



# A Unique DNA

Prime Focus Limited Annual Report 2012-13



different, exclusive, individual, lone,  
one, one and only, only,  
particular, rare, separate, single,  
solitary, solo, uncommon,  
incomparable, matchless, peerless,  
singular, solely, unequalled,  
unmatched, unparalleled, unrivalled,  
unsurpassed, differentiating, distinctive,  
distinguishing, emblematic, especial,  
exclusive, inborn, individualistic,  
ingrained, inherent, innate, original,  
representative, special, specific, symbolic,  
unique

Like the words to your left, each one different yet meaning the same, our people are very diverse but share a common passion for excellence. They make us truly unique.

Although we often think of companies as monolithic entities, they're not. They're collections of individuals who typically act in their own self-interest. Our unique DNA is the result of individual actions being aligned with one another, and with the overall strategic interests and corporate values of Prime Focus.

Our performance is the sum total of the tens of thousands of actions and decisions that 4,300 of our people, at every level, make every day.

We like to use the familiar metaphor of DNA to attempt to codify the unique characteristics of our company. Just as the double-stranded DNA molecule is held together by bonds between base pairs of four nucleotides, whose sequence spells out the exact instructions required to create a unique organism, we describe the DNA of our living organization as having a double strand of creative and technology skills and bases that, combined in myriad ways and fused together by our one-of-its-kind financial model, define our organization's unique strengths. These bases are UNCOMMON skills, RARE commitment and credibility, INCOMPARABLE investment opportunity, PEERLESS performance, DISTINGUISHED leadership and UNRIVALLED future.

Our unique DNA articulates who we are, what we do and how we do it. It is embedded deeply into the shots and bytes of Prime Focus. It is reinforced in our values, relationships, leadership, spirit, business model, processes, rewards and beliefs that collectively define the "rules of the game" for our company.





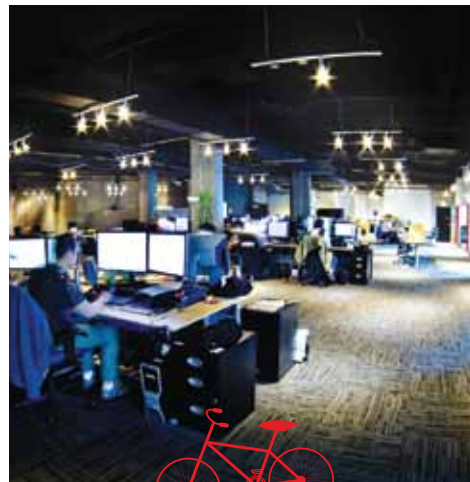
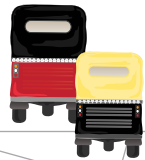
MUMBAI



VANCOUVER



MUMBAI



VANCOUVER

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LONDON

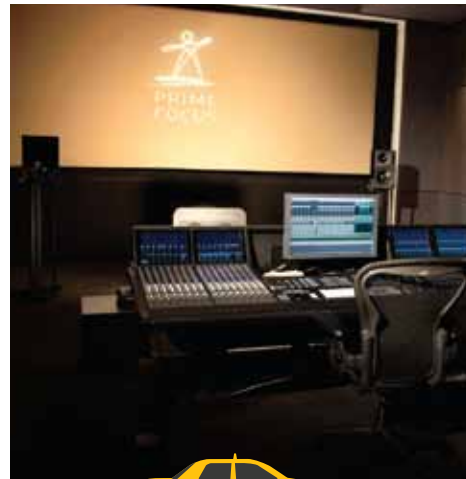


HOLLYWOOD

LOS ANGELES



LONDON



NEW YORK

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## UNCOMMON skills

Prime Focus is an uncommon fusion of diverse skills: creative talent and technology innovation. A perfect example of right brain meeting left brain.

Our talented artists create magic on screen with visual effects, converted stereo 3D shots and animation. Our expert engineers harness hybrid cloud technologies to offer content ERP solutions to media enterprises.

Our twin skills enable us to offer solutions across the entire content lifecycle: from brief to broadcast. From script to screen. From concept to consumption. For broadcast networks, studios/production houses, advertising agencies, brands, sports bodies, the government and service providers.

In a world that is increasingly digital and connected, technology may be the new creativity. Or creative innovation, the future of technology. There is continuous unlocking of tremendous synergy between both our skills. Like the double stranded DNA. Like left hand and right hand. Effective individually but multiple times more effective in tandem.

Our enterprise class asset and workflow management solution helps our creative teams to deliver multiple complex projects collaborating across locations. Creative conceptualization and execution is at the core of our media processing services offered to clients over the hybrid cloud platform.

It is uncommon. But it is the new normal in media and entertainment industry services.

Two of Prime Focus World London's seniors - Joint MD of Stereo 3D Conversion, Matthew Bristowe and Senior VFX Supervisor Jon Thum presented sessions at ParisFX 2012 on two PFW projects: Frankenweenie and Dredd 3D. **April 2012**



Matthew Bristowe joined a panel discussion titled 'Post Conversion Evolves' at the 3D Creative Summit. Moderated by Jonathan Tustain, Editor of 3D Focus, the discussion also featured Barry Sandrew (Legend 3D) and Angus Cameron (Vision3). **April 2012**

PFT participates in NAB Show at Las Vegas. Unveils next generation CLEAR. Co-founder and COO Ganesh Sankaran speaks at Distributed Computing Industry Association's (DCIA) Cloud Computing Conference. **April 2012**



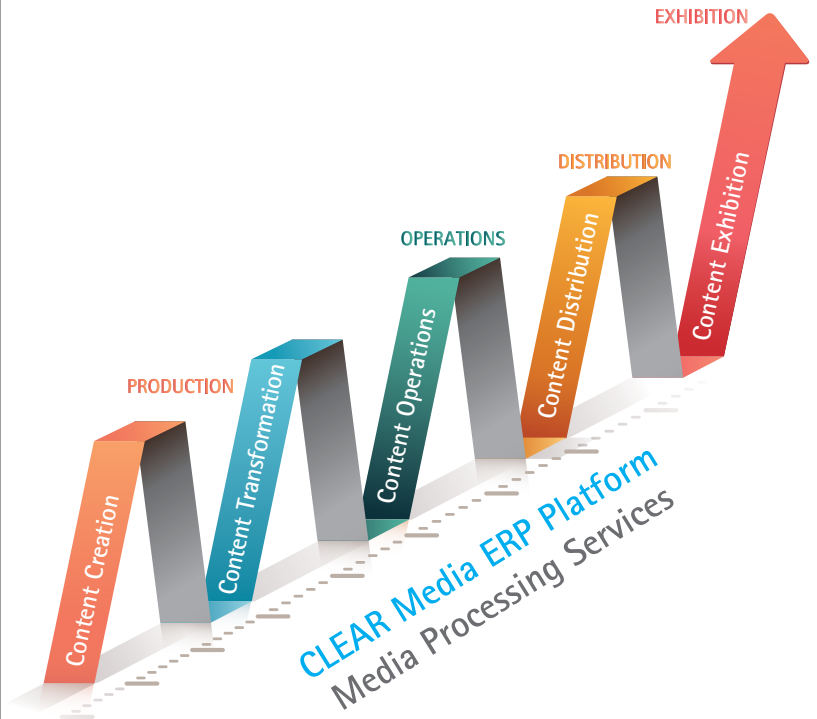


## Solutions and Services



**VERTICALS**  
Films | Broadcast | Advertising

## Technology Services



**VERTICALS**  
Broadcast | Production | Digital | Distribution | Advertising | Sports

Prime Focus is a leading provider of production equipments rental services to the Indian M&E industry

PFT joins EIDR (Entertainment Identifier Registry) to support initiative to standardize unique content identification. **April 2012**



SONY Music signs up for PFT's CLEAR media ERP platform and media processing services. Sony Music moves its entire video content operations to CLEAR, creating an ecosystem for the supply, preparation and delivery of content. **April 2012**

VFX Supervisor for Prime Focus Commercials in India, Ben Cowell-Thomas is presented as a 'Young Innovator' at The Animation Society of India's (TASI) annual animation festival Anifest India 2012. **May 2012**





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## RARE commitment and credibility

Commitment and credibility make a rare commodity. Not at Prime Focus. There is no room to under promise or under deliver.

Our business philosophy guarantees that we maximize the interests of our stakeholders: associates, investors, customers and the society.

In a tough year we have managed to grow our associates, honour financial commitments, unlock value in subsidiaries, deliver high quality work on time and offer succour to the under privileged.

We over promise to our customers because we have the global scale to pull it off. We over deliver because we have no other choice. It is reflected in our low attrition, new PE investments, surging repeat business from customers and the deep relationships we have maintained over the years in key content markets around the world.

Prime Focus' Co-founder & Chief Creative Director, Merzin Tavaría and Matthew Bristowe deliver keynotes at FMX 2012 in Stuttgart, Germany. Merzin was also involved in the Q&A session 'How to Build and Maintain a Creative Staff'. **May 2012**



PFT attends Henry Stewart DAM Conference in New York. **May 2012**

Prime Focus World's recruitment team attends the London leg of the Visual Effects Society's Global VFX Career Fair & Tech Expo. **June 2012**







## AID Partners Capital values Prime Focus World at US\$250 million

In March 2013 AID Partners Capital Limited, a private equity firm focused on media and entertainment sector valued Prime Focus World NV (PFW), a 100% subsidiary of Prime Focus Limited at US\$250 million. The Hong Kong based PE firm invested US\$10 million in optionally convertible preference shares of PFW, which are convertible into 4% equity.

The investment further validated strong investor interest in Prime Focus and the huge potential that exists in unlocking value in its subsidiaries. Prime Focus' unique model of striking the right balance between technology, creative and financial imperatives, continues to make it a valuable investment.

AID Partners' investment decision sees a five-fold increase in the value of PFW considering the initial investment in 2008 was a measly US\$43 million. PFW has witnessed a CAGR of over 68% in the last 5 years.

In a related development, Prime Focus also set up a joint venture with AID Partners Capital and local partner Zhejiang Jingqi Wenhua Chuanbo Company Limited (浙江旗帜文化传播有限公司) to offer visual effects and 3D conversion services to the movie industry in the Greater China area.

According to the Chinese State Administration of Radio, Film and Television, China's 2012 box office receipts increased 30%; in majority part due to imported films; ranking China as the world's second-largest box office next to the US (surpassing Japan). PCR is also the largest 3D market outside of the United States, encouraging the government to relax import restrictions that now allow an additional 14 foreign films to be distributed in China provided they are in 3D or large format.

## Prime Focus successfully repays FCCBs worth US\$79 million

In December 2012, Prime Focus Limited honoured its commitment to shareholders and bondholders by successfully repaying the FCCBs worth US\$79 million on the date of redemption as per original terms and conditions.

In November, Standard Chartered Group had invested US\$35 million to subscribe to equity and another US\$35 million to subscribe to NCDs issued by PFL. The remaining US\$9 million towards FCCB commitment was tied up via bank term loans.

Prime Focus has been one of the few companies able to raise long-term capital to replace debt with equity through a marquee investor like Standard Chartered. The ability to raise long-term capital in a volatile economic environment underlines the confidence a renowned investor like Standard Chartered has in Prime Focus' robust business model, strong order book and the overall potential of the global media & entertainment industry which it serves.

The Hollywood Reporter announces that Star Wars: Episode 1 – The Phantom Menace 3D has taken over US\$102 million globally at the box office since its 3D release. George Lucas and Lucasfilm chose Prime Focus to convert the 1999 prequel from 2D to 3D. **June 2012**



Prime Focus' UK broadcast division wins Red Bee media contract to set up an internal post production village on client premises in West London. **June 2012**

Prime Focus is placed fifth in Televisual's 2012 Top 50 Facilities list. Climbs one place in the annual rankings compared to 2011. **Aug 2012**





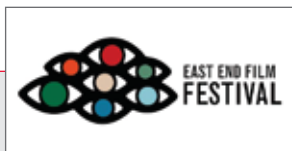
## INCOMPARABLE investment opportunity

They say, what is conceived in fire shall not wilt under the sun. And truly so.

We have seen numerous challenges ever since our inception. Sliding markets, falling currency, artists on strike, commoditization of services, price wars and what not. There were good days and bad days. But our passion and commitment stayed unruffled.

We have established a sustainable global delivery model connecting key content markets around the world. Through intense localization we have built a substantial presence in every market we operate. Our investments in local talent and infrastructure ensure market accessibility and client intimacy for us. The complementary nature of our skills allows us to leverage relationships to cross sell services.

Prime Focus extends its long standing relationship with East End Film Festival by compiling all the short films for the ten screening sessions. **Aug 2012**



Outlook Business ranks Prime Focus 28th in its '40 Fastest Growing Indian Companies' feature. **Aug 2012**

Prime Focus World delivers four of the big shows featured at Comic-Con in San Diego: Frankenweenie, Total Recall, Dredd 3D and Resident Evil-Retribution. **Aug 2012**





### Expanding footprint within Warner Brothers

Prime Focus World has had a long standing working relationship with global studio major Warner Brothers since 2004. Having worked on projects such as Superman Returns, Harry Potter and the Order of the Phoenix, Clash of the Titans, Harry Potter and the Deathly Hallows – Part 2 and Wrath of the Titans among others this is a collaboration that has been built on creative excellence, timely delivery, quality output and sound economics. PFW has been fortunate enough to enjoy the confidence and goodwill of Warner Bros. for a very long time in a market where relationships could change every Friday!

In August 2012 Prime Focus expanded its footprint within the prestigious Warner Bros. account with Prime Focus Technologies signing up to undertake a 3 year contract for delivering content localization services for their titles in accordance with the Federal Communications Commission (FCC) guidelines. Over 100 associates are part of this project which has delivered about 7100 hours of content till March 2013.



### A world-class facility at Vancouver, Canada

We expanded our Vancouver operations this year in to a 200+ seat state-of-the-art facility offering our clients the best of creative talent and financial incentives through tax breaks.

Vancouver, with its vibrant and growing film industry, is the perfect setting for Prime Focus World's main feature film facility in North America. This new state-of-the-art VFX and 3D conversion facility is the company's Pacific-coast digital services hub. Located in the heart of downtown Vancouver, with ocean and mountain views, the 20,000 square-foot facility features two theaters, one boasting a 20ft screen and 60 seats, as well as two conference centers, a dedicated DI suite, a centralized data centre, and a 30-capacity bike storage room in an effort to encourage a greener and healthier transit to work.

Prime Focus is nominated under 'Best Visual Effects Feature Film' category for 'Total Recall' at the FICCI BAF 2013 awards. **Sept 2012**



Prime Focus' Co-founder and Chief Creative Director Merzin Tavaría is a panel speaker at FICCI FRAMES. **Sept 2012**

PFT participates in IBC at RAI, Amsterdam with the promise 'Enterprise Digitization Begins Here'. **Sept 2012**





## The ever expanding visual entertainment services market

### 2012 GLOBAL E&M SPEND\*



2012 Global Spending on Entertainment & Media US\$1.6 Trillion  
 2012 Global Filmed Entertainment revenue US\$88.6 Billion

Projected CAGR for next 5 years 5.6%  
 Projected CAGR for next 5 years 3.6%

Projected 2017 global spending on Entertainment & Media US\$2.2 TRILLION  
 Projected 2017 Global Filmed Entertainment revenue US\$106 BILLION

### 2012 BOX OFFICE\*\*

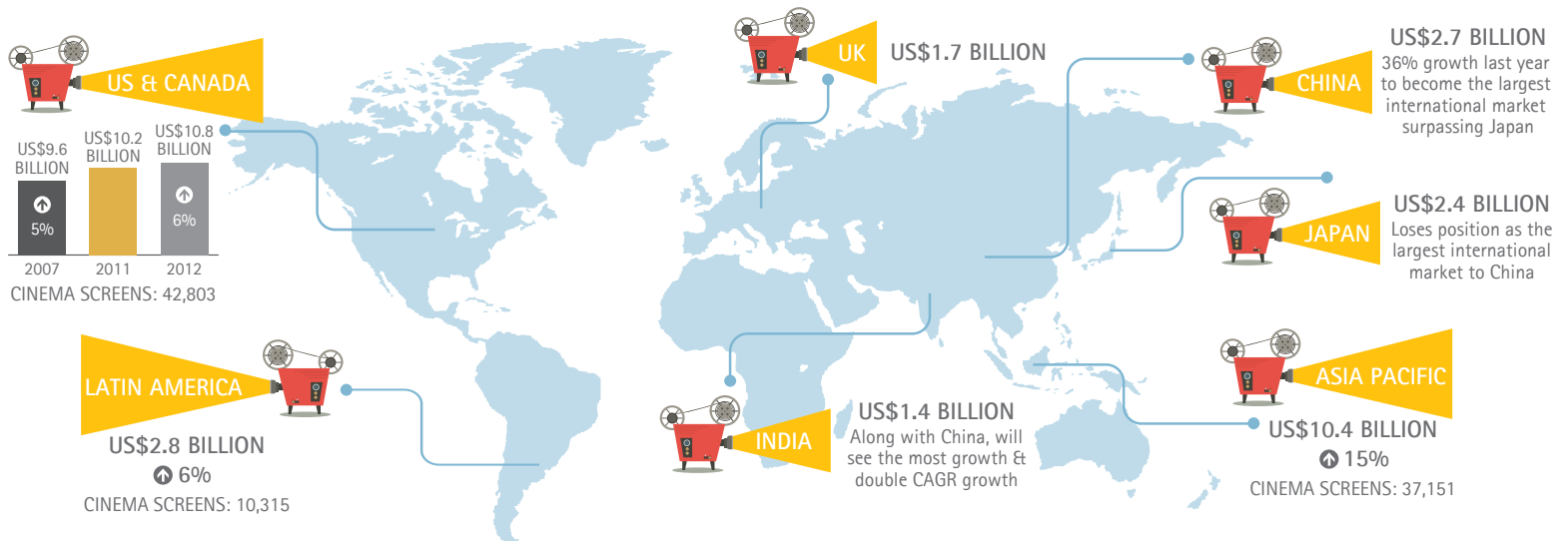
US\$34.7 BILLION TOTAL worldwide box office for all films released  
 ↑ 6% from 2011

US & CANADA US\$10.8 BILLION  
 ↑ 6%

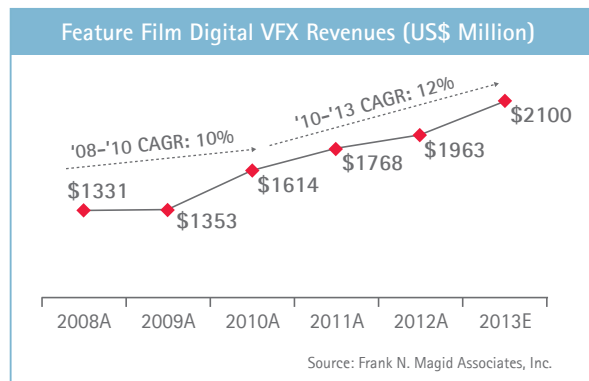
INTERNATIONAL US\$23.9 BILLION  
 ↑ 6%

3D box office similar to 2011 US\$1.8 BILLION despite fewer 3D film releases  
 Digital 3D screens 45,545 (2536 digital 3D screens in 2008)

- 6% box office increase from 2011 due in large part to rise in international box office, with growth in the majority of geographic regions
- International box office up 32% over 5 years ago



### MOST PROMISING MARKET SEGMENTS: VFX, 3D CONVERSION & ANIMATION



3D Conversion Market (US)  
 Estimated market for 3D conversion of new films  
 US\$248 - US\$297 MILLION  
 Source: Company estimate

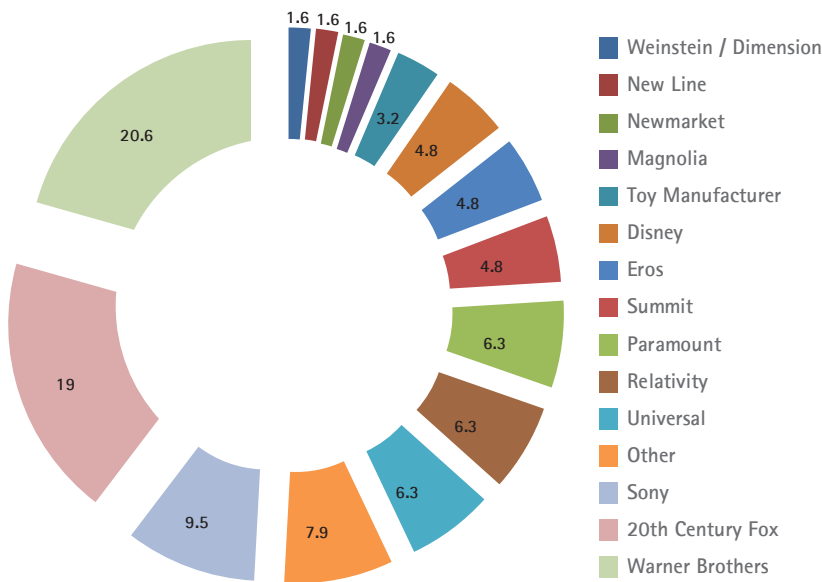
Global Animation & Gaming Market  
 Global Animation and Gaming market is expected to grow from US\$122.2 billion in 2010 to  
 US\$242.9 BILLION IN 2016  
 Source: Global Animation & Gaming Market (2011-2016)

“There is something that 3D gives to the picture that takes you into another land and you stay there and it's a good place to be - Martin Scorsese (NY Times April 25, 2012)”  
 44 of the top 50 films of all time are visual effects driven - Visual Effects Society



## Prime Focus World: Taking Hollywood by storm

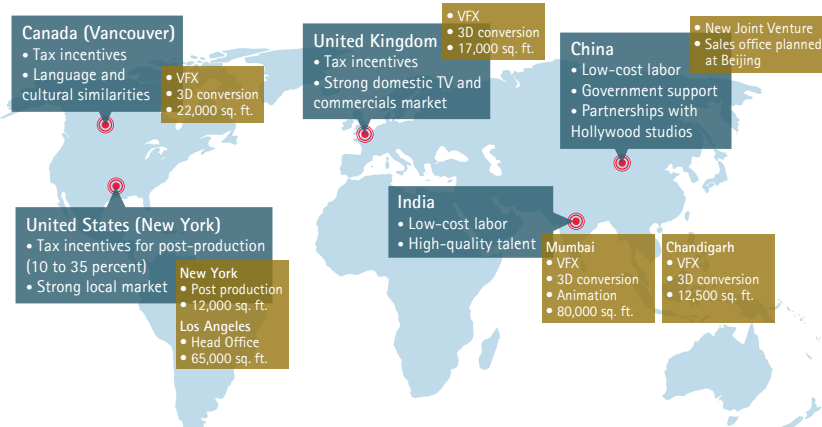
### STRONG HOLLYWOOD RELATIONSHIPS



### GROWING TO LEAD; LEADING TO GROW



### WORLD SOURCING™ - KEY TO SCALE AND PROFITABILITY



### KEY STRENGTHS

- Largest work force - 2,850 creative personnel
- Global, fully integrated platform across 3 continents utilizing 6 facilities leading to better margins
- Ability to bundle VFX alongside 3D conversion (View-D™)
- Global leader in 2D/3D conversion market, with a market share of 29%\*

\* Of major theatrical releases in 2012, based on company estimate

### 7X VALUE GROWTH

- Over US\$43 million spent on acquiring and developing foothold businesses
- Over US\$19 million invested in technology and facilities during the past five years
- Current revenue pipeline exceeds US\$150 million, which will be monetized over the next 2 years
- PFW ENTERPRISE VALUE AT US\$300 MILLION\*\*

\*\* Based on Macquarie Capital's US\$53 MN equity investment in June 2013



## Increasing technology spend by E&M industry

### GLOBAL SPEND

Market for Cloud-based Media ERP and Media Processing Services  
**US\$4.6-5.6 BILLION**  
 Company estimate

Projected global spend by E&M on Asset Management  
**US\$1.2 BILLION IN 2019**

5 YEAR CAGR  
 28%

Global spend by E&M on Asset Management  
**US\$251 MN IN 2013**

Frost & Sullivan

### INCREASING CONSUMER DEMAND FOR DIGITAL CONTENT SERVICES

#### MOVIES



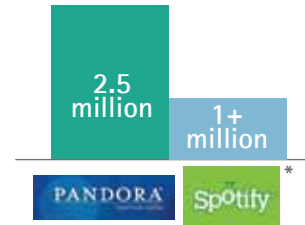
#### SPORTS



#### NEWS

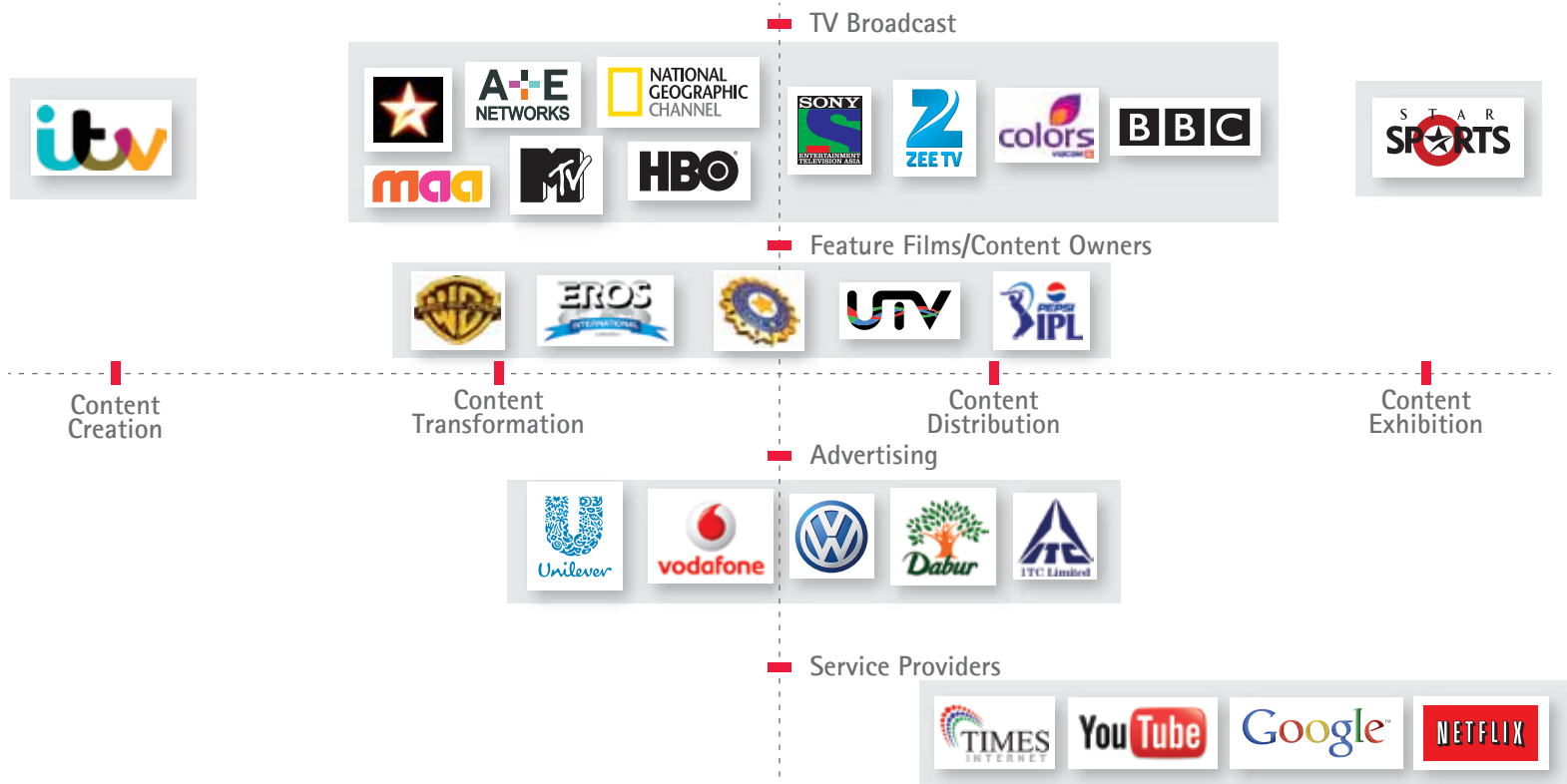


#### MUSIC



Note: \* data is for Dec 2012. Source: eMarketer compiled from company reports and press releases, 2013

### PFT HAS SERVICES ACROSS CONTENT LIFECYCLE AND VERTICALS

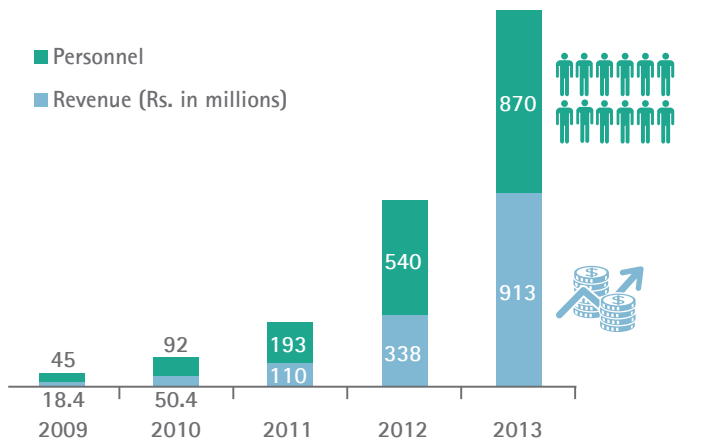




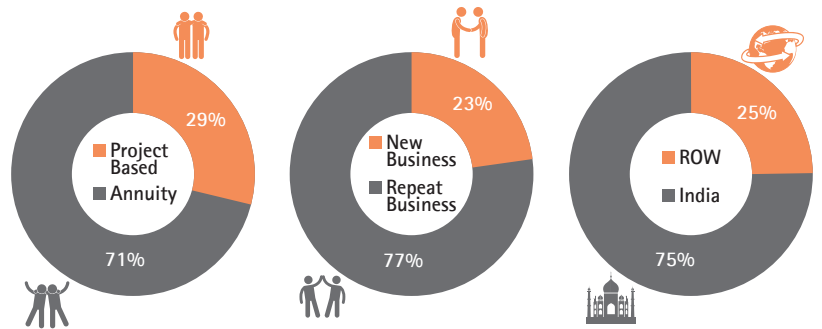
## Prime Focus Technologies: Managing the business of content

M&E enterprises have to reinvent their businesses to stay competitive and are adopting cloud technologies across their enterprise content operations. They are not only migrating to digital file-based workflows but starting to adopt a Media ERP type of solution to manage the business processes around content for greater creative freedom, enhancing efficiencies, reducing cost and new monetization opportunities. In the last 4 years PFT has grown at >120% YoY from a garage startup to a global operation with ~ 900 people on the back of its hybrid cloud enabled media ERP platform, CLEAR. Today the biggest broadcast networks and brands run their revenue and time critical media operations on PFT's CLEAR.

### CONSISTENT GROWTH



### HEALTHY REVENUE DISTRIBUTION



### PROVEN TECHNOLOGY MANAGING SCALE

	FY 2012	FY 2013
Content under management – Video Hours	150,000	300,000
Syndication & VoD Fulfillment – Files	5 Million	10 Million
Episodes of TV content	48,600	80,500
Subtitling and Captioning – Video Hours	12,600	15,000

Work we are doing with Prime Focus Technologies will preserve history for generations to come. We're very pleased to have worked with them and hope that the opportunity will arise to do so in the future.

Alwyn Lindsey  
Director, International Archives  
Associated Press

PFT and LaserNet have been effective thus far in instantly modifying and adapting the system to our needs, by remotely accessing it, thus minimizing our downtime.

Jean Landsberg  
Head of Technical & Broadcast Operations  
CNBC Africa

### KEY STRENGTHS

- Owns and operates the world's one and only hybrid cloud enabled Media ERP platform - CLEAR
- Only player with strong IT credentials and deep understanding of M&E industry
- No other provider offers an exhaustive suite of SLA based media processing services
- The biggest broadcast networks and brands run on CLEAR

### INVESTING INTO THE FUTURE

- 106,000 sq. ft. Global Content Operations Hub becoming fully operational soon
- World's largest Media Cloud infrastructure
- Tier 3 data center



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## PEERLESS performance

Prime Focus has had an impressive innings this year.

- We were involved with marquee projects.
- Our work was premiered at prestigious events.
- Our leaders spoke on invitation at high profile industry summits.
- We partnered blockbuster successes both in Hollywood and Bollywood.
- We acquired world renowned client accounts.
- We diversified in to Animation on our own terms.
- We were recognized and awarded for the excellence and value we deliver.
- And we attracted growth capital from discerning investors – not once, but thrice this year.

Now, that's what you call peerless performance.

MAA TV signs up for PFT's hybrid cloud enabled CLEAR media ERP platform.  
Sept 2012



PFW expands Vancouver facility to sport a brand new 200+ seat, state-of-the-art VFX and 3D conversion facility making it our digital services hub on the Pacific Coast. Sept 2012

Dredd 3D delivered by PFW receives 'The Art of 3D' award at the Jameson Empire Awards 2013. In the acceptance speech, producers Andrew Macdonald and Allon Reich thank Prime Focus World for their contribution. Oct 2012







### Prime Focus wins Red Bee media contract

In June 2012, Prime Focus was engaged to provide on-site editing, captioning and audio services to Red Bee Media (formerly BBC Broadcast Ltd.) to support their creative work for clients including BBC and UKTV. Prime Focus has set up a post production facility for Red Bee at their Broadcast Centre in West London run by a dedicated Prime Focus team. Under the agreement, Prime Focus has become a creative and technical partner to Red Bee Media.



### PFW wins multi-million 3D animation deal

In January 2013, Prime Focus World was signed up by a leading European toy manufacturer for a 20 episode deal to deliver 3D animation content for a children's TV series.

Under this contract (TCV EUR 5 mil), PFW will deliver 22 minutes of 3D animation on a monthly basis. This is PFW's maiden foray in to Animation.



### Cannes Lions for 'I Am Mumbai' TVC posted at Prime Focus

Created by Taproot India for Mumbai Mirror (The Times of India), 'I Am Mumbai' TVC was edited by Prime Focus' Co-founder and Creative Director Huzefa Lokhandwala along with Prime Focus' online editor Asad Ansari. Directed by Abhinav Deo for Ramesh Deo Productions, it won the international award for Film Craft (Direction) at the 2012 Cannes Lions International Festival of Creativity.



### PFT powers starsports.com

Star India launched starsports.com in mid 2012 to provide engaging visual experiences to its increasing breed of digital consumers. It is an interactive website for sports enthusiasts loaded with videos, timeline and live scorecards, and pulls in real time social media chatter of sports fans. Content creation, packaging and delivery is managed by PFT's CLEAR media ERP platform and Media Processing Services team.

WhatCulture! online magazine places Dredd 3D in its list of 'Greatest 3D Films Ever Made'. Prime Focus World delivered over 650 stereo VFX shots for DNA Films' comic-book reboot starring Karl Urban as the eponymous anti-hero. **Oct 2012**








Prime Focus World in association with the Visual Effects Society hosts special industry screenings of Dredd 3D in Los Angeles and London. **Oct 2012**

PFT Founder, President & CEO Ramki Sankaranarayanan speaks at Confederation of Indian Industry (CII India) Big Picture Summit in New Delhi. **Oct 2012**

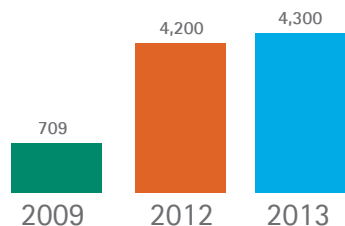




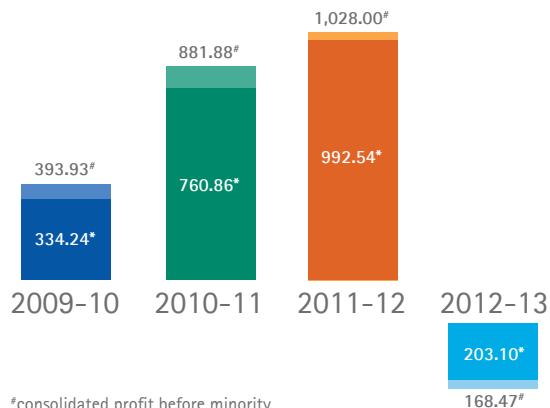
## FINANCIAL Highlights

<p>Revenues at Rs. 7,621.60 million, 1.3% lower than Rs. 7719.10 million the previous year</p> 	<p>EBITDA at Rs. 1,752.80 million, 20.8% lower than Rs. 2185.40 million the previous year</p>	<p>Net Loss of Rs. 203.10 million compared to Net Profit of Rs. 992.50 million the previous year</p>	<p>Diluted EPS (Rs. 1.24) compared to Rs. 5.89 the previous year</p>
<p>PFT contributed Rs. 917.10 million, 173% higher than Rs. 335.80 million the previous year</p> 	<p>VFX contributed Rs. 1,497.60 million, 0.3% higher than Rs. 1,493 million the previous year</p>		<p>According to Fitch (India Ratings &amp; Reserach) 26 companies defaulted on FCCB repayment due in 2012. Prime Focus repaid FCCBs worth US\$79 million on the due date in full.</p>
<p>2D to 3D conversion contributed Rs. 2,985.40 million, 4.63% lower than Rs. 3130.50 million the previous year</p> 	<p>Post production contributed Rs. 2221.50 million, 19.5% lower than Rs. 2,759.70 million the previous year</p> 		

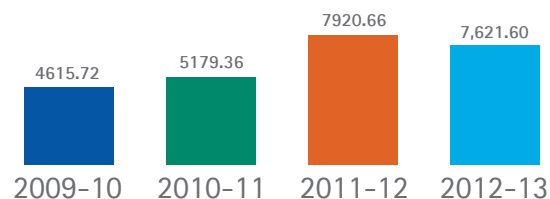
Number of Personnel (PFL)



Profit After Tax (Rs. million)








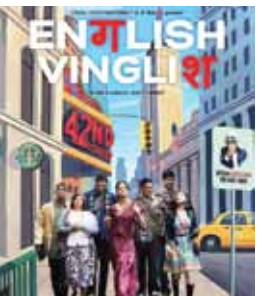



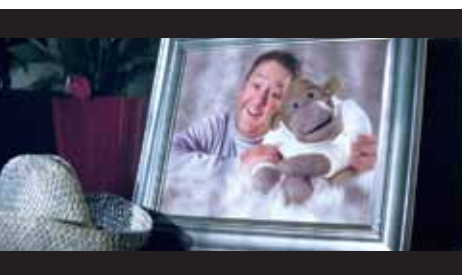






Revenue (Rs. million)





## Major Projects

 <p>&gt;USD 100 MN</p> <p>Men In Black 3 3D &amp; VFX</p>	 <p>&gt;USD 100 MN</p> <p>Wrath of the Titans 3D</p>	 <p>Storage 24 VFX</p>	 <p>&gt;USD 100 MN</p> <p>Total Recall VFX</p>	 <p>Resident Evil: Retribution VFX</p>
 <p>Cocktail VFX, DI, Sound &amp; Camera</p>	 <p>&gt;INR 100 CR</p> <p>Dabangg 2 VFX, DI &amp; Camera</p>	 <p>English Vinglish VFX, DI &amp; Camera</p>	 <p>Kai Po Che VFX, DI &amp; Camera</p>	 <p>&gt;INR 100 CR</p> <p>Jab Tak Hai Jaan Camera</p>
 <p>Olay Regenerist 'Spa' Saatchi &amp; Saatchi, London</p>	 <p>PG Tips 'Aaah' Ogilvy, London</p>	 <p>Jeep 'Never Adapt' Leo Burnett, Milan</p>		
 <p>Mumbai Mirror 'I am Mumbai' Taproot, India</p>	 <p>Google Chrome BBH, India</p>	 <p>Nissan Micra TBWA, India</p>		



## Our Clients





## What people say about Prime Focus

"In PFT we found a technology partner with unique media plus IT skills, and truly understood the content related challenges of a Broadcast Network"

J. Shekar, Chief Operating Officer, MAA TV

"I'm extremely proud of the work done by Imageworks and Prime Focus. We had some of the most talented artists working to create an exciting and fun 3D movie going experience for our fans."

