



PRIME FOCUS LIMITED

# **PUSHING THE BOUNDARIES**

PRIME FOCUS LIMITED

ANNUAL REPORT 2013-14  
for fifteen months ended 30 June 2014

MANY **DREAMT** IT COULD BE DONE  
OTHERS **THOUGHT** IT COULD BE DONE  
SOME **PLANNED** IT COULD BE DONE

FEW

**WILLED**

IT HAD TO BE DONE

What differentiates the doers from the dreamers and the thinkers is their sheer tenacity, gritty determination, steely resolve and unshakeable faith in their vision, venture and values.

In a world that is constrained and confined with limits and boundaries, these select few not only dream, but also dare, and do.

## They keep PUSHING THE BOUNDARIES.

In 1995, a group of four started a small business of extending post production services from a garage in Mumbai.

PUSHING THE BOUNDARIES of geography, it expanded its presence around the world from Mumbai to 16 cities across 4 continents and 7 time zones.

PUSHING THE BOUNDARIES of creativity, it executed some of the most enthralling and fantastical visual effects and 3D movies ever seen.

PUSHING THE BOUNDARIES of technology, it embraced Cloud to create a pioneering Media ERP (enterprise resource planning) software for managing the business of content.

PUSHING THE BOUNDARIES of collaboration, it extended its relationships with top broadcasters, studios, production houses, brands, advertising agencies, sports bodies and other content organizations across all major content markets.

PUSHING THE BOUNDARIES of financial performance, it enjoyed the faith and trust of marquee investors.

Today, Prime Focus has evolved from a garage to become a global powerhouse of M&E services.

AND YET, WE BELIEVE THIS IS JUST THE BEGINNING. BECAUSE, EVERY DREAM CAN BE DARED BY



# PUSHING THE BOUNDARIES

CHANDIGARH



MUMBAI



BANGALORE



BEIJING



VANCOUVER



SINGAPORE



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110 CONSOLIDATED FINANCIAL STATEMENTS

HOW DID WILLIAM SHAKESPEARE MAKE THE 'WEIRD SISTERS' APPEAR OUT OF THIN AIR ON AN OPEN STAGE 500 YEARS AGO IN THE FIRST EVER STAGING OF *MACBETH*?

HOW COULD A RAGING STORM BE CREATED ON STAGE IN THE *TEMPEST*?

WHAT DID IT TAKE TO RE-CREATE THE ARMIES OF ENGLAND AND FRANCE WARRING IN *HENRY V*?

The world of media and entertainment has always been defined by creativity and driven by technology in its ongoing quest to create magic, mystery and mystique to enthral, enchant and entertain the audience. Creativity and technology come together to create the magnetic lure and the alluring attraction in the fascinating world of media and entertainment.

From humble beginnings in 1995, Prime Focus has emerged as the world's leading integrated and independent Media and Entertainment services company.

- In creative services, we are the world's largest VFX and 3D conversion services provider. We have worked on some of the best known movies in the last two decades – from *Star Wars* to *Harry Potter*, from *Avatar* to *Sin City* and from *Transformers* to *Gravity*.
- In technology product and services, our CLEAR™ Media ERP is the world's first and most established hybrid cloud platform managing over 350,000 hours of content. Prime Focus Technologies (PFT) is the first M&E industry focussed cloud technology solution provider to secure ISO 27001 certification. PFT manages *The Business of Content™* for a range of marquee content owners that include *Disney*, *Star*, *Zee*, *AP* and *A&E* among others.
- In production services, we are now the market leader in India with over 25% of studio inventory in Mumbai. We are the only MPAA certified studio in India with sync sound capability. Prime Focus is the number one production equipment rental services provider to the advertising, broadcast and film production communities.

- In post production services, we are the only DI lab in South Asia with 4K facility. In the last 15 months, we delivered DI for 33 films including blockbusters like *Ashiqui 2* and *Dhoom 3*. Our Mumbai team performed post for 30 commercials including acclaimed Spots like *Flipkart*, *Asian Paints* and *Tanishq*. We delivered sound for 14 films including hit films like *Yeh Jawaani Hai Deewani* and *2 States*. In London, our post business was involved with high profile shows like *Sherlock* (BBC), *Atlantis* (BBC1) and *World War II from Space* (History Channel) as well as popular commercials like *Duracell* and *Omega*.
- With over 5,500 inspired people spread across our global locations, we have an unmatched matrix of size, scale and scope to offer the best solutions in terms of creativity, technology, security and on-time delivery.

The last fifteen months have been both eventful and exciting for us. Path-breaking mergers and acquisitions, launch of the world's largest digital media services cloud infrastructure - True North, and investments by marquee investors like Macquarie Capital and Reliance Capital.

At Prime Focus, we are poised to take the leap into the next trajectory of growth and expansion as we continue

# PUSHING THE BOUNDARIES

## MAJOR DEVELOPMENTS



### WINS

- PFW delivers more than half of all summer releases in Hollywood
- India's Broadcast Audience Research Council (BARC) selects PFT for Play-out Monitoring Services
- MAA TV engages PFT to drive efficiencies and revenue through enterprise digitization
- CNBC Africa dials PFT to secure content through offsite archiving
- PFT signs new deals with FX Networks and Crown Media Holdings in the US
- South Africa's largest broadcaster engages PFT



### M & A

- PFT acquires DAX
- Double Negative (Dneg) and Prime Focus World (PFW) merge Hollywood VFX business
- RMW to merge Film & Media Services business with Prime Focus Limited



### INVESTMENTS

- PFT raises ~₹ 461 mn through optionally convertible debentures (OCDs)
- PFW secures US\$ 38 mn equity investment at an enterprise value of US\$ 300 mn
- PFL announces ₹ 2.4 bn equity preferential allotment to RMW and PFL promoters

Prime Focus Founder, Executive Chairman & Global CEO Namit Malhotra with Group Managing Director, Reliance ADA Group Amitabh Jhunjhunwala after signing the merger deal

Namit Malhotra speaks at the screening of Noah 3D in Los Angeles hosted by Paramount Pictures



### LAUNCHES

- PFT launches True North - the world's largest Digital Media Services Cloud
- PFT launches CLEAR Media ERP in SE Asia market at Broadcast Asia 2014



Namit Malhotra and team behind Gravity's Stereo Conversion after winning the International 3D and Advanced Imaging Society's Creative Awards 2013

Namit Malhotra hosts British Columbia's Premier Christy Clark at Prime Focus World's Hollywood Studio



### EVENTS

- PFW delivers keynote on stereo 3D conversion at CVMP 2013
- PFW discusses The Great Gatsby at SPARK (FWD) 2014, Vancouver
- PFW Creative Director, Richard Baker chairs a discussion on Delivering Creative Post that meets Time and Budget restraints at Broadcast Video Expo (BVE) London
- PFW SVP Matthew Bristowe and Richard Baker presents our stereo conversion work on Gravity at FMX 2014
- PFW's Matthew Bristowe speaks on Gravity to a packed house at the 3D Creative Summit
- PFW attends BFC Film VFX/Post Production FAM tour in the UK
- Namit Malhotra speaks at Post Magazine's Stereo Conversion Round Table
- PFT showcases CLEAR Media ERP at Mediatech Africa
- PFT celebrates the success of CLEAR Media ERP at IBC
- PFT showcases CLEAR Media ERP at NABSHOW 2014
- PFT CTO Chris Chen speaks at NABSHOW 2014
- Prime Focus is session co-partner at FICCI FRAMES 2014
- PFT Co-founder and COO, Ganesh Sankaran presents at FOCUS 2013

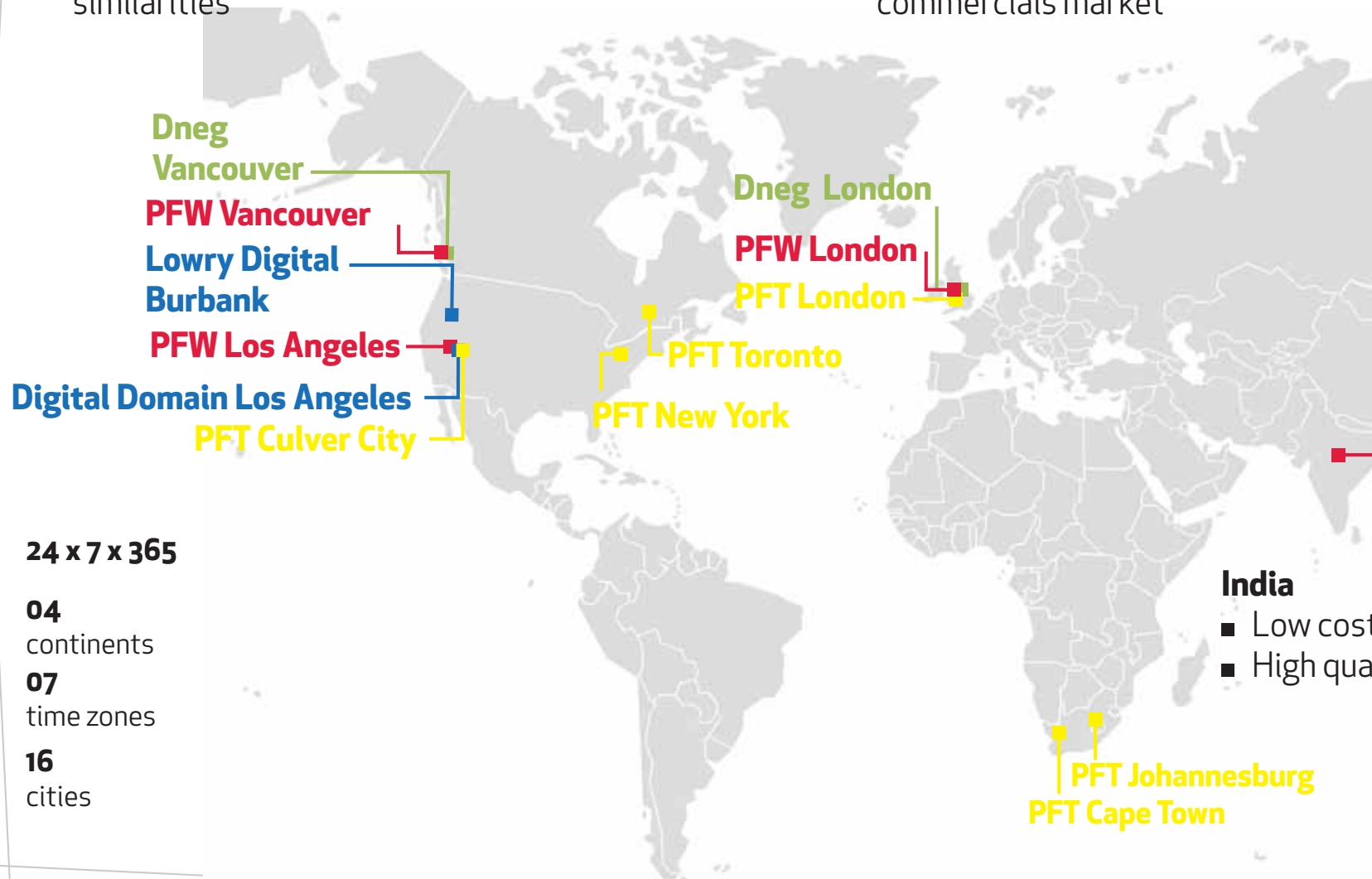
# ENHANCED GLOBAL PRESENCE

## Canada

- Tax incentives
- Language and cultural similarities

## UK

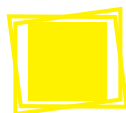
- Tax incentives
- Strong domestic TV and commercials market



