ 1,955,719/-) from production of TV Programme (Gross ₹ 13,600,000/- (Previous Year ₹ 27,096,993/-)) less: direct cost of ₹ 10,124,181/- (Previous Year ₹ 25,141,274/-) is disclosed under other income as Miscellaneous Income. The revenue of the Group for the year including revenue from TV production income is ₹ 5,043,182,721/- (Previous Year ₹ 4,554,934,567/-).

18. EXCEPTIONAL ITEMS:

During the year, Prime Focus London Plc. has liquidated one of its subsidiary named 'Machine Effects Ltd.' as per the restructuring plan. On liquidation of the above subsidiary, Prime Focus London Plc. has booked an exception income of ₹ 50,226,807/- (GBP 709,039) relating to excess liabilities not payable by the Group.

In addition to the above Prime Focus London Plc. has also booked an exceptional income towards bad debts recovered amounting to ₹ 19,362,679/- (GBP 273,338), and reversal of License fee cost booked amounting to ₹ 29,740,143/- (GBP 419,834) and has booked an exceptional expense towards Foreign exchange loss of ₹ 51,362,833/- (GBP 725,076). In addition to the above, Prime Focus London Plc. has also booked expense towards goodwill/branding written off of ₹ 117,921,521/- (GBP 1,664,668).

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

20. During the FY 2008-09 the Company was allotted 505,050 ordinary shares of 5 pence each in Prime Focus London Plc, a subsidiary of the Company, as fully paid up, for consideration other than cash, for providing an undertaking on certain future obligations, to the vendors under the Share Purchase Agreement entered by Prime Focus London Plc. to acquire Machine Effects Limited. The outcome is dependent on certain future events for which no reliable estimate can be made. Further, in current year, the Company has filed a suit in the Bombay High Court alleging that the terms of the undertaking are not tenable and hence no provision is considered necessary.

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

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

As per our report of even date

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

Abuali Darukhanawala
(Partner)

Membership No.108053

Place : Mumbai
Date : June 20, 2011

For and on behalf of the Board of Directors

Naresh Malhotra
(Chairman and Whole-time Director)

Namit Malhotra
(Managing Director)

Navin Agarwal
(Company Secretary)

NOTES