Corey Turner, 3D Visual Effects Supervisor, Men In Black 3

"Prime Focus welcomed the many technical challenges Wrath of the Titans presented with open arms, charging into the battle to ensure they could do justice to the film's heavy texturing and the scale of ancient Greece from a stereoscopic standpoint."

Marcus Alexander, Stereographer, Warner Brothers Pictures

"'Kai Po Che!' is my first film with Prime Focus and I am delighted with the output. The creative folks at Prime Focus, be it in visual effects or grading understood my vision very well and ensured that the film's sensitivity and realism were enhanced multifold. They were with me every step of the way."

Abhishek Kapoor, Director, Kai Po Che!

"PFW really delivered on 'Dredd'. There aren't many facilities out there that could have given us the quality of work, depth of creative talent, scope of services, and value we received like Prime Focus."

Michael Elson, Co-Executive Producer, Dredd 3D

"There don't seem to be any other companies in this space."

Industry Analyst

"I give credit to the management to identify growth opportunities."

Industry Analyst

"A Salman Khan movie sets a different benchmark in terms of VFX and overall visual treatment. Prime Focus' world class facilities and impressive talent helped us package 'Dabangg 2' to meet the discerning expectations of Salman Khan fans globally."

Arbaaz Khan, Producer and Director, Dabangg 2

"PFT has been a wild card for the Company. PFT is path-breaking, with big growth expected. The clarity here is greater than in 3D/VFX as Star and Zee are already customers."

Industry Analyst

"I think they are the only creative company to have established an Indian backend so successfully."

Industry Analyst

"At a broad level they don't have any competition; you can compare each of its businesses with local or global peers."

Industry Analyst

"It's a very interesting company; we have seen a lot of traction on the revenue front and transformation in their operations over the last few years from a post-production company to an entertainment services company. I give them a lot of credit for being a leading player in the 3D space globally."

Industry Analyst

"The work-rate, professionalism and level of quality that Prime Focus provided was integral to us completing this film. Without talent and expertise, it just simply would not have been possible to complete the film on schedule or within budget."

Steve Cook, Co-Producer and Post Production Supervisor, Storage 24

"I think they are the only company which has a direct relationship with Hollywood and that is creditable."

Industry Analyst



Frankenweenie (3D conversion by PFW) becomes the first black and white feature film and the first stop motion film to release in IMAX 3D. **Oct 2012**



PFT lands major media processing services deal with Warner Brothers. **Nov 2012**

Prime Focus provides post production services to six of the twenty films selected in the Indian Panorama category of the International Film Festival of India (IFFI). **Nov 2012**





## DISTINGUISHED leadership

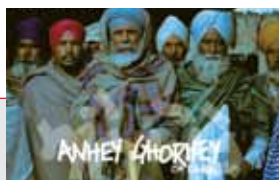
An organization is as good as its people. And a people are only as great as its leadership.

At Prime Focus we have been fortunate enough to attract, nurture and retain diverse talent of very high calibre. Here board room meets shop floor in experience and insights. Former entrepreneurs, aspiring entrepreneurs, Academy and Emmy award winning supervisors, ex-Big 4 financial analysts, sports personalities, part time musicians and ordinary people come together to create extraordinary outcomes.

The 'garage to global' story of Prime Focus is all about distinguished leadership. It is also a story of unquestionable camaraderie, trust, regard and passion for excellence among its people.

Founders, Leaders and Followers alike baptized by common values and ethics – An unwillingness to take no for an answer and a willingness to make the impossible possible for clients. An unwillingness to fail and a willingness to challenge, explore and learn. An unwillingness to be unfair to anyone and a willingness to be inclusive and open to ideas wherever they come from.

Prime Focus delivers sound mixing for Anhe Ghore Da Daan which wins Best Film 'Golden Peacock' at the International Film Festival of India 2012. **Nov 2012**



Standard Chartered Private Equity (SCPE) invests US\$35 million to subscribe to equity and another US\$35 million to subscribe to NCDs issued by Prime Focus Limited. **Nov 2012**

Seven films posted by Prime Focus namely 'Paan Singh Tomar', 'Vicky Donor', 'Delhi Safari', 'Oh My God', 'Chitrangada', 'Lessons of Forgetting' and 'Celluloid Man' honored at 60th National Film Awards 2012 (India). **Nov 2012**





## The Board

### Mr. Naresh Malhotra

Chairman and Whole-Time Director | Age 69

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

Mr. Malhotra realized early the potential boom in the Indian television industry, setting up India's first digital audio studio and then, in 1990, venturing into the business of providing services for the production of TV programs and ad films by hiring out video equipments like cameras, recorders and monitors to various satellite channels, production houses and ad filmmakers. He was instrumental in the launch of Prime Focus in 1995.

### Mr. Ramakrishnan Sankaranarayanan

Managing Director | Age 42

Mr. Ramakrishnan Sankaranarayanan served as Managing Director of our Company till 5 November 2012. He continues in his role as CEO of Prime Focus Limited. He has over 17 years of rich experience performing technical, strategy, customer service, marketing, sales and general management roles in the IT industry. He has specific experience in deployment of technology within the Media & Entertainment sector. He holds a Bachelor's Degree in Engineering from B.I.T.S Pilani, India and an MBA degree from S.P Jain Institute of Management & Research, Mumbai, India.

### Mr. Nainesh Jaisingh

Non-Executive Director | Age 46

Mr. Nainesh Jaisingh is an MBA from the Indian Institute of Management, Bangalore and also holds a Bachelor's Degree (Honours) in Technology from the Institute of Technology, Banaras Hindu University. He has wide experience in investment banking and commercial banking roles. Mr. Jaisingh is the India and Financial Services Sector specialist for SCPE and has worked with the global equity investment arm of Standard Chartered since 2000.

### Mr. Rakesh Jhunjunwala

Non-Executive Director | Age 53

Mr. Rakesh R. Jhunjunwala is one of the best known equity investors in India. He belongs to a rare class of investors who have created wealth through careful stock selection, patience and conviction. Among India's most successful investors, Mr. Rakesh Jhunjunwala is perhaps one of the few who has shared his insights on successfully investing with the people at large through his articles, interviews and presentations.

He is a Chartered Accountant and his passion for stocks compelled him to opt for a career in investments.

Mr. Jhunjunwala resigned from the Board on 26 July 2013.

### Mr. Kodi Raghavan Srinivasan

Independent and Non-Executive Director | Age 46

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

### Mr. Rivkaran Chadha

Independent and Non-Executive Director | Age 37

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

### Mr. Padmanabha Gopal Aiyar

Independent and Non-Executive Director | Age 76

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



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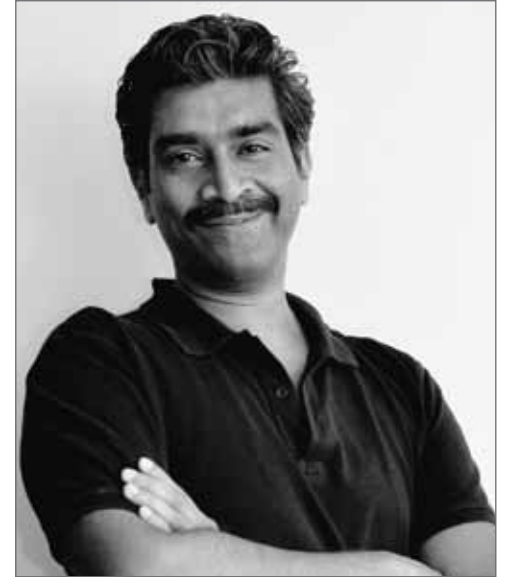
## The Founders



**NAMIT MALHOTRA**  
Founder, Prime Focus Limited  
Chairman & CEO, Prime Focus World



**MERZIN TAVARIA**  
Co-founder & Chief Creative Director  
Prime Focus Limited



**PRAKASH KURUP**  
Co-founder & Creative Director  
Prime Focus Limited



**HUZEFA LOKHANDWALA**  
Co-founder & Creative Director  
Prime Focus Limited



**RAMKI SANKARANARAYANAN**  
Founder, President & CEO  
Prime Focus Technologies  
CEO, Prime Focus Limited



**GANESH SANKARAN**  
Co-founder & COO  
Prime Focus Technologies





## Massoud Entekhabi

### What is your role?

I'm the CFO and COO of Prime Focus World based in Los Angeles. I also serve on the board of PFW. I provide financial and strategic leadership for the global VFX and View-D™ businesses.

### What do you like most about Prime Focus?

Without a question the people and our desire to create the "de-facto platform company" in this marketplace globally. Our culture of providing superior service combined with financial strategy and supported by a global technology platform has placed us in a unique position for our continued success. We are global not because it's nice to be, but because we have created our global footprint strategically to take advantage of labor pools and available incentives while delivering world class services to our customers where they want the work to be done and where they can maximize their values.

### How has the year been for you?

Nothing short of exciting. In an extremely volatile global financial environment, we have been able to raise capital not once, but three times. We showcased our growth story and unique business model to secure equity investments from Standard Chartered PE, AID Partners Capital and Macquarie Capital. This is true validation of our global strategy.

### Where do you see Prime Focus in the next five years?

"Market Dominant", "Stronger", "Enviied". I would like us to be the first name that Global Studio Executives, Directors, Producers and Creative Professionals think of when they are planning a major film. I want them to trust us as their partner in delivering the best creative outcome on time and in a financially efficient manner; I want them to see us as their partner and not just another vendor.



In a career spanning 35 years Massoud has been founder of Zenith Equity Partners and General Partner & MD of TL Ventures before he spent 27 years with Coopers & Lybrand LLP and PricewaterhouseCoopers LLP. Massoud is a Fellow of the ICA in England and Wales, and is also a CPA.

'Spooks' (Kudos/BBC), 'Sherlock' (Hartswood Films/BBC) and 'The Great British Bake Off' (Love Productions/BBC Two) posted by Prime Focus receives nominations for British Academy Television Awards (BAFTA) 2012. **Nov 2012**



Frankenweenie receives nominations in both the 85th Annual Academy Awards and the BAFTA Film Awards 2013. PFW delivered 3D conversion of the movie. **Nov 2012**

Prime Focus gets nominated under Best Visual Effects Feature Film, India in the 24Fps International Animation Awards for 'Agent Vinod'. **Dec 2012**





## John Cowley

### What is your role?

I am one of Prime Focus' senior visual effects supervisors. My role is to be a creative and technical bridge between a Director's vision and our global team of artists.

### What do you like most about Prime Focus?

I like the potential. Potential is an incredibly powerful motivator. When combined with our vision and strategy, this energy fuels innovation, growth, collaboration, art, momentum and ultimately corporate and individual success. Prime Focus offers me the potential to craft and sculpt both the work that we do and the way in which we do it.

### How has the year been for you?

This year has been beautiful series of wins, each one building upon the success of the previous. I've watched solid, well delivered projects like Men In Black 3 trigger new awards like Baz Luhrman's visually stunning The Great Gatsby. I've watched my local office, Vancouver, expand into a dynamic new 200+ artist facility. I've witnessed our global pipeline, talent and practices mature into a robust place where we are now embarking on the largest visual effects show that Prime Focus has ever done - 2300 stereo shots on Robert Rodriguez's Sin City 2. It has been a great year.

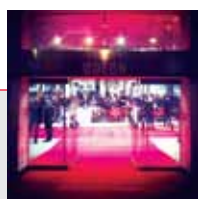
### Where do you see Prime Focus in the next five years?

I see us uniquely positioned to tackle Hollywood's premiere visual effects requirements. We will have blown past the traditional client-vendor model and defined new ways to partner with filmmakers and studios to deliver high end content and creative. We will be the go-to, the first choice, the one that everyone is talking about.



Work has taken Jon across Canada, China, Taiwan and the US at studios like Intelligent Creatures, Image Engine, Technicolor and Entity FX apart from Prime Focus World, adding many credits to his name including The Twilight Saga: Eclipse, TRON: Legacy, X-Men: First Class and MIB 3.

Prime Focus successfully repays FCCBs worth US\$ 79 million. **Dec 2012**



Prime Focus joins Nintendo to sponsor 2012 BFI London Film Festival. Frankenweenie (3D conversion by PFW) is the opening gala premiere. **Dec 2012**

starsports.com powered by PFT's CLEAR records the highest time spent by users per visit on any sports website worldwide. **Dec 2012**





## Ganesh Sankaran

### What is your role?

I'm the Co-founder and Chief Operating Officer of Prime Focus Technologies. I am responsible for driving strategic goals and objectives as well as overseeing the operations, technology development and service delivery.

### What do you like most about Prime Focus?

I like the entrepreneurial spirit of Prime Focus the most. The ability to spot opportunities early on, invest in nurturing it and work relentlessly to establish and grow it. We are an organization in a hurry. We cannot rest on past laurels. It is not in our DNA, I guess.

### How has the year been for you?

Fantastic. Our business has grown over 173% this year. The Technology platform CLEAR has now established itself globally and customers see it as a unique proposition in solving their business problems from production to presentation. Our offering in B2C domain for STAR Sports has also been very well received by the consumers. We have added new client relationships and global customers including the likes of CNBC in South Africa and poised for even more growth.

### Where do you see Prime Focus in the next five years?

I can speak for the technology business. We want to see our international operations to replicate our India success story. We see CLEAR establishing itself as the de-facto ERP of the media and entertainment industry globally.



Ganesh has more than 20 years of experience in product development and engineering management. He was the Director of Engineering at Sanmina-SCI and was also associated with Wipro, ABB and Essar Steel. Ganesh holds a Bachelor's Degree in Engineering from B.I.T.S Pilani, India.

Prime Focus is exclusive sponsor of the 64th Technology and Engineering Achievement Emmy® Awards at Las Vegas, Nevada. **Jan 2013**



Over 130 3D enthusiasts converge on Vancity Theater, Vancouver to hear stereo leaders speak at the first annual 3D[FWD] International Conference. Prime Focus was the bronze sponsor of the event. **Jan 2013**

PFT's CLEAR wins CIO Choice 2013 award in the Content Management category. CIO Gurinder Singh receives the award. **Jan 2013**





## Anshul Doshi

### What is your role?

I am the Global Head of Production for Prime Focus World. This includes the VFX business outside of Bollywood, 3D conversion and animation businesses. I am responsible for the delivery of the work to clients and ensuring they come back to work with us on their next project.

### What do you like most about Prime Focus?

The ability to deliver time and again on all fronts, without the continuous fear of thinking about the 'what if we don't deliver' scenarios. The ability to work through the most difficult circumstances be it fund raising or client project deliveries in a strong and constructive manner rather than being scared of failure. It is this raw fearlessness of the company that kicks me out of bed every day.

### How has the year been for you?

The year has been a super fast roller-coaster. Growing a reasonably young international VFX and animation business competing with the top league, whilst managing a top of the top league position in 3D conversion and working on changing the business model of the erstwhile suite hire-based post production business. It has been a year of change, innovation, perseverance, and above all hard fighting.

### Where do you see Prime Focus in the next five years?

Prime Focus will be (and whether it takes 5 years or 3 years or 10 years), the leading integrated end-to-end player in the content creation and delivery space across film, television, digital or commercials, working collaboratively with distribution partners globally.



Before joining Prime Focus in 2004, Anshul was with KPMG as a Corporate Financial Analyst specializing in the media industry. Anshul has a degree in law from Government Law College, Mumbai, a Bachelor's degree in Commerce and is a certified Chartered Accountant.

Founder of Prime Focus Namit Malhotra makes it to the cover of Digital Studio magazine. **Jan 2013**



PFT Co-founder & COO Ganesh Sankaran speaks at Broadcast Engineering Society (BES) Expo 2013 at New Delhi. **Jan 2013**

Director Nick Cassavetes' latest drama 'Yellow', (VFX and DI by PFW) has its US premiere at South by Southwest (SXSW) Film Festival, Texas. **March 2013**





## Richard Baker

### What is your role?

I am the Creative Director and Senior Stereographer of the Stereo Conversion division in London. I am ultimately responsible for the stereo output of London and part of the core team that has built the highly successful stereo division within Prime Focus World.

### What do you like most about Prime Focus?

At Prime Focus no mountain is too big to climb, and this creates a really positive attitude within the company. If you have talent and are hard working, then the possibilities for any individual are endless.

### How has the year been for you?

Busy! I have supervised the stereo conversion of some of the biggest films of the year, including 'World War Z' which has become Brad Pitt's highest grossing movie to date. This project has placed us in high regards with Paramount Pictures, and we look forward to growing this relationship. We also completed all the stereo conversion work on Alfonso Cuarón's much anticipated film 'Gravity', which is going to be huge and will undoubtedly be another 'feather in the cap' for Prime Focus.

### Where do you see Prime Focus in the next five years?

I see Prime Focus continuing to grow, with London just about to start work on two of next year's blockbusters, for Disney and Warner Bros. The whole group is growing in a way that is unseen in the market, and this is due to everyone, from top to bottom, setting new standards in stereo conversion and visual effects.



In a career spanning 15 years Richard has worked as Stereographer with Warner Bros., Disney, DreamWorks, Sony Pictures, Walden Media, Fox and DNA films. As a VFX artist and Supervisor he has been with Framestore, Cinesite, The Mill and MPC.

AID Partners Capital invests US\$10 million in optionally convertible preference shares of PFOW, which are convertible into 4% equity. **March 2013**



Prime Focus Co-founder & Chief Creative Director Merzin Tavaría is part of the judging panel for Creative Abby Awards 2013 (Goa Fest). **March 2013**

PFT becomes a member of NASSCOM (National Association of Software and Services Companies), India. **March 2013**





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## UNRIVALLED future

The future belongs to those who prepare for it today. And at Prime Focus we are well prepared to take on the future.

We have consistently invested in talent and technology to build a robust global digital pipeline to deliver creative, technical and financial outcomes for our customers. We have today the largest headcount among similar players and unmatched scale.

From the start we have retained our position as pioneers, winners and leaders. We have played the game by our own rules, be it diversifying within the creative space, offering new services, entering new markets, or leveraging existing relationships to cross sell a freshly incubated hybrid cloud enabled media ERP platform.

We have fuelled our growth through inorganic and organic means. At times, acquiring organizations with talent pool but not necessarily a business model to match. And at other times we have built bottom up green field facilities in record time to address emerging opportunities.

Today no one is better placed than Prime Focus to cater to the VFX or 3D conversion market. In the media ERP space, we continue to be the sole full service player, four years after. These are market opportunities worth billions of dollars and we are at the forefront.

In a volatile financial market, discerning partners like Standard Chartered PE and AID Partners Capital have invested millions in to our growth story, validating our vision and unique business model. We have the capital to fuel our next wave of growth.

# 1 A HISTORY OF FIRSTS

- 1997: Offered India's first high-end finishing system
- 2001: Established India's first scanning and recording system
- 2003: India's first Digital Intermediate (DI) technology
- 2004: First visual effects company in India to operate a motion-control rig



## Major Milestones



2006: First visual entertainment services company in India to go public

2007: First visual entertainment services company in India to set up full-fledged facilities in UK and US

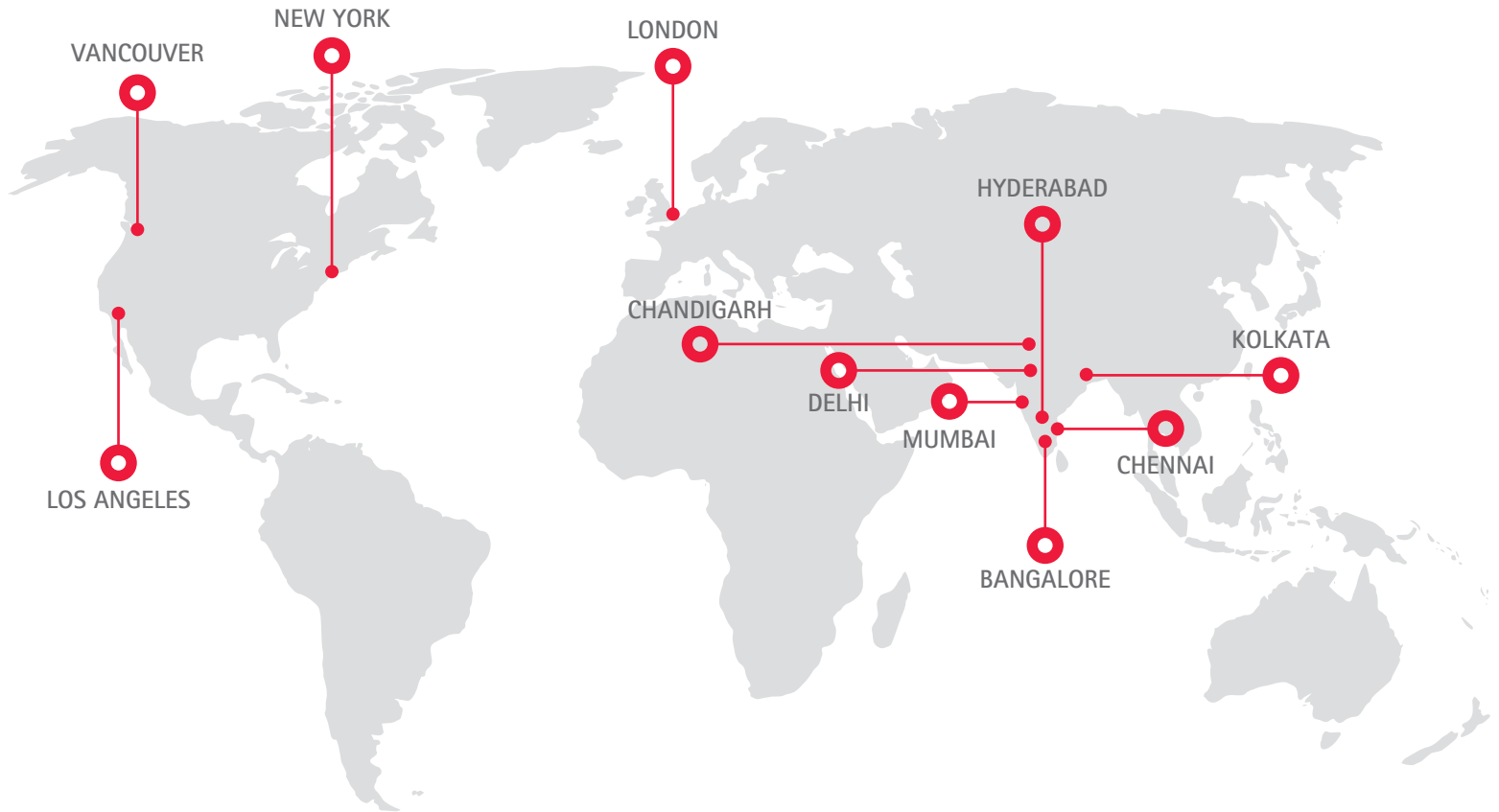
2008: Launches CLEAR™, the world's first hybrid cloud enabled media ERP platform

2009: Launches View-D™, the fastest and most economical process for stereoscopic 3D conversion

2010: First company to convert an entire film (Clash of the Titans) in to 3D



## Global Digital Pipeline



### WORLD SOURCING



3 continents



5 time zones



11 facilities



4,300 personnel  
(India: 3,764)



24/7 - 365 days





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## Chairman's Message

Dear Shareholders,

It's been a tough year for all businesses. There is no airbrushing that. What is rare is the unflinching manner in which we have stayed focused on the work at hand and relentlessly pursued our goals.

We expanded our facility in Vancouver to establish a formidable presence on the Pacific Coast. And we entered in to a joint venture to tap the last content bastion left for your Company to conquer: Greater China.

We continued our winning streak with awards from various quarters recognizing our outstanding work. Your Company's work on 'Storage24' was honored with the Best Visual Effects Feature Film – International Award at the 24 FPS International Film Festival, 2012. At the Asia Image Apollo Awards, Prime Focus' visual effects for Total Recall received the award for Best Visual Effects. At the International Film Festival in India, 2012 the Golden Peacock award for the best film was won by 'Anhe Ghore Da Daan' for which Prime Focus delivered sound mixing. Prime Focus also posted the 'I Am Mumbai' television commercial of Mumbai Mirror (Times of India) which won the Gold at the Cannes Lions International Festival of Creativity. PFT's CLEAR Media ERP platform was awarded the CIO Choice 2013 in the 'Content Management' category. STAR India's 'Go Digital' program (which has PFT's CLEAR as its core) won the Aegis Graham Bell Award 2012 for Innovation in TV, Broadcast and DTH, as well as parent company News Corporation's Global Energy Initiative (GEI) Innovator Award.

We are confident about the future as it is in our hands. Over the last decade and a half we have built a global organization strong on talent and technology and with a unique business model. Whether it is tax credits or Platform-as-a-Service (PaaS) it is this underpinning financial model that has made our offerings successful and our journey sustainable in a highly competitive market. Add to that a highly competent and vastly experienced leadership with the passion and panache to address every challenge and overcome every obstacle on the way.

Together we endured a difficult year. And have come out even more emboldened as an organization. My sincere thanks to our customers, investors, vendors and above all our people, for their confidence and trust in our Company.

The best is yet to come and we will make it happen, together.

Yours sincerely,

**Naresh Malhotra**  
Chairman





## CEO's Message

Dear shareholders,

It is a pleasure to present the Annual Report of your Company for the year 2012-13.

This year has been unique in many ways. The global economic turmoil wrecked havoc all across faltering even some of the big players. But your Company stood firm fuelled by its unique DNA.

We honored our financial commitment on its due date in full by redeeming US\$79 million worth of FCCBs. And our award winning work and robust business model allowed us to raise capital in a choppy market – not once, but twice. Investments by Standard Chartered PE and AID Partners Capital Group validate and endorse the vision, business strategy and long term competitiveness of your Company in no uncertain terms.

Prime Focus today is a world leader in media and entertainment industry services spanning both creative and technology domains with a global presence across 3 continents and 11 facilities, and a workforce of 4,300 personnel.

On the work front this year Prime Focus' performance has been peerless. Your Company was an integral partner on major international films like Mirror Mirror, Men In Black 3, Wrath of the Titans, Storage 24, Total Recall, Dredd 3D, Resident Evil: Retribution, Frankenweenie, The Last Stand and Yellow. Prime Focus also contributed to prestigious Bollywood projects like Kai Po Che, Dabangg 2, Jab Tak Hai Jaan, English Vinglish, Oh My God, Ek Tha Tiger, Cocktail, Housefull 2, Paan Singh Tomar, Agent Vinod and Agneepath.

After firmly establishing our place in the visual effects and stereo 3D conversion space, your Company entered the animation segment this year by signing a multi-million dollar deal with one of the world's largest toy manufacturers for delivering animation content for a children's TV series.

Technology innovation is changing the way we manage and react to content. Beyond the conventional challenges that haunt the sector, increasingly the digital consumer and an evolving digital landscape have expanded choices and genres, enhanced personalization and interactivity, made content analytics critical, and enriched the overall content consumption experience – all leading to new monetization opportunities that hitherto did not exist. And we think our clients are looking to reinvent their businesses to make suitable content, drive efficiencies, and monetize content better.





Prime Focus Technologies' CLEAR Media ERP platform now hosts and manages over 300,000 hours of content and 80,500 new episodes of TV content every year. The biggest broadcast networks and brands run their revenue and time critical media operations on CLEAR. Disney, BBC, Sony Music, Freemantle Media, Ogilvy, LIC of India and Britannia were major clients added this year among many others. And when STAR India wanted to build a B2C platform to woo digital consumers with sports content, it again chose Prime Focus Technologies. Starsports.com was launched in December 2012 and surpassed 5.5 million unique visitors. It also became the site that recorded the highest time spent by users on any sports website per visit (19 minutes).

Under the extreme market conditions your Company has delivered a resilient financial performance. In Q3FY13 your Company incurred revaluation loss of Rs. 822.8 million on redemption of FCCBs of US\$55 million on December 13, 2012. In Q4FY13 your Company had to write off debtors amounting to Rs. 253.8 million. Also Depreciation during Q4 FY13 includes Rs. 100 million relating to amortization of intangible assets (Rs. 50 million pertaining to each of FY2012 and 2013).

- Revenues at Rs. 7,621.60 million, 1.3% lower than Rs. 7719.10 million the previous year
- EBITDA at Rs. 1,752.80 million, 20.8% lower than Rs. 2185.40 million the previous year
- Net Loss of Rs. 203.10 million compared to Net Profit of Rs. 992.50 million the previous year
- Diluted EPS (Rs. 1.24) compared to Rs. 5.89 the previous year

#### In terms of business segments:

- 2D to 3D conversion contributed Rs. 2,985.40 million 4.63% lower than Rs. 3130.50 million the previous year
- VFX contributed Rs. 1,497.60 million, 0.3% up from Rs. 1,493 million the previous year
- PFT contributed Rs. 917.10 million, 173% up from Rs. 335.80 million the previous year
- Post production contributed Rs. 2221.50 million, 19.5% lower than Rs. 2,759.70 million the previous year

Your Company has weathered the storm and is all set to take on the future. It has secured much needed growth capital. It has a proven business model and globally acclaimed talent that delivered top notch projects even amidst trying circumstances.

The year was overtly cloudy all around. But every cloud has a silver lining. Your Company found out that it has what it takes to be a winner against all odds – a unique DNA.

Yours sincerely,

**Ramakrishnan Sankaranarayanan**  
Chief Executive Officer



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## Corporate Information

### BOARD OF DIRECTORS:

Mr. Naresh Malhotra	Chairman & Whole-time Director
Mr. Ramakrishnan Sankaranarayanan (Resigned w.e.f November 5, 2012)	Managing Director
Mr. Rakesh Jhunjhunwala (Resigned w.e.f July 26, 2013)	Non-Executive Director
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. Nainesh Jaisingh (Appointed w.e.f November 5, 2012)	Non-Executive Director

### CHIEF FINANCIAL OFFICER:

Mr. Nishant Fadia

### COMPANY SECRETARY:

Mr. Navin Agarwal

### AUDITORS:

M/s. MZSK & Associates, Chartered Accountants

### BANKERS:

Standard Chartered Bank Limited  
Yes Bank Limited  
Ratnakar Bank Limited  
IDBI Bank Limited

### REGISTRAR & TRANSFER AGENTS:

Link Intime India Private Limited

### REGISTERED OFFICE:

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

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## SYMBOLIC Zebra

Why did a Zebra grace the cover of our annual report?

It's simple. The strip pattern on every Zebra is unique. No two Zebras are alike when it comes to their body art. And they have spectacular vision (even at night) and speed. Need we say more?







# 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, 2013:

## 1. FINANCIAL PERFORMANCE:

The Consolidated and Standalone Audited Financial Results for the year ended March 31, 2013 are as follows:

(₹ in lacs)

Particulars	Consolidated		Standalone	
	2012-13	2011-12	2012-13	2011-12
Income from operations	76,216.25	77,191.33	18,288.23	17,102.72
Other income	1,741.19	2,015.37	1,945.06	2,478.38
<b>Total income</b>	<b>77,957.44</b>	<b>79,206.70</b>	<b>20,233.29</b>	<b>19,581.10</b>
Less: Expenditure	58,687.24	55,336.48	12,816.60	11,433.57
<b>Profit before interest, depreciation and tax</b>	<b>19,270.20</b>	<b>23,870.22</b>	<b>7,416.69</b>	<b>8,147.53</b>
Less: Interest	4,182.51	3,476.09	2,299.51	1,794.83
<b>Profit after interest, before depreciation and tax</b>	<b>15,087.69</b>	<b>20,394.13</b>	<b>5,117.18</b>	<b>6,352.70</b>
Less: Depreciation	9,988.57	7,114.11	3,480.43	2,974.10
<b>Profit before exceptional items and tax</b>	<b>5,099.12</b>	<b>13,280.02</b>	<b>1,636.75</b>	<b>3,378.60</b>
Less: Exceptional items	10,765.65	-	10,765.65	-
<b>(Loss)/profit before tax</b>	<b>(5,666.53)</b>	<b>13,280.02</b>	<b>(9,128.90)</b>	<b>3,378.60</b>
<b>Less: Provision for tax</b>				
Current tax	(1,241.49)	2,557.79	-	512.38
Excess provision of taxes in respect of previous years	-	-	(243.75)	-
MAT credit entitlement	(18.08)	(271.54)	-	-
Deffered tax	(2,722.22)	713.72	(2,960.86)	559.07
<b>Profit after tax</b>	<b>(1,684.74)</b>	<b>10,280.05</b>	<b>(5,924.29)</b>	<b>2,307.15</b>
Less: Minority interest	346.36	354.7	-	-
<b>Profit after tax (after adjustment of minority interest)</b>	<b>(2,031.10)</b>	<b>9,925.35</b>	<b>(5,924.29)</b>	<b>2,307.15</b>
Add: balance brought forward from previous year	28,385.91	18,460.56	14,409.43	12,102.28
Less: Minority share	630.28	-	-	-
<b>Profit available for appropriation</b>	<b>25,724.53</b>	<b>28,385.91</b>	<b>8,485.14</b>	<b>14,409.43</b>
Less: Transfer to general reserve	-	-	-	-
<b>Balance carried to balance sheet</b>	<b>25,724.53</b>	<b>28,385.91</b>	<b>8,485.14</b>	<b>14,409.43</b>

## 2. OPERATION AND PERFORMANCE REVIEW:

During the year under review, on consolidated basis, total income of the Company and its subsidiary stood to be ₹ 77,957.44 lacs as compared to ₹ 79,206.70 lacs in the previous year.

On standalone basis, total income during the year was ₹ 20,233.29 lacs as compared to ₹ 19,581.10 lacs in the previous year, registering a growth of 6.93%. Profit before interest, depreciation and tax during the year was ₹ 7,416.69 lacs as compared to ₹ 8,147.53 lacs in the previous year. The Net (loss)/profit after tax was ₹ (5,924.29) lacs as compared to ₹ 2,307.15 lacs in the previous year, the decline in profit was primarily due to foreign exchange fluctuation on account of repayment of Foreign Currency Convertible Bonds (FCCB) during the financial year.



### 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, 2013.

### 4. APPROPRIATIONS:

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

### 5. SHARE CAPITAL:

During the financial year, the Authorized Share Capital of the Company was increased from ₹ 20,00,00,000 (Rupees Twenty Crores) comprising of 20,00,00,000 (Twenty Cores) Equity Shares of ₹ 1 each to ₹ 25,00,00,000 (Rupees Twenty Five Crores) comprising of 25,00,00,000 (Twenty Five Cores) Equity Shares of ₹ 1 each, with the approval of the shareholders in the Annual General Meeting held on September 29, 2012.

On April 13, 2012, the Company had allotted 1,00,00,000 equity shares of ₹ 1 each against conversion of warrants held by Mr. Namit Malhotra, Promoter of the Company at a premium of ₹ 54.478 per share (each warrant convertible into one equity share of face value of ₹ 1 each). Consequent to the aforesaid allotment, the paid up capital of the Company increased from 138,867,446 equity shares of ₹ 1 each to 148,867,446 equity shares of ₹ 1 each.

On November 5, 2012, the Company had also allotted 3,65,49,990 equity shares of ₹ 1 each to Standard Chartered Private Equity (Mauritius) III Limited, on preferential basis at a premium of ₹ 50.75 per share. Consequent to the aforesaid allotment, the paid up capital of the Company has increased from 148,867,446 equity shares of ₹ 1 each to 185,417,436 equity shares of ₹ 1 each.

### 6. NON CONVERTIBLE DEBENTURES

On November 5, 2012, the Company had issued the following Zero Coupon Unsecured Redeemable Non Convertible Debentures to Standard Chartered Private Equity (Mauritius) Limited:

- Series A-1010 Zero Coupon Unsecured Redeemable Non Convertible Debentures of face value of ₹ 10,00,000 each aggregating to ₹ 101 Crores repayable at the end of five years from the date of allotment
- Series B-891 Zero Coupon Unsecured Redeemable Non Convertible Debentures of face value of ₹ 10,00,000 each aggregating to ₹ 89.1 Crores repayable at the end of six years from the date of allotment

The said NCD's issued under Series A and Series B are listed on Wholesale Debt Market Segment of the Bombay Stock Exchange Limited (BSE).

### 7. SUBSIDIARIES:

In terms of the general exemption granted by the Central Government vide their General Circular No. 2/2011 dated February 8, 2011 under Section 212(8) of the Companies Act, 1956, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

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

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

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

### 8. DIRECTORS:

In accordance with the requirements of the Companies Act, 1956, Mr. Naresh Malhotra, Chairman & Whole Time Director and Mr. G.P Aiyar, Independent and Non Executive Director of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. Nainesh Jaisingh, was appointed as an Additional Director w.e.f November 5, 2012 on the board of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and he was subsequently appointed as Director with the approval of members of the Company in the Extra Ordinary General Meeting held on December 20, 2012 pursuant to section 257 and other applicable provisions, if any of the Companies Act 1956. Mr. Vibhav Parikh was appointed as an Alternate Director to Mr. Nainesh Jaisingh w.e.f November 5, 2012.