PFW



PFL



PFT



DNeg



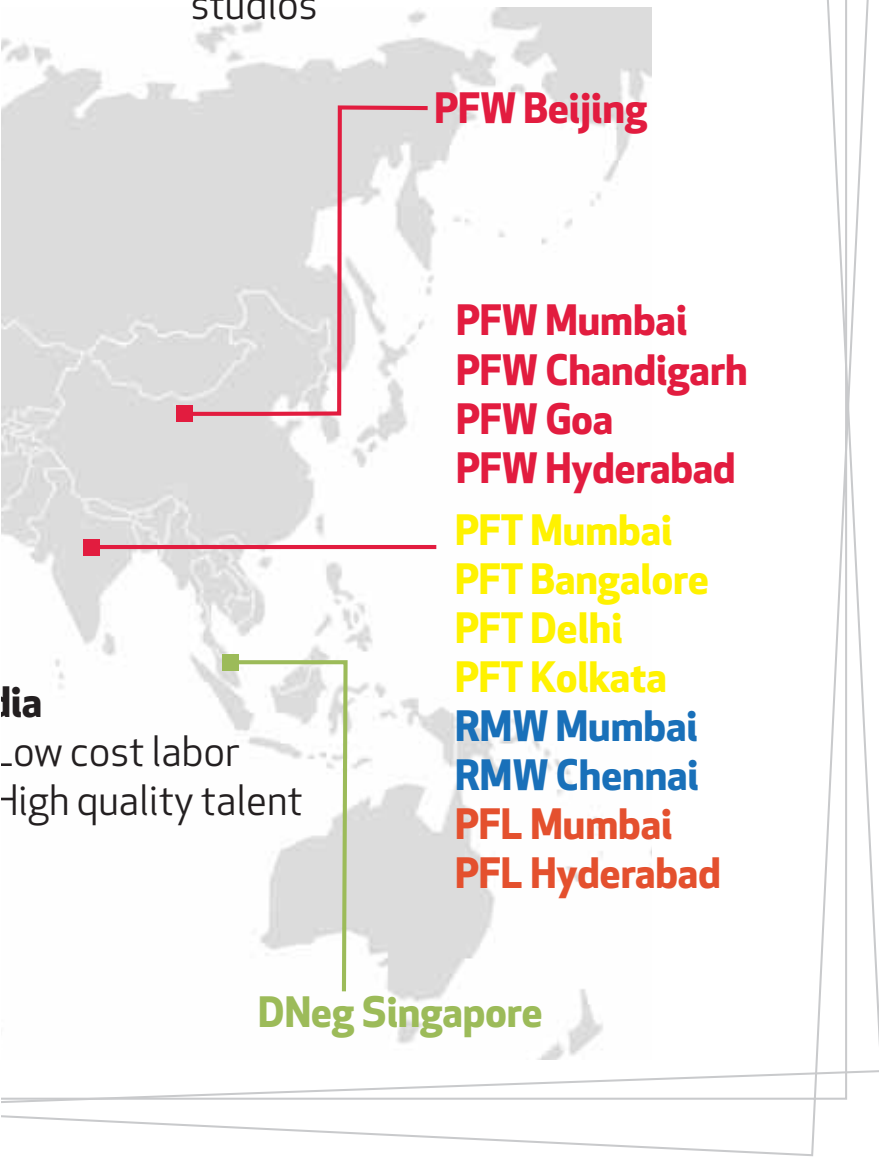
RMW

\*RMW transaction subject to regulatory approvals



## China

- Low cost labor
- Government support
- Partnerships with Hollywood studios



**PFW Beijing**

**PFW Mumbai**  
**PFW Chandigarh**  
**PFW Goa**  
**PFW Hyderabad**

**PFT Mumbai**  
**PFT Bangalore**  
**PFT Delhi**  
**PFT Kolkata**

**RMW Mumbai**  
**RMW Chennai**  
**PFL Mumbai**  
**PFL Hyderabad**

**DNeg Singapore**

**Australia**  
 Low cost labor  
 High quality talent

## OFFERINGS

- **CREATIVE SERVICES**  
 VISUAL EFFECTS  
 3D CONVERSION  
 ANIMATION
- **TECHNOLOGY PRODUCT & SERVICES**  
 CLEAR MEDIA ERP SUITE  
 CLOUD ENABLED MEDIA SERVICES
- **PRODUCTION SERVICES**  
 SHOOTING FLOORS/SOUND STAGES  
 CAMERA EQUIPMENT RENTAL
- **POST PRODUCTION SERVICES**  
 DIGITAL INTERMEDIATE/COLOR GRADING  
 SOUND  
 PICTURE POST

# CREATIVE SERVICES

## PUSHING THE BOUNDARIES TO #1

IN A TRANSFORMATIONAL EVENT IN JUNE 2014, THE VFX BUSINESS OF PRIME FOCUS WORLD WAS MERGED WITH DOUBLE NEGATIVE, EUROPE'S LARGEST INDEPENDENT VFX HOUSE TO CREATE THE WORLD'S LARGEST VFX, 3D CONVERSION AND ANIMATION SERVICES COMPANY.

Prime Focus World (PFW), a subsidiary of Prime Focus Limited, is the Hollywood-facing business of the Company. PFW has been providing visual effects, 2D-3D conversion and animation services to studios and production houses across the world. With 4,000 team members working across Beijing, Chandigarh, Goa, London, Los Angeles, Mumbai, Singapore and Vancouver, PFW has an infrastructure to offer unmatched advantages in scale and cost-efficiency to its clients. PFW has brought its expertise to many wide release Hollywood films, including *Gravity*, *The Amazing Spider-Man 2*, *Maleficent*, *Edge of Tomorrow*, *Transformers: Age of Extinction*, *Guardians of the Galaxy*, *Teenage Mutant Ninja Turtles*, *Sin City: A Dame to Kill For*, *White House Down*, *Wizard of Oz, The Great Gatsby* and *World War Z*, along with previously released *Men in Black 3*, *Star Wars: Episode I, II & III*, *Dredd 3D*, *Total Recall*, *Tim Burton's Frankenweenie*, *Harry Potter and the Deathly Hallows: Part 2*, *Narnia: The Voyage of the Dawn Treader*, *Resident Evil: Retribution*, *Green Lantern*, *Immortals*, *Wrath of the Titans*, *Mirror Mirror*, *Transformers: Dark of the Moon* and *Avatar*.

For transition into the elite Tier 1 club of visual effects services providers in Hollywood, a key edge is creative pedigree. In a single move, by orchestrating the merger with Double Negative (Dneg), PFW has powered

its way in to the select Tier 1 club of creative services providers in Hollywood.

### SYNERGY

The merger of PFW and Dneg has created indisputably the world's largest independent and integrated VFX, stereo conversion and animation services company serving the Hollywood film industry. The amalgamated VFX business will trade under the Double Negative brand, and combine the delivery of unmatched creative design and development by the best that the West has to offer, with the unbeatable infrastructure, scale and cost efficiency of the East.

Dneg will be opening in Vancouver in early 2015 by bringing key talent and technology besides having complete access to all production and technology infrastructure in India.

**PUSHING THE BOUNDARIES with Dneg, Prime Focus has become the leading, independent Tier 1 VFX provider in Hollywood.**



FOUNDED IN 1998 WITH A TEAM OF JUST 30, DOUBLE NEGATIVE HAS GROWN TO BECOME ONE OF THE INDUSTRY'S SUCCESS STORIES AND IS NOW EUROPE'S LARGEST INDEPENDENT PROVIDER OF VISUAL EFFECTS FOR FILM (OPERATING FROM LOCATIONS IN BOTH LONDON AND SINGAPORE).

THROUGH STEADY AND CONSTANT GROWTH, DOUBLE NEGATIVE HAS ALWAYS SOUGHT TO RETAIN BOTH THE CREATIVE DRIVE AND INVOLVEMENT OF ITS ARTISTS THROUGH ALL PROJECTS AND A CLOSE COLLABORATIVE WORKING RELATIONSHIP WITH CLIENTS. THIS HAS PROVED A WINNING COMBINATION RESULTING IN RECOGNITION FROM THE VISUAL EFFECTS SOCIETY (FOR *INCEPTION* AND *SHERLOCK HOLMES*), BAFTA (FOR *INCEPTION* AND *HARRY POTTER AND THE DEATHLY HALLOWS PART 2*) AND THE ACADEMY® AWARD (FOR *INCEPTION*).

RECENT WORK INCLUDES *MAN OF STEEL*, *THOR: THE DARK WORLD*, *THE HUNGER GAMES: CATCHING FIRE*, *TRANSCENDENCE*, *GODZILLA*, *JUPITER ASCENDING*, *HERCULES*, *INTERSTELLAR* AND *THE HUNGER GAMES: MOCKINGJAY PART 1*. PROJECTS UNDER PRODUCTION INCLUDE *AVENGERS: AGE OF ULTRON*, *TERMINATOR: GENISYS*, *INSURGENT*, *BATMAN VS SUPERMAN: DAWN OF JUSTICE*, *EXODUS: GODS AND KINGS*, AND *ANT-MAN*.

PFW HAD A POWER PACKED SUMMER LINE UP BEING INVOLVED IN MORE THAN HALF OF ALL RELEASES FROM THE MAINSTREAM STUDIOS.

THE SEASON KICK-STARTED WITH ITS WORK ON *MALEFICENT* AND *EDGE OF TOMORROW*. IT WAS ALSO THE LEAD CONVERSION HOUSE AND A VFX PROVIDER ON *TRANSFORMERS: AGE OF EXTINCTION* AND THE EXCLUSIVE STEREO VFX PARTNER ON *SIN CITY: A DAME TO KILL FOR*.

PFW has expanded its state-of-the-art facility at Chandigarh in May 2014 with a potential to create nearly 500 new jobs. It also opened a brand new facility in Goa that can seat 250 artists.