Mr. Ramakrishnan Sankaranarayanan, Managing Director resigned from the Board of Directors of the Company with effect from November 5, 2012. Mr. Rakesh Jhunjhunwala, Non Executive Director of the Company also resigned w.e.f July 26, 2013. The Board wishes to place on record its appreciation for the valuable contributions made by Mr. Ramakrishnan Sankaranarayanan and Mr. Rakesh Jhunjhunwala in development and growth of the Company and also for their valuable advices and guidance received during their tenure as Directors of the Company.

As stipulated in terms of Clause 49 of the listing agreement with the stock exchange, the brief resumes of Mr. Naresh Malhotra, Chairman & Whole Time Director and Mr. G.P Aiyar, Independent and Non Executive Director are provided in the Notice convening 16<sup>th</sup> Annual General Meeting of the Company.

## 9. CORPORATE GOVERNANCE REPORT:

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

## 10. FOREIGN CURRENCY CONVERTIBLE BONDS (FCCBs):

The Company had issued Foreign Currency Convertible Bonds (FCCBs) aggregating \$ 55 million in the year 2007 which were listed on Singapore Stock Exchange (SGX). Further the Company had redeemed the entire outstanding FCCBs of \$ 79 million including redemption premium of \$ 24 Million on scheduled legal maturity date on December 13, 2012 through Bank of New York, Trustee of Bond Holders.

Upon redemption of the FCCBs, the Company delisted the Bonds from the Singapore Stock Exchange (SGX) on December 18, 2012.

## 11. 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.

## 12. PARTICULARS OF EMPLOYEES:

In terms of provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure forming part of the Directors Report. However, as per the provisions of Section 219(1)(b)(iv) of the said

Act, the Report and Accounts being sent to all the shareholders of the Company excluding the Statement of particulars of employees u/s. 217(2A) of the said Act. Any Shareholder interested in obtaining copy of this statement may write to Company Secretary, at the Registered Office of the Company.

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

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

- i) In the preparation of annual accounts, the applicable accounting standards have been followed and there are no material departures;
- ii) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2013 and of the profit and loss account of the Company for the year ended on that date;
- iii) 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;
- iv) They have prepared the annual accounts on a going concern basis.

## 14. MANAGEMENT DISCUSSION AND ANALYSIS:

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

## 15. AUDITORS AND AUDITORS' REPORT:

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



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

With respect to Auditors observations in their report dated May 30, 2013, under item No. ix(a) about minor delays in depositing income tax deductions at source (TDS) were due to delay in receipt of expected cash inflows in time. However, the delay was not for the period exceeding three months.

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

**i. Conservation of Energy and Technology Absorption:**

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

**Conservation of Energy:**

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

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

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

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

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

**Total energy consumption:**

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

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

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

**ii. Foreign Exchange Earnings and Outgo:**

(₹ in lacs)

	March 31, 2013	March 31, 2012
Foreign Exchange Earned: Technical Service receipts and other income	12059.70	10,183.14
Foreign Exchange Outgo: Professional fees Payment on other accounts	482.65	620.61

**17. ACKNOWLEDGEMENTS:**

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

**For and on behalf of the Board of Directors**

Sd/-

**Naresh Malhotra**

Chairman and Whole-time Director

Mumbai  
August 14, 2013



# Management Discussion and Analysis

## GLOBAL ECONOMIC OVERVIEW:

The global economic recovery proved to be much harder in 2012-13 than originally anticipated. According to Dun & Bradstreet's Global Review 2012, the real GDP growth is 2% against an original forecast of 2.4% made at the beginning of the year. Main obstacles to growth were the continued crisis in the Euro zone, fall in demand for Chinese products and economic sensitivity in emerging markets. The only bright spot, surprisingly, was North America, largely due to a strengthening private sector. Sovereign debt crisis and policy uncertainty in Europe have constrained investments and employment in these regions causing a subsequent fall in consumption. Also, the world was closely looking at some of the significant events that took place last year which could have a tremendous influence in shaping the world economy. In North America, the corporate sector is now in its strongest health in years. Home prices began to recover with new job creation, and consumer spending also managed to rise.

China also experienced the pressures of global slowdown with its growth calendar year ended December 2012 dropping to 7.4%, its lowest since 1999. The major reason for this slowdown was the fall in the demand for Chinese exports to the developed nations. Amid the slowdown in growth, China saw their decade long leadership changing hands with Xi Jinping becoming China's new premier.

## REAL GDP GROWTH (%)

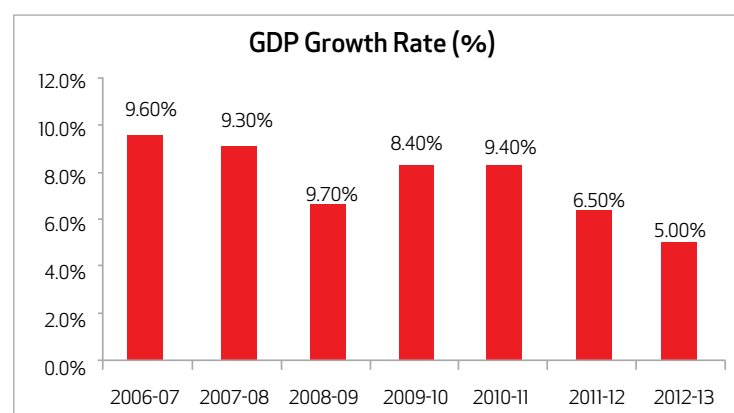
	2011f	2012f	2013f
World	2.6	2.0	2.3
Advance Economies	1.5	0.9	1.3
US	1.8	2.0	1.9
Euroland	1.4	-0.8	0.2
Japan	-0.8	1.7	1.6
UK	0.9	0.0	0.9
Emerging Economies	5.5	4.6	4.8
Brazil	2.7	1.9	4.0
Russia	4.3	3.6	3.7
India	6.9	5.5	6.1
China	9.2	7.4	7.1

(Source: Dun & Bradstreet, Review 2012)

## INDIAN ECONOMIC REVIEW

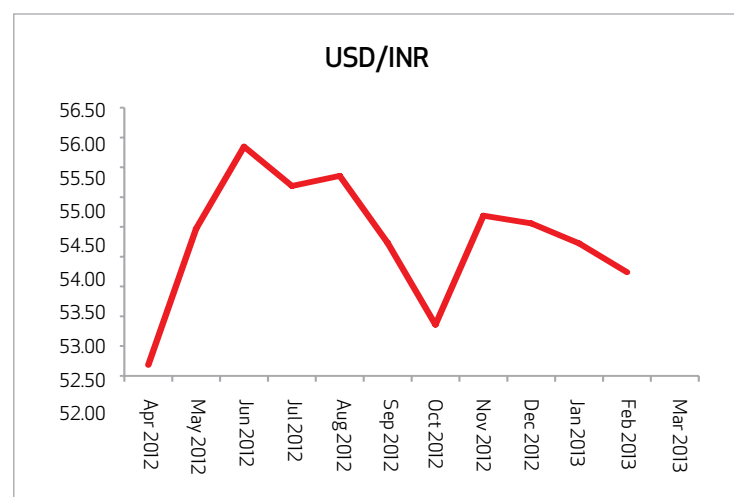
For the Indian economy, 2012-13 was a year that could best be forgotten. GDP growth slowed down to under 6% for the first time in a decade. Massive power shortages, bad monsoons, disruptions in Parliament were but a few

factors that created an overall negative sentiment for the investors. GDP growth for the year 2012-13 has been a dismal 5% (RBI). Inflation continued to remain high, even though it was not as rampantly high as in the previous year. Driven by high oil prices and a falling rupee, the government continued to keep its monetary policy tight and the anticipated cut in interest rates expected by the industry did not materialize.



The threat of rising fiscal deficit levels have compelled the government to take necessary actions thereby revising the deficit target to 5.3% of the GDP by the end of the fiscal year.

Further, in June 2012, the Indian rupee fell to its lowest level vis-à-vis the USD touching an all time low of ₹ 57.12 in the month of June 2012. This fall in the value of the Indian rupee resulted in huge escalation in the input costs for companies who source supplies from outside the country thereby affecting the earnings margins of these companies.





## GLOBAL E&M INDUSTRY

As per the latest report by PwC, the global spending on E&M (Entertainment and Media) amounted to \$1.6 trillion in 2012. There is continued interest in this sector which has resulted in increased investments in new projects. The entire industry is in a transition phase, with digitisation of content opening up new distribution channels and creating further opportunities for content providers to sell their content, as well as extend the life of their content libraries. Digital media continues to drive growth in the industry. The robust growth in this industry is expected to be driven by the quickly expanding digital medium.

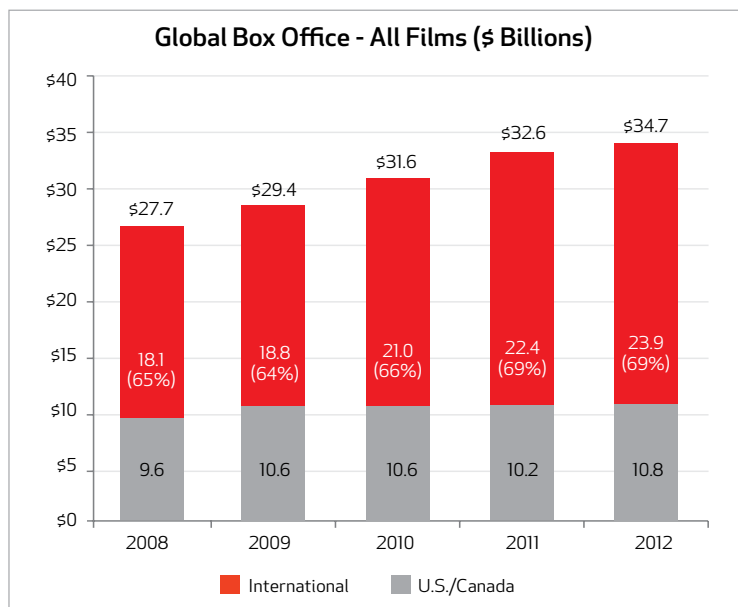
## FILMS

The total global spending on filmed entertainment was \$ 886 million for the year 2012. The Asia-Pacific region continues to offer the greatest growth opportunities, while North America continues to dominate the market in terms to total revenues.

Source: PwC – Global Media & Entertainment Outlook 2013-2017

(<http://www.pwc.com/gx/en/global-entertainment-media-outlook/index.jhtml>)

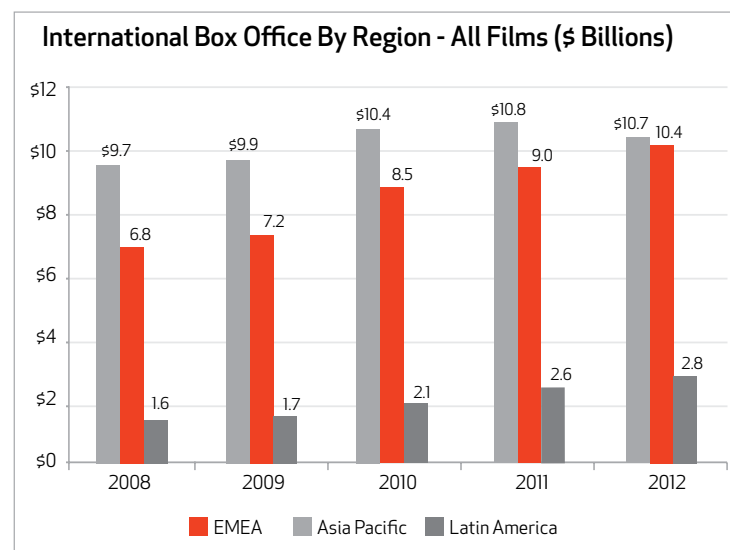
According to the Theatrical Market Statistics 2012 released by the Motion Pictures Association of America, Inc. (MPAA), the size of Global Box Office (GBO) for all films released around the world reached \$ 34.7 billion in 2012, up 6 per cent from 2011. This was largely due to an increase in international box office (\$ 23.9 billion) and US/Canada box office (\$10.8 billion). All international regions with the exception of Europe witnessed growth in the year 2012. In China, box office grew by a whopping 36 per cent to \$ 2.7 billion, surpassing Japan to emerge as the largest international market.



## 2012 Top 10 International Box Office Markets - All Films (\$ Billions)

Source: IHS Screen Digest, local sources

China	\$2.7
Japan	\$2.4
U.K.	\$1.7
France	\$1.7
India	\$1.4
Germany	\$1.3
South Korea	\$1.3
Russia	\$1.2
Australia	\$1.2
Brazil	\$0.8



Further, total box office collection in the US-Canada region in 2012 was 10.8 billion, increasing by 6 per cent from \$ 10.2 billion in 2011. Interestingly, out of this \$ 1.8 billion came from 3D box office revenues which were similar to 2011, in spite of fewer 3D film releases. The demand for the 3D format has been on the rise over the last few years, as seen from the fact that over the last five years the number of 3D movie screens around the world has increased to over 45,000 from a paltry 2,536 screens in 2008. While the growth in 3D screens slowed down in 2012 compared to the high growth rates of 2009 and 2010, 3D digital comprised 35 per cent of total screens, up from 29 per cent in 2011. Also the demand for 3D films has increased on the back of increasing sales of 3D TV units and 3D Blu-Ray players especially in the Asia Pacific region.

## VISUAL EFFECTS AND ANIMATION MARKETS

Globally, the VFX industry size is \$2.1 billion and is growing steadily. Visual effects in a film consume approximately 40% of the total cost of a film thereby making it very expensive. But according to the recent trends, VFX films have been performing exceedingly well in the international markets which shows promising growth for this industry segment.



As per the Global Animation & Gaming Market Report, the global animation and gaming industry size in 2010 was \$122.2 billion. This segment is expected to be one of the fastest growing in this industry. Animation includes revenues from animation services and content production excluding gaming. After achieving spectacular success with Avatar in 2009, the animation industry has not looked back. Continuing from the success of 2011, with movies like Kung Fu Panda II and Tintin, this segment produced more blockbusters in 2012, with Ice Age – Continental Drift, Madagascar 3 and The Avengers, to name a few.

## INDIAN E&M INDUSTRY

2012 was a challenging year for the Indian E&M industry in the face of economic slowdown which hit advertising revenues hard. However, it

was also a year of many positives of which increased focus on digital transformation, better content in films, rollout of new radio licenses and growth of new media stand out prominently. All these are bound to have a long term impact on building a stronger Indian E&M industry.

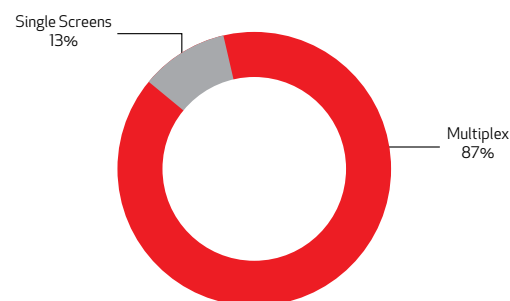
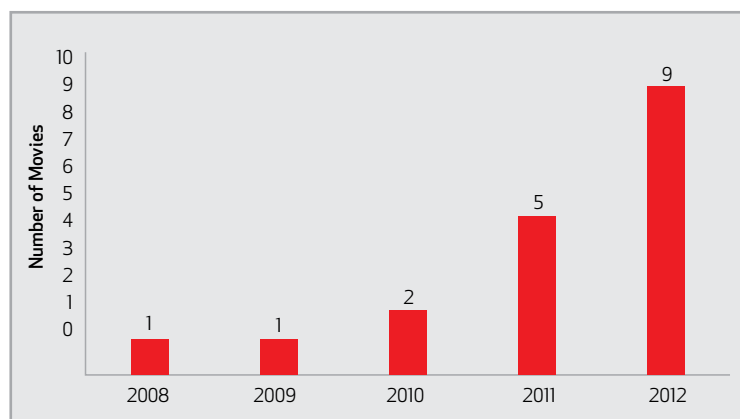
According to the 14<sup>th</sup> edition of the FICCI-KPMG report, Indian E&M industry grew by 12.6% to reach ₹ 821 billion from ₹ 728 billion last year. Further, the industry is set to double to ₹1.66 trillion by 2017 growing at a CAGR of 15.2% over the next 5 years. Increased digitalization, growth in regional media and the strength of the film industry are expected to contribute to this strong growth. While television, print and radio continue to be dominant segments, animation, visual effects, films and music are also posting a strong growth on the back of benefits rendered by digitalization.

EM Segments (₹ billion)	2008	2009	2010	2011	2012	Growth in 2012 over 2011 (%)
TV	241.0	257.0	297.0	329.0	370.0	12.5
Print	172.0	175.2	192.9	208.8	224.1	7.3
Films	104.4	89.3	83.3	92.9	112.4	21.0
Radio	8.4	8.3	10.0	11.5	12.7	10.4
Music	7.4	7.8	8.6	9.0	10.6	17.8
OOH	16.1	13.7	16.5	17.8	18.2	2.2
Animation and VFX	17.5	20.1	23.7	31.0	35.3	13.9
Gaming	7.0	8.0	10.0	13.0	15.3	17.7
Digital advertising	6.0	8.0	10.0	15.4	21.7	40.9
	<b>579.8</b>	<b>587.4</b>	<b>652.0</b>	<b>728.4</b>	<b>820.3</b>	

## FILMS

The films segment CLEAR™ly had a stellar 2012-13 which saw films with a high entertainment quotient attracting audiences back to theatres in large numbers. According to the FICCI-KPMG Report 2012, total revenues from the films segment grew by 21% in 2012 over 2011 to stand at ₹ 112.4 billion which is forecast to grow to ₹ 193.3 billion by 2017 growing at a CAGR of 11.5% over the next 5 years. Within the films space, domestic theatrical grew by 23.8% in 2012, contributing 76 percent. An impressive nine films crossed the ₹ 1 billion (“100 crore club”) mark in net box-office collections, compared to just five in 2011 and two in 2010. Prime Focus contributed to 5.

A continuous increase in the average ticket price was a positive trend that CLEAR™ demonstrated the power of content-led films to draw in larger audiences at higher ticket prices. Moreover, the increase in number of multiplexes across the country, especially in Tier II and Tier III cities, has helped in creating additional audiences, augmenting the overall demand. Strong performance of regional films also contributed significantly to this upward trend and is now also attracting both Bollywood and Hollywood production houses. Even though production costs have gone up by 15-20%, excellent box-office collections have ensured these were absorbed. In film-distribution, the dominance of digital distribution has reached almost 80-90 percent in 2012, compared to just 50 percent in 2010. Digital distribution has resulted in a wider reach, enabling distributors to capture revenues in shorter time-spans with same-day releases across theatres in the country, as well as in pre-selling C&S rights. Today almost 60-80 percent of revenue accrues in the first week of release of a film. In the film-exhibition space, as many as 152 new screens were added in 2012, with major additions being in the multiplex category.





## ANIMATION, VFX AND POST PRODUCTION

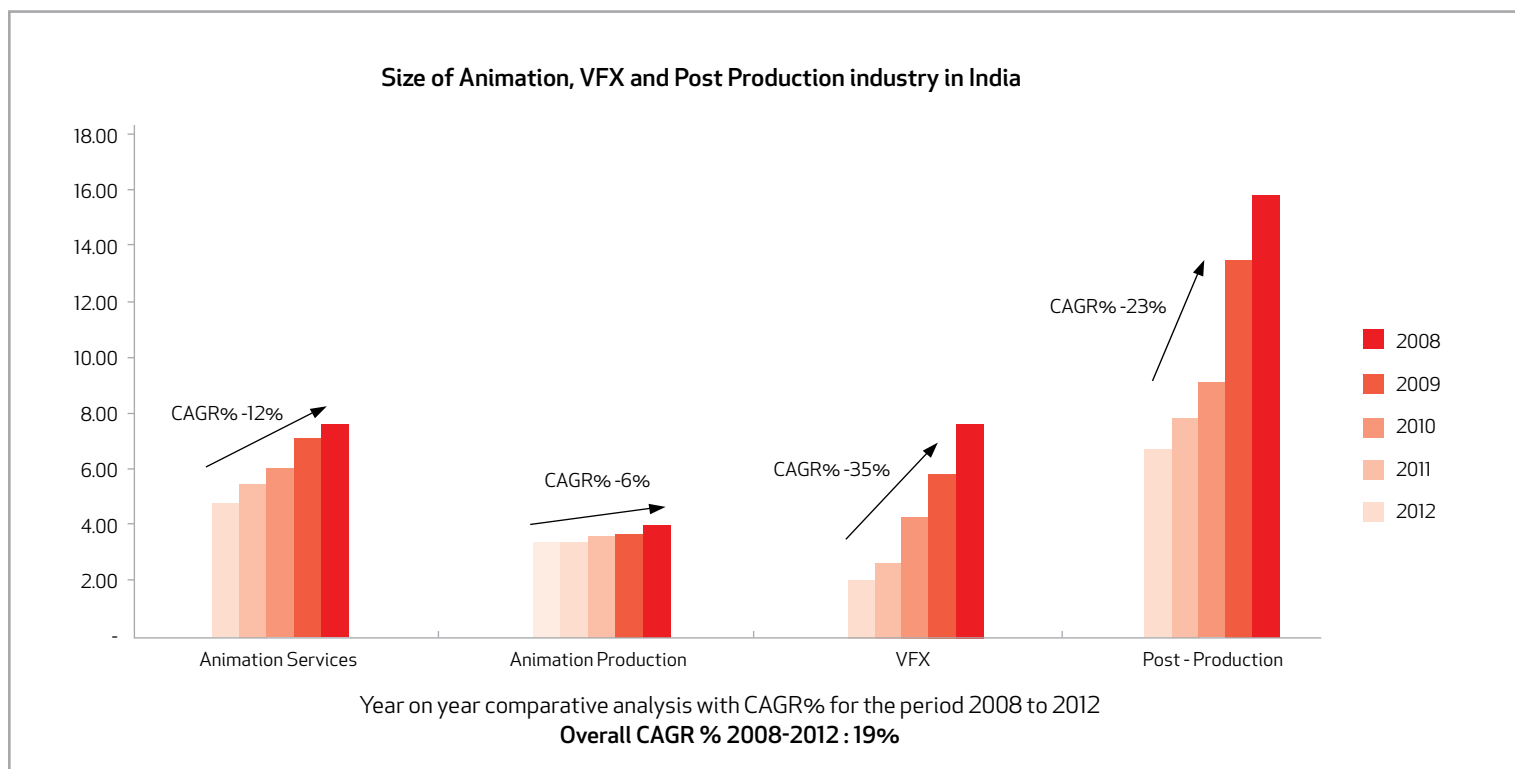
While VFX and Post-Production saw impressive growth of 24.2 percent and 14.8 percent respectively in 2012, animation grew at a moderate rate of 7.1 percent. The Indian animation and VFX segment grew marginally last year by 13.9% to reach ₹ 35.30 billion from ₹ 31 billion last year. Domestic animation films released in 2012 like Sons of Ram, Krishna Aur Kans, Arjuna – The Warrior Pricedid not do well. The VFX industry is rapidly evolving thanks to the speed at which digital media is growing. The VFX industry is estimated to be ₹ 7.7 billion in size today and has been growing at a CAGR of 35% over the last 4 years.

The industry can broadly be classified into three categories which are movies, television shows and advertisements (Television Commercials). Although this segment is at a nascent stage, all these three verticals had a flourishing 2012. The growth in the movie vertical of the VFX segment has predominantly come from the conversion of 2D movies to 3D movies which is predominantly outsourced work from the USA and the UK; whereas the growth in television shows is from the growing demand for animated television serials. While outsourcing of animation to Indian studios has a relatively long history, outsourcing of Indian companies of visual effects/post production/3D conversion work of Hollywood movies has gained significant ground in recent years

### GROWTH IN ANIMATION, VFX AND POST-PRODUCTION FROM 2008-2012 (INR BILLION)

Segment	2008	2009	2010	2011	2012	CAGR (2008-12)	Growth in 2012
Animation services	4.8	5.5	6.2	7.1	7.6	12.17%	7.0%
Animation production	3.6	3.7	3.9	4.2	4.5	5.7%	7.1%
VFX	2.3	3.1	4.5	6.2	7.7	35.3%	24.2%
Post-production	6.8	7.8	9.1	13.5	15.5	22.9%	14.8%
<b>Total</b>	<b>17.5</b>	<b>20.1</b>	<b>23.7</b>	<b>31.0</b>	<b>35.3</b>	<b>19.2%</b>	<b>13.9%</b>

### SIZE OF ANIMATION, VFX AND POST PRODUCTION INDUSTRY IN INDIA



Average Indian movies have limited budgets for VFX which are considerably below international standards. But the Indian audience is educated and exposed to international quality which is evident from the success of Hollywood movies in India. This has led to a dire need for the domestic participants to improve the quality of VFX content in their production. In the last couple of years domestic productions have seen improvement in the quality of content with movies like RA.ONE which had 3500 VFX shots with 800 VFX shots committed to G One, similar to AVATAR – both delivered by Prime Focus. This proves that the industry has taken concrete steps to improve quality of VFX in films to attract more discerning audiences.



## BUSINESS OVERVIEW:

Prime Focus Limited is the global leader in media and entertainment industry services employing over 4,300 professionals in 11 facilities across 3 continents and 5 time zones. Prime Focus offers end-to-end creative and technical services including visual effects, stereo 3D conversion, animation, video/audio post-production, digital content management and distribution, Digital Intermediate, versioning and adaptation, and equipment rental to the Film, Broadcast, Advertising and Media industries.

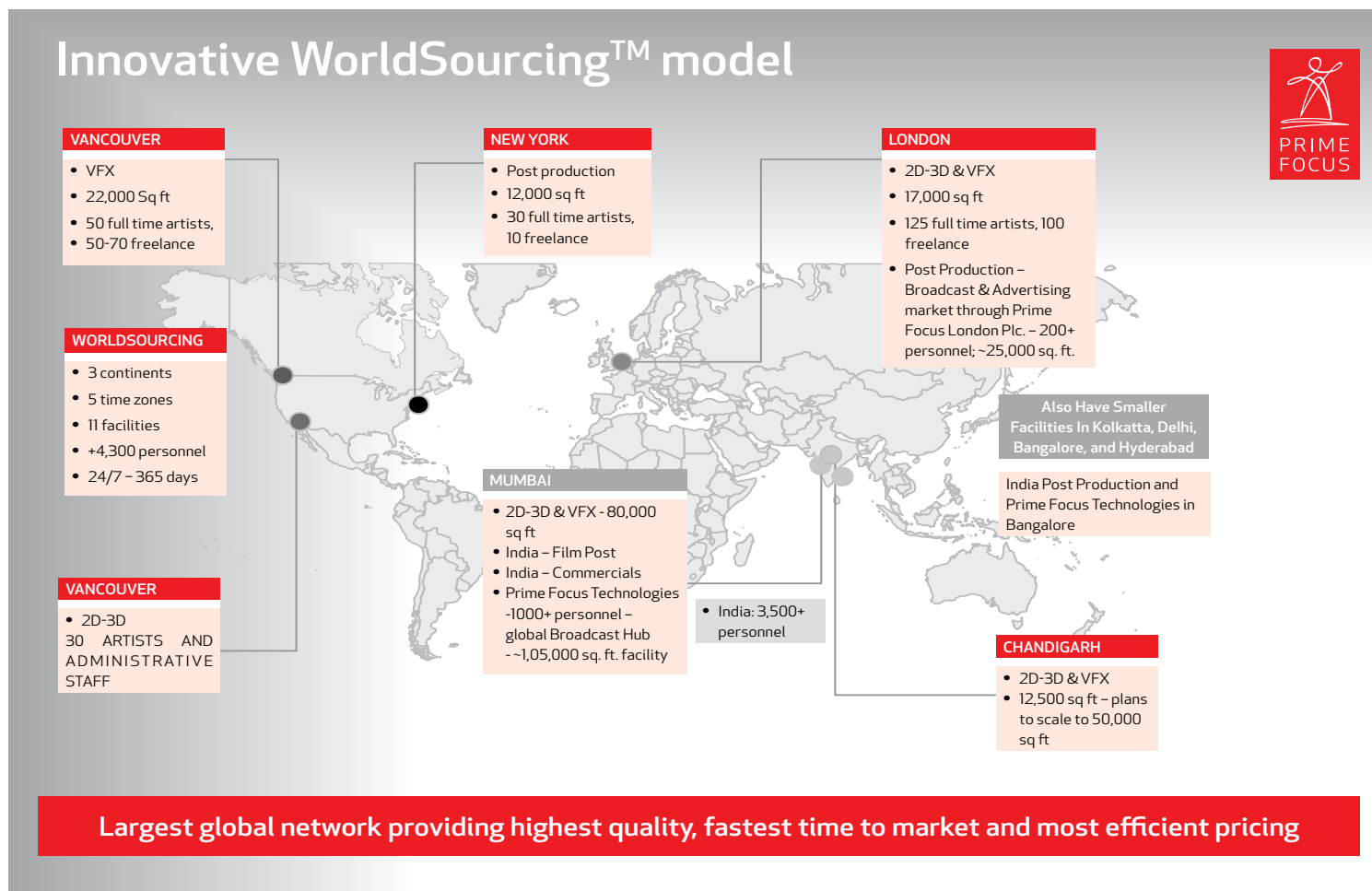
Prime Focus is behind path breaking technologies like CLEAR™ (media ERP platform for content and workflow management) and View-D™ (stereoscopic 2D to 3D conversion). Leveraging its Global Digital Pipeline and pioneering delivery model WorldSourcing@ Prime Focus partners content creators at every stage of the process ensuring work flow efficiencies, cost optimization and creative enablement.

Prime Focus has operations in Los Angeles, New York, Vancouver, London, Mumbai, , Hyderabad, Bangalore, Kolkata, Noida and Chandigarh. The Company's clients include the biggest studios like Warner Bros., Paramount, Lucasfilms, Universal, Sony, Twentieth Century Fox, Legendary Pictures, Relativity and DreamWorks, broadcast networks like Bloomberg, Disney, Star, IFC Films, Associated Press, Zee and Sony, and advertising agencies like JWT and Lowe, amongst others.

The Company was founded in 1997 in a small garage in Mumbai by Mr.Namit Malhotra. Over the last 16 years the Company became the fastest growing media services company in the country. Through strategic acquisitions it acquired access to global markets as well as established state-of-the-art VFX capabilities own its own. The Company joined hands with top-tier studio customers to deliver quality franchise movies. Prime Focus has been able to leverage its global business model and continues to expand into new business segments and markets.

Prime Focus has a highly differentiated business model which seamlessly blends creativity, technology and finance to provide a holistic solution to its clients.

## WorldSourcing





## KEY BUSINESS SEGMENTS:

### 2D content to stereo 3D Conversion:

Prime Focus is the undisputed market leader in Hollywood with approximately 29% market share in this segment of the media and entertainment industry in 2012 (based on company estimates) with little competition as far as the execution capabilities that the Company possesses. Its proprietary 2D to 3D conversion process 'View-D' is sought after by most Hollywood producers. During the last financial year the Company grossed revenues close to ₹ 2,985 million in this segment.

### VFX and Animation:

In the last financial year the Company has rendered VFX services for 20 Bollywood movies and 12 Hollywood movies aggregating to a total of 50 movies. These include

#### Major Hollywood productions: (VFX/3D)

1. Mirror Mirror - Relativity Media - VFX
2. Men In Black 3 - Sony Pictures - 3D + VFX
3. Wrath of the Titans - Warner Bros. Pictures - 3D
4. Storage 24 - Big Yellow Films Limited - VFX
5. Total Recall - Sony Pictures - VFX
6. Dredd 3D - DNA Films - VFX
7. Resident Evil: Retribution - Davis Films/Impact Pictures - VFX
8. Frankenweenie - Walt Disney Pictures - 3D
9. The Last Stand - Di Bonaventura Pictures / Lionsgate - VFX
10. Yellow - Yellow Productions - VFX

#### Major Bollywood Productions (VFX/DI/EQR break up):

1. Kai Po Che - VFX | DI | Camera
2. Himmatwala - VFX | DI | Camera
3. Dabangg 2 - VFX | DI | Camera
4. Jab Tak Hai Jaan - Camera
5. English Vinglish - VFX | DI | Camera
6. Oh My God - VFX | DI | Sound | Camera
7. Ek Tha Tiger - VFX | DI | Camera
8. Cocktail - VFX | DI | Sound | Camera
9. Housefull 2 - VFX | DI | Camera
10. Paan Singh Tomar - VFX | DI | Camera
11. Agent Vinod - VFX | DI | Camera
12. Agneepath - Camera

Prime Focus contributed to some of the biggest films of the year both in Hollywood and Bollywood:

### \$100 Million in Box Office Collections

1. Men in Black 3 (Sony / Columbia)
2. Wrath of the Titans (Warner Bros.)
3. Total Recall (Sony)

### ₹1 Billion in Box Office ("100 crore club")

1. Agneepath ----Dharma
2. Housefull 2 -----Nadiadwala Grandson Entertainment
3. Ek Tha Tiger -----Dharma
4. Jab Tak Hai Jaan -----Dharma
5. Dabangg 2 -----Arbaaz Khan Production

### Post-production Services:

This is the traditional business of the Company. Prime Focus Limited continues to be the leading player in Bollywood in this segment. Post production entails all processes done to a raw film to develop them as a digital print for onwards distribution to a film processing lab. The key processes involved include Telecine, Colouring, Digital Intermediate, Editing, Sound, etc. Prime Focus is also a dominant post production player in the Indian Broadcast and Commercials segment.

### Business Arms:

#### Prime Focus Technologies

Prime Focus Technologies (PFT) is the technology arm of Prime Focus, the global leader in media and entertainment industry services. PFT brings together a unique blend of Media and IT skills backed by a deep understanding of the global media and entertainment industry. In 2008 PFT launched the world's first Media ERP platform, CLEAR™.

CLEAR™ which was adjudged 'Best of IBC' in 2010 manages content and enterprise workflows for the business of content. It helps broadcasters, studios, advertisers, sports bodies, news agencies, government and service providers drive creative enablement, enhance efficiencies and explore new monetization opportunities. Customers who have deployed CLEAR™ have reported 30% cost and 40% time savings.

CLEAR™ is the world's first and most established Hybrid Cloud platform which is extremely Secure (ISO 27001 conformant) and most Available (99.95%). Leveraging CLEAR™, PFT runs Scalable and Reliable Cloud-based Content Operations Hubs for managing 24 x 7 operations.

It is a proven solution hosting and managing over 300,000 hours of content. The world's biggest brands run their revenue critical media/content operations on CLEAR™. It is also the fastest to deploy offering shortest time to market as less as 6 months. Today PFT delivers over 10 million files (VOD/Syndication fulfilment), 90,000 new television episodes, 5000 hours of dubbing, 5000 episodes of compliance editing and over 30,000 hours of closed captioning/subtitling) annually.





PFT also offers an SLA-based suite of media processing and monetization services like Archiving, Bulk Digitization, Mastering, Delivery, Multi-platform Content Preparation, Editorial and Packaging, Localization (Subtitling, Closed Captioning, and Dubbing), Cataloguing, Digital Media Supply Chain Management, SEO & Analytics, On Air Promo Creation and Contextual Advertising.

Of PFT's 1000 odd personnel's around the world, over 200 expert engineers work at their R&D center in Bangalore dedicated to the CLEAR™ technology platform building tailored solutions for Broadcast Networks, Studios/ Production Houses, Advertising/Brands, Sports, Digital businesses and Distribution.

- **CLEAR™ for Broadcast:** Media ERP Suite for managing the Business of Broadcast (Content) - specific modules with configurable workflow templates for Content Supply Chain, Channel Operations, Distribution, Production & Digital Businesses.
- **CLEAR™ for Production:** Media ERP Suite tailored to manage the Content Production lifecycle - offers a unified technology platform and services bouquet connecting the dots of PreProd, Production and Post Production, tracking every task and every content (/metadata) change.
- **CLEAR™ for Digital:** Media ERP platform tailored for content owners to manage enterprise workflows on B2B and B2B2C platforms including supply chain and partner management - to maximize consumer reach, drive consumer experience and help increase long-tail monetization.
- **CLEAR™ for Distribution:** Media ERP platform tailored to manage Media Distribution and Servicing workflows with flexible integration across multiple existing (and new) applications, teams and processes.
- **CLEAR™ for Advertising:** Media ERP platform tailored for creative agencies & brands to manage content creation and distribution workflows across partners, talent and versions.

PFT works with major content owners like Disney, Warner Bros., News Corporation-owned STAR TV, EROS International, SONY Music, Viacom 18, SONY MSM, BCCI (Board of Control for Cricket in India), IPL (Indian Premiere League), Hindustan Unilever Limited, JWT, Lowe Lintas, Vodafone, The Associated Press, A & E TV Network, Netflix, Schawk! and WPP, among others.

### Prime Focus World:

Prime Focus World (PFW) is the creative services business arm of Prime Focus, the global leader in media and entertainment industry services. PFW employs over 2,850 professionals in 6 facilities across 3 continents and 4 time zones. PFW provides visual effects, stereo 3D conversion and animation services to the Film, Broadcast, Advertising and Media industries. Prime Focus World is behind View-D™ (stereoscopic 2D to 3D conversion) relied on by most Hollywood producers. Leveraging its Global Digital Pipeline and pioneering delivery model WorldSourcing® PFW partners content creators at every stage of the process ensuring work flow efficiencies, cost optimization and creative enablement.

PFW is a leader in the 2D to 3D conversion space with approximately 29 per cent market share. In VFX and Animation, PFW is an established player with a significant growth momentum. This year PFW entered the Animation space with a bang – signing up an animated television series for a major toy manufacturer. PFW has excellent relationships with global studios like Warner Bros., Legendary Pictures, Lucas films, Disney, Twentieth Century Fox, Sony, Relativity, Paramount and Universal.

PFW has worked on some of the biggest blockbusters in Hollywood. In 2013, PFW has successfully delivered on projects such as Star Wars: Episode 2 & Star Wars: Episode 3 (Lucas Films), The Last Stand (Lionsgate Entertainment), Total Recall (Sony Pictures), Men In Black 3 (Sony Pictures), Frankenweenie (Walt Disney), Dredd 3D (Lionsgate Entertainment), The Great Gatsby (Warner Brothers), Wizard of Oz 3D (Warner Brothers), The Last Emperor (Columbia Pictures), White House Down (Columbia Pictures) and World War Z (Paramount Pictures).

PFW operates on the following key differentiators:

#### Innovation

- View-D has been customized to provide expansive options to artists and directors with infinite artistic tools versus shooting in native 3D

#### Scalability

- Proven systems allow training of new View-D artists quickly and offers a foundation for their development into VFX artists
- Production experience curve in View-D and future portfolio projects provide training ground for artist development

#### Flexibility

- Global digital pipeline allows teams in Los Angeles, New York, London, Vancouver, and India to collaborate 24/7

#### Viable business model

- PFW's global delivery model offers significant tax breaks for producers as well as cost benefits to Prime Focus, leading to superior margins

#### Marquee clientele and established Order Pipeline

- PFW has established deep relationships with global film studios including Warner Brothers, Legendary Pictures, Sony / Columbia, Paramount Pictures, Lionsgate Entertainment, Fox and Universal, with whom it boasts of a Order pipeline of ~\$150mn, which will be monetized over the next 2 years

#### Key investments:

Marquee investors have constantly backed Prime Focus Limited over the years, further validating its robust business model and overall performance. Following is a list of significant investment activities which the Group witnessed in FY 2013, each of which is a significant landmark for the Group:



## Successful redemption of FCCBs in December 2012

In December 2007, Prime Focus Limited had raised \$55mn via Foreign Currency Convertible Bonds(FCCBs) to finance its acquisitions of Post Logic Studios and Frantic Films in USA. In December 2012, Prime Focus Limited became one of the only few companies in India to successfully redeem the FCCBs on its due date i.e. 13th December, 2012 at the full accreted value of \$79mn.

## Raised capital from Standard Chartered Private Equity

In November 2012, Prime Focus successfully raised INR equivalent of ~\$70mn from Standard Chartered Group, in order to repay its FCCBs due in December 2012. The financing came in 2 tranches:

- Preferential issue of 36,549,990 Equity shares at ₹ 51.75 each, aggregating ₹ 1892mn. (~\$35mn.)
- Private placement of Unsecured, Zero Coupon Non Convertible Debentures (NCDs) worth ₹ 1910mn. (~\$35mn.) at a YTM of 13.47%, repayable as a bullet, 50% at the end of Year 5 and balance 50% at the end of Year 6
- The balance ~\$9mn funding was tied up through a Term Loan from Standard Chartered Bank

## Raised \$10mn from Private Equity Fund AID Partners Capital

The financing raised from Standard Chartered Group was fully utilized towards repayment of the FCCBs due in December 2012. After having been through the most challenging phase of its growth, Prime Focus still needed financing in order to implement its next phase of growth.

In March 2013, Prime Focus World, N. V. (PFW), a 100% indirect subsidiary of Prime Focus Limited, raised \$10mn for a 4% stake from AID Partners Capital, a well known Hong Kong based Private Equity Fund, through optionally convertible preference shares, valuing the subsidiary at \$250mn.

## Formed a Joint Venture to enter into the lucrative Greater China Market

China has become the 2<sup>nd</sup> largest market for films in the world, behind only Hollywood (Source: Motion Pictures Association of America). The Chinese market is growing at the fastest pace, and is even projected to surpass Hollywood in the coming years, if it maintains the growth. Prime Focus has spotted the opportunity early and has partnered with AID Partners Capital to launch a Joint Venture, targeted to offer its media and entertainment industry services in the highly lucrative Greater China market. Although the JV is at its initial stages, the partners will jointly explore mutually beneficial opportunities to start with a marketing office first and then gradually build scale if they see enough traction in the market.

## Awards and Recognition:

Work done by Prime Focus has been recognized in both domestic and international forums. PFT's CLEAR™ Media ERP platform was awarded with CIO Choice 2013 in the 'Content Management' category. The 'Go Digital' program (which has PFT's CLEAR™ as its core) at STAR India won the Aegis Graham Bell Award 2012 for Technology Innovation in the field of Broadcast

as well as parent company News Corporation's Global Energy Initiative (GEI) Innovator Award. Last year the Company's work on 'Storage24' was honoured with the Best Visual Effects Feature Film – International Award at the 24 FPS International Film Festival, 2012. At the Asia Image Apollo Awards, the company's work on Total Recall received the award for Best Visual Effects. At the International Film Festival in India, 2012 the Golden Peacock award for the best film was won by 'AnheGhore Da Daan' for which Prime Focus delivered sound mixing. Prime Focus also contributed to the 'I Am Mumbai' television commercial of Mumbai Mirror (Times of India) which won the Gold at the Cannes Lions International Festival of Creativity...

## Outlook:

The global appeal for 3D and VFX content is steadily on the rise. As earlier discussed, 9 out of the top 10 films in 2011 and 44 out of the top 50 all time best films are VFX driven. One of the factors that contribute to the growth of the content conversion industry is that the payback on conversion costs provides compelling studio economics and is a catalyst for compelling studio economics as compared to creating the content in 3D originally. Further, the conversion of 2D content in to 3D content proves to be more capital efficient as well as provides directors with infinite artistic tools as compared to shooting in native 3D. This trend is evident from the growing number of films released in 3D as well as the increase in the number of 3D screens across the globe. The US 3D Box office collections for 2012 stand at \$3.5 billion, up from \$ 0.2 billion in 2008, growing at a CAGR of 105% (Source: Screen Digest).

Globally, there is a shift in the In-House content viewing eco-system from the native format to 3D. According to Futuresource, the number of total 3D television units sold as a percentage to the overall television units sold is set to increase from 3% in 2010A to 65% by 2016E where as the total number of blue-ray players sold globally is to increase from 3 million units in 2010A to 29 million units by 2016E.

This shows that the demand for 3D content is growing rapidly. According to Futuresource, the total number of blue-ray films available for retail is set to grow at an astounding pace which is at a CAGR of 145% from 19 films in 2010 to 280 films in 2013. This is the kind of demand that is pushing the industry to grow at a fast pace.

The content conversion business has a huge market opportunity. With 35,000 library film titles major USA studios have an enormous inventory catalogue.

Library of film titles for 3D conversion	Numbers
MGM	~4,000
Warner Bros.	~7,000
20th Century Fox	~3,000
Universal	~5,000
Sony Pictures	~3,500
Walt Disney	~2,000
Paramount	~3,500
Lionsgate	~8,000



Out of the new releases, in the USA alone there are approximately 50 new releases every year. Out of these, about two-thirds of the movies are converted from 2D to 3D form which amounts of \$248million - \$297million as the total market opportunity in the conversion business in new releases in the USA alone. Further, the total addressable market for the conversion business in the USA every year (including new releases) is \$2.1billion - \$3.7billion. USA studios have a library of convertible content which is the reason why the country is leading the way in 3D conversion. The country's existing blockbuster film addressable market is \$1.8billion - \$3.4billion.

Globally, the VFX industry size is \$2.1 billion and is growing steadily (Source: Frank N. Magid Associates, Inc.) VFX consumes about 30%-40% of the total budget of a film. VFX heavy films perform best in the international markets because of a wider reach and greater demand. Majority box office collections are today in the international markets where the total box office collection in 2011 was \$22.4 billion as compared to \$10.2 billion in the USA and Canada taken together. The VFX market is in line to grow at a steady pace, going into the future. The animation segment is also growing rapidly. Animation services market is set to grow from \$122.2 billion in 2010 to \$249.9 billion by 2016E and this offers a great opportunity for Prime Focus.

Thus there is a spectacular growth opportunity in the media and entertainment industry as the overall industry landscape is going through a dramatic shift. This transition brings a mega opportunity for market participants to grow and increase their market share and presence.

### OPPORTUNITIES AND THREATS:

Digital transformation and continued disruption are the overriding concerns as well as the greatest opportunities facing the media and entertainment industry of the future. There is a tectonic shift in the online and mobile distribution of content. The problem faced by the industry is that this shift is extremely swift which does not allow the industry to adjust and adapt to the new ways of distribution and consumption. There continues to be a greater union of digitalization with various forms of media content. This greatly emphasises companies to focus more on technology improvements and innovations in order to provide astounding customer experiences.

Domestically, there is a remarkable shift in the industry starting with digitalization of television by implementation of DTH to conversion from 2D viewing to 3D viewing of content. Internationally, there is a steady transformation in the distribution technology from 3G to 4G which demands for greater speed and better technology for content distribution. Innovation in technological solutions adopted by market participants throughout the industry will be crucial in their survival in this fast changing industry landscape.

### RISKS AND CONCERNS:

Macro-economic trends:

With the advent of globalization, economic turbulence in one part of the world affects everyone. Since early 2009, the global economy has faced a marked slowdown which has affected fresh investments and impacted overall consumption. Although, the global economic outlook seems to have

somewhat stabilised, it will still take considerable time for the economy to completely recover.

Geographical risks:

Prime Focus is present in multiple markets which makes it fallible to regional pressures. Hence, there is a risk of being affected by events which unfold in a particular geography. As the Company further diversifies its operations in to making regional films like Tamil, Telugu and Kannada, it increases the potential of geography related risks.

Currency fluctuation:

The Company accrues income from various parts of the world as it has operations and dealings with customers all across the globe. This results in a huge risk of currency fluctuation. To combat this situation the Company has in place an efficient foreign exchange management team that continuously monitors the currency markets.

Competition:

Where there is opportunity, there will be competition. With the growth in demand for animation and VFX there is an influx of new market participants as everyone tries to take their share of this lucrative opportunity. Super-specialisation has become the norm of the industry and with the growing demand for quality content there is a huge gap to be filled. Prime Focus realizes the significance of this threat and is making conscious efforts in this direction. The Company has a strong brand recall, a portfolio of offerings and is also expanding this space to be competitive. Moreover, the Company has delivered award winning work and established relationships with major studios around the globe.

Financial performance with respect to operational performance:

The total net revenue of the company decreased to ₹ 7,621.63 million in the current year compared to ₹ 7,719.13 million in the previous year. EBITDA for the year decreased to ₹ 1,920 million against ₹ 2,387.02 million in the previous year. Net Loss of ₹ 566.7 million was recorded for the current year compared to Net Profit of ₹ 992.53 million in the previous year. Diluted EPS was ₹ (1.24) per share down from ₹ 5.89 per share in the previous year.

Internal control systems and their adequacy:

The Company has internal controls commensurate with its size. It has also adopted standard operating procedures, policies and process guidelines. These guidelines are well documented with CLEAR™ly defined authority limits corresponding with the level of responsibility for each functional area. They are designed to ensure that transactions are conducted and authorised within their framework. Further, the Company's reporting guidelines ensure that transactions are recorded and reported in conformity with generally accepted accounting principles. These guidelines are regularly reviewed and updated to meet the expectations of the current business environment. The Company's Code of Business Conduct lays down ethical standards expected from each of its personnel's and business associates in their day-to-day actions. The Company's robust internal audit programme which works to conduct a risk-based audit not only tests the adherence to



laid down policies and procedures but also suggests improvements in the current processes and systems. The audit program is agreed upon with the Audit Committee. Internal Audit observations and recommendations are reported to the Audit Committee, which monitors the implementation of such recommendations.

### **MATERIAL DEVELOPMENTS IN HUMAN RESOURCES:**

Your company places utmost importance in its people. It firmly believes that its people are its greatest assets and most unique source of sustained competitive advantage. In an industry that is totally based on human skills, the Company's Human Resources function continuously endeavours to make sure that the people working for the Company possess cutting edge skill-sets.

The Company strives to maintain a safe, healthy and happy work environment. Talent is nurtured and developed through various developmental programmes and Prime Focus encourages its personnel's to undertake these for both professional and personal development.

As on March 31, 2013, the total number of personnel's was 4,300.

### **CAUTIONARY STATEMENT**

This document contains statements about expected future events, financial and operating results of Prime Focus Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of Prime Focus Limited Annual Report, 2012-13.



# Corporate Governance Report

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

## 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

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

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

## 2. BOARD OF DIRECTORS:

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

The Board of Directors of the Company has an optimum combination of executive and non-executive directors and is in conformity with Clause 49 of the Listing Agreement. The names and categories of the Directors on the Board, the number of directorships and committee positions held by them in other Public Limited Companies during the year ending March 31, 2013 are as under:

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

#<sup>1</sup> This excludes directorship held in Private Companies, Foreign Companies, Companies formed under section 25 of the Companies Act, 1956 and Alternate Directorships.

#<sup>2</sup> 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.

#<sup>3</sup> Mr. Nainesh Jaisingh was appointed as Director of the Company and Mr. Vibhav Parikh was appointed as Alternate Director to Mr. Nainesh Jaisingh with effect from November 5, 2012

#<sup>4</sup> During the year, Mr. Ramakrishnan Sankaranarayanan, Managing Director of the Company resigned with effect from November 5, 2012.

#<sup>5</sup> Mr. Rakesh Jhunjhunwala, Non Executive Director of the company resigned from directorship with effect from July 26, 2013



### b) Board Meetings held during the year:

During the year 2012-2013, the Board met eight times on May 30, 2012; August 14, 2012; September 29, 2012; November 01, 2012; November 14, 2012; November 26, 2012; February 14, 2013 and March 18, 2013 out of which the meeting on March 18, 2013 was adjourned and held on March 19, 2013. The gap between two board meetings did not exceed four months.

Attendance of each Director at Board Meetings for the year 2012-13 and last Annual General Meeting:

Name of the Director	No. of Meetings Held (including adjourned meeting)	No. of Meetings Attended	Attendance at last Annual General Meeting
Mr. Naresh Malhotra	9	8	Present
Mr. K. R. Srinivasan	9	3	Absent
Mr. Rakesh Jhunjhunwala	9	-	Absent
Mr. G. P. Aiyar	9	2	Absent
Mr. Rivkaran Chadha	9	8	Present
Mr. Ramakrishnan Sankaranarayanan # <sup>1</sup>	4	4	Present
Mr. Nainesh Jaisingh# <sup>2</sup>	5	5	Not Applicable

#<sup>1</sup> Mr. Ramakrishnan Sankaranarayanan resigned with effect from November 5, 2012

#<sup>2</sup> Mr. Nainesh Jaisingh was appointed as Director of the Company and Mr. Vibhav Parikh was appointed as Alternate Director to Mr. Nainesh Jaisingh with effect from November 5, 2012.

Note: Mr. Vibhav Parikh had attended 4 out of 5 Board Meeting as alternate to Mr. Nainesh Jaisingh.

### 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, 2013, the Audit Committee comprises of the following members of the Board:

Sr. No	Name of the Member	Particulars	Category
1.	Mr. Rivkaran Chadha	Chairman	Independent & Non-Executive Director
2.	Mr. K. R. Srinivasan	Member	Independent & Non-Executive Director
3.	Mr. Nainesh Jaisingh or his Alternate Director during his absence	Member	Non-Executive Director

ii. During the year 2012-13 the Audit Committee met Four times on the following dates:

May 30, 2012; August 14, 2012; November 14, 2012 and February 14, 2013

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

Name of the Director	No. of Meetings Held	No. of Meetings Attended
Mr. Rivkaran Chadha	4	4
Mr. K. R. Srinivasan	4	4
Mr. Ramakrishnan Sankaranarayanan # <sup>1</sup>	2	2
Mr. Nainesh Jaisingh# <sup>2</sup>	2	1

#<sup>1</sup> Mr. Ramakrishnan Sankaranarayanan resigned as Director and hence ceased to be Member of Audit Committee with effect from November 5, 2012.

#<sup>2</sup> Mr. Nainesh Jaisingh was appointed as Director of the Company and a member of Audit Committee with effect from November 5, 2012. Mr. Vibhav Parikh was appointed as Alternate Director to Mr. Nainesh Jaisingh with effect from November 5, 2012.

Note: Mr. Vibhav Parikh had attended 1 out of 2 Audit Committee Meeting as alternate to Mr. Nainesh Jaisingh.



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, 2013, the Remuneration Committee comprised of Four Directors viz. Mr. Rivkaran Chadha, Mr. K. R. Srinivasan, Mr. G. P. Aiyar and Mr. Nainesh Jaisingh or his Alternate Director during his absence. Mr. Rivkaran Chadha is the Chairman of the Committee. The Committee deals with the remuneration policy for the Directors of the Company. One meeting of the Remuneration Committee was held during the year on September 29, 2012.

Attendance of each Director at Remuneration Committee Meetings for the year 2012-13:

Name of the Director	No. of Meetings Held	No. of Meetings Attended
Mr. Rivkaran Chadha	1	1
Mr. K. R. Srinivasan	1	1
Mr. G. P. Aiyar	1	0
Mr. Nainesh Jaisingh # <sup>1</sup>	NA	-

#<sup>1</sup> Mr. Nainesh Jaisingh was appointed as a Member of Remuneration Committee on November 5, 2012 by Board of Directors and Mr. Vibhav Parikh was appointed as Alternate Director to Mr. Nainesh Jaisingh with effect from November 5, 2012.

**Remuneration to Non Executive Directors**

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



Detail of Directors Remuneration paid to Executive and Non-Executive Directors for the year ended March 31, 2013 is as below:

in (₹)

Name of Director	Remuneration Paid	Sitting Fees	Total
<b>Executive Directors</b>			
Mr. Naresh Malhotra	60,00,000	Nil	60,00,000
Mr. Ramakrishnan Sankaranarayanan <sup>#1</sup>	23,29,167	Nil	23,29,167
<b>Non-Executive Directors</b>			
Mr. Rakesh Jhunjhunwala	Nil	Nil	Nil
Mr. G. P. Aiyar	Nil	40,000	40,000
Mr. Rivkaran Chadha	Nil	1,40,000	1,40,000
Mr. K. R. Srinivasan	Nil	60,000	60,000
Mr. Nainesh Jaisingh <sup>#2</sup>	Nil	20,000	20,000
Mr. Vibhav Parikh <sup>#2</sup>	Nil	60,000	60,000

<sup>#1</sup> Mr. Ramakrishnan Sankaranarayanan resigned with effect from November 5, 2012

<sup>#2</sup> Mr. Nainesh Jaisingh was appointed as Director of the Company and Mr. Vibhav Parikh was appointed as Alternate Director to Mr. Nainesh Jaisingh with effect from November 5, 2012

#### C) Shareholders'/Investors' Grievance Committee:

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

As on March 31, 2013, the Committee consists of:-

Chairman Mr. Rivkaran Chadha

Members Mr. K. R. Srinivasan  
Mr. Naresh Malhotra

Mr. Nainesh Jaisingh or his Alternate Director during his absence <sup>#1</sup>

<sup>#1</sup> Mr. Nainesh Jaisingh was appointed as a Member with effect from November 5, 2012 and Mr. Vibhav Parikh was appointed as Alternate Director to Mr. Nainesh Jaisingh with effect from November 5, 2012.

#### Compliance Officer

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

#### Complaints from Investors

During the year under review, the Company had received 10 complaints from the investors and resolved all the complaint of the investors. There were no investor complaints pending as at the end of the year as on March 31, 2013.

## 4. GENERAL BODY MEETINGS:

### i. General Meeting

a. Annual General Meeting:

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

Financial Year	Date	Location	Time
2009-2010	September 30, 2010	Prime Focus Office, Main Frame IT Park, Building - H, Royal Palms, Near Aarey Colony, Goregaon (East), Mumbai - 400 065	11.30 a.m.
2010-2011	September 30, 2011	Prime Focus Office, Main Frame IT Park, Building - H, Royal Palms, Near Aarey Colony, Goregaon (East), Mumbai - 400 065	11.30 a.m.
2011-2012	September 29, 2012	Prime Focus Office, Main Frame IT Park, Building - H, Royal Palms, Near Aarey Colony, Goregaon (East), Mumbai - 400 065	11.30 a.m.





b. Extraordinary General Meeting:

During the year, two Extra Ordinary General Meetings were held as detailed below:

Financial Year	Date	Location	Time
2012-13	November 3, 2012	Prime Focus Office, Main Frame IT Park, Building – H, Royal Palms, Near Aarey Colony, Goregaon(East), Mumbai- 400065	11.30 a.m.
2012-13	December 20, 2012	Prime Focus Office, Main Frame IT Park, Building – H, Royal Palms, Near Aarey Colony, Goregaon(East), Mumbai- 400065	10.00 a.m.

ii. Postal Ballot

- a) There were no resolutions passed by postal ballot in the financial year 2012-2013.  
 b) ORDINARY RESOLUTION PROPOSED TO BE PASSED THROUGH POSTAL BALLOT

A Notice of Postal Ballot under Section 192A of the Companies Act, 1956 in relation to a Ordinary Resolution pursuant to the provisions of Section 293(1)(a) of the Companies Act, 1956, seeking Members' consent for selling, transfer and/or otherwise dispose of the company's 'backend business' by way of slump sale to Prime Focus World Creative Services Private Limited a company incorporated in India and an indirect controlled subsidiary of the Company, has been considered and approved by the Board of Directors in their meeting held on August 5, 2013 and further the Notice of Postal Ballot has been dispatched to the members of the Company on-August 14, 2013. Ms. Shilpa Ray, Practising Company Secretary has been appointed as the Scrutinizer for conducting the Postal Ballot.

c) PROCEDURE OF THE POSTAL BALLOT

The postal ballot is conducted as per the procedure set out in Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011 and the Circular No. CIR/CFD/DIL/6/2012 dated 13th July, 2012 of Securities and Exchange Board of India (SEBI). The shareholders are requested to send back the postal ballot forms duly filled up & signed in the postage prepaid envelopes provided to them by the Company or through e-voting facility for members casting their vote electronically on or before the 30 day from the date of issue of notice by the Company. The scrutinizer compiles the postal ballot result out of the postal ballot forms and e-voting data found valid and hand over the results to the Chairman. The Chairman there upon declares the results of the postal ballot.

iii. Special Resolutions:

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

Date of General Meeting	Number of Special Resolutions passed	Details of Special Resolutions
September 30, 2010	8	<ol style="list-style-type: none"> <li>1. Re-appointment of Mr. Naresh Malhotra as Chairman and Whole time Director for the period of Five Years</li> <li>2. Re-appointment of Mr. Namit Malhotra as Managing Director for the period of Five Years</li> <li>3. Alteration of Articles of Association by deleting Article No. 191 to 194 of Section B of Part II</li> <li>4. Increase in Authorized Share Capital of the Company</li> <li>5. Issue of 10,00,000 Warrants, convertible into equity shares, on preferential basis to Promoters</li> <li>6. Raising of funds by issue via Placement to Qualified Institutional Buyers (QIB) / ADR / GDR / FCCB and / or any other Convertible instrument(s) and also preferential allotment of shares or warrants or other convertible instruments to the extent of \$ 50 million</li> <li>7. Approval of Employees Stock Option Plan (ESOP)</li> <li>8. Approval of Employees Stock Option Plan (ESOP) to Employees of Subsidiary Companies including Step Down Subsidiaries</li> </ol>
September 30, 2011	NIL	No Special Resolution was passed at this meeting.
September 29, 2012	2	<ol style="list-style-type: none"> <li>1. Appointment of Mr. Ramakrishnan Sankaranarayanan as Managing Director of the Company</li> <li>2. 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 \$ 100 million</li> </ol>



- b) Details of special resolutions passed in the Extra Ordinary General Meetings during the last three financial years are as follows:

Date of Extra Ordinary General Meeting	Number of Special Resolutions passed	Details of Special Resolutions
November 3, 2012	1	1. Preferential Allotment of Equity Shares
December 20, 2012	2	1. Alteration of Articles of Association by inserting Part III and Part IV in the existing Articles 2. Variation of terms of contract mentioned in the Prospectus/ utilization of IPO proceeds.

## 5. DISCLOSURES:

### a. Related Parties transactions

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

### b. Compliances by the Company

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

### c. Whistle Blower Policy

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

### d. CEO/CFD certification

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

### e. Compliance with mandatory and non mandatory requirements

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

### f. Reconciliation of Share Capital Audit

A Practicing Company Secretary carries out audit of Reconciliation of Share Capital to reconcile the total admitted equity share capital with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and the total issued and listed equity share capital. The audit report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

## 6. CODE OF CONDUCT:

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

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

## 7. MEANS OF COMMUNICATION:

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



- b. The quarterly/annual financial results are regularly submitted to Stock Exchanges in accordance with the Listing Agreement and published in one English daily and one Marathi daily newspapers.
- c. The Company's website www.primefocusltd.com contains a separate dedicated section "investors" where shareholders information is available. Full Annual Reports are also available on the website in user- friendly and downloadable forms.

## 8. UNCLAIMED SHARES/ AMOUNTS

### a. Unclaimed shares issued pursuant to Initial Public Offer (IPO):

Clause 5A I of the Listing Agreement stipulates a uniform procedure for dealing with unclaimed shares lying in the escrow account. Under the regulation, the said unclaimed shares are to be credited to a separate demat suspense account. Accordingly, all the corporate benefits accruing on these shares will also be credited to such account. All the voting rights shall remain frozen till the rightful owner claims the shares. All such rightful owners may approach the Company for re-transfer of such shares to their account which will be effected on proper verification of the identity of such owner.

Accordingly, as on March 31, 2013, the unclaimed shares lying in 'Prime Focus Limited-Unclaimed Securities Suspense Account' are tabled below:

Particulars	No. of Cases	No. of Shares
Number of Shareholders and the outstanding shares in the suspense account lying at the beginning of the Year 2012-2013 i.e. as on 1 <sup>st</sup> April, 2012.	15	3960
Number of Shareholders who approached for Issuer/Registrar for transfer of shares from suspense account during the year 2012-13.	-	-
Number of shareholders whom shares were transferred from suspense account during the year 2012-13.	-	-
Number of Shareholders and the outstanding shares in the suspense account lying at the end of the year i.e. as on March 31, 2013	15	3960

### b. Status of Unclaimed Dividend:

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

in(₹)

Financial Year	Date of dispatch/declaration	Due for transfer to IEPF	Unclaimed amount a as on March 31, 2013
2007-2008	July 30, 2007	October 4, 2014	14,731.50

### c. Unclaimed/ Unpaid IPO Amount Transferred To IEPF

In terms of the provisions of Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, ₹ 5,41,473 pertaining to unpaid/ unclaimed IPO refund in respect of IPO made by the Company in the Financial Year 2006-07 has been credited to Investor Education and Protection Fund (IEPF) on July 1, 2013.

## 9. a GENERAL SHAREHOLDER INFORMATION:

1.	Annual General Meeting Date, Time and Venue	September 30, 2013 at 10.00 a.m. at Prime Focus Office, Main Frame IT Park, Building – H, Royal Palms, Near Aarey Colony, Goregaon (East), Mumbai – 400 065
2.	Financial Year	2012-2013
3.	Dates of Book Closure	From Monday, September 23, 2013 to Monday, September 30, 2013 (Both days inclusive)
4.	Dividend	No Dividend has been declared during the year in order to preserve funds for future activities.



5. Listing on Stock Exchanges	<p>1. The equity shares of your Company are listed on:</p> <p>I. BSE Limited (BSE) Add:- Floor 25, P.J. Towers, Dalal Street, Fort, Mumbai-400 001; And</p> <p>II. National Stock Exchange of India Limited (NSE) Add:- Exchange Plaza, Bandra-Kurla Complex, Bandra, Mumbai-400 051.</p> <p>2. The Zero Coupon Unsecured Redeemable Non Convertible Debentures (NCD's) issued by the Company under Series A and Series B are listed on Wholesale Debt Market Segment of the BSE Limited (BSE).</p> <p>3. On redemption of Foreign Currency Convertible Bonds (FCCBs), the Company got its bonds delisted from the Singapore Stock Exchange (SGX) w.e.f December 18, 2012.</p> <p>Your Company has paid Annual Listing Fees to all the Exchanges for the financial year 2013-14.</p>
6. Stock Code	<p><b>For Equity Shares</b></p> <p>BSE Limited (BSE):- "532748" National Stock Exchange of India Limited (NSE):- "PFOCUS" ISIN Code : INE367G01038</p> <p><b>For NCD's</b></p> <p>SERIES A-ISIN Code : INE367G08017 SERIES B-ISIN Code : INE367G08025</p>
7. Registrar & Transfer Agents	<p>Link Intime India Private Limited Add:-C-13 Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup, Mumbai - 400078 Phone no:022- 25946970 Fax no.:022-25946969 Website: www.linkintime.co.in; Email: mt.helpdesk@linkintime.co.in</p>
8. Share Transfer System	<p>The Board of Directors has delegated the authority to transfer the shares to the M/s Link Intime India Private Limited, Registrar and Share Transfer Agent of the Company. Share Transfer Agent attends to share transfer formalities once in a fortnight.</p>
9. Address for Correspondence	<p>Mr. Navin Agarwal, Company Secretary Prime Focus Limited Registered Office: 2<sup>nd</sup> Floor, Building – H, Main Frame IT Park, Royal Palms, Aarey Colony, Goregaon (East), Mumbai – 400 065, India. Phone: +91-22-4209 5000; Fax: +91-22-4209 5001 Website:www.primefocusltd.com; Email: ir.india@primefocusworld.com</p>
10. Dematerialization of Shares and liquidity	<p>As on March 31, 2013, 18,54,15,716 equity shares of the Company constituting 99.99 % of the equity share capital are held in Dematerialized form. The equity shares of the Company are in compulsory dematerialized trading for all investors.</p>
11. Electronic clearing services (ECS)	<p>Members are requested to update their bank account details with their respective Depository Participants for shares held in the electronic form or write to the company's Registrar and Share Transfer Agent M/s Link Intime India Private Limited for the shares held in physical form.</p>
12. Investor Complaints to be addressed to	<p>Registrar and Share Transfer Agent M/s Link Intime India Private Limited or to Mr. Navin Agarwal, Company Secretary at ir.india@primefocusworld.com.</p>

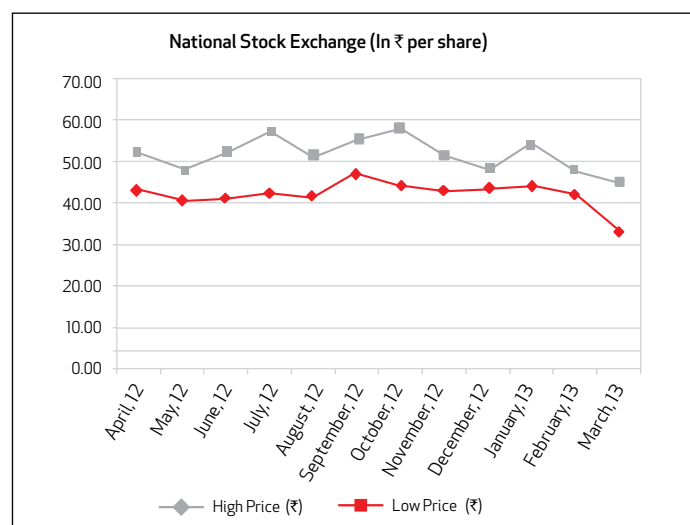
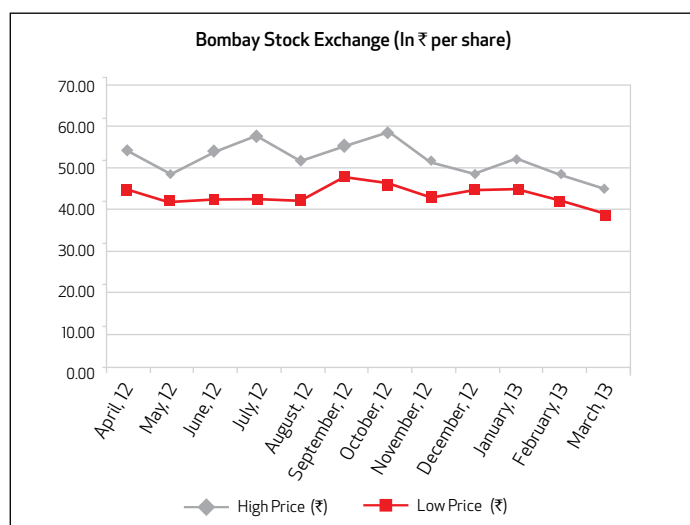


13. Outstanding GDRs/ ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity.	The Company has not issued any GDRs/ ADRs/Warrants. There are no outstanding convertible instruments as on March 31, 2013.
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**b. Market Price Data:**

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

Month	Bombay Stock Exchange Limited			National Stock Exchange of India Limited		
	High Price (₹)	Low Price (₹)	Volume (No. of Shares)	High Price (₹)	Low Price (₹)	Volume (No. of Shares)
April, 12	54.50	43.40	10437570	54.45	43.00	14952474
May, 12	49.50	41.55	6043891	49.60	41.30	6412411
June, 12	54.65	41.50	6582794	54.70	41.00	10760289
July, 12	56.50	41.05	2963739	56.50	41.10	5087999
August, 12	51.70	41.75	4311543	51.45	41.20	10068813
September, 12	55.95	47.05	4817510	55.95	47.05	11595751
October, 12	58.10	45.55	5879382	57.00	45.60	12591665
November, 12	51.90	42.00	4388772	51.75	43.25	7171595
December, 12	48.90	43.45	3818174	48.90	43.40	8809513
January, 13	52.25	43.90	7134666	53.00	43.75	17838119
February, 13	48.65	41.60	2149572	48.70	41.60	5602523
March, 13	44.50	39.20	2673647	44.45	33.50	3742684



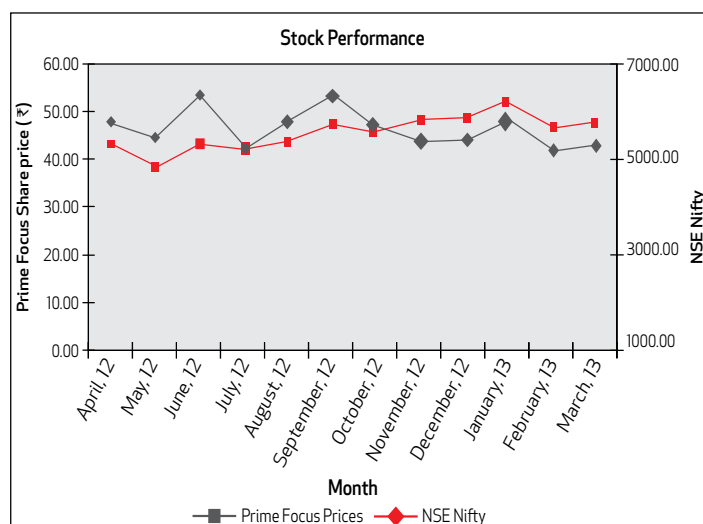
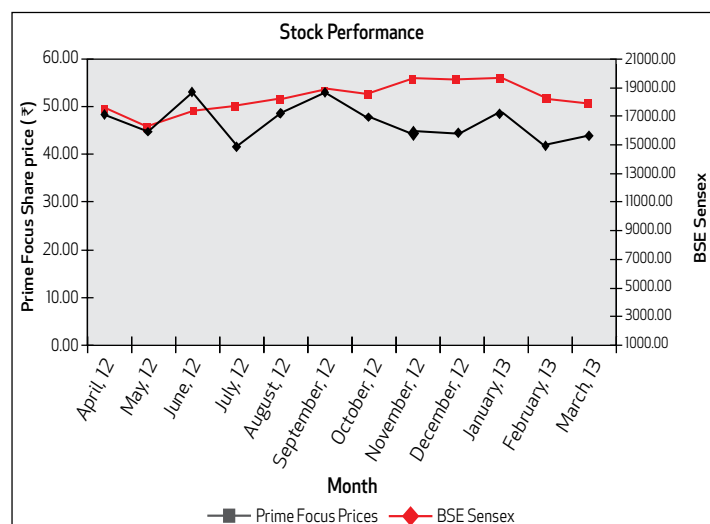


c. Performance of share price of the Company in comparison with the broad based indices.

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

In ₹

Month	BSE Share Price	Sensex	NSE Share Price	NSE Nifty
April, 12	48.40	17318.81	48.35	5248.15
May, 12	43.85	16218.53	44.00	4924.25
June, 12	53.45	17429.98	53.15	5278.90
July, 12	41.90	17236.18	41.90	5229.00
August, 12	49.50	17429.56	48.80	5258.50
September, 12	53.20	18762.74	53.20	5703.30
October, 12	48.45	18505.38	48.35	5619.70
November, 12	44.35	19339.90	44.65	5879.85
December, 12	44.30	19426.71	44.20	5905.10
January, 13	48.30	19894.98	48.45	6034.75
February, 13	41.85	18861.54	42.00	5693.05
March, 13	42.10	18835.77	41.85	5682.55

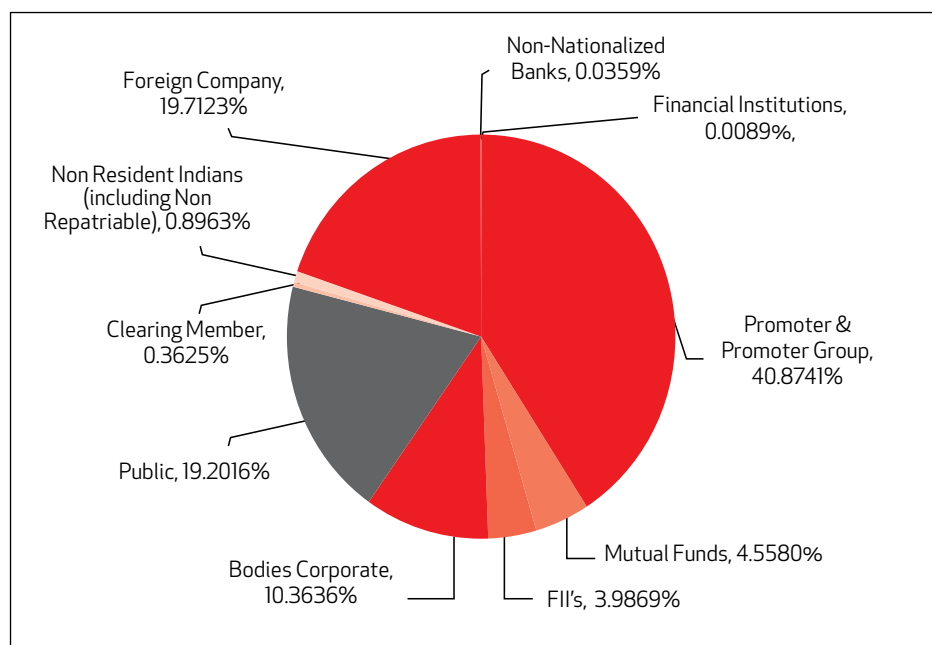




**d. Distribution of Shareholding as on March 31, 2013**

The broad shareholding distribution of the Company as on March 31, 2013 with respect to categories of investors was as follows:

Sr.No.	Category	No. of Equity Shares	Percentage%
1.	Promoter & Promoter Group	75787712	40.8741
2.	Mutual Funds	8451254	4.5580
3.	FII's	7392455	3.9869
4.	Bodies Corporate	19215900	10.3636
5.	Public	35603091	19.2016
6.	Clearing Member	672058	0.3625
7.	Non Resident Indians(including Non Repatriable)	1661927	0.8963
8.	Foreign Company	36549990	19.7123
9.	Non-Nationalized Banks	66600	0.0359
10.	Financial Institutions	16449	0.0089
	Total	185417436	100.00





- e. The broad shareholding distribution of the Company as on March 31, 2013 with respect to/ holdings was as follows:

Range	No. of Holders	Percentage %	No. of Shares	Percentage %
1- 500	10341	71.7527	1915234	1.0329
501-1000	1780	12.3508	1501007	0.8095
1001-2000	888	6.1615	1409585	0.7602
2001-3000	317	2.1996	828717	0.4469
3001-4000	159	1.1032	587313	0.3168
4001-5000	187	1.2975	903248	0.4871
5001-10000	331	2.2967	2592286	1.3981
10001 and above	409	2.8379	175680046	94.7484
<b>TOTAL</b>	<b>14412</b>	<b>100.0000</b>	<b>185417436</b>	<b>100.0000</b>

#### ANNUAL DECLARATION BY THE WHOLE TIME DIRECTOR PURSUANT TO THE LISTING AGREEMENT

As per the requirements of Clause 49(I)(D)(ii) of the Listing Agreement, I, Naresh Malhotra, Chairman & Whole Time Director, hereby declare that all the Board Members and Senior Management Personnel of the Company have affirmed compliance with the Company's Code of Business Conduct and Ethics for the Financial Year ended March 31, 2013.