## 3D CONVERSION

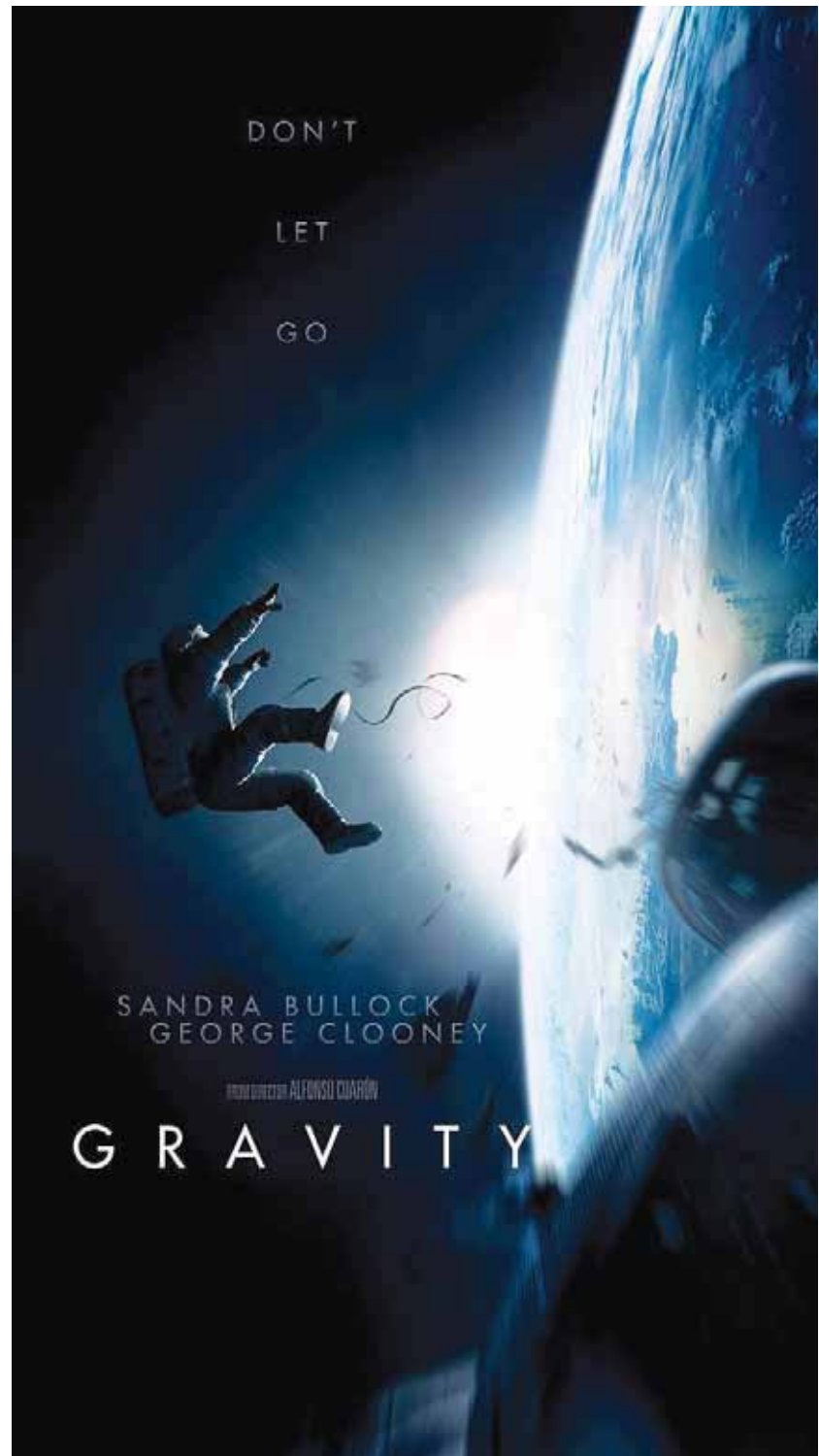
The global leader in 3D conversion services with ~29% market share, PFW has echoed its expertise by providing exclusive conversion for Warner Bros' space-thriller *Gravity*, directed by Alfonso Cuarón. *Gravity* has prompted the kind of enthusiasm for 3D viewership not seen since the release of *Avatar* which again PFW was associated with. The space odyssey garnered widespread appreciation for its 3D which is apparent from the fact that 80% of ticket sales came from 3D screenings, with global audiences choosing to pay premium prices for the spectacular effects.

In what has been the most detailed and sophisticated conversion to date, PFW was involved in the project since 2010, making *Gravity* the most intense 3D project that the company has accomplished so far.

"3D is fundamental for the experience of *Gravity*. The movie's immersive quality can only be fully experienced in 3D, from the vastness of space to the intimate isolation of the characters, the intense power of debris collisions to the serenity of the ever-present Earth. With 3D, audiences float in space."

- Alfonso Cuarón, Director

**With *Gravity*, we have proved again that in the niche space of 3D conversion, we have been PUSHING THE BOUNDARIES ever since we became the first company in the world to convert a full length film to 3D in 2010 and are today the undisputed market leader.**



# PUSHING THE BOUNDARIES

- The Amazing Spider-Man 2 3D • White House Down VFX • Godzilla VFX • Transcendence VFX • Cuban Fury VFX • Muppets Most Wanted VFX
- Man of Steel VFX • Rush VFX • The World's End VFX • Fast & Furious 6 VFX • The Hunger Games-Catching Fire VFX
- Captain Phillips VFX • Thor The Dark World VFX • The Two Faces of January VFX • Vampire Academy: Blood Sisters VFX • The Christmas

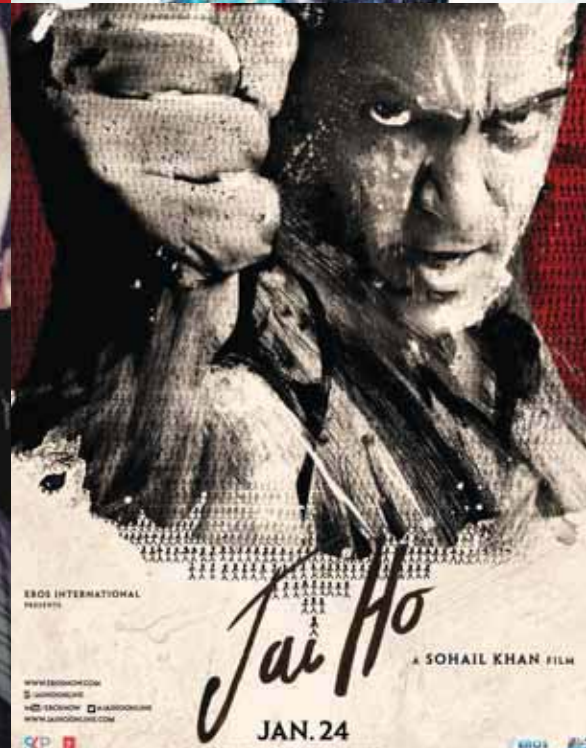
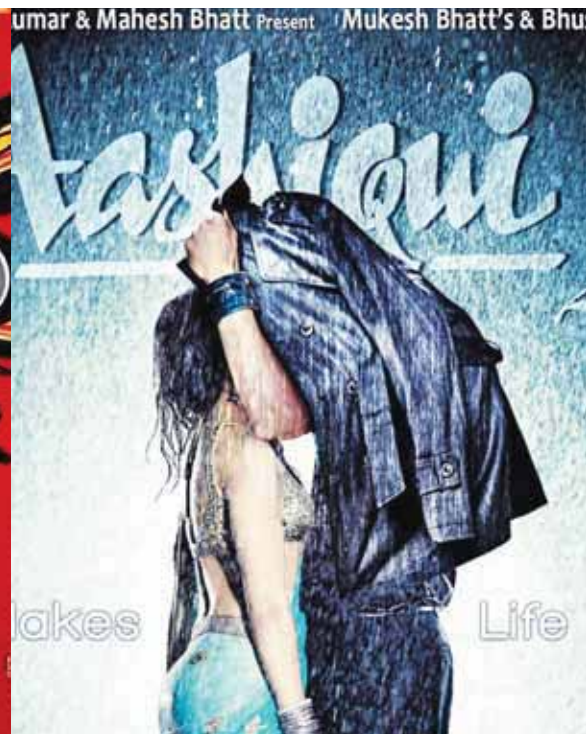
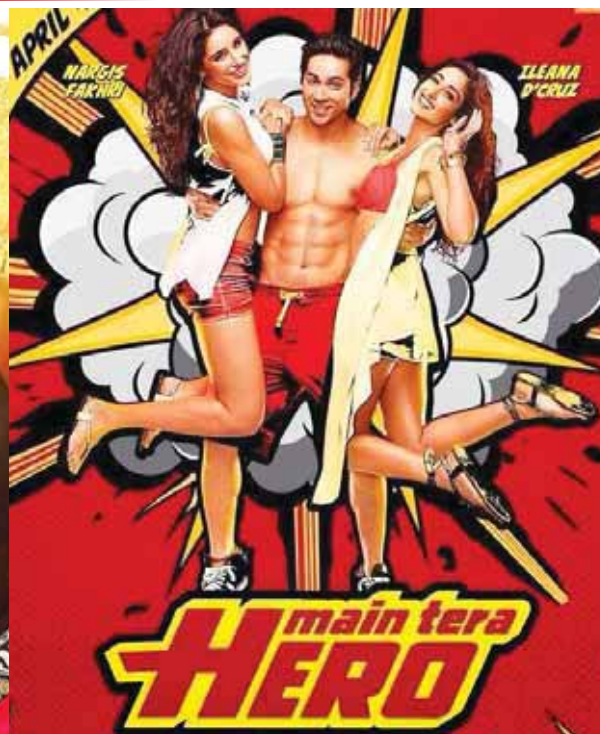
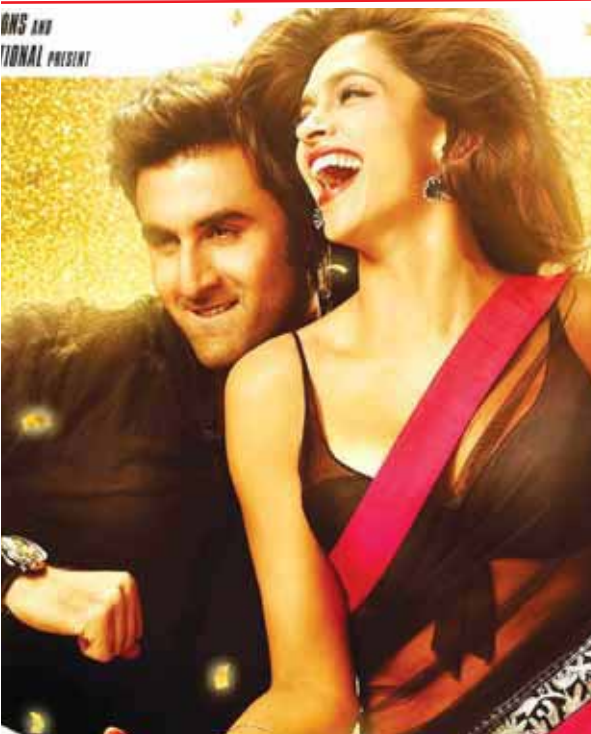
- Yamla Pagla Deewana 2 VFX DI EQR • Raanjhanaa SOUND • Shortcut Romeo VFX DI EQR • Chasme Baddoor DI EQR • Aashiqui 2 VFX DI EQR
- Shootout At Wadala DI EQR • Gippi SOUND EQR • Go Goa Gone VFX DI EQR • Ishq in Paris VFX DI EQR • Yeh Jaawani Hai Deewani VFX EQR
- Sixteen DI • D Day VFX DI SOUND Nasha DI • B A Pass DI • Once Upon a Time in Mumbai Doobara SOUND • Madras Café (Editorial)
- Grand Masti DI EQR • Phata Poster Nikla Hero VFX DI EQR • Boss VFX DI EQR • Bullet Raja VFX DI EQR • R. Rajkumar VFX DI EQR • Dhoom 3 DI EQR



- Candle VFX • **The Legend of Hercules VFX** • Out of the Furnace VFX • **Non Stop VFX** • Nothing Left To Fear VFX
- Third Person VFX • 2 Guns VFX • About Time VFX • Machete Kills VFX • Byzantium VFX • **The Great Gatsby VFX 3D**
- **World War Z 3D** • Legendary VFX 3D • **Wizard of OZ 3D** • **Gravity 3D** • Indigenous VFX • I, Frankenstein 3D
- Noah 3D • Iceman 3D 3D • Maleficent 3D • Edge of Tomorrow 3D • Transformer–Age of Extinction 3D

- **Jai Ho VFX DI EQR** • Gunday DI EQR • Gulal Gang DI EQR • Queen EQR • Bewakoofiyaan DI EQR • Gangs of Ghost DI EQR
- Youngistaan VFX DI EQR • Jal DI • **Main Tera Hero VFX DI EQR** • Bhoothnath Returns EQR • **2 States SOUND** • Revolver Rani DI
- Kya Dilli Kya Lahore DI • Purani Jeans DI • Heropanti VFX DI EQR • Kochiadiayaan DI • Humshakals VFX DI EQR • **Ek Villian VFX DI EQR**

- **Dance India Dance** • Gangs of Hasseepur • Zee Risthey Awards • **IFFA Awards** • Apsara Awards • GIMA Awards • Master Chef – Junior
- M-TV Rodies • **YUDH** • Miss Malini • SMJ-2 AKPL • Har Ghar (2013 & 2014) • Jhalak Dikhlaja – Bangla • **Comedy with Kapil. (2014)**
- **The Anupam Kher Show** • Cover shot (2013 & 14)



# TECHNOLOGY PRODUCT & SERVICES

## A JOURNEY TO THE CLOUD...AND BEYOND!

IN MARCH 2014, PRIME FOCUS TECHNOLOGIES ANNOUNCED THE ACQUISITION OF DAX, A LEADING PROVIDER OF CLOUD-BASED PRODUCTION WORKFLOW AND MEDIA ASSET MANAGEMENT APPLICATIONS TO THE ENTERTAINMENT INDUSTRY, TO ACCELERATE ITS STRATEGIC EXPANSION IN NORTH AMERICA WITH A VISION TO VIRTUALIZE THE CONTENT SUPPLY CHAIN BEFORE, DURING AND AFTER THE PRODUCTION PHASE.

Prime Focus Technologies (PFT), is a subsidiary of Prime Focus Limited and brings together a unique blend of Media and IT skills backed by a deep understanding of the global media and entertainment industry. PFT works with major content owners like Disney, Warner Bros., 21<sup>st</sup> Century Fox-owned Star TV, Zee TV, Warner Bros. Television Studios, CBS Television Studios, 20<sup>th</sup> Century Fox Television Studios, FX Networks, Crown Media Holdings, Relativity Media, Legendary Pictures, Starz Media, Lionsgate, EROS International, SONY Music, Viacom 18, SONY MSM, Fox Television Studios, Showtime, Hindustan Unilever Limited and The Associated Press.

At the heart of PFT is CLEAR, the world's first and most proven hybrid cloud-enabled Media ERP Suite that virtualizes the content supply chain. For the last six years, CLEAR has helped broadcasters, studios, brands, sports and digital businesses drive creative enablement, enhance ecosystem efficiencies and sustainability, reduce cost and realize new monetization opportunities.

The technology business has been growing steadily in India, where PFT is a leader in the space. It has added new clients like Disney and others to cement its leadership position.

To replicate the success of its India business in the US, PFT acquired DAX for a base consideration of US\$ 9.1 mn in a uniquely structured performance linked transaction. This acquisition has set the course for PFT's strategic expansion in North America by creating an unrivalled industry leader offering a uniquely robust and dynamic stack of enterprise-class Media ERP solutions to Broadcasters and Studios.



DAX IS THE PROVIDER OF PRODUCTION WORKFLOW AND MEDIA ASSET MANAGEMENT APPLICATIONS AND SERVICES TO COMPANIES THAT PRODUCE, DISTRIBUTE AND LICENSE AUDIO-VISUAL CONTENT. THE DAX PLATFORM, INCLUDING EMMY® AWARD-WINNING DIGITAL DAILIES®, IS A HIGHLY-SECURE INNOVATIVE WEB-BASED APPLICATION USED BY MOST MAJOR STUDIOS AND TELEVISION NETWORKS FOR COLLABORATION AND DISTRIBUTION MANAGEMENT OF CONTENT DURING THE PRODUCTION PROCESS, AND FOR MARKETING AND DISTRIBUTION OF FINAL PRODUCT AND LIBRARY ASSETS.

THE COMPANY IS BASED IN CULVER CITY, CALIFORNIA, CLOSE TO THE MAJOR HOLLYWOOD STUDIOS AND NETWORKS IT SERVICES, AS WELL AS SERVING CANADA'S MEDIA INDUSTRY, AND ITS CLIENTELE SHOOTING IN CANADA, FROM ITS TORONTO OFFICE.

## ADVANTAGE PFT+DAX

The global market for media asset management, workflow management, collaboration and media processing services is pegged at approximately US\$ 10 bn. With content enterprises like broadcast networks faced with flat top lines and rising operating costs, organizations are increasingly attentive to solutions like virtualization of content supply chain operations, and media process outsourcing to enhance overall profitability as well as top line by realizing new media monetization opportunities in the multi-screen world.

The acquisition of DAX gives PFT the ownership of DAX's patented technology and products including the Primetime Emmy® award winning Digital Dailies® solution which is the de-facto industry standard in television production. PFT will significantly enhance the value proposition to DAX's marquee customers including major studios and broadcast networks (Warner Bros. Television Studios, CBS Television Studios, 20<sup>th</sup> Century Fox Television Studios, Relativity Media, Legendary Pictures, Fox Television Studios, A&E, Showtime, Starz Media and Lionsgate) and many independent production and distribution companies. DAX also has an outpost in Toronto, Canada's TV production hub.

**“The PFT-DAX combine will translate our vision to build the best enterprise platform for Production on the Cloud by taking a fresh look at media work flows through the lens of a studio that wants to efficiently collaborate across divisions with its entertainment content before, during and after the production phase.”**

## NEW CLIENTS AND PARTNERSHIPS

PFT has won impressive clients during the last fifteen months. Some of these marquee wins are:

- Partnership with Deltatre, a leader in digital media technologies in April 2013 to provide solution that will allow direct consumer outreach and enhanced viewer experience. The first joint launch was the highly successful Starsports.com.
- In September 2013, PFT joined hands with RSG Media, a global leader in enterprise rights and royalty management solutions to integrate PFT's CLEAR Hybrid Cloud enabled Media ERP platform with RSG Media's Rights Logic Rights and Royalty Management solution to help content enterprises manage end-to-end their digital media supply chain covering rights, operations and monetization.
- PFT-DAX entered into an agreement with FX Networks to deliver cloud enabled DAX production workflow solution including Digital Dailies®, DAX BOX™ and DAX Mobile® for all FX shows and pilots. FX is the home of many critically-acclaimed and award-winning hit dramas such as *Sons of Anarchy*, *Justified*, *The Americans*, *Anger Management*, *The American Horror Story* and the upcoming Guillermo del Toro thriller, *The Strain*. The agreement marks FX as one of the first wave of buyers for the DAX Box™, a DVR-like set-top box with secure HD streaming at home, office or theatre, co-developed with PFT and launched at the NABSHOW 2014 in Las Vegas.
- In June 2014, India's Broadcast Audience Research Council (BARC) selected PFT for Play-out Monitoring Services. PFT's Play-out Monitoring Service will input reliable data in to BARC's Audience Measurement System for monitoring content, promos and TVCs across channels. PFT will scan over 400 channels on a daily basis – a whopping 35 mn hours of content annually.
- In October 2014, PFT-DAX entered into an agreement with Crown Media Holdings to deliver the cloud enabled DAX® production workflow solution including the Emmy® award-winning Digital Dailies® and DAX Mobile®, as well as Cuts and Video Watermarking for Crown Media Family Networks. Crown Media Family Networks is the parent company of Hallmark Channel and Hallmark Movies & Mysteries, the top destinations on cable for family friendly programming.



## TRUE NORTH

IN OCTOBER 2013, PFT LAUNCHED TRUE NORTH - THE WORLD'S LARGEST DIGITAL MEDIA SERVICES CLOUD. THE 24x7x365 GLOBAL CONTENT OPERATIONS HUB SPREAD ACROSS 106,000 SQUARE FEET, MANAGES OVER 350,000 HOURS OF CONTENT, OVER 100 TV SHOWS A DAY AND IS THE DIGITAL BACKBONE FOR OVER 200 TV CHANNELS.

TRUE NORTH WAS INAUGURATED BY INDIAN SCREEN LEGEND MR. AMITABH BACHCHAN IN A GLITTERING FUNCTION IN MUMBAI ON 24 OCTOBER ATTENDED BY THE WHO'S WHO OF THE MEDIA AND ENTERTAINMENT INDUSTRY. MR. BACHCHAN CALLED PFT A PIONEER AND CHANGE AGENT WHILE DEDICATING TRUE NORTH TO THE GLOBAL MEDIA AND ENTERTAINMENT INDUSTRY. THE DAY ALSO MARKED THE 16<sup>TH</sup> ANNIVERSARY CELEBRATIONS OF PRIME FOCUS.

TRUE NORTH IS A CONFLUENCE OF MANY THINGS. IT IS A DIGITAL LAB FOR CINEMA. IT IS A PRODUCTION HUB FOR TV.