**Naresh Malhotra**  
Chairman & Whole Time Director

Mumbai  
August 14, 2013





# Corporate Governance Compliance Certificate

To,

The Members

**Prime Focus Limited**

2nd Floor, Building – H, Main Frame IT Park,  
Royal Palms, Aarey Colony, Goregaon (East),  
Mumbai – 400 065,

We have examined all relevant records of **Prime Focus Limited (the Company)** for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with BSE Limited and National Stock Exchange of India Limited for the financial year ended **March 31, 2013**. 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

New Delhi

August 14, 2013



# Auditor's Report

To  
The Members of Prime Focus Limited

## Report on the Financial Statements

1. We have audited the accompanying financial statements of Prime Focus Limited ("the Company"), which comprises of the Balance Sheet as at March 31, 2013 and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

2. The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of the Companies Act 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
  - (ii) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
  - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Matters

7. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.



8. As required by section 227(3) of the Act, we report that:
- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) 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;
  - c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956; and
  - e) on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

**For MZSK & Associates**

Chartered Accountants

Firm Registration no. 105047w

**Abuali Darukhanawala**

Partner

Membership No.108053

Mumbai

May 30, 2013



## ANNEXURE REFERRED TO IN PARAGRAPH [7] OF OUR REPORT OF EVEN DATE

Re: Prime Focus Limited

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) We have been informed that all the fixed assets have not been physically verified by the management during the year. However, there is a regular programme of verification. For the assets physically verified by the management during the year, the Company is in process of reconciling the assets physically verified with the books of account.
- (c) There was no substantial disposal of fixed assets during the year.
- ii. The Company does not have any inventory. Accordingly, the provisions of clause 4(ii) (b) and (c) of the Companies (Auditor's Report) Order, 2003 (as amended) ("CARO") are not applicable to the Company.
- iii. (a) The company has granted unsecured loan to its subsidiary aggregating to ₹ 8,268.05 lacs covered in the register maintained under section 301 of the Companies Act, 1956. At the year end, the outstanding balances of such loans aggregated to ₹ 11,754.75 lacs and the maximum amount involved during the year was ₹ 12,683.17 lacs.
- (b) In our opinion, the rate of interest at which loans have been given is, not prima facie, prejudicial to the interest of the Company.
- (c) In the absence of any terms of agreement as to receipt of loan granted, we are not in a position to comment upon the clause (iii)(c) and (iii) (d) of the order
- iv. In our opinion and according to the information and explanations given to us, we have been explained that major purchase of fixed assets is of specialized equipments, for which comparative quotes cannot be obtained in all the case, considering the above, we believe that there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and sales of services. During the course of our audit, no significant weakness has been noticed in the aforesaid internal control system.
- v. (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that needs to be entered into the register maintained under section 301 have been so entered.
- (b) In respect of transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.
- vi. The Company has not accepted any deposits from the public.
- vii. The Company has an internal audit system, the scope and coverage of which, in our opinion requires to be enlarged to be commensurate with the size and nature of its business.
- viii. To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for the services of the Company.
- ix. (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax customs duty, cess have generally been regularly deposited with the appropriate authorities except for minor delays observed in case of payment of TDS. The provisions relating to excise duty are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to excise duty are not applicable to the Company.



- c) According to the records of the Company, there are no dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty and cess on account of any dispute. The provisions relating to excise duty are not applicable to the Company.
- x. The Company has no accumulated losses at the end of the financial year. The company has incurred cash loss during the year, but has not incurred cash loss during the immediately preceding financial year.
- xi. As per the information and explanations given to us by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- xii. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the CARO are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the CARO are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi. Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii. The Company has made preferential allotment of shares to the parties which are covered in the register maintained under section 301 of the Act. The terms and conditions of the issue are in accordance with the Guidelines for Preferential Issues contained in Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and hence we have been informed that the price at which shares have been issued is not prejudicial to the interest of the company.
- xix. The Company has unsecured debentures outstanding during the year on which no security or charge is required to be created.
- xx. The Company has not raised money by public issues during the year.
- xxi. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **MZSK & Associates**  
Chartered Accountants  
Firm Registration no. 105047w

**Abuali Darukhanawala**  
Partner  
Membership No.108053

Mumbai  
May 30, 2013



## Balance Sheet

In ₹

	Note	As at March 31, 2013	As at March 31, 2012
<b>Equity and Liabilities</b>			
<b>Shareholders' funds</b>			
Share Capital	3	185,417,436	138,867,446
Reserves and Surplus	4	3,913,535,234	3,116,313,858
Money received against share warrants		-	138,695,000
		<b>4,098,952,670</b>	<b>3,393,876,304</b>
<b>Non-current liabilities</b>			
Long-term borrowings	5	2,500,049,796	615,816,811
Deferred tax liabilities (net)	6	-	243,210,194
Other long-term liabilities	7	113,327,934	43,224,000
Long-term provisions	8	8,571,258	5,408,895
		<b>2,621,948,988</b>	<b>907,659,900</b>
<b>Current liabilities</b>			
Short-term borrowings	9	1,121,499,354	646,357,939
Trade payables		382,057,177	267,277,028
Other current liabilities	10	605,752,634	2,558,945,612
Short-term provisions	8	1,303,793	1,238,710
		<b>2,110,612,958</b>	<b>3,473,819,289</b>
		<b>8,831,514,616</b>	<b>7,775,355,493</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	11	2,175,262,676	2,221,861,697
Intangible assets	12	94,346,383	119,126,561
Capital work-in-progress		1,421,928	12,860,152
Non-current investments	13	2,506,811,057	2,505,372,817
Deferred tax assets (net)	6	525,651,205	-
Long-term loans and advances	16	564,297,892	297,011,183
Other non-current assets	18	89,433,107	68,705,091
		<b>5,957,224,248</b>	<b>5,224,937,501</b>
<b>Current assets</b>			
Current investments	14	-	413,567
Trade receivables	15	1,319,735,446	1,456,828,287
Cash and bank balances	17	15,737,215	55,392,969
Short-term loans and advances	16	1,488,002,226	924,793,469
Other current assets	18	50,815,481	112,989,700
		<b>2,874,290,368</b>	<b>2,550,417,992</b>
		<b>8,831,514,616</b>	<b>7,775,355,493</b>
Notes to accounts	1-36		

As per our report of even date

**For MZSK & Associates**

Chartered Accountants

Firm Registration No.: 105047w

**Abuali Darukhanawala**

Partner

Membership No.108053

Mumbai

May 30, 2013

**For and on behalf of the Board of Directors****Naresh Malhotra**

Chairman and Whole-time Director

**Rivkaran Chadha**

Director

**Navin Agarwal**

Company Secretary



## Profit and Loss Account

In ₹

	Notes	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>Income</b>			
Revenue from operations - sale of services		1,828,823,087	1,710,271,845
Other income	19	194,505,743	247,838,412
		<b>2,023,328,830</b>	<b>1,958,110,257</b>
<b>Expenses</b>			
Employee benefits expenses	20	313,075,588	190,105,917
Technician fees		570,457,220	500,534,292
Other expenses	21	398,127,605	452,716,388
Finance costs	22	229,950,506	179,483,024
Depreciation and amortization expenses	11 & 12	348,043,326	297,410,196
		<b>1,859,654,245</b>	<b>1,620,249,817</b>
<b>Profit before exceptional items and tax</b>		<b>163,674,585</b>	<b>337,860,440</b>
Exceptional Items	23	1,076,564,961	-
<b>(Loss)/ profit before tax</b>		<b>(912,890,376)</b>	<b>337,860,440</b>
<b>Tax expense</b>			
Current tax		-	67,595,811
Excess provision of taxes in respect of previous years		(24,375,396)	-
Less : Minimum alternate tax credit entitlement		-	(16,358,278)
		(24,375,396)	51,237,533
Deferred tax		(296,086,120)	55,907,440
		<b>(320,461,516)</b>	<b>107,144,973</b>
<b>(Loss) / profit for the year</b>		<b>(592,428,860)</b>	<b>230,715,467</b>
<b>Earnings per share of face value of ₹ 1 each (before exceptional items)</b>			
Basic	24	0.83	1.66
Diluted		0.83	1.37
<b>Earnings per share of face value of ₹ 1 each (after exceptional items)</b>			
Basic	24	(3.63)	1.66
Diluted		(3.63)	1.37
Notes to accounts	1-36		

As per our report of even date

**For MZSK & Associates**

Chartered Accountants

Firm Registration No.: 105047w

**Abuali Darukhanawala**

Partner

Membership No.108053

Mumbai

May 30, 2013

**For and on behalf of the Board of Directors****Naresh Malhotra**

Chairman and Whole-time Director

**Rivkaran Chadha**

Director

**Navin Agarwal**

Company Secretary



## Cash Flow Statement

In ₹

	NOTES	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>Cash flow from operating activities</b>			
(Loss)/ Profit before tax		(912,890,376)	337,860,440
Non-cash adjustments to reconcile profit / ( loss) before tax to net cash flows			
Depreciation and amortization		348,043,326	297,410,196
(Profit)/ loss on sale of fixed assets		10,020,803	8,654,459
(Profit)/ loss on sale of Investments		(1,521,937)	-
Unrealized foreign exchange (gain)/loss (net)		3,989,380	(95,420,837)
Foreign exchange loss on repayment of FCCBs		822,781,300	-
Bad debts written off, rebates and discounts		63,539,347	49,881,243
Provision for doubtful debts		209,270,934	-
Sundry credit balances written back		2,820,995	(20,516,014)
Interest income		(111,129,149)	(73,005,654)
Dividend income		(12,000)	(12,300)
Interest expense		229,950,506	179,483,024
Operating profit before working capital changes		<b>664,863,129</b>	<b>684,334,557</b>
Movements in working capital :			
Increase/(decrease) in trade payables		99,851,339	152,897,272
Increase/(decrease) in provisions		3,227,446	3,944,547
Increase/(decrease) in current liabilities		23,613,704	24,303,159
Increase/(decrease) in other long-term liabilities		(7,069,900)	43,224,000
Decrease / (increase) in trade receivables		(180,185,286)	(350,992,933)
Decrease / (increase) in long-term loans and advances		443,203	(6,381,084)
Decrease / (increase) in short-term loans and advances		(32,836,736)	(37,174,137)
Decrease / (increase) in other current assets		62,403,726	(56,063,269)
Cash generated from operations		634,310,625	458,092,112
Direct taxes (paid)/refunds (net of refunds)		430,259	(49,740,813)
<b>Net cash flow from operating activities (A)</b>		<b>634,740,884</b>	<b>408,351,299</b>
<b>Cash flow from investing activities</b>			
Purchase of fixed assets		(497,002,710)	(403,613,632)
Proceeds from sale of fixed assets		20,210,552	9,130,408
Proceeds from sale/ maturity of current investments		1,935,504	-
Purchase of investment in subsidiaries		(1,438,240)	(53,489,388)
Loans given to subsidiaries		(826,805,000)	(310,363,890)
Loans refunded by subsidiaries		326,165,570	186,538,450
Inter-corporate deposits given		(12,223,657)	(1,000,000)
Inter-corporate deposits received back		-	27,020,854
Margin money and fixed deposits under lien		(20,728,016)	31,152,485
Interest received		121,126,022	17,508,225
Dividends received		12,000	12,300
<b>Net cash flow used in investing activities (B)</b>		<b>(888,747,975)</b>	<b>(497,104,188)</b>





## Cash Flow Statement

In ₹

	NOTES	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>Cash flow from financing activities</b>			
Proceeds from long term borrowings (net of expenses)		2,416,095,287	641,807,843
Repayment of long term borrowings		(4,730,775,379)	(508,271,608)
Proceeds from short term borrowings (net)		475,141,415	180,489,433
Proceeds from issue of shares		2,281,889,076	-
Interest paid		(227,999,062)	(179,073,242)
<b>Net Cash from financing activities (C)</b>		<b>214,351,337</b>	<b>134,952,426</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>		<b>(39,655,754)</b>	<b>46,199,537</b>
Cash and cash equivalents at the beginning of the year	17	55,392,969	9,193,432
<b>Cash and cash equivalents at the end of the year</b>	<b>17</b>	<b>15,737,215</b>	<b>55,392,969</b>
<b>Components of cash and cash equivalents</b>			
Cash		564,665	556,445
Balance with banks:			
On current accounts		8,992,544	34,226,524
On deposit accounts		6,180,006	20,610,000
<b>Total cash and cash equivalents</b>	<b>17</b>	<b>15,737,215</b>	<b>55,392,969</b>
Notes to accounts	1-36		

As per our report of even date

**For MZSK & Associates**

Chartered Accountants

Firm Registration No.: 105047w

**Abuali Darukhanawala**

Partner

Membership No.108053

Mumbai

May 30, 2013

**For and on behalf of the Board of Directors****Naresh Malhotra**

Chairman and Whole-time Director

**Rivkaran Chadha**

Director

**Navin Agarwal**

Company Secretary



## Significant Accounting Policies and Notes to Accounts

### 1. Corporate information

Prime Focus Limited (the Company) is a public company domiciled in India and incorporated under the provision of the Companies Act, 1956. Its shares are listed on two stock exchanges in India. The Company is engaged in the business of post-production including digital intermediate, visual effects, 2D to 3D conversion and other technical and creative services to the Media and Entertainment industry.

### 2. Statement of significant accounting policies:

#### a. Basis of preparation

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

#### 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 revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Accounting estimates could change from period to period. Actual results could differ from these estimates. Appropriate changes in estimates are made as the management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

#### c. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use. Any trade discounts and rebates are deducted in arriving at the purchase price.

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

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

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

#### d. Depreciation

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

Asset Group	Rates (SLM)	Schedule XIV Rates (SLM)
Buildings	1.63%	1.63%
Plant and equipment - computer based assets	16.21% - 33.33%	16.21%
Plant and equipment - non computer based assets	7.07% - 14.29%	7.07%
Furniture and fixtures	10.00%	6.33%
Office equipments	16.21%	13.91%
Vehicles	9.50%	9.50%

Leasehold improvements are written-off over the lower of the remaining primary period of lease and the life of the asset, as estimated above.

Depreciation is provided at 100% on items of fixed assets costing less than ₹ 5000 in the period of purchase.

#### e. Intangible assets

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

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the



asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

#### **Software**

Software is amortized on straight line basis over its estimate of useful life being 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 factor. 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**

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

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

#### **h. Investments**

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

#### **i. Revenue recognition**

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

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

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

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

Revenue on time-and-material contracts are recognized as the related services are performed and the revenues from the end of the last billing to the balance sheet date are recognized as unbilled revenues. Revenue for service provided under fixed price contracts, where the outcome can be estimated reliably, is recognized following the percentage of completion method, where revenue is recognized in proportion to the progress of the contract activity. The progress of the contract activity is usually determined as a proportion of hours spent up to the balance sheet date, which bears to the total hours estimated for the contract. If losses are expected on contracts these are recognized when such losses become evident.

Unbilled revenue is included as accrued income within other current assets and billing in advance of revenue being recognized is included as deferred revenue in other current liabilities.

- b. Others

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

Dividends are recognised when the shareholders' right to receive payment is established by the Balance Sheet date.

#### **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 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

From accounting periods commencing on or after December 7, 2006, the Company accounts for exchange differences arising on translation / settlement of foreign currency monetary items as below:

1. Exchange differences arising on long-term foreign currency monetary items relating to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset.
2. Exchange differences on other long-term foreign currency monetary items are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized over the remaining life of the concerned monetary items.
3. All other exchange differences are recognized as income or as expenses in the periods in which they arise.

### k. Income taxes

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

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

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

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

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

### l. 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. 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.

### m. Provisions, contingent liabilities and contingent assets

A provision is recognized if, as a result of past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined based on best estimate of the outflow of economic benefits required to settle the obligation at the balance sheet date. Where no reliable estimate can be made, a disclosure is made as a contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible or present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognized nor disclosed.

### n. Cash and cash equivalents

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

### o. 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 are a defined contribution scheme and the contributions are charged to the statement of profit and loss of the year when the contributions to the respective funds are due. The Company has no obligation, other than the contribution payable to the provident fund and family pension fund.

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. Actuarial gains and losses are recognized in full in the period in which they occur in the statement of profit and loss.



## 3. Share capital

in ₹

	As at March 31, 2013	As at March 31, 2012
<b>Authorised shares:</b>		
250,000,000 Shares of ₹ 1 each (Previous year 200,000,000 Shares of ₹ 1 each)	<u>250,000,000</u>	<u>200,000,000</u>
<b>Issued, subscribed and paid-Up:</b>		
185,417,436 Shares of ₹ 1 each (Previous year 138,867,446 Shares of ₹ 1 each)	185,417,436	138,867,446
	<u>185,417,436</u>	<u>138,867,446</u>

## a. Reconciliation of the shares outstanding at the beginning and at the end of the year:

	As at March 31, 2013		As at March 31, 2012	
	No.	Amount	No.	Amount
At the beginning of the year	138,867,446	138,867,446	138,867,446	138,867,446
Issued during the year	46,549,990	46,549,990	-	-
<b>At the end of the year</b>	<u>185,417,436</u>	<u>185,417,436</u>	<u>138,867,446</u>	<u>138,867,446</u>

## b. Rights, preferences and restrictions attached to shares

The Company has one class of equity shares having a par value of ₹ 1 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all liabilities, in proportion to their shareholding.

## c. Issue of equity shares to promoter

Pursuant to the Board approval dated August 27, 2010 and shareholder's approval dated September 30, 2010, the Company had 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 was 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 had 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. As per the entitlement, warrant holder applied for and was allotted 10,000,000 equity shares of ₹ 1 each of the Company on April 13, 2012.

## d. Issue of equity shares to investor

On November 05, 2012 the Company and promoters entered into a Share Subscription and Shareholders agreement with Standard Chartered Private Equity (Mauritius) III Limited ("Investor") and has issued and allotted 36,549,990 equity shares at a price of ₹ 51.75 per share on preferential basis to Investor pursuant to the agreement. The shares were issued as fully paid-up and free from all encumbrances but shall be locked in for a period of one year as per applicable laws. The Investor shall be entitled to nominate (without the need to hold qualification shares), one non-retiring director ("Investor Director") to the Board (as well as all the committees formed under it) of the Company. The Investor will be entitled to nominate an Alternate Director to the Investor Director so appointed.

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

	As at March 31, 2013 No.	As at March 31, 2012 No.
Equity shares allotted as fully paid up pursuant to scheme of arrangement for consideration other than cash (after giving effect of share split)	36,000,000	36,000,000

## f. Details of shareholders holding more than 5% in the company

	As at March 31, 2013		As at March 31, 2012	
	No.	% holding	No.	% holding
Naresh Malhotra	58,387,712	31.49	55,250,000	39.79
Standard Chartered Private Equity (Mauritius) III Limited	36,549,990	19.71	-	-
Namit Malhotra	17,400,000	9.38	12,400,000	8.93
Top Class Capital Markets Private Limited	8,337,408	4.50	8,457,408	6.09



## 4. Reserves and surplus

in ₹

	As at March 31, 2013	As at March 31, 2012
<b>Securities premium reserve</b>		
Balance at the beginning of the year	1,661,970,954	1,661,970,954
Add: Premium on issue of equity shares	2,399,691,993	-
Less: Expenses on issue of equity shares / debentures	(60,885,948)	-
Less: Premium on redemption of bonds/ debentures (net of tax)	(949,155,809)	-
	<b>3,051,621,190</b>	<b>1,661,970,954</b>
<b>General reserve</b>		
Balance at the beginning of the year	13,400,000	13,400,000
	<b>13,400,000</b>	<b>13,400,000</b>
<b>Surplus in the statement of profit and loss</b>		
Balance as per last financial statements	1,440,942,904	1,210,227,437
Add: (Loss)/ profit for the year	(592,428,860)	230,715,467
	<b>848,514,044</b>	<b>1,440,942,904</b>
	<b>3,913,535,234</b>	<b>3,116,313,858</b>

## 5. Long-term borrowings

in ₹

	Non-current portion		Current maturities	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>Bonds (unsecured)</b>				
Zero coupon foreign currency convertible bonds (Refer note a)	-	-	-	2,162,696,800
<b>Debentures (unsecured)</b>				
Non-convertible debentures - series A	1,010,000,000	-	-	-
Non-convertible debentures - series B (Refer note b)	891,000,000	-	-	-
<b>Term loans (secured)</b>				
from banks	363,000,000	159,126,589	132,000,000	100,821,890
from financial institutions (Refer notes c to g)	-	100,000,000	100,000,000	100,000,000
<b>Other loans and advances (secured)</b>				
Finance lease obligations	85,333,022	102,699,246	37,181,167	32,951,063
Foreign currency loans - buyers credit (Refer notes h and i)	150,716,774	253,990,976	167,108,297	43,851,837
	<b>2,500,049,796</b>	<b>615,816,811</b>	<b>436,289,464</b>	<b>2,440,321,590</b>
<b>The above amount includes</b>				
Secured borrowings	599,049,796	615,816,811	436,289,464	277,624,790
Unsecured borrowings	1,901,000,000	-	-	2,162,696,800
Amount disclosed under the head "other current liabilities" (note)	-	-	(436,289,464)	(2,440,321,590)
	<b>2,500,049,796</b>	<b>615,816,811</b>	<b>-</b>	<b>-</b>

- a. During the year, the Company redeemed the Zero coupon foreign currency convertible bonds aggregating \$ 55 million (₹ 2,985,478,100) on December 13, 2012 with a resultant foreign exchange revaluation loss of ₹ 822,781,300, which has been disclosed as an exceptional item in the Statement of Profit and Loss. Further, the Company also paid for the premium on redemption of \$ 24 million (₹ 1,302,564,095), which has been reduced from the balance in securities premium reserve (net of taxes).



- b. On November 05, 2012 the Company issued 1,901 Zero Coupon Unsecured Redeemable Non-Convertible Debentures (NCDs) of ₹ 1,000,000 each, of the aggregate nominal value of ₹ 1,901,000,000 to Standard Chartered Private Equity (Mauritius) Limited. The Debentures were issued in two series being the Series A NCDs and the Series B NCDs. The Series A NCDs comprised of 1,010 Debentures aggregating to ₹ 1,010,000,000 redeemable after 5 years and the Series B NCDs comprised of 891 Debentures aggregating to ₹ 891,000,000 redeemable after 6 years.

The amounts payable on redemption on Debentures are as follows:

- i. With respect to the Series A NCDs, an amount equal to 188.17% of the Principal Amount of Series A NCDs.
- ii. With respect to the Series B NCDs, an amount equal to 213.41% of the Principal Amount of Series B NCDs

In the event that either the Company or the Debenture Holders are desirous of redeeming the Debentures prior to its scheduled maturity other than upon the occurrence of an Event of Default, the Company and the Debenture Holders shall mutually agree on the amounts payable to the Debenture Holders upon such early redemption and the other terms of such redemption.

- c. On November 6, 2012, the Company entered into a term loan agreement with a bank to borrow ₹ 495,000,000 to fund the redemption of FCCB at an interest rate of base rate + margin (as may be agreed with the bank from time to time) for a tenor up to a maximum of 4 years. The base rate and margin were 14.75% during the year. The term loan is to be repaid in 45 monthly installments starting from the end of 4<sup>th</sup> month from the date of disbursement. The term loan is secured by a specific charge on immovable assets of the company, personal guarantees of the promoters and pledge of shares of the company held by the promoter.
- d. In May 2008, the Company entered into a term loan agreement with a bank to borrow ₹ 200,000,000 at an interest rate of 14.50% to 14.75% to refinance capital expenditure incurred by the Company. The loan is repayable by way of sixty installments starting from the month following the month of first disbursement of term loan. In July 2011, the Company entered into a term loan agreement with the same bank to borrow ₹ 90,000,000 at an interest rate of 13.75% to refinance capital expenditure incurred by the Company during fiscal year 2011. The loan was repayable by way of ten monthly installments of ₹ 5,000,000 and five monthly installments of ₹ 8,000,000. The loan was secured by way of mortgage of building of the Company, subservient charges on all existing and future receivables and moveable fixed assets of the Company. Further, the loan had been guaranteed by the personal guarantees and pledge of shares of the Company by promoter directors of the Company. As at March 31, 2012, ₹ 53,734,670 was outstanding and was included in current maturities of long-term borrowings. The term loan was repaid during the year.
- e. In September 2008, the Company entered into a term loan agreement with a bank to borrow ₹ 350,000,000 at an interest rate of 12.50% per annum or prime lending rate + 2.50%, whichever is higher. The loan was repayable in 84 equal monthly installments of ₹ 4,170,000 effective one month after disbursement. The loan was secured by first charge on the project assets along with mortgage of office premises financed. Further, the loan had been guaranteed by the personal guarantee of a promoter director of the Company. As at March 31, 2012, ₹ 206,213,809 was outstanding, of which ₹ 47,087,220 was included in current maturities of long-term borrowings and balance of ₹ 159,126,589 was included in long-term borrowings. The term loan was repaid during the year.
- f. In May 2011, the Company entered into an agreement with a financial institution to borrow ₹ 100,000,000 for a term of one year at an interest rate of 14.50% per annum. Interest rate was fixed for six months and can be reset after six months. A promoter director of the Company has pledged shares of the Company as security. As at March 31, 2012, ₹ 100,000,000 was outstanding and was included in current maturities of long-term borrowings. The loan was repaid during the year.
- g. In May 2011, the Company entered into an agreement with a financial institution to borrow ₹ 100,000,000 at an interest rate of 13.50% for general corporate purposes which includes working capital and advance payment for capital expenditure. The loan is repayable after twenty-four months with a put/ call option at the end of twelve months and every six months thereafter. A promoter director of the Company has pledged shares of the Company as security. As at March 31, 2013 and 2012, ₹ 100,000,000 was outstanding and is included in current maturities of long-term borrowings and long-term borrowings, respectively.
- h. Lease obligations towards assets acquired under finance leases:

	Total minimum lease payments outstanding		Future Interest on outstanding lease payments		Present value of minimum lease payments	
	As at March 31 2013	As at March 31 2012	As at March 31 2013	As at March 31 2012	As at March 31 2013	As at March 31 2012
With in one year	49,207,102	47,913,870	12,025,935	14,962,807	37,181,167	32,951,063
Later than one year and not later five years	98,333,862	120,922,296	13,000,840	18,223,050	85,333,022	102,699,246
Later than five years	-	-	-	-	-	-
	<b>147,540,964</b>	<b>168,836,166</b>	<b>25,026,775</b>	<b>33,185,857</b>	<b>122,514,189</b>	<b>135,650,309</b>

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



- i. Foreign currency loans – buyer's credit are secured by pari passu charge on the immoveable assets of the Company, both present and future (except building in Royal Palms, Goregaon, Mumbai), pari passu charge on the Company's current assets both present and future and personal guarantees of the promoter director.

#### 6. Deferred tax (assets) / liability (net)

in ₹

	As at March 31, 2013	As at March 31, 2012
<b>Deferred tax liabilities</b>		
Difference between tax and books written down values of fixed assets	248,716,477	245,367,009
	<u>248,716,477</u>	<u>245,367,009</u>
<b>Deferred tax assets</b>		
Unabsorbed depreciation	119,523,375	-
Unabsorbed loss carried-forward	583,742,392	-
Provision for doubtful debts	67,897,955	-
Provision for gratuity	3,203,960	2,156,815
	<u>774,367,682</u>	<u>2,156,815</u>
	<u>(525,651,205)</u>	<u>243,210,194</u>

The Company has had taxable income in the past and has reported a loss in the current year only due to exceptional items of ₹ 1,076,564,961 (refer note 23). The profit before exceptional items and tax in the current year is ₹ 163,674,585. The exceptional items are not expected to recur and the profit before exceptional items and tax is the accurate indicator of the profitability levels of the Company. The management, therefore, believes there is a virtual certainty that the reported deferred tax assets will be utilized.

#### 7. Other long-term liabilities

in ₹

	As at March 31, 2013	As at March 31, 2012
Security deposits	10,880,100	43,224,000
Interest accrued but not due on NCDs	102,447,834	-
	<u>113,327,934</u>	<u>43,224,000</u>

#### 8. Provisions

in ₹

	Non-current portion		Current maturities	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>Provision for employee benefits</b>				
Provision for gratuity (Refer note 25)	8,571,258	5,408,895	1,303,793	1,238,710
	<u>8,571,258</u>	<u>5,408,895</u>	<u>1,303,793</u>	<u>1,238,710</u>

#### 9. Short-term borrowings (secured)

in ₹

	As at March 31, 2013	As at March 31, 2012
Cash credit/ overdraft	346,499,354	296,357,939
Short-term demand loan	775,000,000	350,000,000
	<u>1,121,499,354</u>	<u>646,357,939</u>

- a. In February 2011, the Company entered into an agreement for a working capital demand loan of ₹ 250,000,000 from a bank. In October 2012, the loan was renewed for a term of six months. The short-term demand loan is secured by first pari passu charge on the Company's current assets both present and future, personal guarantees and pledge of shares by the promoter director. As at March 31, 2013 and 2012, ₹ 250,000,000 is outstanding and is included in short-term borrowings.
- b. In February 2012, the Company entered into an agreement with a financial institution to borrow ₹ 100,000,000 at an interest rate of 14.50% per annum for a term of nine months. A promoter of the Company has pledged shares of the Company as security. Further, the loan has been guaranteed by the personal guarantee of a promoter director of the Company. As at March 31, 2012, ₹ 100,000,000 was outstanding and is included in short-term borrowings. The loan was repaid during the year.





- c. On September 6, 2012, the Company borrowed ₹ 10,000,000 from a financial institution for working capital at an interest rate of 17% per annum for a term of 6 months from the date of disbursement. A promoter of the Company has pledged shares of the Company as security. Further, the loan has been guaranteed by the personal guarantee of promoters of the Company. As at March 31, 2013, ₹ 10,000,000 was outstanding and is included in short-term borrowings.
- d. On September 11, 2012, the Company borrowed ₹ 20,000,000 from a financial institution for working capital at an interest rate of 15% per annum for a term of 12 months from the date of disbursement. A promoter of the Company has pledged shares of the Company as security. Further, the loan has been guaranteed by the personal guarantee of promoters of the Company. As at March 31, 2013, ₹ 20,000,000 was outstanding and is included in short-term borrowings.
- e. On October 15, 2012, the Company borrowed ₹ 50,000,000 from a financial institution for working capital at an interest rate of 17% per annum for a term of 6 months from the date of disbursement. A promoter of the Company has pledged shares of the Company as security. Further, the loan has been guaranteed by the personal guarantee of promoters of the Company. As at March 31, 2013, ₹ 50,000,000 was outstanding and is included in short-term borrowings.
- f. On October 25, 2012, the Company borrowed ₹ 20,000,000 from a financial institution for working capital at an interest rate of 18% per annum for a term of 6 months from the date of disbursement. A promoter of the Company has pledged shares of the Company as security. Further, the loan has been guaranteed by the personal guarantee of promoters of the Company. As at March 31, 2013, ₹ 20,000,000 was outstanding and is included in short-term borrowings.
- g. On July 26, 2012, the Company borrowed ₹ 100,000,000 from a financial institution for working capital at an interest rate of 17% per annum for a term of 12 months from the date of disbursement. A promoter of the Company has pledged shares of the Company as security. Further, the loan has been guaranteed by the personal guarantee of promoters of the Company. As at March 31, 2013, ₹ 100,000,000 was outstanding and is included in short-term borrowings.
- h. On November 6, 2012, the Company entered in to an agreement for pre-shipment financing under export orders ("Facility") of ₹ 385,000,000 for funding against confirmed orders up to 100% of export sales. The interest rate for the facility drawn in Indian rupees is base rate plus margin and for facility drawn in currency other than Indian rupees is LIBOR plus margin. There are sub-limits under the facility for financial guarantees / standby letter of credit for payment for payment undertaking for buyer's credit, pre-shipment financing under export letter of credit, export bills discounting, export invoice financing, import invoice financing, overdraft, short-term loans and bonds/ guarantees. The Facility is secured by first pari-passu charge on stock and book debts of the company, personal guarantee of the promoters, first pari-passu charge on movable fixed assets of the company, first pari-passu charge on immovable fixed assets located at Royal Palms-Mastermind, Goregoan, Mumbai and Raghuvanshi Mills, Mumbai and pledge of shares of the Company. As at March 31, 2013, ₹ 353,072,559 is outstanding under the Facility, of which ₹ 175,000,000 is included in short-term demand loans and the balance of ₹ 178,072,559 is included in cash credit / overdraft.
- i. Cash credits/ overdraft from other banks are secured against first pari passu charge on the Company's current assets both present and future, personal guarantees and pledge of shares by the promoter director. The cash credit is repayable on demand and carries interest at the rate of 3% to 3.5% per annum. As at March 31, 2013 and 2012, the cash credits/ overdraft outstanding to other banks were ₹ 168,426,795 and ₹ 296,357,939, respectively.
- j. On January 31, 2013, the Company borrowed ₹ 150,000,000 from a financial institution for working capital at an interest rate of 16% per annum for a term of 12 months from the date of disbursement. A promoter of the Company has pledged shares of the Company held as promoter holding as collateral security. Further, the loan has been guaranteed by the personal guarantee of promoters of the Company. As at March 31, 2013, ₹ 150,000,000 was outstanding and is included in short-term borrowings.

#### 10. Other current liabilities

in ₹

	As at March 31, 2013	As at March 31, 2012
Current maturities of long-term borrowings	436,289,464	2,440,321,590
Accrued salaries and benefits	30,587,812	18,918,331
Provision for expenses	24,576,366	12,520,598
Advances received from clients	19,485,768	27,969,476
Interest accrued but not due on borrowings	8,426,048	6,474,604
Security deposits	25,274,000	-
Temporary overdrawn bank balances	789,302	545,852
Unclaimed dividends	14,835	14,835
Other payables	60,309,039	52,180,326
	<b>605,752,634</b>	<b>2,558,945,612</b>

Other payables include withholding taxes payables, service tax payable and employer and employee contribution to provident and other funds liability.