WHY TRUE NORTH? WHAT'S IN A NAME? JUST LIKE THE COMPASS ALWAYS POINTS TO TRUE NORTH, THE GEOGRAPHIC NORTH POLE, TRUE NORTH STANDS FOR "ABSOLUTE", "UNAMBIGUOUS" AND "CERTAINTY" JUST LIKE PFT'S SOLUTION, CLEAR.



## CLEAR™ LEADERSHIP

- Awarded the ISO/IEC 27001:2005 certification for Information Security Management Systems (ISMS), making CLEAR the first M&E industry focused cloud technology solutions provider to achieve this certification guaranteeing information security and integrity of customers' content.
- CLEAR positioned as an 'Exemplar' on the NASSCOM Product Excellence Matrix

**100,000** new TV episodes every year

**35,000** hours of subtitling/closed captioning annually

**10** mn files for VoD/Syndication fulfillment per year

**5,000** hours of compliance editing per year

**5,000** hours of dubbing annually

## CLEAR™ PROVEN BEYOND DOUBT

CLIENTS WHO HAVE DEPLOYED CLEAR HAVE REPORTED 30% COST AND 40% TIME SAVINGS. CLEAR IS THE FASTEST TO DEPLOY - ENABLING ENTERPRISE DIGITIZATION IN LESS THAN 6 MONTHS! CLEAR IS BUNDLED WITH DOWNSTREAM MEDIA PROCESSING SERVICES LIKE CONTENT PREPARATION (TRANSCODING, QC, BULK DIGITIZATION, MASTERING), CONTENT LOCALIZATION (SUBTITLING, CLOSED CAPTIONING, DUBBING) AND CONTENT MONETIZATION (CATALOGUING, CONTEXTUAL ADVERTISING, SEO & ANALYTICS), TO OFFER CUSTOMERS GREATER VALUE AND EMPOWERMENT.

**PUSHING THE BOUNDARIES** of technology with the acquisition of DAX, launch of True North and CLEAR Media ERP we continue to develop new ways to drive creative collaboration, efficiencies and new revenue for today's media and entertainment industry.



From Left to Right: Prime Focus Chairman Emeritus Naresh Malhotra, Founder, Executive Chairman & Global CEO Namit Malhotra, Mr. Amitabh Bachchan, Prime Focus Managing Director & PFT Founder, CEO Ramki Sankaranarayanan, PFT Co-founder & COO Ganesh Sankaran and Prime Focus Chief Creative Director & Co-founder Merzin Tavaría at the 16th Anniversary celebrations of Prime Focus and Launch of True North

# PRODUCTION SERVICES

## COMPREHENSIVE SOLUTIONS, SEAMLESS COLLABORATIONS

THE PROPOSED COMBINATION OF RELIANCE MEDIAWORKS AND PRIME FOCUS LIMITED WILL CREATE THE WORLD'S LARGEST AND MOST INTEGRATED MEDIA SERVICES GROUP WITH OVER 5,500 PROFESSIONALS ACROSS 20 LOCATIONS OFFERING VISUAL EFFECTS, STEREO 3D CONVERSION, ANIMATION, AND CLOUD-BASED DIGITAL MEDIA SOLUTIONS THAT TRANSCENDS THE FILM, ADVERTISING AND TELEVISION INDUSTRIES.

Prime Focus started as a post-production services company and over the years, has emerged as a leading post house and the largest production equipment rental services provider for TV, Advertising and Film production in India. As the Company took rapid steps to emerge as an M&E services powerhouse with a global footprint and complete the entire bouquet of creative, technology production and post-production services, its focus on the fast-evolving and burgeoning M&E space in India was never lost.

The proposed merger of RMW's Film and Media Services business has propelled Prime Focus into a front-runner position in production services in India offering end-to-end solutions, largest infrastructure and latest technology.



RELIANCE MEDIAWORKS (RMW) IS ONE OF INDIA'S LEADING M&E COMPANIES WITH A PRESENCE ACROSS SEVERAL BUSINESSES INCLUDING THEATRICAL EXHIBITION OF FILMS, FILM AND MEDIA SERVICES AND TELEVISION CONTENT PRODUCTION AND DISTRIBUTION. HEADQUARTERED IN MUMBAI, INDIA, RMW HAS OPERATIONS ACROSS 78 CITIES AND TOWNS IN INDIA AND INTERNATIONALLY IN THE UNITED KINGDOM AND THE UNITED STATES.

THE COMPANY HAS COMPREHENSIVE PRESENCE IN FILM AND MEDIA SERVICES: MOTION PICTURE PROCESSING AND DI; FILM, AUDIO RESTORATION AND IMAGE ENHANCEMENT; 3D; DIGITAL MASTERING; STUDIOS AND EQUIPMENT RENTALS; VISUAL EFFECTS; ANIMATION AND BROADCAST WITH PRESENCE ACROSS INDIA, THE USA AND THE UK AND OFFERS END-TO-END INTEGRATED SERVICES ACROSS THE ENTIRE FILM AND MEDIA SERVICES VALUE CHAIN TO PRODUCTION HOUSES, STUDIOS AND BROADCASTERS, GLOBALLY.

RMW OFFERS COMPREHENSIVE SOLUTIONS AND INTEGRATED SERVICES INCLUDING PRODUCTION, POST PRODUCTION AND MEDIA & CREATIVE SERVICES TO PRODUCTION HOUSES, STUDIOS AND BROADCASTERS.

## THE MERGER

The pending merger of RMW's Film and Media Services business shall enable the creation of an unmatched and winning proposition in Media Services through:

- Sunset to Sunrise Digital Pipeline connecting Los Angeles, New York and Mumbai with ability to establish connectivity with any business partner through a 300 Mbps global Ethernet connection with Los Angeles
- Provision of Accelerated File Exchange Server with over 300 Mbps internet for clients who do not have access to private leased lines connecting Los Angeles
- Connected with Sohonet linking multiple Hollywood and UK studios and facilities
- Academy Award® winning Lowry Digital's Image processing services for legacy content and new releases
- End-to-end solution spanning Studio, Equipment, Post, Colour Correction/DI, Image Processing, Cloud based Media ERP suite, VFX/3D/Animation and Digital Distribution
- MPAA and Fox Security certified facility built to exacting Hollywood standards
- Access to nearly 25% of total studio inventory in Mumbai at Film City, spread over 500 acres with convenient and central location
- Access to India's largest Hollywood benchmarked studio spread over 200,000 sqft with 8 sound stages with sync-sound
- Designed by Los Angeles architects on par with international standards including stringent sync-sound, fire protection, detection and fire fighting facilities adhering to LA County Fire Safety Norms

THE STUDIO IS ON PAR WITH INTERNATIONAL STANDARDS. IT OFFERS SYNC-SOUND I.E. A NOISE CO-EFFICIENT LESS THAN 30 DB, WHICH IS NOT OFFERED BY ANY OTHER INDIAN STUDIO.

IT IS THE LARGEST, FULLY AIR-CONDITIONED FACILITY IN MUMBAI WITH A CLEAR INTERNAL HEIGHT OF 58 FT. THE SOUND STAGES ARE DIGITALLY CONNECTED WITH THE PROCESSING, DI & MASTERING LABS, WHICH IS AN ADDED ADVANTAGE TO FILM MAKERS WHO CAN REVIEW AND SERVICE THE CONTENT ON A REAL-TIME BASIS

**The combination of Prime Focus and Reliance MediaWorks is PUSHING THE BOUNDARIES to create synergies that will generate sustained multiplier effects in revenues and profitability.**



## BRINGING HOLLYWOOD TO THE EAST

Prime Focus has always been at the forefront of thought-leadership in the M&E industry. With pioneering offerings like CLEAR and View-D™ (proprietary 2D to 3D conversion process), and a sustainable Global Digital Pipeline allowing talent and technology to collaborate seamlessly on projects, innovation has been the driving force behind the Company's growth and success.

Today, as an integrated and independent media services powerhouse offering the entire spectrum of services for the M&E industry, the Company has ambitious plans to bring Hollywood to the East. VFX intensive movies that require a major portion of shooting indoors can now be made in Mumbai. Prime Focus can offer an exhaustive suite of creative, technology, production and post services to the Hollywood film makers. Apart from this, it can leverage the highly professional and talented English speaking crew available in Mumbai, the film production capital of India. While Hollywood will benefit from unmatched scale and efficiencies, the Indian industry will benefit from local job creation and related social upside.

# POST PRODUCTION SERVICES

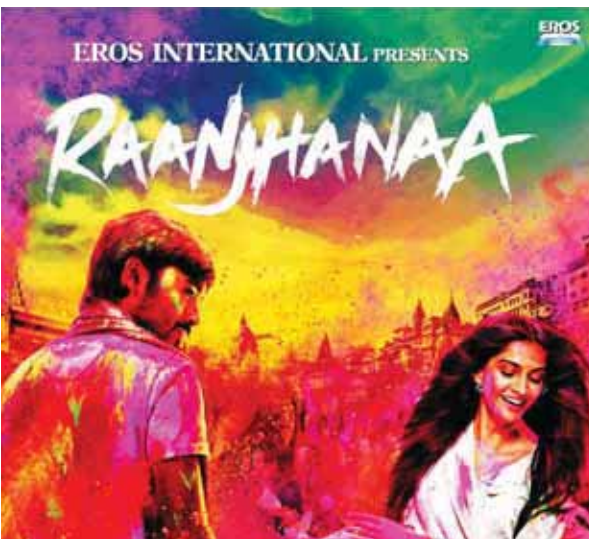
## UNMATCHED SCALE, FLEXIBILITY AND QUALITY

CONSOLIDATION IN INDIA; SPEEDING IN THE UK.

We have been offering world class post production services to the M&E industry in India and the UK covering Digital Intermediate (Color Grading), Sound and Picture Post. We work with all major film studios, advertising agencies, brands and production houses (television and commercials) to deliver compelling content.

As a result of the proposed merger, we will have access to the only one-of-its-kind true 4K Digital Intermediate Lab in South Asia.

HD quality content combined with top television makers bringing down the prices of their entry-level LCD and LED TV sets have created a strong demand for high quality visuals from TV audiences. And customer centric broadcasters in their quest for TRPs are getting prime time content color graded to address the new expectation. Prime Focus is leading the race offering DI to a number of high profile shows like *24*, *MasterChef Junior*, *MTV Roadies*, *Har Ghar*, *Satyamev Jayate*, *Cover Shot*, *Yudh* and *Comedy Nights With Kapil*.



## ADVANTAGE INDIA

The benefit of the proposed merger will be consolidation – of resources, of costs and of skills. Undoubtedly, this will result in higher efficiencies and leaner operations, giving a clear and definite advantage in terms of costs as well as delivery time-frames to customers.

The merger will also allow us to offer “all under one roof” bundled services to clients in India that will include Creative, Technology, Production and Post-Production services.