## 11. TANGIBLE ASSETS

in ₹

	Building	Plant and equipment	Furniture and fixtures	Lease Hold Improvement	Office equipments	Vehicles	Total
<b>Gross block</b>							
As at April 1, 2011	500,004,038	2,308,203,676	162,247,819	22,630,324	63,211,843	36,600,946	3,092,898,646
Additions	-	368,594,748	22,648,886	5,573,712	4,809,501	5,891,507	407,518,354
Deduction	-	(23,519,373)	-	-	-	-	(23,519,373)
<b>As at March 31, 2012</b>	<b>500,004,038</b>	<b>2,653,279,051</b>	<b>184,896,705</b>	<b>28,204,036</b>	<b>68,021,344</b>	<b>42,492,453</b>	<b>3,476,897,627</b>
<b>Depreciation</b>							
As at April 1, 2011	12,272,845	905,030,292	40,200,115	4,197,062	16,645,812	11,630,902	989,977,028
For the year	8,150,068	227,604,863	16,332,699	4,883,521	10,052,980	3,769,277	270,793,408
Deduction	-	(5,734,506)	-	-	-	-	(5,734,506)
<b>As at March 31, 2012</b>	<b>20,422,913</b>	<b>1,126,900,649</b>	<b>56,532,814</b>	<b>9,080,583</b>	<b>26,698,792</b>	<b>15,400,179</b>	<b>1,255,035,930</b>
<b>Net block</b>							
<b>As at March 31, 2012</b>	<b>479,581,125</b>	<b>1,526,378,402</b>	<b>128,363,891</b>	<b>19,123,453</b>	<b>41,322,552</b>	<b>27,092,274</b>	<b>2,221,861,697</b>
As at April 1, 2011	487,731,193	1,403,173,384	122,047,704	18,433,262	46,566,031	24,970,044	2,102,921,618
<b>Gross block</b>							
As at April 1, 2012	500,004,038	2,653,279,051	184,896,705	28,204,036	68,021,344	42,492,453	3,476,897,627
Additions	-	280,726,536	1,936,280	705,034	4,706,934	15,157,545	303,232,329
Deduction	-	(25,573,246)	-	-	-	(22,305,479)	(47,878,725)
<b>As at March 31, 2013</b>	<b>500,004,038</b>	<b>2,908,432,341</b>	<b>186,832,985</b>	<b>28,909,070</b>	<b>72,728,278</b>	<b>35,344,519</b>	<b>3,732,251,231</b>
<b>Depreciation</b>							
As at April 1, 2012	20,422,913	1,126,900,649	56,532,814	9,080,583	26,698,792	15,400,179	1,255,035,930
For the year	8,150,071	273,526,350	18,002,848	5,697,622	10,420,689	3,802,415	319,599,995
Deduction	-	(7,239,039)	-	-	-	(10,408,331)	(17,647,370)
<b>As at March 31, 2013</b>	<b>28,572,984</b>	<b>1,393,187,960</b>	<b>74,535,662</b>	<b>14,778,205</b>	<b>37,119,481</b>	<b>8,794,263</b>	<b>1,556,988,555</b>
<b>Net block</b>							
<b>As at March 31, 2013</b>	<b>471,431,054</b>	<b>1,515,244,381</b>	<b>112,297,323</b>	<b>14,130,865</b>	<b>35,608,797</b>	<b>26,550,256</b>	<b>2,175,262,676</b>
As at April 1, 2012	479,581,125	1,526,378,402	128,363,891	19,123,453	41,322,552	27,092,274	2,221,861,697

- a. The Company has capitalized exchange loss, arising on long-term foreign currency loans, amounting to ₹ 17,432,155 (Previous year: ₹ 29,358,628) to the cost of plant and equipment.
- b. Plant and equipment includes assets taken on finance lease  
 Gross block: ₹ 167,503,219 (Previous year: ₹ 146,943,103)  
 Depreciation charge for the year: ₹ 22,262,747 (Previous year: ₹ 14,480,132)  
 Accumulated depreciation: ₹ 47,198,568 (Previous year: ₹ 24,935,821)  
 Net block: ₹ 120,304,651 (Previous year: ₹ 122,007,282)



## 12. INTANGIBLE ASSETS

in ₹

	Goodwill	Film rights	Software	Total
<b>Gross block</b>				
As at April 1, 2011	5,320,000	30,000,000	112,936,892	148,256,892
Additions	-	-	22,251,761	22,251,761
Deduction	-	-	-	-
<b>As at March 31, 2012</b>	<b>5,320,000</b>	<b>30,000,000</b>	<b>135,188,653</b>	<b>170,508,653</b>
<b>Depreciation</b>				
As at April 1, 2011	5,320,000	-	19,445,304	24,765,304
For the year	-	6,000,000	20,616,788	26,616,788
Deduction	-	-	-	-
<b>As at March 31, 2012</b>	<b>5,320,000</b>	<b>6,000,000</b>	<b>40,062,092</b>	<b>51,382,092</b>
<b>Net block</b>				
<b>As at March 31, 2012</b>	<b>-</b>	<b>24,000,000</b>	<b>95,126,561</b>	<b>119,126,561</b>
As at April 1, 2011	-	30,000,000	93,491,588	123,491,588
<b>Gross block</b>				
As at April 1, 2012	5,320,000	30,000,000	135,188,653	170,508,653
Additions	-	-	3,663,153	3,663,153
Deduction	-	-	-	-
<b>As at March 31, 2013</b>	<b>5,320,000</b>	<b>30,000,000</b>	<b>138,851,806</b>	<b>174,171,806</b>
<b>Depreciation</b>				
As at April 1, 2012	5,320,000	6,000,000	40,062,092	51,382,092
For the year	-	6,000,001	22,443,330	28,443,331
Deduction	-	-	-	-
<b>As at March 31, 2013</b>	<b>5,320,000</b>	<b>12,000,001</b>	<b>62,505,422</b>	<b>79,825,423</b>
<b>Net block</b>				
<b>As at March 31, 2013</b>	<b>-</b>	<b>17,999,999</b>	<b>76,346,384</b>	<b>94,346,383</b>
As at April 1, 2012	-	24,000,000	95,126,561	119,126,561

## a. Software includes assets taken on finance lease

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

Depreciation charge for the year: ₹ 5,963,011 (Previous year: ₹ 5,963,011)

Accumulated depreciation: ₹ 13,908,614 (Previous year: ₹ 7,945,603)

Net block: ₹ 22,877,391 (Previous year: ₹ 28,840,402)



## 13. NON-CURRENT INVESTMENTS

in ₹

	As at March 31, 2013	As at March 31, 2012
<b>Trade investments (at cost)</b>		
<b>In subsidiary companies</b>		
<b>Quoted, fully paid up</b>		
<b>Prime Focus London Plc. UK</b>	657,996,581	657,996,581
21,367,003 equity shares of 5 pence each		
Market Value ₹ 149,947,623 (Previous year ₹ 365,374,040)		
<b>Unquoted, fully paid up</b>		
<b>Prime Focus Technologies Private Limited</b>	75,500	75,500
1,517,550 equity shares of ₹ 10 each		
<b>Prime Focus Technologies Private Limited</b>	150,000,000	150,000,000
15,000,000 preference shares of ₹ 10 each		
<b>Prime Focus Visual Effects Private Limited (earlier known as Flow Post Solutions Private Limited)</b>	99,990	51,000
9,999 (Previous year: 5,100) equity shares of ₹ 10 each		
<b>Prime Focus International Limited</b>	1,690,349,846	1,690,349,846
20,339,598 equity shares of £ 1 each		
<b>Prime Focus Motion Pictures Limited</b>	500,000	500,000
50,000 equity shares of ₹ 10 each		
<b>GVS Software Private Limited</b>	100,000	100,000
10,000 equity shares of ₹ 10 each		
<b>PF Investments Limited</b>	2,199,580	810,330
43,000 (Previous year: 18,000) equity shares of \$ 1 each		
<b>PF World Limited</b>	4,786,060	4,786,060
106,000 equity shares of \$ 1 each		
<b>Prime Focus 3D India Private Limited</b>	500,000	500,000
50,000 equity shares of ₹ 10 each		
<b>Prime Focus World Creative Services Private Limited (earlier known as Prime Focus Post Production Private Limited)</b>	100,000	100,000
10,000 equity shares of ₹ 10 each		
	<b>2,506,707,557</b>	<b>2,505,269,317</b>
<b>Other than trade</b>		
<b>Unquoted - fully paid up</b>		
<b>The Shamrao Vithal Co-operative Bank</b>	100,000	100,000
4,000 equity shares of ₹ 25 each		
<b>Mainframe Premises Co-Operative Society</b>	3,500	3,500
350 equity shares of ₹ 10 each		
	<b>103,500</b>	<b>103,500</b>
	<b>2,506,811,057</b>	<b>2,505,372,817</b>
Aggregate amount of quoted Investments	657,996,581	657,996,581
Aggregate amount of unquoted Investments	1,848,814,476	1,847,376,236

Investments include ₹ 657,996,581 (Previous year: ₹ 657,996,581) in Prime Focus London Plc., UK ['PF UK'], a subsidiary company. The market value of shares as on March 31, 2013 is ₹ 149,947,623 (Previous year: ₹ 365,374,040). This investment being long term and strategic in nature, the management is of the view that there is no diminution other than temporary in the value of these investments.



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

in ₹

	As at March 31, 2013	As at March 31, 2012
<b>Other than Trade Quoted</b>		
<b>Cinemax India Limited.</b>	-	413,567
Nil (Previous year : 9,172) equity shares of ₹10 each		
Market Value ₹ Nil (Previous year: ₹ 387,517)		
	-	<b>413,567</b>

## 15. Trade receivables (unsecured)

in ₹

	As at March 31, 2013	As at March 31, 2012
<b>Debts outstanding for a period exceeding six months</b>		
Considered good	269,873,422	746,965,831
Considered doubtful	209,270,934	-
<b>Other debts</b>		
Considered good	1,049,862,024	709,862,456
	1,529,006,380	1,456,828,287
Less: Provision for doubtful debts	209,270,934	-
	<b>1,319,735,446</b>	<b>1,456,828,287</b>

## 16. Loans and advances

in ₹

	Non-current portion		Current maturities	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
Unsecured - considered good				
Capital advances	353,156,456	36,928,979	-	-
Deposits	65,761,447	135,738,373	5,334,100	6,719,725
Inter-company deposits	-	-	109,077,226	104,488,958
Loans to subsidiary	-	-	1,175,475,074	649,678,118
Advances to subsidiaries	-	-	58,802,946	39,344,079
MAT credit entitlement	66,760,894	66,760,894	-	-
Advance payment of taxes	78,214,578	54,269,441	-	-
(Net of provision for tax : ₹ 99,112,737 (previous year: ₹ 206,807,297))				
Other loans and advances	404,517	3,313,496	139,312,880	124,562,589
	<b>564,297,892</b>	<b>297,011,183</b>	<b>1,488,002,226</b>	<b>924,793,469</b>

Other loans and advances includes prepaid expenses, loans and advances to employees and others, advances to suppliers and service taxes receivable.

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

## 1. Prime Focus London Plc. :

Balance as at March 31, 2013: ₹ 1,175,475,074 (Previous year: ₹ 600,642,180)

Maximum Amount outstanding during the year ₹ 1,175,475,074 (Previous year: ₹ 600,642,180)

## 2. Prime Focus Technologies Private Limited :

Balance as at March 31, 2013: ₹ Nil (Previous year ₹ 49,035,938)

Maximum Amount outstanding during the year ₹ 92,842,235 (Previous year ₹ 228,666,535)



## 17. Cash and bank balances

in ₹

	Non-current portion		Current maturities	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>Cash and cash equivalents</b>				
Balances with banks:				
On Current Accounts	-	-	8,992,544	34,226,524
Deposits with original maturity of less than three months	-	-	6,180,006	20,610,000
Cash on hand	-	-	564,665	556,445
			<b>15,737,215</b>	<b>55,392,969</b>
<b>Other bank balances:</b>				
Margin money deposits	89,433,107	68,705,091	-	-
	<b>89,433,107</b>	<b>68,705,091</b>	-	-
Amounts disclosed under non-current assets	(89,433,107)	(68,705,091)	-	-
	-	-	<b>15,737,215</b>	<b>55,392,969</b>

Margin money deposits with a carrying value of ₹ 89,433,107 (Previous year: ₹ 68,705,091) are subject to first charge to secure the foreign currency loans – buyer's credit and bank guarantees.

## 18. Other assets

in ₹

	Non-current portion		Current maturities	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
Unbilled revenue	-	-	49,974,773	112,378,499
Interest accrued on fixed deposits	-	-	840,708	611,201
Non-current bank balances	89,433,107	68,705,091	-	-
	<b>89,433,107</b>	<b>68,705,091</b>	<b>50,815,481</b>	<b>112,989,700</b>

## 19. Other income

in ₹

	Year ended March 31, 2013	Year ended March 31, 2012
<b>Dividend</b>		
Long-term investments - non trade	12,000	12,300
<b>Interest Income</b>		
Bank deposits	28,531,518	5,576,061
Others	82,597,631	67,429,593
Profit on sale of current investment	1,521,937	-
Exchange gain (net)	81,672,114	145,388,804
Commission / undertaking fee	-	2,775,583
Excess provision written back	-	20,516,014
Insurance claim received	-	3,238,381
Bad debts recovered	-	2,552,312
Miscellaneous income	170,543	349,364
	<b>194,505,743</b>	<b>247,838,412</b>



## 20. Employee benefits expense

in ₹

	Year ended March 31, 2013	Year ended March 31, 2012
Salaries and wages	301,903,172	173,832,592
Bonus and incentive	306,498	839,610
Contribution to provident and other funds	3,865,453	3,551,768
Gratuity	3,227,446	3,944,547
Staff welfare	3,773,019	7,937,400
	<b>313,075,588</b>	<b>190,105,917</b>

## 21. Other Expenses

in ₹

	Year ended March 31, 2013	Year ended March 31, 2012
Technical services expense	44,368,059	42,240,837
Communication cost	18,011,957	18,602,884
Consumables stores	1,068,061	5,632,068
Director's sitting Fees	320,000	280,000
Electricity charges	80,304,119	64,341,759
Insurance cost	12,298,210	10,580,570
Legal and professional fees	11,616,503	20,205,491
Loss on sale of fixed assets (net)	10,020,803	8,654,459
Rates and taxes	1,552,824	626,086
Rebates and discount	19,026,620	19,802,086
Rent (Refer note 26)	56,052,371	46,336,503
Traveling and conveyance	39,541,029	46,306,681
Miscellaneous expenses	55,850,566	54,252,603
Repairs and maintenance - building	22,652,904	30,765,611
Repairs and maintenance - equipment	23,346,829	32,453,007
Bad debts written off	-	49,881,243
Auditor's remuneration		
As auditor		
Audit fees	2,046,000	1,700,000
In other matters	50,750	54,500
	<b>398,127,605</b>	<b>452,716,388</b>



## 22. Finance costs

in ₹

	Year ended March 31, 2013	Year ended March 31, 2012
Interest on working capital finance	77,414,726	63,872,239
Interest on term loan	117,578,990	93,879,198
Interest on buyer's credit	12,816,449	11,570,764
Interest on others	4,176,779	1,686,260
Bank charges	17,963,562	8,474,563
	<b>229,950,506</b>	<b>179,483,024</b>

## 23. Exceptional items

in ₹

	Year ended March 31, 2013	Year ended March 31, 2012
Bad debts written off	44,512,727	-
Provision for doubtful debts	209,270,934	-
Exchange loss on foreign currency convertible bonds	822,781,300	-
	<b>1,076,564,961</b>	<b>-</b>

## 24 Earnings per share (EPS)

in ₹

	Year ended March 31, 2013	Year ended March 31, 2012
Profit before exceptional items but after tax	134,963,899	230,715,467
Less: Exceptional items (net of tax)	(727,392,759)	-
(Loss) / profit after exceptional items and tax	(592,428,860)	230,715,467
	<b>Number</b>	<b>Number</b>
Weighted average number of equity shares in calculating basic EPS	<b>163,258,812</b>	<b>138,867,446</b>
<b>Effect of dilution:</b>		
Weighted average number of equity shares which would be issued on conversion of Zero coupon foreign currency convertible bonds	-	19,527,595
Weighted average number of equity shares which would be issued on conversion of Warrants	-	10,000,000
<b>Weighted average number of equity shares in calculating diluted EPS</b>	<b>163,258,812</b>	<b>168,395,041</b>
<b>Earnings per share (before exceptional items)</b>		
Basic EPS	0.83	1.66
Diluted EPS	0.83	1.37
<b>Earnings per share (after exceptional items)</b>		
Basic EPS	(3.63)	1.66
Diluted EPS	(3.63)	1.37





## 25. Disclosures pursuant to AS 15 "Employee Benefits"

### a. Defined benefit plan:

The Company has a defined benefit gratuity plan (unfunded). This plan provides a lumpsum payment to employees on retirement or termination of employment, an amount based on respective employee's last drawn salary and term of employment with the Company.

#### Statement of profit and loss

	Year ended March 31, 2013	Year ended March 31, 2012
<b>Expense recognized</b>		
Current service cost	2,313,940	1,231,915
Interest cost	565,046	223,002
Actuarial(gain)/ loss	348,460	2,489,630
<b>Net expense</b>	<b>3,227,446</b>	<b>3,944,547</b>

in ₹

#### Balance sheet

	As at March 31, 2013	As at March 31, 2012
<b>Reconciliation of asset/ liability recognized</b>		
Defined benefit obligation	9,875,051	6,647,605
Fair value of plan assets.	-	-
<b>Liability recognized</b>	<b>9,875,051</b>	<b>6,647,605</b>

in ₹

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

	Year ended March 31, 2013	Year ended March 31, 2012
Opening defined benefit obligation	6,647,605	2,703,058
Interest cost	565,046	223,002
Current service cost	2,313,940	1,231,915
Actuarial (gain)/ loss	348,460	2,489,630
<b>Closing defined benefit obligation</b>	<b>9,875,051</b>	<b>6,647,605</b>

in ₹

#### The principal assumptions used in determining gratuity obligations for the Company's plans

	As at March 31, 2013	As at March 31, 2012
Discount rate	8.00%	8.50%
Expected rate of return on assets	Not Applicable	Not Applicable
Employee turnover	2.00%	2.00%

in ₹

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

Major drivers in actuarial assumptions typically are years of service and employee compensation. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, including supply and demand in the employment market.

### b. Defined contribution plan:

The Company contributed ₹ 2,809,463 (Previous year: ₹ 2,489,064) to provident fund during the year and recognized the contribution as an expense, which is included in note 20 as contribution to provident fund and other funds.



## 26. Leases

The Company has taken premises on non-cancellable operating lease basis. The tenure of leases ranges from 12 to 144 months with non-cancellable periods ranging from 6 to 36 months. Future lease rentals in respect of the premises taken on non-cancellable operating leases are as follows:

in ₹

	As at March 31, 2013	As at March 31, 2012
Lease Payments due within one year	5,440,818	2,500,000
Lease Payments due later than one but not later than five years	1,461,017	1,146,000
Lease Payments due later than five years	-	-

Amount of lease rental charged to the statement of profit and loss in respect of non-cancellable operating leases is ₹ 9,881,074 (Previous year: ₹ 2,926,224). 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 statement of profit and loss in respect of cancellable operating leases is ₹ 46,171,297 (Previous year: ₹ 43,410,279).

## 27. Segment information

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

### Segment information for secondary segment reporting (by geographical segment based on location of customers)

in ₹

	Revenue from operations (net)		Segment Assets		Capital Expenditure	
	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2012
India	675,170,562	727,550,928	3,491,674,025	3,496,826,470	497,002,710	403,613,632
United Kingdom	309,392,750	232,900,105	272,522,012	278,557,941	-	-
U.S.	748,097,530	631,845,082	582,502,406	475,893,145	-	-
Canada	78,341,398	115,090,993	72,394,949	132,114,319	-	-
Other Countries	17,820,847	2,884,737	705,470	38,873	-	-
	<b>1,828,823,087</b>	<b>1,710,271,845</b>	<b>4,419,798,862</b>	<b>4,383,430,748</b>	<b>497,002,710</b>	<b>403,613,632</b>

## 28. Related party disclosures

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

- i) Subsidiary Companies
  - Prime Focus London Plc.
  - Prime Focus International Limited.
  - Prime Focus Technologies Private Limited
  - Prime Focus Visual Effects Private Limited (earlier known as Flow Post Solutions Private Limited)
  - GVS Software Private Limited
  - Prime Focus Motion Pictures Limited
  - PF World Limited
  - PF Investments Limited
  - Prime Focus 3D India Private Limited
  - Prime Focus World Creative Services Private Limited (earlier known as Prime Focus Post Production Private Limited)
- ii) Step-down Subsidiaries
  - Subsidiary companies of PF World Limited
  - Prime Focus Luxembourg S.a.r.l
  - Prime Focus 3D Cooperatief U.A. (Subsidiary of Prime Focus Luxembourg S.a.r.l)



Prime Focus World N.V. (Subsidiary of Prime Focus 3D Cooperatief U.A.)  
 Prime Focus International Services UK Limited (Subsidiary of Prime Focus World N.V.)  
 Prime Focus North America Inc. (Subsidiary of Prime Focus World N.V.)  
 1800 Vine Street LLC (Subsidiary of Prime Focus North America, Inc.)  
 Prime Focus Creative Services Canada Inc. (Subsidiary of Prime Focus World N.V.)  
 Prime Focus VFX Australia Pty Limited (Subsidiary of Prime Focus World N.V.)  
 Prime focus VFX USA, Inc. (Subsidiary of Prime Focus World N.V.)  
 Lifestyles Interseas Limited (Subsidiary of Prime Focus World N.V.)

#### **Subsidiary companies of Prime Focus London Plc.**

Prime Focus Visual Entertainment Services Limited  
 VTR Media Investments Limited  
 PF Film UK Limited (Liquidated in FY 2013)  
 PF Broadcast & Commercial Limited  
 Busy Buses Limited  
 Prime Focus Broadcast Limited  
 Clipstream Limited  
 Amazing Spectacles Limited (Subsidiary of VTR Media Investments Limited)  
 Prime Focus MW Limited (earlier known as Meanwhile Content Limited) (Subsidiary of VTR Media Investments Limited)  
 Prime Focus Productions 1 Limited (Subsidiary of VTR Media Investments Limited)  
 PF Television VFX Limited (Subsidiary of VTR Media Investments Limited)  
 PF Broadcast VFX Limited (Subsidiary of VTR Media Investments Limited)  
 Prime Focus Productions 5 Limited (Subsidiary of VTR Media Investments Limited)  
 DMJM Film Limited (Subsidiary of VTR Media Investments Limited)

#### **Subsidiary companies of Prime Focus Technologies Private Limited**

Prime Focus Technologies UK Limited  
 Prime Focus Technologies, Inc.

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

- i. Key management personnel
  - Mr. Naresh Malhotra – Chairman and Whole-time Director
  - Mr. Ramakrishnan Sankaranarayanan - Managing Director (from October 11, 2011 to November 5, 2012) and Chief Executive Officer
  - Mr. Namit Malhotra (up to October 11, 2011)
- ii. Relative of Key management personnel
  - Mr. Namit Malhotra – Son of Chairman and Whole-time Director
- iii. Enterprises owned or significantly influenced by Key Management Personnel or their relatives
  - Blooming Buds Coaching Private Limited
  - N2M Realty Private Limited
- iv. Entities with significant influence over the Company
  - Standard Chartered Private Equity (Mauritius) III Limited
  - Standard Chartered Private Equity (Mauritius) Limited
  - Standard Chartered Bank



## C. Particulars of Related Party Transactions

## (i) Key Management Personnel

	Year ended March 31, 2013	Year ended March 31, 2012
in ₹		
<b>A Remuneration</b>		
Mr. Naresh Malhotra	6,000,000	4,500,000
Mr. Ramakrishnan Sankaranarayanan	3,900,000	1,950,000
Mr. Namit Malhotra	-	1,500,000
in ₹		
	As at March 31, 2013	As at March 31, 2012
<b>B Balance Outstanding at the year end – Remuneration Payable</b>		
Mr. Naresh Malhotra	195,307	371,046
Mr. Ramakrishnan Sankaranarayanan	258,400	227,227

## (ii) Relative of Key Management Personnel

	Year ended March 31, 2013	Year ended March 31, 2012
in ₹		
<b>A Issue of equity shares</b>		
Mr. Namit Malhotra (Refer note 3c)	554,780,000	-

## (iii) Subsidiary companies #

	Year ended March 31, 2013	Year ended March 31, 2012
in ₹		
<b>A Revenue</b>		
Prime Focus London Plc	-	90,675
Prime Focus Technologies Private Limited	3,937,092	959,114
<b>B Technical services expense</b>		
Prime Focus London Plc	1,234,3706	7,495,997
Prime Focus Technologies Private Limited	4,86,53,619	30,295,015
<b>C Reimbursement of expenses incurred by:</b>		
Prime Focus London Plc	17,789,560	8,817,709
Prime Focus Technologies Private Limited	34,377,382	5,109,037
Prime Focus Visual Effects Private Limited	1,700	-
Prime Focus World Creative Services Private Limited	1,700	-
<b>D Reimbursement of expenses incurred on behalf of:</b>		
Prime Focus Technologies Private Limited	1,997,049	37,080,500
Prime Focus Visual Effects Private Limited	(13,236)	-
Prime Focus World Creative Services Private Limited	(13,236)	-
<b>E Sale of fixed assets</b>		
Prime Focus London Plc	-	6,630,407



	Year ended March 31, 2013	Year ended March 31, 2012
<b>F Investments</b>		
Prime Focus London Plc	-	47,292,998
Prime Focus Technologies Private Limited	-	150,000,000
PF Investments Limited	1,389,250	810,330
PF World Limited	-	4,786,060
Prime Focus 3D India Private Limited	-	500,000
Prime Focus World Creative Services Private Limited	-	100,000
Prime Focus Visual Effects Private Limited	48,990	-
<b>G Loans given</b>		
Prime Focus London Plc	542,405,000	-
Prime Focus Technologies Private Limited	284,400,000	310,363,890
<b>H Loans repaid (including interest)</b>		
Prime Focus London Plc	68,782,710	-
Prime Focus Technologies Private Limited	342,466,195	365,154,324
<b>I Interest on loans</b>		
Prime Focus London Plc	59,663,090	38,670,510
Prime Focus Technologies Private Limited	9,030,257	18,929,094

in ₹

	As at March 31, 2013	As at March 31, 2012
<b>J Balance outstanding at the year end</b>		
<b>Trade receivables</b>		
Prime Focus London Plc	(88,720)	35,957,711
Prime Focus Technologies Private Limited	118,922	945,128
<b>Trade payables</b>		
Prime Focus London Plc	36,441,340	23,648,255
Prime Focus Technologies Private Limited	9,804,286	-
Prime Focus Visual Effects Private Limited	(13,236)	-
Prime Focus World Creative Services Private Limited	(13,236)	-
<b>Advances</b>		
Prime Focus London Plc	9,119,861	14,138,087
Prime Focus Visual Effects Private Limited	6,672	4,972
Prime Focus Motion Pictures Limited	584,746	584,747
Prime Focus Technologies Private Limited	20,505,462	-
Prime Focus World Creative Services Private Limited	1,700	-
<b>Loans</b>		
Prime Focus London Plc	1,175,475,074	600,642,180
Prime Focus Technologies Private Limited	-	49,035,938



## (iv) Step-down Subsidiaries #

in ₹

	Year ended March 31, 2013	Year ended March 31, 2012
<b>A Revenue from operations</b>		
PF Broadcast & Commercial Limited	2,266,688	1,44,62,432
PF Film UK Limited	-	16,79,46,776
Prime Focus North America, Inc	709,562,081	62,69,65,082
Prime Focus Creative Services Canada Inc	78,341,398	11,50,90,993
Prime Focus Visual Entertainment Services Limited	33,620,916	3,22,97,453
Prime Focus International Services Limited UK	266,680,647	-
Lifestyle Interseas Limited	35,432,340	-
<b>B Technical services expense</b>		
Prime Focus North America Inc	5,209,988	1,69,31,952
Prime Focus Creative Services Canada Inc	-	67,601
PF Broadcast & Commercial Limited	52,814	-
Prime Focus International Services Limited UK	6,192,105	-
Prime Focus Visual Entertainment Services Limited	78,758	-
<b>C Reimbursement of expenses incurred by:</b>		
Prime Focus International Services Limited UK	930,382	-
Prime Focus North America Inc	930,410	3,094,566
Prime Focus Creative Services Canada Inc	930,410	3,072,096
<b>D Reimbursement of expenses incurred on behalf of:</b>		
Prime Focus North America Inc	3,836,774	711,621
Prime Focus Creative Services Canada Inc	-	4,051,361
<b>E Purchase of fixed assets</b>		
Prime Focus North America Inc	-	11,918,076

in ₹

	Year ended March 31, 2013	Year ended March 31, 2012
<b>F Balance outstanding at the year end</b>		
<b>Trade receivables</b>		
PF Broadcast & Commercial Limited	544,905	15,950,398
PF Film UK Limited	-	182,468,606
Prime Focus North America Inc	541,986,104	465,725,815
Prime Focus Creative Services Canada Inc	72,394,949	127,846,418
Prime Focus Visual Entertainment Services Limited	(31)	36,159,796
Prime Focus International Services Limited UK	259,127,737	(85,635)
Lifestyle Interseas Limited	35,432,340	-
<b>Trade payables</b>		
Prime Focus North America Inc	62,487,828	-
Prime Focus Creative Services Canada Inc	24,015,770	22,633,364
PF Broadcast & Commercial Limited	49,537	-
Prime Focus International Services Limited UK	6,192,105	-
Prime Focus Visual Entertainment Services Limited	74,305	-
<b>Advances</b>		
Prime Focus International Services Limited UK	891,168	-
Prime Focus North America Inc	3,612,488	2,504,899
Prime Focus Creative Services Canada Inc	24,080,849	22,111,374



## (v) Enterprises owned or significantly influenced by key management personnel or their relatives

in ₹

	Year ended March 31, 2013	Year ended March 31, 2012
<b>A Rent</b>		
Blooming Bud Coaching Private Limited	30,000,000	26,500,000
<b>B Capital advance given</b>		
N2M Realty Private Limited	330,000,000	-
<b>C Balance outstanding at the year end</b>		
Blooming Buds Coaching Private Limited	48,000,000	48,000,000
N2M Realty Private Limited	330,000,000	70,000,000

## (vi) Entities with significant influence over the company

in ₹

	As at March 31, 2013	As at March 31, 2012
<b>A Issue of equity shares (including share premium)</b>		
Standard Chartered Private Equity (Mauritius) III Limited (Refer note 3d)	1,891,461,983	-
<b>B Issue of non-convertible debentures</b>		
Standard Chartered Private Equity (Mauritius) Limited (Refer note 5b)	1,901,000,000	-

in ₹

	Year ended March 31, 2013	Year ended March 31, 2012
<b>C Loan taken net of repayments</b>		
Standard Chartered Bank Working Capital Loan (Refer note 9h)	353,072,559	-
Long Term Loan (Refer note 5c)	495,000,000	-
<b>D Processing, Interest and other charges</b>		
Standard Chartered Bank	52,102,865	-
<b>E Interest income</b>		
Standard Chartered Bank	20,677,227	-

in ₹

	As at March 31, 2013	As at March 31, 2012
<b>F Balance outstanding at the year end</b>		
<b>Loan outstanding</b>		
Standard Chartered Bank Working Capital Loan (Refer note 9h)	353,072,559	-
Long Term Loan (Refer note 5c)	495,000,000	-
<b>Fixed Deposit</b>		
Standard Chartered Bank	5,000,000	-
<b>Interest income receivable</b>		
Standard Chartered Bank	15,068	-

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

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



## 29. Capital and other commitments

in ₹

	As at March 31, 2013	As at March 31, 2012
i Estimated amount of contracts remaining to be executed on capital account and not provided for:	19,706,614	45,753,629

## 30. Contingent liabilities

in ₹

	As at March 31, 2013	As at March 31, 2012
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.	640,740,299	624,224,149
ii Matters pending with tax authorities towards addition made by the tax authorities for the AY 2007-08. The Company has appealed to CIT (Appeals) and has made full payment of demand under protest.	5,271,860	5,271,860
iii Matters pending with various levels of tax authorities toward addition made by the tax authorities for excess depreciation claimed on computer based asset for the AY 2004-05, AY 2005-06 and AY 2009-10.	32,253,050	17,362,955
iv Matters pending with tax authorities related to Tax Deducted at Source (TDS) demand raised by the tax authorities for AY 2007-08 to 2011-12. The Company appealed to CIT (Appeals).	88,207,071	88,207,071
v Show cause notice received from Service tax department for service tax liability on export of services for FY 2007-08 to FY 2011-12. Matter is pending with adjudicating authority. The Company is confident of successfully defending the claims and does not expect any significant liability to crystallize.	195,640,351	-
vi Guarantees given on behalf of subsidiary and step-down subsidiary companies	2,185,619,913 (₹ 18,452,904) (£ 4,755,398) (₹ 790,000,000)	1,627,254,046 (₹ 24,452,904) (£ 4,702,000)
vii Premium on conversion of FCCB (Refer note 5a)	-	889,009,734
Exchange fluctuation on FCCB	-	636,186,650

## 30. Unhedged foreign currency exposure

in ₹

	As at March 31, 2013	As at March 31, 2012
Buyer's Credit (Liability)	317,868,852	297,842,813
	\$ 4,796,182	\$ 4,757,231
	€ 820,700	€ 820,700
Zero Coupon Foreign Currency Convertible Bonds (Liability)	-	2,162,696,800
	-	\$ 55,000,000
Trade receivables (Assets)	921,131,617	875,071,894
	\$ 10,646,197	\$ 9,239,337
	C\$ 1,355,825	C\$ 2,508,648
	£ 3,271,044	£ 3,402,338
	€ 9	€ 9





in ₹

	As at March 31, 2013	As at March 31, 2012
Loans and Advances (Assets)	1,213,179,441	639,396,539
	₹ 21,625,887	₹ 11,803,036
	C\$ 450,990	C\$ 433,877
	₹ 66,461	₹ 49,223
	£ 121,256	£ 176,200

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

The Company does not have suppliers who are registered as micro, small or medium enterprise under the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2012. The information regarding micro, small and medium enterprises has been determined on the basis of information available with the management.

### 33. Value of imports calculated on CIF basis

in ₹

	Year ended March 31, 2013	Year ended March 31, 2012
Capital Goods	165,302,300	218,485,084

### 34. Expenditure in foreign currency (accrual basis)

in ₹

	As at March 31, 2013	As at March 31, 2012
Bank charges	99,102	99,159
Communication cost	-	182,117
Interest on buyer's credit	8,436,176	10,744,439
Legal and professional fees	442,553	2,289,289
Miscellaneous expenses	55,658	68,058
Repairs and maintenance	4,765,862	15,684,882
Raw stock	4,679	-
Staff welfare	2,209	-
Technical services expense	25,170,232	25,025,012
Advance paid to creditors written off	-	3,077,210
Excess provision written back	(5,369,412)	-
Rates and taxes written back	(454,908)	-
Technician fees	9,193,863	7,085,733
Traveling and conveyance	94,239	883,054



## 35. Earnings in foreign currency (accrual basis)

in ₹

	As at March 31, 2013	As at March 31, 2012
Revenue from operations	1,140,481,885	982,720,917
Interest Income	59,663,090	38,670,510

## 36. Previous year's figures have been regrouped where necessary to confirm to current year's classification.

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

As per our report of even date

**For MZSK & Associates**

Chartered Accountants  
Firm Registration No.: 105047w

**Abuali Darukhanawala**  
Partner  
Membership No.108053

Mumbai  
May 30, 2013

**For and on behalf of the Board of Directors**

**Naresh Malhotra**  
Chairman and Whole-time Director

**Rivkaran Chadha**  
Director

**Navin Agarwal**  
Company Secretary



## Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Company's Interest in Subsidiary Companies for the year ended March 31, 2013

Name of the Subsidiary Company	The Financial Year / period of the Subsidiary Company ended on	Holding Company	Date From which they became Subsidiary company	Number of Shares held by the Company with its nominees in the Subsidiary at the end of the Financial Year of the Subsidiary Company	Extent of Interest in the Subsidiary Company	Net aggregate amount of the subsidiary company's profit /(Loss) so far as it concern the members of the Holding company			
						Not dealt in the Holding company's accounts		Dealt with in the holding company's accounts	
						For the financial year ended 31st March 2013	for the previous financial year of the subsidiary company since it became the company's subsidiary	For the financial year ended 31st March 2013	for the previous financial year of the subsidiary company since it became the company's subsidiary
Prime focus London Plc	31-Mar-13	Prime Focus Limited	28-Apr-06	21,367,003	64.98%	(389,283,554)	(30,113,992)		
Prime Focus Visual Entertainment Services Limited	31-Mar-13	Prime Focus London Plc	28-Apr-06	1,000	100%	293,069,789	689,364,758		
VTR Media Investment Limited	31-Mar-13	Prime Focus London Plc	28-Apr-06	2	100%	(89,195,622)	(451,148,611)		
Amazing Spectacles Limited	31-Mar-13	VTR Media Investment Limited	28-Apr-06	2	100%	235,554	(20,308,752)		
Clipstream Limited	31-Mar-13	Prime Focus London Plc	28-Apr-06	2	100%	(319,435)	(29,978,867)		
Prime Focus (MW) Limited <sup>3</sup>	31-Mar-13	VTR Media Investment Limited	28-Apr-06	51	51%	(20,066,072)	10,327,987		
PF Broadcast VFX Limited	31-Mar-13	Prime Focus London Plc	1-Dec-10	1	100%	(14,054,160)	(18,399,990)		
PF Film UK Limited*	18-April-12	Prime Focus London Plc	2-Dec-08	1	100%	224,034,976	(215,258,257)		
PF Broadcast & Commercial Limited#	28-Feb-13	Prime Focus London Plc	12-Jan-11	1	100%	(47,213,091)	265,905,006		
Busy Buses Limited	31-Mar-13	Prime Focus London Plc	1-Apr-10	2	100%	554,146	-		
Prime Focus Productions 1 Limited	31-Mar-13	VTR Media Investment Limited	1-Dec-10	1	100%	-	-		
PF Television VFX Limited	31-Mar-13	VTR Media Investment Limited	1-Dec-10	1	100%	(7,596,309)	1,067,021		
Prime Focus Productions 5 Limited	31-Mar-13	VTR Media Investment Limited	1-Dec-10	1	100%	-	-		
DMJM Film Limited	31-Mar-13	VTR Media Investment Limited	23-Jan-12	1	100%	-	-		
Prime Focus Broadcast Limited	31-Mar-13	Prime Focus London Plc	2-Aug-12	1	100%	47,019,662	-		
VTR Media Services & Investment Limited	31-Mar-13	Prime Focus London Plc	30-Mar-13	100	100%	25,107,409	-		
Prime Focus International Limited	31-Mar-13	Prime Focus Limited	19-Dec-07	20,339,598	100%	(31,327,412)	10,531,385		
Prime Focus World, N.V.	31-Mar-13	Prime Focus 3D Cooperatief U.A. Netherlands	16-Aug-11	4,500,000	100%	13,562,760	(197,852,832)		
Prime Focus International Services UK Limited	31-Mar-13	Prime Focus World, N.V.	23-Mar-11	1	100%	(120,854,961)	593,020,202		
Prime Focus Creative Services Canada, Inc	31-Mar-13	Prime Focus World, N.V.	1-Apr-08	1	100%	(208,435,643)	(225,892,865)		
Prime Focus VFX USA Inc.	31-Mar-13	Prime Focus World, N.V.	1-Apr-08	100	100%	-	177,529,657		
Prime Focus Australia Pty. Limited	31-Mar-13	Prime Focus World, N.V.	1-Apr-08	100	100%	-	20,055		
Prime Focus North America, Inc	31-Mar-13	Prime Focus World, N.V.	1-Apr-08	5,100	100%	76,512,879	895,853,784		
1800 Vine street, Inc	31-Mar-13	Prime Focus North America, Inc	1-Apr-08	-	100%	-	(31,066,265)		