## LONDON UPDATE

As one of the top post-production houses in the UK, Prime Focus London works on varied projects, large and small – trailers and documentaries, singles and serials, commercials and films.

### DRAMA

**Atlantis** – the peak time, 13 part, Saturday night drama for BBC1. Series 1 began last Autumn and we are currently working on Series 2

**Sherlock** – the international favourite made by Hartswood for the BBC

### TV

#### Live From Space

This special broadcasting event consisted of a package of documentaries and a live broadcast from the Space station. A TV first, commissioned by C4 and National Geographic, this won Prime Focus a NASA Award for its contribution to the project.

### DOCUMENTARY

As a specialist in documentaries, our programmes have won worldwide acclaim for their content and impact. We have ‘preferred supplier’ status for multiple episodes of the current affairs series *Dispatches* – the episode *Hunted*, an expose on Russian homophobic vigilantism, won a Grierson Award for Current Affairs.

The BBC programmes celebrating the 50<sup>th</sup> Anniversary of the National Theatre continue to win multiple arts awards

We completed the 9<sup>th</sup> series of *Great British Menu* (Optomen/BBC) and the 9<sup>th</sup> series of *An Island Parish* (Tiger Aspect/BBC)

*Ultimate Airport* for Arrow has transmitted globally on National Geographic and a third series is now underway

Building on our long-standing reputation for drama documentary we completed 20 episodes of *Paranormal Witness*. Made by Raw TV for SyFy in the US, this is the channel's highest rated show.

### COMMERCIALS AND BRANDED CONTENT

All the *Duracell* animated adverts for the global campaign, plus all the variants of the *CIF Kitchen* commercials were created by Prime Focus

*Omega* sponsor videos for use at the Sochi Olympics in 3D were also delivered by Prime Focus

The Broadcast VFX team won an Emmy® for our VFX work on *World War II from Space*, a programme made by October Films for History Channel.

Televsual Magazine ran their usual UK post survey in October 2013 and, yet again, Prime Focus was deemed to be one of the leading facilities in London. Ranked overall in 6<sup>th</sup> position, we scored particularly highly in the Producers’ scores – the broadcast production community voted us 4<sup>th</sup> overall and the advertising community voted us 5<sup>th</sup>. A fantastic score for our specialist services.



# NEW MARKETS

## PUSHING THE BOUNDARIES OF GLOBAL EXPANSION

CHINA IS TODAY ONE OF THE LARGEST AND FASTEST GROWING MARKETS FOR M&E IN THE WORLD WITH REVENUES OF US\$ 3.9 BN IN 2013. THE INDUSTRY HAS BOUNCED BACK STRONGLY IN 2013 WITH DOMESTIC RELEASES IN MAINLAND CHINA GIVING FOREIGN FILMS A FIERCE COMPETITION. THE WORLD'S FASTEST DEVELOPING ECONOMY IS ALSO HOME TO ONE OF THE LARGEST MIDDLE CLASS POPULATION, AFFLUENT AND UNAFRAID TO SPEND ON ENTERTAINMENT. CHINA IS INDEED ONE OF THE HOT-SPOTS OF FUTURE GROWTH FOR THE GLOBAL M&E BUSINESS.

In 2013, China became the first M&E market in the world to cross US\$ 3 bn in gross box office revenues. Prime Focus was one of the first players in the industry to have spotted the potential and emergence of China in the M&E space. It established its presence in the Chinese market through a joint venture way back in March 2013, with AID Capital and local partner Zhejiang Jingqi Wenhua Chuanbo Company Limited to offer visual effects and 3D conversion services to the movie industry in the Greater China area.

Today, domestic films made in China account for US\$ 2.06 bn out of the total box office revenues of US\$ 3.2 bn, i.e., a staggering 58.6%, making it an important content market.

Prime Focus is ideally poised to leverage this big opportunity. It has the best of both worlds – the creative excellence of the West combined with the cost advantages of the East. With a proven track-record of working on some of the most acclaimed movies in recent time, and with its experience of having collaborated with the top production houses in Hollywood, Prime Focus is all set to expand its presence in this new hot-spot of growth.

In China, the Company has successfully delivered one film – ICEMAN 3D.

Major projects in the pipeline:

GHOST BLOWS OUT THE LAMP  
VFX & 3D

GU JIAN QI TAN  
VFX

THE TAKING OF TIGER MOUNTAIN  
VFX

THE JOURNEY OF FLOWER  
VFX



## **OPPORTUNITY FOR CLEAR™ IN SOUTH EAST ASIA**

In June 2014, the Company launched CLEAR in South East Asia market at Broadcast Asia 2014, the region's largest digital and multimedia tradeshow for the pro-audio, film and TV industries. Reflecting the new market focus of PFT, CLEAR aims to leverage the increasing demand for broadcast operations automation and new media monetization across markets like Malaysia, Singapore, Thailand, Indonesia, Vietnam and Philippines.



# THE BOARD

## MR. NARESH MALHOTRA

CHAIRMAN EMERITUS AND  
WHOLE-TIME DIRECTOR

Mr. Naresh Malhotra is the Chairman Emeritus of the 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. Asit 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. NAMIT MALHOTRA

EXECUTIVE CHAIRMAN AND  
GLOBAL CEO

As the founder of Prime Focus, Mr. Namit Malhotra has been responsible for the development, growth and strategy of the Prime Focus group of companies from its modest beginnings in Mumbai in 1995 to its current position as a global industry powerhouse.

Namit's perpetual optimism and entrepreneurial spirit is written throughout the Prime Focus identity. Actively seeking out projects that will expand the strengths of the Company, and challenge its staff to push themselves to the next level, Namit is devoted to nurturing talent and ambition, and to delivering his clients world-class creative services, cutting-edge technology solutions and intelligent financial models.

## MR. RAMAKRISHNAN SANKARANARAYANAN

MANAGING DIRECTOR

Mr. Ramakrishnan Sankaranarayanan has over 18 years of rich experience performing technical, strategy, customer service, marketing, sales and general management roles in the IT industry.

He is also the Founder and CEO of Prime Focus Technologies. 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

Mr. Nainesh Jaisingh is an MBA from the Indian Institute of Management, Bangalore and also holds a Bachelor's Degree (Honors) 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. KODI RAGHAVAN SRINIVASAN**

INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mr. Kodi Srinivasan is 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 the Company in a financial advisory position.

**MR. RIVKARAN CHADHA**

INDEPENDENT AND NON-EXECUTIVE DIRECTOR

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 the Company.

**MR. PADMANABHA GOPAL AIYAR**

INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mr. Padmanabha Gopal Aiyar has been a practicing Advocate at the Bombay High Court for the past 31 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.

# EXECUTIVE CHAIRMAN'S MESSAGE

Our sustained focus and commitment to quality has translated into more awards and recognitions on the global M&E stage.

Our work in widely acclaimed films like *Gravity* has not only won accolades, but also reinforced our undisputed position as leaders in creative services.

- Namit Malhotra



Dear Shareholders,

It is my pleasure and privilege to address you once again after a gap of 2 years, when I had to be away to specifically drive the business in Hollywood.

This year, we are presenting our Annual Report for a period of fifteen months, i.e., from April 2013 till June 2014 necessitated by the appointment of new auditors. I am delighted and excited to share with you that these fifteen months have been extremely eventful for the Company. We have had mergers and acquisitions in India and internationally that have long-term implications on the strategic growth and progress of your Company, consolidating and strengthening our already formidable presence across the entire spectrum of M&E services: creative, technology, production as well as post production, and offering sustainable value to all our stakeholders. We are making history here as an organization – by orchestrating the creation of a unique digital media services platform for the M&E industry worldwide.

The VFX business of the Company under PFW was merged with Double Negative in the month of June 2014. This, I believe, is one of the most transformational events, not only for your Company, but also for the entire M&E industry. Double Negative is the largest independent VFX house in Europe, and with this merger, we will be combining the best of both the worlds: the creative excellence of the West with the scale and cost advantages of the East. With an order book of around US\$ 150 mn, this deal offers an assured growth path: we will be in a strong position to sustain growth, generate free cash flows, pare down debt by ~30-40% over the next 3-4 quarters and offer significant value to all our stakeholders.

The acquisition of DAX, creator of the Primetime Emmy® Award winning Digital Dailies® in April 2014 by PFT will give it the much needed impetus to expand into the North America markets. Besides having deep and valued relationships, DAX also has lean sales and customer support team locally. The success of this acquisition has already been validated in the form of agreements with FX Networks and Crown Media Holdings. PFT continues to enjoy a healthy and growing long term order book in the range of US\$150 mn.

Our CLEAR™ Media ERP Suite, is now the first M&E industry focussed cloud technology solution to have an ISO 27001 certification, underlining our strict adherence to safety and security of content.

With the proposed merger of the Films and Media Services business of Reliance MediaWorks in July 2014, we now have significant leadership position in production and post production services in India, with a world class capability to invite Hollywood to mount VFX heavy projects leveraging our talent and infrastructure in Mumbai!

Our sustained focus and commitment to quality has translated into more awards and recognitions on the global M&E stage. Our work in

We have had M&As in India and internationally that have long-term implications on the strategic growth and progress of your Company, consolidating and strengthening our already formidable presence across the entire spectrum of M&E services and offering sustainable value to all our stakeholders.

widely acclaimed films like *Gravity* has not only won accolades, but also reinforced our undisputed position as leaders in creative services.

The biggest validation of the potential and prospects of your Company came in the form of new investors: during this period, we saw Reliance Capital come back as a major investor in Prime Focus Limited. Macquarie Capital also came in with an investment of US\$ 38 mn in June 2013, as did China's AID Partners with US\$ 10 mn in March 2013 – both in Prime Focus World. Today, we are proud of the faith and trust of these marquee investors which also include Standard Chartered Private Equity. Their faith is the strongest validation of the Prime Focus story.

While a lot has been happening on the business front, I would also like to share with you the fact that my father and Chairman Emeritus of your Company, Mr. Naresh Malhotra, was conferred with the prestigious Dadasaheb Phalke Award for his immense contribution to and excellence in the video and film industry.

We celebrated our 16th anniversary in October 2013, when we also launched PFT's True North, the hub of its global content operations, inaugurated by none other than Mr. Amitabh Bachchan. In this short span of less than two decades, we have emerged and evolved from our very humble beginnings to become a formidable force in M&E services, and yet, I believe this is just the beginning. We continue to remain focused on our strategic goals and exemplary execution to achieve what we set out to do years ago – global leadership in M&E services.

At Prime Focus, I assure you we shall always continue PUSHING THE BOUNDARIES.

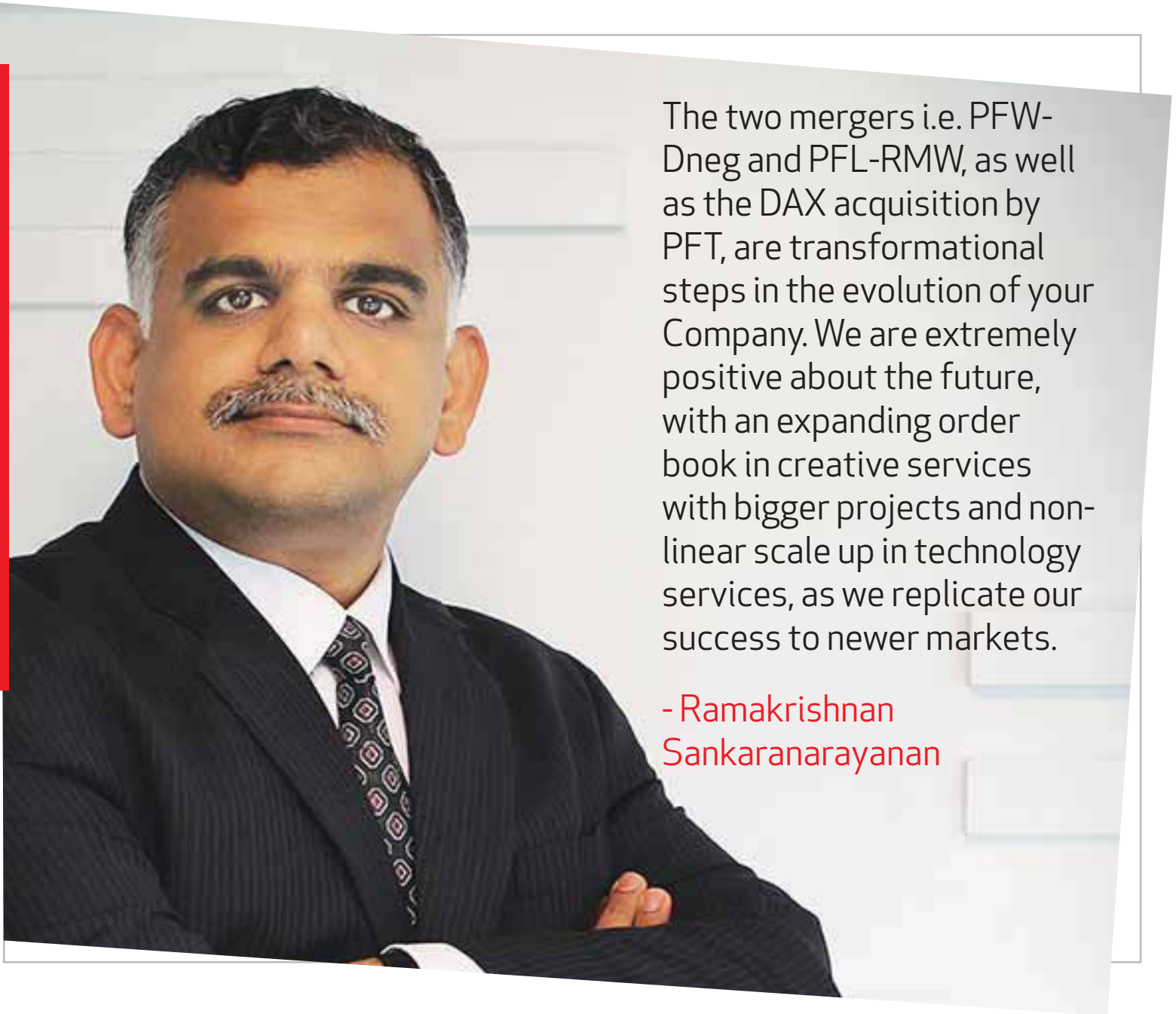
I thank you all for your support and confidence.

Yours sincerely,

**Namit Malhotra**

Founder, Executive Chairman & Global CEO

# MANAGING DIRECTOR'S MESSAGE



The two mergers i.e. PFW-Dneg and PFL-RMW, as well as the DAX acquisition by PFT, are transformational steps in the evolution of your Company. We are extremely positive about the future, with an expanding order book in creative services with bigger projects and non-linear scale up in technology services, as we replicate our success to newer markets.

- Ramakrishnan  
Sankaranarayanan

Dear Shareholders,

There is positivity in the air all around us. The doom and the gloom of the past few years now seem to be finally getting over, and a new wave of optimism and confidence is sweeping across economies and industries.

Global Box Office (GBO) collections have remained buoyant and rose by almost 4% to reach nearly US\$ 36 bn in 2013. In a very significant development, the Chinese box office collections grew by a whopping 27% to reach US\$ 3.6 bn, making it the first international market outside of the US to cross US\$ 3 bn in box office collections. 3D films comprised 12 of the top 13 highest-grossing films of 2014, with those films amassing a huge US\$7.5+ bn and counting at the worldwide box office. The rest of 2014's 3D release have likewise contributed an additional US\$ 1+ bn to date, with several major 3D releases still to come, that should push the final 3D box office tally over US\$ 10 bn and likely towards the US\$ 12 bn mark.

In India the M&E industry showed a handsome gain of 11.8% to reach ₹918 bn in 2013. With multiplexes opening up in not just tier 1 but also tier 2 and 3 cities across India, revenue potential of films has gone up substantially. Three Hindi movies crossed the coveted ₹2 bn mark, with another five grossing more than ₹1 bn. Cable digitization and greater accountability in terms of number of subscribers have led to increasing emphasis on better content in the TV industry. This has been further aided by lowering of entry level pricing for LED/LCD television sets leading to audiences becoming more sensitive to visual quality of content as well. The upside in all of this has been broadcasters demanding higher quality post production within episodic content. 4G roll out and the large population, both young and digitally savvy, are making digital the next big bet for media and entertainment companies, worldwide especially India.

According to Frost & Sullivan, the market for Cloud solutions in M&E industry is expected to grow nine times by 2020. If global consumer spending is an indication of the great times ahead, then broadband will show the strongest growth for next 5 years at 10% CAGR touching US\$ 558 bn followed by in-home video buoyed by ongoing growth in subscription TV and VOD at 7.1% CAGR touching US\$ 345 bn by 2017, according to McKinsey's Global Media Report 2013. A recent report from Strategy Analytics reveals Subscription Video On Demand (SVOD) services led by Netflix, Hulu and Amazon will make up nearly half of OTT revenues in North America with overall OTT video market likely to cross US\$ 10.7 billion in 2014.

These are indeed positive signs for the industry and for Prime Focus as a business.

The fifteen month period was satisfactory for your Company. All the businesses of your Company continued to grow, adding new clients, offering new services, entering new markets and winning more awards.

- With Dneg in our stable, we are the largest global Independent Tier 1 VFX and 3D Conversion services provider

- In a study commissioned by us with Ernst & Young, the digital content solutions market was pegged to grow at 5% CAGR and reach US\$ 12.9 bn by 2018 spurred by ever increasing adoption of Cloud and media ERP kind of solutions
- The proposed merger with RMW allows us to offer end-to-end services to the Indian M&E community with significant market leverage
- US\$ 300 mn+ combined order pipeline
- 5,500+ people across 16 cities

The highlights of the financial performance of your Company for the fifteen months period are:

- The net revenue of the company for FY14 (for fifteen months) ending June 2014 is ₹10,342 mn compared to ₹7,622 mn in the FY13
- EBITDA for the year is at ₹2,363 mn against EBITDA of ₹1,820 mn in the previous year
- Profit after tax at ₹243 mn (net loss of ₹203 mn last year)
- Diluted EPS at ₹1.31 per share up from ₹1.24 in the previous year

The increase in revenue was driven by the technology business, which contributed 20% to the total revenue, as well as the creative services business. During the year, PFT also successfully raised about ₹461 mn through private placement with HNIs. The funds are planned to be used for expansion of CLEAR™ in international markets, as well as in retiring debts.

We are determined to reduce our debt in the near future, and believe we will be able to do this as most of the capex has already been completed. The future revenue streams as well as monetization/liquidation of assets will be used for debt reduction. Also, we foresee significant cost synergies of US\$ 8-10 mn near-term by removing just duplication and overheads across Prime Focus-Dneg-RMW businesses.

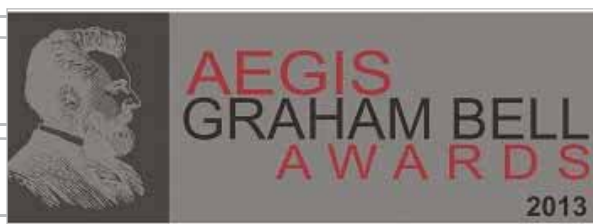
This has been a landmark year which saw us successfully emerge as the world's largest global integrated media services player. A decade ago, we embarked on a bold strategic road map with a strong vision for leadership in both creative and technology based media services. The two mergers i.e. PFW-Dneg and PFL-RMW, as well as the DAX acquisition by PFT, are transformational steps in the evolution of your Company. At this stage, we are extremely positive about the future, with an expanding order book in creative services with bigger projects and non-linear scale up in technology services as we replicate our success to newer markets.

Yours sincerely,

**Ramakrishnan Sankaranarayanan**  
Managing Director

# AWARDS AND ACCOLADES

- PFW wins International 3D & Advanced Imaging Society Award for Gravity
- PFT receives ISO 27001:2005 certification
- Prime Focus London wins PrimeTime Emmy® Award for 'World War II from Space'
- PFT-restored Associated Press Archive Digitization wins FOCAL International Award
- Prime Focus Chairman Emeritus Naresh Malhotra honoured with the Dadasaheb Phalke Award
- PFT bags the Aegis Graham Bell Awards 2013 for Innovation in Cloud-based Solutions
- PFT wins EMC Transformers Award 2013
- PFT' CLEAR™ positioned as an 'Exemplar' on the NASSCOM Product Excellence Matrix



- Prime Focus honoured with MACCIA Award 2013
- Prime Focus wins Best VFX for 'White House Down' at 24 FPS Annual International Animation Awards 2013
- Prime Focus bags the Best Visual Effects Award for 'White House Down', at the 2014 Asia Image Apollo Awards
- Founder, Executive Chairman & Global CEO Namit Malhotra makes it to Hindustan Times' 2014 power list of 'Mumbai's 50 Young Stars'
- PFW's Stereo Conversion Process receives Lumiere™ Technology Award from International 3D & Advanced Imaging Society