Name of the Subsidiary Company	The Financial Year / period of the Subsidiary Company ended on	Holding Company	Date From which they became Subsidiary company	Number of Shares held by the Company with its nominees in the Subsidiary at the end of the Financial Year of the Subsidiary Company	Extent of Interest in the Subsidiary Company	Net aggregate amount of the subsidiary company's profit /(Loss) so far as it concern the members of the 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 2013	for the previous financial year of the subsidiary company since it became the company's subsidiary	For the financial year ended 31st March 2013	for the previous financial year of the subsidiary company since it became the company's subsidiary
Lifestyle Interseas Limited	31-Mar-13	Prime Focus World, N.V.	28-Mar-13	1	100%	550,060,674	-		
PF Investments Limited (Mauritius)	31-Mar-13	Prime Focus Limited	23-Jun-11	43,000	100%	(308,837)	(851,109)		
PF World Limited (Mauritius)	31-Mar-13	Prime Focus Limited	11-May-11	106,000	100%	(308,294)	(1,091,622)		
Prime Focus Luxembourg S.a.r.l	31-Mar-13	PF World Limited (Mauritius)	21-Sep-11	17,320,000	100%	(2,582,184)	-		
Prime Focus 3D Cooperatief U.A.	31-Mar-13	Prime Focus Luxembourg S.a.r.l (and) PF Investment Limited	21-Sep-11	N.A.	99.99% (AND) 0.01%	(3,234,809)	-		
Prime Focus Technologies Private Limited.	31-Mar-13	Prime Focus Limited	8-Mar-08	1,517,550	75.50%	77,336,098	54,844,589		
Prime Focus Technologies UK Limited	31-Mar-13	Prime Focus Technologies Pvt Limited	13-Aug-10	1	100%	(7,562,694)	(6,314,761)		
Prime Focus Technologies, INC	31-Mar-13	Prime Focus Technologies Private Limited	4-Mar-13	100	100%	-	-		
Prime Focus Visual Effects Private Limited. <sup>1</sup>	31-Mar-13	Prime Focus Limited	28-Feb-08	10,000	100%	(1,700)	(31,323)		
Prime Focus Motion Pictures Limited	31-Mar-13	Prime Focus Limited	22-Aug-08	50,000	100%	-	(10,515)		
GVS Software Private Limited	31-Mar-13	Prime Focus Limited	1-Apr-08	10,000	100%	-	(10,515)		
Prime Focus 3D India Private Limited	31-Mar-13	Prime Focus Limited	9-Jun-11	50,000	100%	-	-		
Prime Focus World Creative Services Private Limited <sup>2</sup>	31-Mar-13	Prime Focus Limited	13-Jun-11	10,000	100%	-	-		



## Statement Pursuant to general exemption received under Section 212 (8) of the Companies Act, 1956 relating to Subsidiary Companies for the year ended March 31, 2013

Name Of The Subsidiary Company	Country of Registration	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary	Turnover	Profit before taxation	Provision for Taxation	Profit after taxation	Proposed Dividend
Prime focus London Plc	U.K.	135,740,993	256,640,373	2,884,900,990	2,884,900,990	-	-	(598,713,556)	-	(598,713,556)	
Prime Focus Visual Entertainment Services Limited	U.K.	82,561	917,294,952	1,540,008,412	1,540,008,412	-	674,848,965	450,737,909	-	450,737,909	
VTR Media Investment Limited	U.K.	165	(513,570,519)	671,129,227	671,129,227	-	-	(137,181,824)	-	(137,181,824)	
Amazing Spectacles Limited	U.K.	165	197,942	2,255,801	2,255,801	-	10,693,410	362,280	-	362,280	
Clipstream Limited	U.K.	165	(32,793,529)	32,792,712	32,792,712	-	-	(491,288)	-	(491,288)	
Prime Focus (MW) Limited <sup>3</sup>	U.K.	8,256	(32,833,787)	34,170,456	34,170,456	-	1,641,477	(30,861,385)	-	(30,861,385)	
PF Broadcast VFX Limited	U.K.	83	(20,962,008)	60,216,540	60,216,540	-	78,066,031	(21,615,133)	-	(21,615,133)	
PF Film UK Limited <sup>4</sup>	U.K.	-	-	-	-	-	-	344,563,174	-	344,563,174	
PF Broadcast & Commercial Limited <sup>4</sup>	U.K.	-	-	-	-	-	641,462,788	(72,613,182)	-	(72,613,182)	
Busy Buses Limited	U.K.	165	819,996	820,161	820,161	-	-	852,269	-	852,269	
Prime Focus Productions 1 Limited	U.K.	83	-	83	83	-	-	-	-	-	
PF Television VFX Limited	U.K.	83	(11,529,586)	14,737,903	14,737,903	-	44,428,590	(11,683,035)	-	(11,683,035)	
Prime Focus Productions 5 Limited	U.K.	83	-	83	83	-	-	-	-	-	
DMJM Film Limited	U.K.	1	-	1	1	-	-	-	-	-	
Prime Focus Broadcast Limited	U.K.	1	69,577,234	239,533,550	239,533,550	-	139,149,909	72,315,690	-	72,315,690	
VTR Media Services & Investment Limited	British Virgin Islands	5,436	37,152,630	37,158,066	37,158,066	-	38,614,902	38,614,902	-	38,614,902	
Prime Focus International Limited	U.K.	1,795,625,659	(426,426,081)	3,045,408,512	3,045,408,512	-	29,834,817	(31,327,412)	-	(31,327,412)	
Prime Focus World, N.V.	Netherlands	3,655,048	2,423,908,881	1,881,422,446	1,881,422,446	-	122,708,458	10,950,456	(2,612,305)	13,562,760	
Prime Focus International Services UK Limited	U.K.	1	145,025,717	1,082,406,446	1,082,406,446	-	1,244,843,435	(223,882,267)	(103,027,306)	(120,854,961)	
Prime Focus Creative Services Canada, Inc	Canada	32,235,559	(153,279,306)	582,166,292	582,166,292	-	470,045,304	(207,325,675)	1,109,968	(208,435,643)	
Prime Focus VFX USA Inc.	U.S.A.	544	-	544	544	-	-	-	-	-	
Prime Focus Australia Pty. Limited	Australia	566,923	-	566,923	566,923	-	-	-	-	-	
Prime Focus North America, Inc	U.S.A.	277,211	771,382,865	2,879,834,269	2,879,834,269	-	2,056,257,365	47,832,780	(28,680,099)	76,512,879	
1800 Vine street, Inc	U.S.A.	-	654,835,208	1,267,308,951	1,267,308,951	-	-	-	-	-	
Lifestyle Interseas Limited	British Virgin Islands	54	551,197,477	677,507,463	677,507,463	-	711,571,280	550,060,674	-	550,060,674	
PF Investments Limited	Mauritius	2,337,265	(1,275,440)	1,416,056	1,416,056	-	-	(308,837)	-	(308,837)	
PF World Limited	Mauritius	5,761,630	(1,547,922)	1,886,381,654	1,886,381,654	-	-	(308,294)	-	(308,294)	
Prime Focus Luxembourg S.a.r.l.	Luxembourg	941,428,600	(21,376)	1,884,878,826	1,884,878,826	-	-	(2,466,411)	115,773	(2,582,184)	
Prime Focus 3D Cooperatief U.A.	Netherlands	1,884,449,747	(3,239,449)	1,884,623,629	1,884,623,629	-	-	(3,234,809)	-	(3,234,809)	



Name Of The Subsidiary Company	Country of Registration	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary	Turnover	Profit before taxation	Provision for Taxation	Profit after taxation	Proposed Dividend
Prime Focus Technologies Private Limited	India	170,100,000	152,994,314	1,111,610,459	1,111,610,459	-	661,762,245	154,987,384	52,555,466	102,431,919	
Prime Focus Technologies UK Limited	U.K.	1	(15,871,471)	94,312,822	94,312,822	-	149,674,730	(7,195,895)	2,820,918	(10,016,813)	
Prime Focus Technologies, INC	U.S.A.	54	-	54	54	-	-	-	-	-	
Prime Focus Visual Effects Private Limited <sup>1</sup>	India	100,000	(33,023)	90,400	90,400	-	-	(1,700)	-	(1,700)	
Prime Focus Motion Pictures Limited	India	500,000	(10,515)	748,678,224	748,678,224	-	-	-	-	-	
GVS Software Private Limited	India	100,000	(10,515)	100,000	100,000	-	-	-	-	-	
Prime Focus 3D India Private Limited	India	500,000	-	500,000	500,000	-	-	-	-	-	
Prime Focus World Creative Services Private Limited <sup>2</sup>	India	100,000	-	100,000	100,000	-	-	-	-	-	

Exchange Rate: 1£ = ₹ 82.5614  
1\$ = ₹ 54.355

Note

\* Subsidiaries that are liquidated during the year

<sup>1</sup> formerly known as Flow Post Solutions Private Limited

<sup>2</sup> formerly known as Prime Focus Post Production Private Limited

<sup>3</sup> formerly known as Meanwhile Content Limited



# Auditor's Report

To,

The Board of Directors of Prime Focus Limited

1. We have audited the accompanying consolidated financial statements of Prime Focus Limited ("the Company") and its subsidiaries (collectively known as "the Group"), which comprise the consolidated Balance Sheet as at March 31, 2013, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

2. The Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

3. We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of ₹ 8,348,886,521 as at March 31, 2013, the total revenue of ₹ 6,922,643,308 and cash flows amounting to ₹ 217,152,770 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. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

7. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
  - (ii) in the case of the consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and
  - (iii) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

## For MZSK & Associates

Chartered Accountants

Firm Registration no. 105047w

Abuali Darukhanawala

Partner

Membership No.108053

Mumbai

May 30, 2013



## Consolidated Balance Sheet

in ₹

	Notes	As at March 31, 2013	As at March 31, 2012
<b>Equity and Liabilities</b>			
<b>Shareholders' funds</b>			
Share Capital	3	185,417,436	138,867,446
Reserves and Surplus	4	5,358,231,403	4,689,635,692
Money received against share warrants		-	138,695,000
		<b>5,543,648,839</b>	<b>4,967,198,138</b>
<b>Non-current liabilities</b>			
Long-term borrowings	5	3,306,359,667	1,233,666,835
Deferred tax liability (net)	6	-	267,653,186
Minority interest		641,092,484	450,583,502
Other long-term liabilities	7	177,327,934	43,224,000
Long-term provisions	8	12,522,480	6,916,918
		<b>4,137,302,565</b>	<b>2,002,044,441</b>
<b>Current liabilities</b>			
Short-term borrowings	9	2,994,596,483	1,498,778,508
Trade payables		609,532,315	1,474,165,562
Other current liabilities	10	1,750,115,393	3,333,066,392
Short-term provisions	8	1,322,565	1,238,710
		<b>5,355,566,756</b>	<b>6,307,249,172</b>
<b>TOTAL</b>		<b>15,036,518,160</b>	<b>13,276,491,751</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	11	5,512,397,139	5,444,387,529
Intangible assets	12	3,104,749,143	3,059,176,052
Capital work-in-progress		206,426,442	21,410,782
Intangible assets under development		63,411,475	34,609,918
Non-current investments	13	103,500	103,500
Deferred tax assets (net)	6	470,649,622	-
Long-term loans and advances	16	801,515,035	361,537,540
Other non-current assets	18	169,068,848	219,861,103
		<b>10,328,321,204</b>	<b>9,141,086,424</b>
<b>Current assets</b>			
Current investments	14	650,171	812,565
Inventories		4,487,031	6,191,146
Trade receivables	15	2,548,668,643	2,936,373,415
Cash and bank balances	17	491,201,203	313,704,187
Short-term loans and advances	16	631,165,059	427,349,369
Other current assets	18	1,032,024,849	450,974,645
		<b>4,708,196,956</b>	<b>4,135,405,327</b>
<b>TOTAL</b>		<b>15,036,518,160</b>	<b>13,276,491,751</b>
Notes to accounts	1-34		

As per our report of even date

**For MZSK & Associates**

Chartered Accountants

Firm Registration No.: 105047w

**Abuali Darukhanawala**

Partner

Membership No.108053

Mumbai

May 30, 2013

**For and on behalf of the Board of Directors****Naresh Malhotra**

Chairman and Whole-time Director

**Rivkaran Chadha**

Director

**Navin Agarwal**

Company Secretary





## Consolidated Profit and Loss Account

in ₹

	Notes	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>Income</b>			
Revenue from operations - sale of services		7,621,625,233	7,719,133,416
Other income	19	174,118,985	201,536,568
		<b>7,795,744,218</b>	<b>7,920,669,984</b>
<b>Expenses</b>			
Employee benefits expenses	20	3,083,979,177	1,692,282,948
Technician fees		765,571,051	1,935,789,932
Other expenses	21	2,019,173,706	1,876,697,181
Finance costs	22	418,251,347	347,608,970
Depreciation and amortization expenses	11 & 12	998,856,505	711,410,551
		<b>7,285,831,786</b>	<b>6,563,789,582</b>
<b>Profit before exceptional items and tax</b>		<b>509,912,432</b>	<b>1,356,880,402</b>
Exceptional Items	23	1,076,564,961	28,878,140
<b>(Loss)/ profit before tax</b>		<b>(566,652,529)</b>	<b>1,328,002,262</b>
<b>Tax expense</b>			
Current tax		(65,376,761)	255,778,835
Excess provision of taxes in respect of previous years		(58,772,062)	-
Less : Minmum alternative tax credit entitlement		(1,808,254)	(27,153,745)
		<b>(125,957,077)</b>	<b>228,625,090</b>
Deferred tax		(272,222,063)	71,372,172
		<b>(398,179,140)</b>	<b>299,997,262</b>
<b>(Loss) / profit after tax (before adjustment of minority interest)</b>		<b>(168,473,389)</b>	<b>1,028,005,000</b>
Less: Minority interest		34,636,360	35,469,834
<b>(Loss)/ profit for the year</b>		<b>(203,109,749)</b>	<b>992,535,166</b>
<b>Earnings per equity share of face value of ₹ 1 each (before exceptional items)</b>	24		
Basic		3.21	7.15
Diluted		3.21	5.89
<b>Earnings per equity share of face value of ₹ 1 each (after exceptional items)</b>	24		
Basic		(1.24)	7.15
Diluted		(1.24)	5.89
Notes to accounts	1-34		

As per our report of even date

**For MZSK & Associates**

Chartered Accountants

Firm Registration No.: 105047w

**Abuali Darukhanawala**

Partner

Membership No.108053

Place : Mumbai

Date : May 30, 2013

**For and on behalf of the Board of Directors****Naresh Malhotra**

Chairman and Whole-time Director

**Rivkaran Chadha**

Director

**Navin Agarwal**

Company Secretary



## Consolidated Cash Flow Statement

in ₹

	Notes	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>Cash flow from operating activities</b>			
(Loss)/ profit before tax		(566,652,529)	1,328,002,262
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization		998,856,505	711,410,551
(Profit)/ loss on sale of fixed assets		9,256,178	68,311,719
(Profit)/ loss on sale of Investments		(1,521,937)	-
Unrealized foreign exchange (gain)/loss (net)		3,728,557	(96,549,563)
Foreign exchange loss on repayment of FCCB		822,781,300	-
Bad debts written off		184,739,615	80,136,273
Provision for doubtful debts		209,514,177	-
Sundry balances written back		2,820,995	(20,538,916)
Interest income		(45,435,010)	(17,668,409)
Dividend income		(12,000)	(12,300)
Interest expense		418,251,347	347,608,970
Operating profit before working capital changes		<b>2,036,327,198</b>	<b>2,400,700,587</b>
Movements in working capital			
Increase/(decrease) in liabilities		(1,459,498,177)	790,803,278
Decrease / (increase) in assets		(282,394,578)	(1,449,726,106)
Cash generated from operations		<b>294,434,443</b>	<b>1,741,777,759</b>
Direct taxes paid (net of refunds)		(119,947,610)	(77,311,459)
<b>Net cash flow from operating activities (A)</b>		<b>174,486,833</b>	<b>1,664,466,300</b>
<b>Cash flow from investing activities</b>			
Purchase of fixed assets		(1,508,088,439)	(1,875,503,862)
Proceeds from sale of fixed assets		173,263,829	87,187,272
Proceeds from sale/ maturity of current investments		1,935,504	-
Proceeds from sale of non-current investments		-	1,526,573
Purchase of investment in subsidiaries		-	(47,292,998)
Inter-corporate deposits given		(12,223,657)	(1,000,000)
Inter-corporate deposits received back		-	27,020,854
Margin money and fixed deposits under lien		(29,904,882)	20,650,144
Interest received		54,643,123	32,559,046
Dividends received		12,000	12,300
<b>Net cash flow used in investing activities (B)</b>		<b>(1,320,362,522)</b>	<b>(1,754,840,671)</b>



## Consolidated Cash Flow Statement

		in ₹	
	Notes	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>Cash flow from financing activities</b>			
Proceeds from long term borrowings		2,696,310,161	723,976,022
Repayment of long term borrowings		(4,805,862,504)	(554,178,907)
Proceeds from short term borrowings (net)		1,467,038,908	345,909,974
Proceeds from issuance of shares (net of expenses)		2,824,806,811	2,131,341
Interest paid		(488,773,798)	(402,552,189)
<b>Net Cash from financing activities (C)</b>		<b>1,693,519,578</b>	<b>115,286,241</b>
<b>Effect of exchange on cash and cash equivalents (D)</b>		<b>(370,146,873)</b>	<b>110,127,198</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C+D)</b>		<b>177,497,016</b>	<b>135,039,068</b>
Cash and cash equivalents at the beginning of the year		313,704,187	178,665,119
<b>Cash and cash equivalents at the end of the year</b>	<b>17</b>	<b>491,201,203</b>	<b>313,704,187</b>
<b>Components of cash and cash equivalents</b>			
Cash on hand		4,813,968	2,029,238
Balances with banks:			
On current accounts		480,207,229	291,064,949
On deposit accounts		6,180,006	20,610,000
<b>Total cash and cash equivalents</b>	<b>17</b>	<b>491,201,203</b>	<b>313,704,187</b>
Notes to accounts	<b>1 - 34</b>		

As per our report of even date

**For MZSK & Associates**

Chartered Accountants

Firm Registration No.: 105047w

**Abuali Darukhanawala**

Partner

Membership No.108053

Mumbai

May 30, 2013

**For and on behalf of the Board of Directors**

**Naresh Malhotra**

Chairman and Whole-time Director

**Rivkaran Chadha**

Director

**Navin Agarwal**

Company Secretary



## Significant Accounting Policies and Notes to Accounts

### 1. Corporate information

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

### 2. Statement of significant accounting policies:

#### a. Basis of preparation

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

#### 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 AS 21, 'Consolidated Financial Statements' and AS 23, 'Accounting for Investments in Associates in Consolidated Financial Statements', notified by Companies (Accounting Standards) Rules, 2006 (as amended).

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

- i) The financial statements of the parent and the subsidiaries have been combined on a line-by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting profits in full. An unrealized loss resulting from intra-group transactions has also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the Group.
- ii) The assets and liabilities of non-integral subsidiaries are translated into Indian Rupees at the rate of exchange prevailing as of the balance sheet date. Revenue and expenses are translated into Indian Rupees at an average rate.
- iii) The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent for its separate financial statements. However, as these financial statements are not statutory financial statements, full compliance with the Act are not required and hence these financial statements do not reflect all the disclosure requirements of the Act.
- iv) The consolidated financial statements are prepared using uniform accounting policies to the extent practicable across the Group. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by Group, except in case of the accounting policies mentioned below, where there exists variance between Parent and the subsidiaries:
  - a. Fixed Assets
  - b. Depreciation
  - c. Foreign Currency Translation
  - d. Current Investments
  - e. Goodwill on consolidation
  - f. Intangible Assets
  - g. Revenue Recognition
- v) Goodwill arising on consolidation

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

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

Goodwill on consolidation of PF London Group and PFW Group is ₹ 34,396,647 (Previous year ₹ 42,955,950) and ₹ 1,095,030,051 (Previous year ₹ 1,027,692,104), respectively.

Goodwill arising on consolidation is evaluated for impairment annually.


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

Name of Subsidiary	Principal Activity	Country of Incorporation	Percentage of Holding
Prime Focus London Plc.	Post Production and VFX services	England & Wales	64.98%
Prime Focus International Limited	Media and other Investments	England & Wales	100%
Prime Focus Technologies Pvt. Limited	Digital Asset Management	India	75.50%
Prime Focus Visual Effects Private Limited (earlier known as Flow Post Solutions Private Limited)	Dormant	India	100%
GVS Software Pvt. Limited	Dormant	India	100%
Prime Focus Motion Pictures Limited	Dormant	India	100%
Prime Focus World Creative Services Private Limited (earlier known as Prime Focus Post Production Private Limited)	Dormant	India	100%
PF World Limited	Investments	Mauritius	100%
PF Investments Limited	Investments	Mauritius	100%
Prime Focus 3D India Private Limited	Dormant	India	100%
<b>Subsidiary undertakings of Prime Focus London Plc.</b>			
Prime Focus Visual Entertainment Services Limited	Broadcast Post Production	England & Wales	100%
VTR Media Investments Limited	Media Investments	England & Wales	100%
PF Film UK Limited	Dormant	England & Wales	100%
Busy Buses Limited	Dormant	England & Wales	100%
PF Broadcast & Commercial Limited	Post Production Services	England & Wales	100%
Clipstream Limited	Digital Content Management	England & Wales	100%
Prime Focus Broadcast Limited	Post Production Services	England & Wales	100%
<b>Subsidiary undertakings of VTR Media Investments Limited</b>			
Amazing Spectacles Limited	Post Production Service	England & Wales	100%
Prime Focus MW Limited (earlier known as Meanwhile Content Limited)	Post Production of Television Commercials	England & Wales	100%
Prime Focus Productions 1 Limited	Dormant	England & Wales	100%
<b>PF Television VFX Limited</b>			
PF Broadcast VFX Limited	Dormant	England & Wales	100%
Prime Focus Productions 5 Limited	Dormant	England & Wales	100%
DMJM Film Limited	Dormant	England & Wales	100%
<b>Subsidiary undertaking of PF World Limited</b>			
Prime Focus Luxembourg S.a.r.l	Investments	Luxemborg	100%
<b>Subsidiary undertaking of Prime Focus Luxembourg S.a.r.l</b>			
Prime Focus 3D Cooperatief U.A	Investments	Netherlands	100%
<b>Subsidiary undertaking of Prime Focus 3D Cooperatief U.A.</b>			
Prime Focus World N.V.	Investments	Netherlands	100%
<b>Subsidiary undertakings of Prime Focus World N.V.</b>			
Prime Focus Creative Services Canada Inc	Post Production and VFX Services	Canada	100%
Prime Focus VFX Australia Pty Limited	Dormant	Australia	100%
Prime Focus VFX USA Inc	Dormant	USA	100%
Prime Focus North America Inc	Post Production and VFX Services	USA	100%
Prime Focus International Services UK Limited	Post Production and VFX Services	England & Wales	100%
Lifestyles Interseas Limited	Post Production and VFX Services	British Virgin Island	100%
<b>Subsidiary undertakings of Prime Focus North America Inc.</b>			
1800 Vine Street LLC	NA	USA	100%
<b>Subsidiary undertakings of Prime Focus Technologies Private Limited</b>			
Prime Focus Technologies UK Limited	Digital Asset Management	England & Wales	100%
Prime Focus Technologies, Inc.	Digital Asset Management	USA	100%



### c. Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Accounting estimates could change from period to period. Actual results could differ from these estimates. Appropriate changes in estimates are made as the management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the consolidated financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the consolidated financial statements.

### d. Tangible fixed assets

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

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

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

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

### e. Depreciation

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

Asset Group	Rates (SLM)	Schedule XIV Rates (SLM)
Building	1.63% - 2.50%	1.63%
Plant & Machinery - Computer Based Assets	16.21%-33.33%	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%-20.00%	9.50%

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

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

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

Gross book value of assets of Prime Focus London Group is ₹ 2,336,363,065 (previous year ₹ 2,420,524,763). Net book value of assets of Prime Focus London Group is ₹ 1,097,083,077 (previous year ₹ 1,354,624,086) and depreciation charge for the year is ₹ 177,557,310 (previous year ₹ 134,618,520)

### f. Intangible assets

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

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

The Company is amortizing the intangible asset pertaining to the 2D to 3D conversion business over 20 years as the Company believes the benefits from this intangible asset will accrue over 20 years.

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

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

Value of films rights of PF London Group is ₹ 119,053,539 (Previous Year ₹ 114,734,274)

#### Software

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

#### Acquired intangible assets

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

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

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

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

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

#### Research and development costs

Research costs are expensed as incurred. Development costs are expensed as incurred unless, technical and commercial feasibility of the project together with availability of required resource the intent to complete the project and ability to use or sell the asset, can be demonstrated. Additionally, the assets should be able to generate probable future economic benefit and cost thereof should be measured reliably.

#### g. Impairment

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

#### h. Borrowing costs

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

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

#### i. Leases

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

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

#### j. Inventory

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

#### k. Investments

Investments that are readily realizable 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.



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 recognized in fair value reserve is included in the profit and loss account.

Value of current Investments of PF London Group is ₹ 650,171 (Previous Year ₹ 398,998)

#### **l. Revenue Recognition**

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

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

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

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

Revenue on time-and-material contracts are recognized as the related services are performed and the revenues from the end of the last billing to the balance sheet date are recognized as unbilled revenues. Revenue for service provided under fixed price contracts, where the outcome can be estimated reliably, is recognized following the percentage of completion method, where revenue is recognized in proportion to the progress of the contract activity. The progress of the contract activity is usually determined as a proportion of hours spent up to the balance sheet date, which bears to the total hours estimated for the contract. If losses are expected on contracts these are recognized when such losses become evident.

Unbilled revenue is included as accrued income within other current assets and billing in advance of revenue being recognized is included as deferred revenue in other current liabilities.

- (b) Others

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.

#### **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 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**

From accounting periods commencing on or after December 7, 2006, the Company accounts for exchange differences arising on translation / settlement of foreign currency monetary items as below:

1. Exchange differences arising on long-term foreign currency monetary items relating to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset.
2. Exchange differences on other long-term foreign currency monetary items are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized over the remaining life of the concerned monetary items.
3. All other exchange differences are recognized as income or as expenses in the periods in which they arise.

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



**n. Income taxes**

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are 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 realized. 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 realized 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 realized.

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 realized. 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 the Company will pay normal Income Tax during the specified period.

**o. Earnings per share**

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

**p. Provisions, contingent liabilities and contingent assets**

A provision is recognized if, as a result of past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined based on best estimate of the outflow of economic benefits required to settle the obligation at the balance sheet date. Where no reliable estimate can be made, a disclosure is made as a contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible or present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognized nor disclosed.

**q. Cash and cash equivalents**

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

**r. Retirement and other employee benefits**

Post-employment benefits and other long term benefits:

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

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. Actuarial gains and losses are recognized in full in the period in which they occur in the statement of profit and loss.



## 3. Share capital

in ₹

	As at March 31, 2013	As at March 31, 2012
<b>Authorised shares:</b>		
250,000,000 Shares of ₹1 each (Previous year 200,000,000 Shares of ₹1 each)	250,000,000	200,000,000
<b>Issued, subscribed and paid-Up:</b>		
185,417,436 Shares of ₹1 each (Previous year 138,867,446 Shares of ₹1 each)	185,417,436	138,867,446
	<b>185,417,436</b>	<b>138,867,446</b>

## a. Reconciliation of the shares outstanding at the beginning and at the end of the year:

	As at March 31, 2013		As at March 31, 2012	
	No.	Amount	No.	Amount
At the beginning of the period	138,867,446	138,867,446	138,867,446	138,867,446
Issued during the year	46,549,990	46,549,990	-	-
<b>At the end of the period</b>	<b>185,417,436</b>	<b>138,867,446</b>	<b>138,867,446</b>	<b>138,867,446</b>

## b. Rights, preferences and restrictions attached to shares

The Company has one class of equity shares having a par value of ₹1 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all liabilities, in proportion to their shareholding.

## c. Issue of equity shares to promoter

Pursuant to the Board approval dated August 27, 2010 and shareholder's approval dated September 30, 2010, the Company had 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 was 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 had 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. As per the entitlement, warrant holder applied for and was allotted 10,000,000 equity shares of ₹1 each of the Company on April 13, 2012.

## d. Issue of equity shares to investor

On November 05, 2012 the Company and promoters entered into a Share Subscription and Shareholders agreement with Standard Chartered Private Equity (Mauritius) III Limited ("Investor") and has issued and allotted 36,549,990 equity shares at a price of ₹51.75 per share on preferential basis to Investor pursuant to the agreement. The shares were issued as fully paid-up and free from all encumbrances but shall be locked in for a period of one year as per applicable laws. The Investor shall be entitled to nominate (without the need to hold qualification shares), one non-retiring director ("Investor Director") to the Board (as well as all the committees formed under it) of the Company. The Investor will be entitled to nominate an Alternate Director to the Investor Director so appointed.

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

	As at March 31, 2013 No.	As at March 31, 2012 No.
Equity shares allotted as fully paid up pursuant to scheme of arrangement for consideration other than cash (after giving effect of share split)	36,000,000	36,000,000

## f. Details of shareholders holding more than 5% shares in the Company

	As at March 31, 2013		As at March 31, 2012	
	No.	% holding	No.	% holding
Naresh Malhotra	58,387,712	31.49	55,250,000	39.79
Standard Chartered Private Equity (Mauritius) III Limited	36,549,990	19.71	-	-
Namit Malhotra	17,400,000	9.38	12,400,000	8.93
Top Class Capital Markets Private Limited	8,337,408	4.50	8,457,408	6.09



## 4. Reserves and surplus

in ₹

	As at March 31, 2013	As at March 31, 2012
<b>Securities premium reserve</b>		
Balance at the beginning of the year	1,661,970,954	1,661,970,954
Add : Premium on issue of equity shares	2,846,132,321	-
Less : Expenses on issue of equity shares / debentures	(60,885,948)	-
Less : Premium on redemption of bonds/ debentures (net of tax)	(949,155,808)	-
	<b>3,498,061,519</b>	<b>1,661,970,954</b>
<b>General reserve</b>		
Balance at the beginning of the year	13,400,000	13,400,000
	<b>13,400,000</b>	<b>13,400,000</b>
<b>Surplus in the statement of profit and loss</b>		
Balance as per last financial statements	2,838,590,473	1,846,055,307
Add: (Loss)/ Profit for the year	(203,109,749)	992,535,166
Less: Minority share	(63,027,500)	-
	<b>2,572,453,224</b>	<b>2,838,590,473</b>
<b>Fair value reserve</b>	<b>(1,155,860)</b>	<b>(1,382,243)</b>
<b>Foreign currency translation reserve</b>	<b>(724,527,480)</b>	<b>177,056,508</b>
<b>Total reserves and surplus</b>	<b>5,358,231,403</b>	<b>4,689,635,692</b>

## 5. Long-term borrowings

in ₹

	Non-current portion		Current maturities	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>Bonds (unsecured)</b>				
Zero coupon foreign currency convertible bonds (FCCB)	-	-	-	2,162,696,800
<b>Debentures (unsecured)</b>				
Non-convertible debentures - series A	1,010,000,000	-	-	-
Non-convertible debentures - series B	891,000,000	-	-	-
<b>Term loans (secured)</b>				
from banks	1,052,495,925	664,938,187	179,773,225	107,664,837
from financial institutions	20,193,609	100,000,000	303,451,137	200,000,000
<b>Other loans and advances (secured)</b>				
Finance lease obligations	155,631,284	189,753,060	88,458,000	149,937,205
Foreign currency loans - buyers credit	177,038,849	278,975,588	193,258,133	43,851,837
	<b>3,306,359,667</b>	<b>1,233,666,835</b>	<b>764,940,495</b>	<b>2,664,150,679</b>
<b>The above amount includes</b>				
Secured borrowings	1,405,359,667	1,233,666,835	764,940,495	501,453,879
Unsecured borrowings	1,901,000,000	-	-	2,162,696,800
Amount disclosed under the head "other current liabilities" (note 10)	-	-	(764,940,495)	(2,664,150,679)
	<b>3,306,359,667</b>	<b>1,233,666,835</b>	<b>-</b>	<b>-</b>

- a. During the year, the Company redeemed the zero coupon foreign currency convertible bonds aggregating \$ 55 million (₹ 2,985,478,100) on December 13, 2012 with a resultant foreign exchange revaluation loss of ₹ 822,781,300, which has been disclosed as an exceptional item in the statement of profit and loss. Further, the Company also paid for the premium on redemption of \$ 24 million (₹ 1,302,564,095), which has been reduced from the balance in securities premium reserve (net of taxes).
- b. On November 05, 2012 the Company issued 1,901 Zero Coupon Unsecured Redeemable Non-Convertible Debentures (NCDs) of ₹ 1,000,000 each, of the aggregate nominal value of ₹ 1,901,000,000 to Standard Chartered Private Equity (Mauritius) Limited. The Debentures were issued in two series being the Series A NCDs and the Series B NCDs. The Series A NCDs comprised of 1,010 Debentures aggregating to ₹ 1,010,000,000 redeemable after 5 years and the Series B NCDs comprised of 891 Debentures aggregating to ₹ 891,000,000 redeemable after 6 years.



The amounts payable on redemption on Debentures are as follows:

- i. With respect to the Series A NCDs, an amount equal to 188.17% of the Principal amount of Series A NCDs.
- ii. With respect to the Series B NCDs, an amount equal to 213.41% of the Principal amount of Series B NCDs

In the event that either the Company or the Debenture Holders are desirous of redeeming the Debentures prior to its scheduled maturity other than upon the occurrence of an Event of Default, the Company and the Debenture Holders shall mutually agree on the amounts payable to the Debenture Holders upon such early redemption and the other terms of such redemption.

- c. On November 6, 2012, the Company entered into a term loan agreement with a bank to borrow ₹ 495,000,000 to fund the redemption of FCCB at an interest rate of base rate + margin (as may be agreed with the bank from time to time) for a tenor up to a maximum of 4 years. The base rate and margin were 14.75% during the year. The term loan is to be repaid in 45 monthly installments starting from the end of 4<sup>th</sup> month from the date of disbursement. The term loan is secured by a specific charge on immovable assets of the company, personal guarantees of the promoters and pledge of shares of the company held by the promoter.
- d. In May 2008, the Company entered into a term loan agreement with a bank to borrow ₹ 200,000,000 at an interest rate of 14.50% to 14.75% to refinance capital expenditure incurred by the Company. The loan is repayable by way of sixty installments starting from the month following the month of first disbursement of term loan. In July 2011, the Company entered into a term loan agreement with the same bank to borrow ₹ 90,000,000 at an interest rate of 13.75% to refinance capital expenditure incurred by the Company during fiscal year 2011. The loan was repayable by way of ten monthly installments of ₹ 5,000,000 and five monthly installments of ₹ 8,000,000. The loan was secured by way of mortgage of building of the Company, subservient charges on all existing and future receivables and moveable fixed assets of the Company. Further, the loan had been guaranteed by the personal guarantees and pledge of shares of the Company by promoter directors of the Company. As at March 31, 2012, ₹ 53,734,670 was outstanding and was included in current maturities of long-term borrowings. The term loan was repaid during the year.
- e. In September 2008, the Company entered into a term loan agreement with a bank to borrow ₹ 350,000,000 at an interest rate of 12.50% per annum or prime lending rate + 2.50%, whichever is higher. The loan was repayable in 84 equal monthly installments of ₹ 4,170,000 effective one month after disbursement. The loan was secured by first charge on the project assets along with mortgage of office premises financed. Further, the loan had been guaranteed by the personal guarantee of a promoter director of the Company. As at March 31, 2012, ₹ 206,213,809 was outstanding, of which ₹ 47,087,220 was included in current maturities of long-term borrowings and balance of ₹ 159,126,589 was included in long-term borrowings. The term loan was repaid during the year.
- f. In May 2011, the Company entered into an agreement with a financial institution to borrow ₹ 100,000,000 for a term of one year at an interest rate of 14.50% per annum. Interest rate was fixed for six months and can be reset after six months. A promoter director of the Company has pledged shares of the Company as security. As at March 31, 2012, ₹ 100,000,000 was outstanding and was included in current maturities of long-term borrowings. The loan was repaid during the year.
- g. In May 2011, the Company entered into an agreement with a financial institution to borrow ₹ 100,000,000 at an interest rate of 13.50% for general corporate purposes which includes working capital and advance payment for capital expenditure. The loan is repayable after twenty-four months with a put/ call option at the end of twelve months and every six months thereafter. A promoter director of the Company has pledged shares of the Company as security. As at March 31, 2013 and 2012, ₹ 100,000,000 was outstanding and is included in current maturities of long-term borrowings and long-term borrowings, respectively.
- h. Term loans from bank include ₹ 204,994,761 taken by Prime Focus Technologies Private Limited, which are secured by first and exclusive charge on all existing and future current assets and existing and future movable fixed asset except for fixed assets financed through equipment loan/lease, extension of mortgage property owned by a related party at Khar Mumbai, pledge of parent company shares held by the promoter, corporate guarantee issued by the parent company and personal guarantees of promoters. Loan is repayable in 42 equal monthly installments beginning after a moratorium of 6 months from the date of disbursement with an interest rate of 13.90% p.a. As at March 31, 2013, ₹ 47,773,225 was included in current maturities of long-term borrowings and balance of ₹ 157,221,536 was included in long-term borrowings.
- i. Term loans from banks include ₹ 532,274,390 (Previous year: ₹ 512,654,545) for a mortgage taken by PFW Group which is collateralized by the land and buildings of the PFW Group. Out of the outstanding balance as at March 31, 2012, ₹ 532,274,390 (Previous year: ₹ 505,811,598) is included in long-term borrowings in the balance sheet and ₹ Nil (Previous year: ₹ 6,842,947) is included in current maturities of long-term borrowings. Interest is charged on this mortgage at a fixed rate of 7.1 percent. From July 1, 2013 the interest rate on the mortgage will be reset to 3.8% for a 5 year period. The mortgage expires on July 1, 2018.
- j. In 2011, Prime Focus London group entered into a demand loan agreement with a bank with a sanctioned limit of \$ 3.08 million on with an interest rate of libor+3% against stand by letter of credit issued by the Company's banker. As at March 31, 2013, ₹ 162,381,723 (€ 1,966,800) is included in current maturities of long-term borrowings (Previous year: ₹ 161,115,120 (€ 1,978,616) was included in short-term demand loan).



## k. Lease obligations towards assets acquired under finance leases:

in ₹

	Total minimum lease payments outstanding		Future Interest on outstanding lease payments		Present Value of minimum lease payments	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
With in one year	113,211,834	188,427,285	24,754,030	38,490,020	88,457,803	149,937,265
Later than one year and not later five years	179,881,524	222,747,602	24,250,043	32,994,602	155,631,480	189,753,000
Later than five years	-	-	-	-	-	-
	<b>293,093,358</b>	<b>411,174,887</b>	<b>49,004,073</b>	<b>71,484,622</b>	<b>244,089,283</b>	<b>339,690,265</b>

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

Finance lease obligations of PF London of ₹ 20,193,609 (€ 244,589) (non-current finance lease obligations) and ₹ 41,069,414 (€ 497,441) (current finance lease obligations) have been included in term loans from financial institutions.

## l. Foreign currency loans

Buyer's credit are secured by paripassu charge on the immoveable assets of the Company, both present and future (except building in Royal Palms, Goregaon, Mumbai), paripassu charge on the Company's current assets both present and future and personal guarantees of the promoter director.

Subsidiary of the Company, Prime Focus Technologies Private Limited, the buyer's credit are secured against margin monies -fixed deposits pledged. Interest rate ranges from 10% to 15% p.a. with maturity profile of 2 to 3 years.

## 6. Deferred tax (assets)/ liability (net)

in ₹

	As at March 31, 2013	As at March 31, 2012
<b>Deferred tax liability</b>		
Difference between tax and books written down values of fixed assets	306,914,879	269,810,001
	<b>306,914,879</b>	<b>269,810,001</b>
<b>Deferred tax assets</b>		
Unabsorbed depreciation	119,523,375	-
Unabsorbed loss carried forward	583,742,392	-
Provision for doubtful debts	78,920	-
Provision for bonus	1,829,834	-
Provision for gratuity	72,389,980	2,156,815
	<b>777,564,501</b>	<b>2,156,815</b>
	<b>(470,649,622)</b>	<b>267,653,186</b>

## 7. Other long-term liabilities

in ₹

	As at March 31, 2013	As at March 31, 2012
Security deposits	10,880,100	43,224,000
Interest accrued but not due on NCDs	102,447,834	-
Deposits received from customers	64,000,000	-
	<b>177,327,934</b>	<b>43,224,000</b>



## 8. Provisions

in ₹

	Long-term		Short-term	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>Provision for employee benefits</b>				
Provision for gratuity (Refer note 25)	12,522,480	6,916,918	1,322,565	1,238,710
	<b>12,522,480</b>	<b>6,916,918</b>	<b>1,322,565</b>	<b>1,238,710</b>

## 9. Short-term borrowings

in ₹

	As at March 31, 2013	As at March 31, 2012
Cash credit/ overdraft	888,579,231	1,087,663,411
Short-term demand loan	2,106,017,252	411,115,097
	<b>2,994,596,483</b>	<b>1,498,778,508</b>
<b>The above amount includes</b>		
Secured borrowings	<b>2,994,596,483</b>	<b>1,498,778,508</b>

- In February 2011, the Company entered into an agreement for a working capital demand loan of ₹ 250,000,000 from a bank. In October 2012, the loan was renewed for a term of six months. The short-term demand loan is secured by first pari passu charge on the Company's current assets both present and future, personal guarantees and pledge of shares by the promoter director. As at March 31, 2013 and 2012, ₹ 250,000,000 is outstanding and is included in short-term borrowings.
- In February 2012, the Company entered into an agreement with a financial institution to borrow ₹ 100,000,000 at an interest rate of 14.50% per annum for a term of nine months. A promoter of the Company has pledged shares of the Company as security. Further, the loan has been guaranteed by the personal guarantee of a promoter director of the Company. As at March 31, 2012, ₹ 100,000,000 was outstanding and is included in short-term borrowings. The loan was repaid during the year.
- On September 6, 2012, the Company borrowed ₹ 10,000,000 from a financial institution for working capital at an interest rate of 17% per annum for a term of 6 months from the date of disbursement. A promoter of the Company has pledged shares of the Company as security. Further, the loan has been guaranteed by the personal guarantee of promoters of the Company. As at March 31, 2013, ₹ 10,000,000 was outstanding and is included in short-term borrowings.
- On September 11, 2012, the Company borrowed ₹ 20,000,000 from a financial institution for working capital at an interest rate of 15% per annum for a term of 12 months from the date of disbursement. A promoter of the Company has pledged shares of the Company as security. Further, the loan has been guaranteed by the personal guarantee of promoters of the Company. As at March 31, 2013, ₹ 20,000,000 was outstanding and is included in short-term borrowings.
- On October 15, 2012, the Company borrowed ₹ 50,000,000 from a financial institution for working capital at an interest rate of 17% per annum for a term of 6 months from the date of disbursement. A promoter of the Company has pledged shares of the Company as security. Further, the loan has been guaranteed by the personal guarantee of promoters of the Company. As at March 31, 2013, ₹ 50,000,000 was outstanding and is included in short-term borrowings.
- On October 25, 2012, the Company borrowed ₹ 20,000,000 from a financial institution for working capital at an interest rate of 18% per annum for a term of 6 months from the date of disbursement. A promoter of the Company has pledged shares of the Company as security. Further, the loan has been guaranteed by the personal guarantee of promoters of the Company. As at March 31, 2013, ₹ 20,000,000 was outstanding and is included in short-term borrowings.
- On July 26, 2012, the Company borrowed ₹ 100,000,000 from a financial institution for working capital at an interest rate of 17% per annum for a term of 12 months from the date of disbursement. A promoter of the Company has pledged shares of the Company as security. Further, the loan has been guaranteed by the personal guarantee of promoters of the Company. As at March 31, 2013, ₹ 100,000,000 was outstanding and is included in short-term borrowings.



- h. On November 6, 2012, the Company entered in to an agreement for pre-shipment financing under export orders ("Facility") of ₹ 385,000,000 for funding against confirmed orders up to 100% of export sales. The interest rate for the facility drawn in Indian rupees is base rate plus margin and for facility drawn in currency other than Indian rupees is LIBOR plus margin. There are sub-limits under the facility for financial guarantees / standby letter of credit for payment for payment undertaking for buyer's credit, pre-shipment financing under export letter of credit, export bills discounting, export invoice financing, import invoice financing, overdraft, short-term loans and bonds/ guarantees. The Facility is secured by first pari-passu charge on stock and book debts of the company, personal guarantee of the promoters, first pari-passu charge on movable fixed assets of the company, first pari-passu charge on immovable fixed assets located at Royal Palms-Mastermind, Goregoan, Mumbai and Raghuvanshi Mills, Mumbai and pledge of shares of the Company. As at March 31, 2013, ₹353,072,559 is outstanding under the Facility, of which ₹175,000,000 is included in short-term demand loans and the balance of ₹178,072,559 is included in cash credit / overdraft.
- i. Cash credits/ overdraft from other banks are secured against first paripassu charge on the Company's current assets both present and future, personal guarantees and pledge of shares by the promoter director. The cash credit is repayable on demand and carries interest at the rate of 3% to 3.5% per annum. As at March 31, 2013 and 2012, the cash credits/ overdraft outstanding to other banks were ₹168,426,795 and ₹296,357,939, respectively.
- j. On January 31, 2013, the Company borrowed ₹150,000,000 from a financial institution for working capital at an interest rate of 16% per annum for a term of 12 months from the date of disbursement. A promoter of the Company has pledged shares of the Company held as promoter holding as collateral security. Further, the loan has been guaranteed by the personal guarantee of promoters of the Company. As at March 31, 2013, ₹150,000,000 was outstanding and is included in short-term borrowings.
- k. Prime Focus Technologies Private Limited has availed a cash credit from bank, which is secured by first and exclusive charge on all existing and future current assets and all existing and future movable fixed assets except financed through equipment loan/lease. The loans are further secured by corporate guarantee issued by parent company and personal guarantee of promoters. The rate of interest ranges from 13% to 15%
- l. Cash credit balance includes a revolving credit facility availed by PFW Group of ₹1,331,017,252 (\$24,487,485), with interest rate ranging from 5.2% to 7.35% per annum. All the tangible and intangible property of PFW Group are provided as collateral for the facility.
- m. Cash credit balance includes a line of credit availed from a bank by the PF London Group of ₹411,922,417 (£4,989,286) (previous year: ₹397,678,834 (£4,883,798)). The facility is repayable on demand, carries interest at LIBOR + 5% and is secured by film trade receivables of PF London Group.
- n. Cash credit balance includes a line of credit availed from a financial institution by the PF London Group of ₹74,368,309 (£900,764) (previous year: ₹112,662,222 (£1,383,578)). The facility is repayable on demand, carries an interest rate of 5% (2% over base rate) and is secured by broadcast and commercial trade receivables of PF London Group.

#### 10. Other current liabilities

	As at March 31, 2013	As at March 31, 2012
Current maturities of long-term borrowings	764,940,495	2,664,150,679
Accrued salaries and benefits	100,988,439	109,937,631
Provision for expenses	241,383,343	18,734,834
Withholding and other taxes payable	189,566,081	381,985,338
Advances received from clients	58,981,759	39,589,578
Interest accrued but not due on borrowings	8,426,048	6,474,604
Security deposits	25,274,000	-
Temporary overdrawn bank balances	789,302	545,852
Deferred revenue	254,121,725	-
Unclaimed dividends	14,835	14,835
Other payables	105,629,366	111,633,041
	<b>1,750,115,393</b>	<b>3,333,066,392</b>

Other payables include withholding taxes payable, service tax payable and employer and employee contribution to provident and other funds liability.



## 11. Tangible assets

in ₹

	Building	Plant and machinery	Furniture and fixtures	Lease Hold Improvement	Office equipments	Vehicles	Total
<b>Gross block</b>							
As at April 1, 2011	1,585,155,316	4,941,639,819	298,594,642	512,107,314	64,023,413	46,293,438	7,447,813,942
Additions	-	1,450,412,670	113,524,970	306,987,108	9,777,140	7,987,668	1,888,689,556
Deduction	-	(1,668,340,140)	(4,242,618)	(203,437,220)	-	(481,137)	(1,876,501,115)
Exchange differences	152,142,461	280,337,986	18,344,241	142,400,495	-	1,214,097	594,439,280
<b>As at March 31, 2012</b>	<b>1,737,297,777</b>	<b>5,004,050,335</b>	<b>426,221,235</b>	<b>758,057,697</b>	<b>73,800,553</b>	<b>55,014,066</b>	<b>8,054,441,663</b>
<b>Depreciation</b>							
As at April 1, 2011	38,460,755	2,424,907,968	200,970,215	329,783,577	18,886,633	16,346,683	3,029,355,831
For the year	31,284,340	492,140,165	34,148,963	50,130,619	10,467,972	5,279,179	623,451,238
Deduction	-	(1,187,232,473)	(48,719)	(158,277,100)	-	(481,115)	(1,346,039,407)
Exchange differences	5,124,193	228,458,583	(46,890,626)	117,908,581	(2,055,024)	740,765	303,286,472
<b>As at March 31, 2012</b>	<b>74,869,288</b>	<b>1,958,274,243</b>	<b>188,179,833</b>	<b>339,545,677</b>	<b>27,299,581</b>	<b>21,885,512</b>	<b>2,610,054,134</b>
<b>Net block</b>							
<b>As at March 31, 2012</b>	<b>1,662,428,489</b>	<b>3,045,776,092</b>	<b>238,041,402</b>	<b>418,512,020</b>	<b>46,500,972</b>	<b>33,128,554</b>	<b>5,444,387,529</b>
As at April 1, 2011	1,546,694,561	2,516,731,851	97,624,427	182,323,737	45,136,780	29,946,755	4,418,458,111
<b>Gross block</b>							
As at April 1, 2012	1,737,297,777	5,004,050,335	426,221,235	758,057,697	73,800,553	55,014,066	8,054,441,663
Additions	-	913,389,170	12,318,325	56,541,973	11,406,590	18,247,435	1,011,903,493
Deduction	-	(289,578,309)	-	(10,633,741)	-	(33,273,945)	(333,485,995)
Exchange differences	84,276,337	36,196,520	3,234,660	20,886,550	-	505,518	145,099,585
<b>As at March 31, 2013</b>	<b>1,821,574,114</b>	<b>5,664,057,716</b>	<b>441,774,220</b>	<b>824,852,479</b>	<b>85,207,143</b>	<b>40,493,074</b>	<b>8,877,958,746</b>
<b>Depreciation</b>							
As at April 1, 2012	74,869,288	1,958,274,243	188,179,833	339,545,677	27,299,581	21,885,512	2,610,054,134
For the year	34,156,857	617,407,998	39,890,414	94,059,692	12,005,489	5,119,706	802,640,156
Deduction	-	(52,936,835)	-	(3,880)	-	(16,804,930)	(69,745,645)
Exchange differences	3,745,826	12,146,603	1,043,986	5,346,299	1	330,247	22,612,962
<b>As at March 31, 2013</b>	<b>112,771,971</b>	<b>2,534,892,009</b>	<b>229,114,233</b>	<b>438,947,788</b>	<b>39,305,071</b>	<b>10,530,535</b>	<b>3,365,561,607</b>
<b>Net block</b>							
<b>As at March 31, 2013</b>	<b>1,708,802,143</b>	<b>3,129,165,707</b>	<b>212,659,987</b>	<b>385,904,691</b>	<b>45,902,072</b>	<b>29,962,538</b>	<b>5,512,397,139</b>
As at April 1, 2012	1,662,428,489	3,045,776,092	238,041,402	418,512,020	46,500,972	33,128,554	5,444,387,529

- a. The Company has capitalized exchange loss, arising on long-term foreign currency loans, amounting to ₹ 21,130,264 (Previous year: ₹ 33,013,767) to the cost of plant and equipment.
- b. Plant and equipment includes assets taken on finance lease  
 Gross block: ₹ 230,216,480 (Previous year: ₹ 172,425,122)  
 Depreciation charge for the year: ₹ 29,363,777 (Previous year: ₹ 16,093,102)  
 Accumulated depreciation: ₹ 55,912,568 (Previous year: ₹ 26,548,791)  
 Net block: ₹ 174,303,912 (Previous year: ₹ 145,876,331)
- c. Vehicles includes assets taken on finance lease  
 Gross block: ₹ 915,859 (Previous year: ₹ 915,859)  
 Depreciation charge for the year: ₹ 87,008 (Previous year: ₹ 58,955)  
 Accumulated depreciation: ₹ 145,963 (Previous year: ₹ 58,955)  
 Net block: ₹ 769,896 (Previous year: ₹ 856,904)





## 12. INTANGIBLE ASSETS

in ₹

	Goodwill	Goodwill on consolidation	Rights	Customer relationships and contracts	Trade names	Software	Total
<b>Gross block</b>							
As at April 1, 2011	8,797,967	534,609,266	730,959,452	-	-	971,348,361	2,245,715,046
Additions	-	565,189,415	144,121,195	66,024,804	6,330,810	134,845,947	916,512,171
Deduction	(3,949,023)	(86,021,761)	-	-	-	(69,778,086)	(159,748,870)
Exchange differences	471,056	56,871,133	6,985,887	(2,413,897)	(131,899)	119,438,169	181,220,449
<b>As at March 31, 2012</b>	<b>5,320,000</b>	<b>1,070,648,053</b>	<b>882,066,534</b>	<b>63,610,907</b>	<b>6,198,911</b>	<b>1,155,854,391</b>	<b>3,183,698,796</b>
<b>Depreciation</b>							
As at April 1, 2011	5,320,000	-	-	-	-	30,646,916	35,966,916
For the year	-	-	6,000,000	32,321,654	3,087,110	46,550,549	87,959,313
Deduction	-	-	-	-	-	-	-
Exchange differences	-	-	-	(1,221,265)	22,266	1,795,514	596,515
<b>As at March 31, 2012</b>	<b>5,320,000</b>	<b>-</b>	<b>6,000,000</b>	<b>31,100,389</b>	<b>3,109,376</b>	<b>78,992,979</b>	<b>124,522,744</b>
<b>Net block</b>							
<b>As at March 31, 2012</b>	<b>-</b>	<b>1,070,648,053</b>	<b>876,066,534</b>	<b>32,510,518</b>	<b>3,089,535</b>	<b>1,076,861,412</b>	<b>3,059,176,052</b>
As at April 1, 2011	3,477,967	534,609,266	730,959,452	-	-	940,701,445	2,209,748,130
<b>Gross block</b>							
As at April 1, 2012	5,320,000	1,070,648,053	882,066,534	63,610,907	6,198,911	1,155,854,391	3,183,698,796
Additions	-	-	13,090,916	-	-	102,692,592	115,783,508
Deduction	-	-	-	-	-	-	-
Exchange differences	-	58,778,645	1,489,566	2,441,811	308,029	61,681,234	124,699,285
<b>As at March 31, 2013</b>	<b>5,320,000</b>	<b>1,129,426,698</b>	<b>896,647,016</b>	<b>66,052,718</b>	<b>6,506,940</b>	<b>1,320,228,217</b>	<b>3,424,181,589</b>
<b>Depreciation</b>							
As at April 1, 2012	5,320,000	-	6,000,000	31,100,389	3,109,376	78,992,979	124,522,744
For the year	-	-	6,000,001	34,549,150	3,418,041	152,249,157	196,216,349
Deduction	-	-	-	-	-	-	-
Exchange differences	-	-	-	403,179	(20,477)	(1,689,349)	(1,306,647)
<b>As at March 31, 2013</b>	<b>5,320,000</b>	<b>-</b>	<b>12,000,001</b>	<b>66,052,718</b>	<b>6,506,940</b>	<b>229,552,787</b>	<b>319,432,446</b>
<b>Net block</b>							
<b>As at March 31, 2013</b>	<b>-</b>	<b>1,129,426,698</b>	<b>884,647,015</b>	<b>-</b>	<b>-</b>	<b>1,090,675,430</b>	<b>3,104,749,143</b>
As at April 1, 2012	-	1,070,648,053	876,066,534	32,510,518	3,089,535	1,076,861,412	3,059,176,052

- The Company has capitalized exchange loss, arising on long-term foreign currency loans, amounting to ₹ 1,329,718 (Previous year: ₹ 855,778) to the cost of software.
- Software includes assets taken on finance lease  
 Gross block: ₹ 68,137,916 (Previous year: ₹ 68,137,916)  
 Depreciation charge for the year: ₹ 11,045,153 (Previous year: ₹ 10,228,887)  
 Accumulated depreciation: ₹ 23,256,632 (Previous year: ₹ 12,211,479)  
 Net block: ₹ 44,881,284 (Previous year: ₹ 55,926,437)



## 13. Non-current investments

in ₹

	As at March 31, 2013	As at March 31, 2012
<b>Other than trade</b>		
<b>Unquoted - fully paid up</b>		
The Shamrao Vithal Co-operative Bank Limited 4,000 (Previous year : 4,000) shares of ₹ 25 each	100,000	100,000
Mainframe Premises Co-Operative Society Limited 350 (Previous year : 350) shares of ₹ 10 each	3,500	3,500
	<b>103,500</b>	<b>103,500</b>

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

in ₹

	As at March 31, 2013	As at March 31, 2012
<b>Other than trade quoted</b>		
Cinemax India Limited Nil (Previous year : ₹ 9,172) equity shares of ₹ 10 each Market Value ₹ Nil (Previous year ₹ 584,129)	-	413,567
<b>Other than trade unquoted</b>		
Conexion Media Group Plc	650,171	398,998
	<b>650,171</b>	<b>812,565</b>

## 15. Trade receivables

in ₹

	As at March 31, 2013	As at March 31, 2012
<b>Debts outstanding for a period exceeding six months</b>		
Unsecured, considered good	947,314,693	820,581,493
Unsecured, considered doubtful	364,416,281	-
<b>Other debts</b>		
Unsecured, considered good	1,601,353,950	2,115,791,922
	<b>2,913,084,924</b>	<b>2,936,373,415</b>
Less: Provision for doubtful debts	364,416,281	-
	<b>2,548,668,643</b>	<b>2,936,373,415</b>

## 16. Loans and advances

in ₹

	Long-term		Short-term	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>Unsecured - considered good</b>				
Capital advances	374,025,914	43,576,376	-	-
Deposits	124,982,111	146,041,200	56,369,505	52,291,001
Inter-company deposits	-	-	109,077,226	104,488,958
MAT credit entitlement	85,943,650	82,680,188	-	-
Advance payment of taxes (Net of Provision for Tax: ₹147,714,938 (Previous year: ₹ 222,726,591))	138,617,776	85,926,280	-	-
Other loans and advances	77,945,584	3,313,496	465,718,328	270,569,410
	<b>801,515,035</b>	<b>361,537,540</b>	<b>631,165,059</b>	<b>427,349,369</b>

Other loans and advances includes prepaid expenses, loans and advances to employees and others, advances to suppliers and service taxes receivable.



## 17. Cash and bank balances

in ₹

	Non-current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>Cash and cash equivalents</b>				
Balances with banks:				
On Current Accounts	-	-	480,207,229	291,064,949
Deposits with original maturity of less than three months	-	-	6,180,006	20,610,000
Cash on hand	-	-	4,813,968	2,029,238
			<b>491,201,203</b>	<b>313,704,187</b>
Other bank balances:				
Margin money deposits	168,386,401	136,273,536	-	-
	<b>168,386,401</b>	<b>136,273,536</b>	-	-
Amounts disclosed under non-current assets	(168,386,401)	(136,273,536)	-	-
	-	-	<b>491,201,203</b>	<b>313,704,187</b>

## 18. Other assets

in ₹

	Non-current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
Unbilled revenue	-	-	1,013,060,971	450,363,444
Interest accrued on fixed deposits	-	-	1,629,468	611,201
Non-current bank balances	168,386,401	136,273,536	-	-
Other assets	682,447	83,587,567	17,334,410	-
	<b>169,068,848</b>	<b>219,861,103</b>	<b>1,032,024,849</b>	<b>450,974,645</b>

## 19. Other income

in ₹

	Year-ended March 31, 2013	Year-ended March 31, 2012
<b>Dividend</b>		
Long term investments - non trade	12,000	12,300
<b>Interest income</b>		
Bank deposits	31,530,726	7,777,812
Others	13,904,284	9,890,597
Profit on sale of current investment	1,521,937	-
Reverse premium	18,622,026	-
Exchange gain (net)	67,526,685	145,388,804
Commission received / undertaking fee	-	2,775,583
Excess provision written back	-	20,538,916
Insurance claim received	-	3,238,381
Bad debt recovered	1,441,280	2,552,312
Miscellaneous income	39,560,047	9,361,863
	<b>174,118,985</b>	<b>201,536,568</b>



## 20. Employee benefits expense

in ₹

	Year-ended March 31, 2013	Year-ended March 31, 2012
Salaries, staff remuneration and bonus	3,001,150,977	1,587,279,049
Bonus and incentive	8,716,961	3,768,639
Contribution to provident and other funds	36,091,669	66,406,118
Gratuity	5,397,167	5,452,570
Staff welfare	32,622,403	29,376,572
	<b>3,083,979,177</b>	<b>1,692,282,948</b>

## 21. Other Expenses

in ₹

	Year-ended March 31, 2013	Year-ended March 31, 2012
Technical services expense	419,453,583	100,398,797
Communication cost	96,204,447	74,705,714
Consumables stores	39,656,408	37,478,523
Director's sitting fees	320,000	280,000
Electricity charges	162,202,801	138,399,688
Insurance cost	38,978,388	53,588,206
Legal and professional fees	186,182,772	266,599,913
Loss on sale of assets (net)	9,256,178	68,311,719
Rates and taxes	24,239,218	25,276,989
Rebates and discount	19,026,620	19,802,086
Rent	348,872,954	401,077,192
Traveling and conveyance	193,532,037	170,808,133
Miscellaneous expenses	184,782,062	269,853,646
Repairs and maintenance-equipment	49,679,407	104,467,242
Repairs and maintenance - others / Computer	51,909,357	-
Repairs and maintenance-studio/office premises	39,160,033	36,916,312
Bad debts written off	121,200,268	80,136,273
Provision for doubtful debts	243,243	-
Exchange loss (net)	-	14,781,322
Auditor's remuneration		
Audit fees	34,223,180	20,971,467
In other matters	50,750	1,722,099
	<b>2,019,173,706</b>	<b>1,885,575,321</b>

## 22. Financial costs

in ₹

	Year-ended March 31, 2013	Year-ended March 31, 2012
Interest on working capital finance	176,911,314	47,163,074
Interest on term loan	120,241,212	195,547,866
Interest on buyer's credit	13,820,986	12,070,662
Interest on others	78,132,495	65,896,171
Bank charges	29,145,340	26,931,197
	<b>418,251,347</b>	<b>347,608,970</b>



## 23. Exceptional Item

in ₹

	Year-ended March 31, 2013	Year-ended March 31, 2012
Legal fees	-	28,878,140
Bad debts written off	44,512,727	-
Provision for doubtful debts	209,270,934	-
Exchange loss on foreign currency convertible bonds	822,781,300	-
	<b>1,076,564,961</b>	<b>28,878,140</b>

## 24. Earnings per share (EPS)

in ₹

	Year-ended March 31, 2013	Year-ended March 31, 2012
Profit before exceptional items but after tax	524,283,010	992,535,166
Less: Exceptional items (net of tax)	(727,392,759)	-
(Loss)/profit after exceptional items and tax	(203,109,749)	992,535,166
	<b>Number</b>	<b>Number</b>
Weighted average number of equity shares in calculating basic EPS	163,258,812	138,867,446
<b>Effect of dilution:</b>		
Weighted average number of equity shares which would be issued on conversion of Zero coupon foreign currency convertible bonds	-	19,527,595
Weighted average number of equity shares which would be issued on conversion of Warrants	-	10,000,000
<b>Weighted average number of equity shares in calculating diluted EPS</b>	<b>163,258,812</b>	<b>168,395,041</b>
<b>Earnings per share (before exceptional items)</b>		
Basic EPS	3.21	7.15
Diluted EPS	3.21	5.89
<b>Earnings per share (after exceptional items)</b>		
Basic EPS	(1.24)	7.15
Diluted EPS	(1.24)	5.89



## 25. Gratuity and other post-employment benefit plans

### a. Defined benefit plans:

The Company and a subsidiary of the Company in India (Prime Focus Technologies Private Limited) have defined benefit gratuity plan (unfunded). This plan provides a lumpsum payment to employees on retirement or termination of employment, an amount based on respective employee's last drawn salary and term of employment with the Company.

The following tables summarize 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.

#### Consolidation statement of profit and loss

	in ₹	
	Year-ended March 31, 2013	Year-ended March 31, 2012
<b>Expense recognized</b>		
Current service cost	3,959,722	2,447,117
Interest cost	693,228	270,291
Actuarial(gain) / loss	744,217	2,735,162
<b>Net expense</b>	<b>5,397,167</b>	<b>5,452,570</b>

#### Balance sheet

	in ₹	
	As at March 31, 2013	As at March 31, 2012
<b>Reconciliation of asset/ liability recognized</b>		
Defined benefit obligation	13,845,045	8,155,628
Fair value of plan assets.	-	
<b>Liability recognized</b>	<b>13,845,045</b>	<b>8,155,628</b>

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

	in ₹	
	Year-ended March 31, 2013	Year-ended March 31, 2012
Opening defined benefit obligation	8,155,628	2,703,058
Interest cost	693,228	270,291
Current service cost	3,959,722	2,447,117
Actuarial (gain) / loss	1,036,467	2,735,162
<b>Closing defined benefit obligation</b>	<b>13,845,045</b>	<b>8,155,628</b>

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

	in ₹	
	As at March 31, 2013	As at March 31, 2012
Discount rate	8.00%	8.50%
Expected rate of return on assets	Not Applicable	Not Applicable
Employee turnover	2.00%	2.00%

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

Major drivers in actuarial assumptions typically are years of service and employee compensation. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, including supply and demand in the employment market.

### b. Defined contribution plan

Amount recognized as expenses and included in note xx as contribution to provident fund ₹ 6,525,270 ( Previous year ₹ 4,168,736)



## 26. Segment information

The group is presently operating as integrated post production setup, the entire operations of the Group 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).

### Segment information for secondary segment reporting (by geographical segment based on location of customers)

in ₹

	Revenue from operations (net)		Segment Assets		Capital Expenditure	
	Year ended March 31, 2013	Year ended March 31, 2012	As at March 31, 2013	As at March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2012
India	1,257,419,820	1,032,391,712	5,323,047,713	4,689,730,253	965,614,614	691,712,707
United Kingdom	3,606,767,173	4,113,751,772	2,686,134,070	3,923,314,281	363,225,926	1,197,083,092
U.S.	2,176,740,773	1,893,326,092	620,809,549	4,120,672,169	139,772,286	983,628,452
Canada	494,048,341	548,438,726	72,394,949	242,274,077	-	33,803,240
Other Countries	86,649,126	131,225,114	7,383,751	2,042,874	-	-
	<b>7,621,625,233</b>	<b>7,719,133,416</b>	<b>8,709,770,032</b>	<b>12,978,033,654</b>	<b>1,468,612,826</b>	<b>2,906,227,491</b>

## 27. Related party disclosures

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

#### i. Key management personnel

##### Prime Focus limited

Mr. Naresh Malhotra - Chairman and Whole-time Director

Mr. Ramakrishnan Sankaranarayanan - Managing Director from October 11, 2011 to November 5, 2012 and Chief Executive Officer

Mr. Namit Malhotra - Managing director (up to October 11, 2011)

##### Prime Focus World N.V.

Mr. Namit Malhotra - Chief Executive Officer and Whole time Director

Mr. Massoud Entekhabi - Whole time Director

##### Prime Focus London Plc

Mr. Bernard Kumeta - Chief Executive Officer and Whole time Director

##### Prime Focus Technologies Private Limited

Mr. Ramakrishnan Sankaranarayanan Whole-time Director

Mr. Ganesh V. Sankaran - Whole-time Director

#### ii. Relative of Key management personnel

##### Prime Focus Technologies Private Limited

Mrs. Sumati Ganesh Wife of Mr. Ganesh V Sankaran

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

##### Prime Focus limited

Blooming Buds Coaching Private Limited

N2M Realty Private Limited

#### iv. Entities with significant influence over the Company

##### Prime Focus limited

Standard Chartered Private Equity (Mauritius) III Limited

Standard Chartered Private Equity (Mauritius) Limited

Standard Chartered Bank



## i. Key Management Personnel

		in ₹	
		Year-ended March 31, 2013	Year-ended March 31, 2012
<b>A</b>	<b>Remuneration</b>		
	Mr.Naresh Malhotra	6,000,000	4,500,000
	Mr.Ramakrishnan Sankaranarayanan	3,900,000	1,950,000
	Mr.Namit Malhotra	18,642,476	17,889,465
	Mr.Massoud Entekhabi	24,148,895	4,371,277
	Mr.Bernard Kumeta	14,496,635	-
	Mr.Ganesh V. Sankaran	4,800,000	3,566,668
<b>B</b>	<b>Issue of equity shares</b>		
	Mr.Namit Malhotra (Refer note 3c)	554,780,000	-
		in ₹	
		As at March 31, 2013	As at March 31, 2012
<b>C</b>	<b>Balance Outstanding at the year end – Remuneration Payable</b>		
	Mr.Naresh Malhotra	195,307	371,046
	Mr.Ramakrishnan Sankaranarayanan	258,400	227,227
	Mr.Ganesh V. Sankaran	287,693	-

## (ii) Relative of Key Management Personnel

		in ₹	
		Year-ended March 31, 2013	Year-ended March 31, 2012
<b>A</b>	<b>Remuneration</b>		
	Mrs.Sumati Ganesh	287,693	-
		in ₹	
		As at March 31, 2013	As at March 31, 2012
<b>B</b>	<b>Balance Outstanding at the year end – Remuneration Payable</b>		
	Mrs.Sumati Ganesh	59,115	-

## (iii) Enterprises owned or significantly influenced by key management personnel or their relatives

		in ₹	
		Year-ended March 31, 2013	Year-ended March 31, 2012
<b>A</b>	<b>Rent</b>		
	Blooming Bud Coaching Private Limited	30,000,000	26,500,000
<b>B</b>	<b>Capital advance given</b>		
	N2M Realty Private Limited	330,000,000	-
		in ₹	
		As at March 31, 2013	As at March 31, 2012
<b>C</b>	<b>Balance outstanding at the year end</b>		
	Blooming Buds Coaching Private Limited	48,000,000	48,000,000
	N2M Realty Private Limited	330,000,000	70,000,000





## (iv) Entities with significant influence over the Company

		in ₹	
		Year-ended March 31, 2013	Year-ended March 31, 2012
<b>A</b>	<b>Issue of equity shares (including share premium)</b>		
	Standard Chartered Private Equity (Mauritius) III Limited (Refer note 3d)	1,891,461,983	-
<b>B</b>	<b>Issue of non-convertible debentures</b>		
	Standard Chartered Private Equity (Mauritius) Limited (Refer note 5b)	1,901,000,000	-
		in ₹	
		Year ended March 31, 2013	Year ended March 31, 2012
<b>C</b>	<b>Loan taken net of repayments</b>		
	Standard Chartered Bank Working Capital Loan (Refer note 9h)	353,072,559	-
	Long Term Loan (Refer note 5c)	495,000,000	-
<b>D</b>	<b>Processing, Interest and other charges</b>		
	Standard Chartered Bank	52,102,865	-
<b>E</b>	<b>Interest income</b>		
	Standard Chartered Bank	20,677,227	-
		in ₹	
		As at March 31, 2013	As at March 31, 2012
<b>F</b>	<b>Balance outstanding at the year end</b>		
	<b>Loan outstanding</b>		
	Standard Chartered Bank Working Capital Loan (Refer note 9h)	353,072,559	-
	Long Term Loan (Refer note 5c)	495,000,000	-
	<b>Fixed Deposit</b>		
	Standard Chartered Bank	5,000,000	-
	<b>Interest income receivable</b>		
	Standard Chartered Bank	15,068	-

## 28. Leases

		in ₹	
		As at March 31, 2013	As at March 31, 2012
	Lease Payments due within one year	233,648,972	2,500,000
	Lease Payments due later than one but not later than five years	882,141,511	1,146,000
	Lease Payments due later than five years	105,965,907	-

Amount of lease rental charged to the statement of profit and loss in respect of non-cancellable operating leases is ₹ 52,499,453 (Previous year: ₹ 2,926,224).

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 statement of profit and loss in respect of cancellable operating leases is ₹ 88,228,278 (Previous year: ₹ 52,687,631).



## 29. Capitalization of expenditure

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

in ₹

	As at March 31, 2013	As at March 31, 2012
Foreign currency loss/(gain)	17,432,157	-
Employee benefit expenses	75,094,041	27,427,540
Other expenses	13,807,329	-
Salaries	4,507,393	-
Direct Overheads	49,452,685	4,745,942
Finance Cost	2,146,170	2,436,436

## 30. Capital and other commitments

in ₹

	As at March 31, 2013	As at March 31, 2012
i Estimated amount of contracts remaining to be executed on capital account and not provided for:	131,330,300	46,429,556

## 31. Contingent liabilities

in ₹

	As at March 31, 2013	As at March 31, 2012
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.	640,740,299	624,224,149
ii Matters pending with tax authorities towards addition made by the tax authorities for the AY 2007-08. The Company has appealed to CIT (Appeals) and has made full payment of demand under protest.	5,271,860	5,271,860
iii Matters pending with various levels of tax authorities toward addition made by the tax authorities for excess depreciation claimed on computer based asset for the AY 2004-05, AY 2005-06 and AY 2009-10.	32,253,050	17,362,955
iv Matters pending with tax authorities related to Tax Deducted at Source (TDS) demand raised by the tax authorities for AY 2007-08 to 2011-12. The Company appealed to CIT (Appeals).	88,207,071	88,207,071
v Show cause notice received from Service tax department for service tax liability on export of services for FY 2007-08 to FY 2011-12. Matter is pending with adjudicating authority. The Company is confident of successfully defending the claims and does not expect any significant liability to crystallize.	195,640,351	-
vi Guarantees given on behalf of subsidiary and step-down subsidiary companies	2,185,619,913 (\$ 18,452,904) (£ 4,755,398) (₹ 790,000,000)	1,627,254,046 (\$ 24,452,904) (£ 4,702,000)
vii Premium on conversion of FCCB (Refer note 5a)	-	889,009,734
Exchange fluctuation on FCCB	-	636,186,650
viii Prime Focus London Plc is a member of a Group VAT registration and is jointly and severally liable for any debts by member of the registration as at the year ended March 31, 2012	-	14,436,078 £ 177,286



### 32. Employee Stock Option Plan/ Employee Stock Option Scheme of subsidiary:

- i. Prime Focus Technologies Private Limited has reserved issuance of 62,505 (Previous year: NIL) equity shares of ₹ 10 each for offering to eligible employees of the Company under Employees Stock Option Scheme (ESOP).

Vesting Date	No. of Stock Options	Exercise Period	Exercise Price per Option (Rupees)
1-Jul-13	6,252	Two years from the date of Vesting	263
1-Jul-14	12,502	Two years from the date of Vesting	263
1-Jul-15	18,753	Two years from the date of Vesting	263
1-Jul-16	24,998	Two years from the date of Vesting	263

The current status of the stock options granted to the Employees is as under:

Particulars	Current year	Previous year
	No. of outstanding Options	
Outstanding at the beginning of the year	-	-
Granted during the year	62,505	-
Lapsed/ forfeited during the year	1,860	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	60,645	-
Exercisable at the end of the year	-	-

Following are details with regard to determination of the fair value of Stock Options:

Option Pricing Model used - Black-Scholes-Merton formula

Weighted average share price – ₹263 per share

Expected volatility – 40.6%

Option Life – 6 years

Expected dividends – 0% yield

Risk-free interest rate – 8.5%

The intrinsic value method to account for the grant of stock options. Since the intrinsic value, being the difference between the Net Asset Value and the exercise price, is Nil, the grant of options does not have any financial implications.

- ii. 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 recognized 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.

The charge for the year recognised in profit or loss in respect of equity-settled, share-based payments is £ Nil (2012: £ Nil).

The following tables reconcile the number of share options outstanding and the weighted average exercise price:

For the year ended 31 March 2013	Options	Weighted average exercise price
	Number	Pence
Outstanding at 1 April 2012	978,837	7.00
Granted	-	-
Forfeited	-	-
Exercised	18,550	-
<b>Outstanding at 31 March 2013</b>	<b>960,287</b>	<b>7.00</b>
<b>Exercisable as at 31 March 2013</b>	<b>960,287</b>	<b>-</b>



For the year ended 31 March 2012	Options	Weighted average exercise price
	Number	Pence
Outstanding at 1 April 2011	1,086,190	-
Granted	-	-
Forfeited	-	-
Exercised	107,353	-
<b>Outstanding at 31 March 2012</b>	<b>978,837</b>	<b>7.00</b>
<b>Exercisable as at 31 March 2012</b>	<b>978,837</b>	<b>-</b>

The average share price during the year ended 31 March 2013 was 11.28p (2011: 22.55p).

### 33. Prior period expenses included in the statement of profit and loss

in ₹

	As at March 31, 2013	As at March 31, 2012
Salaries, bonus and allowance	1,933,180	-
Amortization of intangible assets	46,768,223	-

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

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

As per our report of even date

#### For MZSK & Associates

Chartered Accountants

Firm Registration No.: 105047w

#### Abuali Darukhanawala

Partner

Membership No.108053

Mumbai

May 30, 2013

#### For and on behalf of the Board of Directors

#### Naresh Malhotra

Chairman and Whole-time Director

#### Rivkaran Chadha

Director

#### Navin Agarwal

Company Secretary



## NOTES

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NOTES

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## DISCLAIMER

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes' and word of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.



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