# DELIVERING THE BIGGEST BLOCKBUSTERS



## ABOVE US\$ 100 MN

- Captain Phillips
- The Great Gatsby

## ABOVE US\$ 200 MN

- Man of Steel
- World War Z
- Fast & Furious 6
- Gravity
- Thor The Dark World





### ABOVE US\$ 300 MN

- Noah
- Edge of Tomorrow

### ABOVE US\$ 400 MN

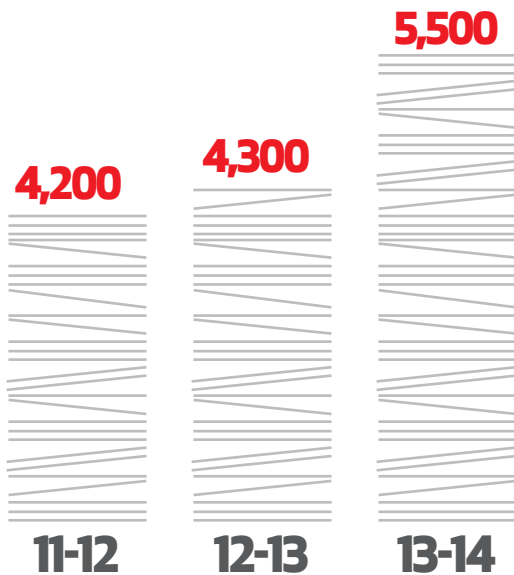
- The Hunger Games – Catching Fire

### ABOVE US\$ 500 MN

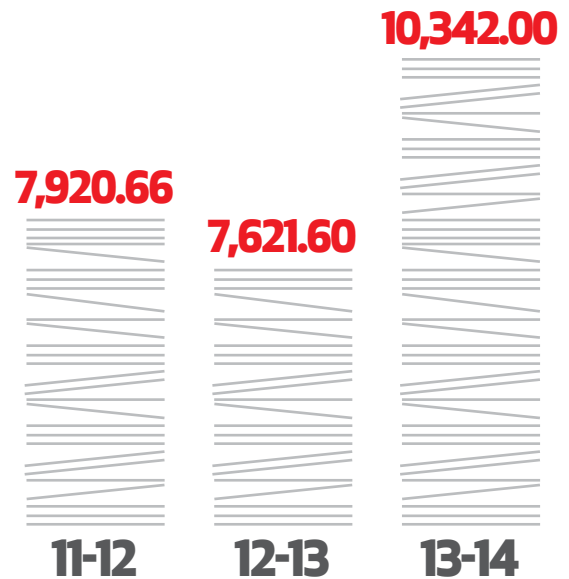
- Godzilla
- The Amazing Spider-man 2
- Maleficent
- Transformer – Age of Extinction

# FINANCIAL HIGHLIGHTS

## NUMBER OF PERSONNEL (PFL)

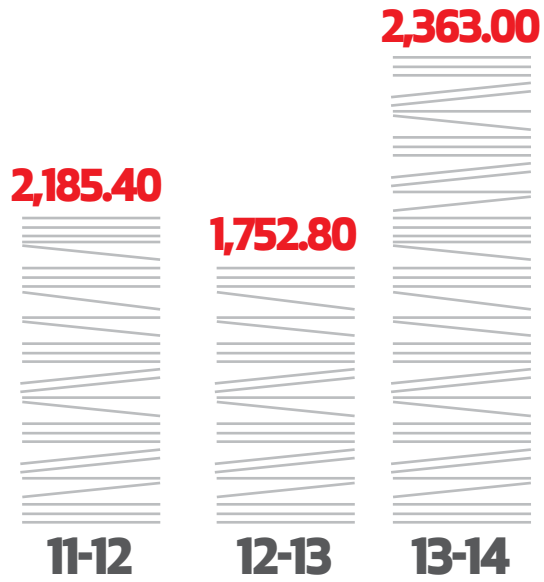


## REVENUE (₹ MN)

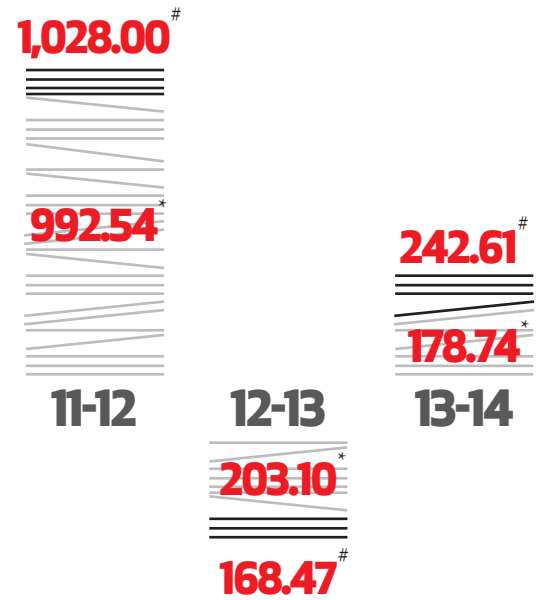


Figures for 2013-14 pertain to fifteen months ended 30 June 2014

**EBITDA (₹ MN)**



**PROFIT AFTERTAX (₹ MN)**



# consolidated profit before minority  
\* consolidated profit after minority

# OUR CLIENTS...



# ...AND WHAT THEY SAY

KEN HALSBAND, HEAD OF PHYSICAL PRODUCTION, RELATIVITY MEDIA FOR MOVIES LIKE MOVIE 43, IMMORTALS AND MIRROR MIRROR

The spirited approach to business and the supportive global creative team have been an asset to work with relative ease.

SIDDHARTH ROY KAPUR, MANAGING DIRECTOR, DISNEY UTV

What makes Prime Focus unique is the audacity of its aspirations. From the time it started out to where it is today just means that the people behind the company were not afraid to dream big.

AJIT MOHAN, STAR INDIA

We are deeply grateful for all the hard work that you and your teams have put into creating a fantastic sports platform for us.

SUNIL MANCHANDA, OWNER, MAD ENTERTAINMENT

Staying ahead or along with the times is what makes Prime Focus unique.

STEVE BEEKS, PRESIDENT & COO, LIONSGATE FOR MOVIES LIKE HUNGER GAMES, EXPENDABLES AND I-FRANKENSTEIN

Congratulations Prime Focus on sixteen successful year of growth and service.

ARBAAZ KHAN, FILM DIRECTOR AND PRODUCER

They are one of the finest in the business, and extremely professional.

RAJ KUMAR HIRANI, FILM DIRECTOR

Its been amazing the way Prime Focus has grown from that one small facility to a facility across the world.

MUKESH AND MAHESH BHATT, VISHESH FILMS

The USP of Prime Focus is that it makes the magic of cinema magical.

# INSPIRING LEADERSHIP

Mr. Naresh Malhotra

Chairman Emeritus of Prime Focus, was honored with the prestigious and much coveted Dadasaheb Phalke Award in May 2014 for his immense contribution to, and excellence in the video and films industry. The award was presented at a ceremony held in Mumbai, by the then Hon'ble Governor of Maharashtra, K. Sankaranarayanan.



Accepting this accolade, Mr. Naresh Malhotra, said,

“I am humbled to receive the Shri Dadasaheb Phalke Award. I would like to extend my gratitude to the Government of India for recognizing my contribution in the world of cinema, and honoring me with the highest award in the industry.”

“During my 40 year professional journey, I have been involved in every facet of the entertainment industry, from direction to production, and seen Prime Focus grow from a garage company to a global success story. I would like to thank all my close friends, family and employees who have made this journey more meaningful.”

The 195<sup>th</sup> Dadasaheb Phalke Awards were organized by Dadasaheb Phalke Academy. Amitabh Bachchan, Asha Bhosale and the late Yash Chopra are some of the past recipients of the award.

# **CORPORATE INFORMATION**

## **BOARD OF DIRECTORS**

### **Executive Directors**

Mr. Namit Malhotra  
(Appointed w.e.f. June 25, 2014)

Executive Chairman and Global CEO

Mr. Naresh Malhotra

Whole-time Director

Mr. Ramakrishnan Sankaranarayanan  
(Appointed w.e.f. June 25, 2014)

Managing Director

### **Non-Executive Directors**

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

Non-Executive Director

## **CHIEF FINANCIAL OFFICER**

Mr. Vikas Rathee

## **COMPANY SECRETARY**

Ms. Kirti Desai

## **AUDITORS**

M/s. Deloitte Haskins & Sells

## **BANKERS**

Standard Chartered Bank Limited

Yes Bank Limited

Ratnakar Bank Limited

IDBI Bank Limited

## **REGISTRAR & TRANSFER AGENTS**

Link Intime India Private Limited

## **REGISTERED OFFICE**

Prime Focus House

Opposite Citibank, Linking Road

Khar (West), Mumbai-400052



# Directors' Report

Dear Members,

Your directors are pleased to present the Annual Report of the Company along with the Audited Accounts for the period ended June 30, 2014:

## 1. FINANCIAL PERFORMANCE:

The Consolidated and Standalone Audited Financial Results for the period ended June 30, 2014 are as follows:

(₹ In lacs)

Particulars	Consolidated		Standalone	
	2013-14 (15 months)	2012-13 (12 months)	2013-14 (15 months)	2012-13 (12 months)
Income from operations	103,272	76,216	27,355	18,288
Other operating income	146	-	146	-
Other income	4,601	1,741	3,723	1,945
<b>Total income</b>	<b>108,019</b>	<b>77,957</b>	<b>31,224</b>	<b>20,233</b>
Less: Expenses	83,596	58,687	18,250	12,816
<b>Profit before interest, depreciation and tax</b>	<b>24,423</b>	<b>19,270</b>	<b>12,974</b>	<b>7,417</b>
Less: Finance costs	6,867	4,183	2,811	2,299
<b>Profit after interest, before depreciation and tax</b>	<b>17,556</b>	<b>15,087</b>	<b>10,163</b>	<b>5,118</b>
Less: Depreciation and amortisation expense	13,320	9,988	4,399	3,481
<b>Profit before exceptional items and tax</b>	<b>4,236</b>	<b>5,099</b>	<b>5,764</b>	<b>1,637</b>
Less: Exceptional items	1,740	10,765	(172)	10,766
<b>Profit / (Loss) before tax</b>	<b>2,496</b>	<b>(5,666)</b>	<b>5,936</b>	<b>(9,129)</b>
<b>Less: Provision for tax</b>				
Current tax	5,205	(653)	4,442	-
Excess provision of taxes in respect of earlier years	-	(588)	-	(244)
MAT credit entitlement	(177)	(18)	(18)	-
Deferred tax	(4,319)	(2,722)	(4,870)	(2,961)
<b>Profit after tax</b>	<b>1,787</b>	<b>(1,685)</b>	<b>-</b>	<b>(5,924)</b>
Less: Minority interest	(639)	346	-	-
<b>Profit after tax (after adjustment of minority interest)</b>	<b>2,426</b>	<b>(2,031)</b>	<b>6,382</b>	<b>(5,924)</b>
Add: balance brought forward from previous year	25,724	28,385	8,485	14,409
Less: Minority share	1,943	630	-	-
Less: Adjustment of depreciation on fixed assets	22	-	-	-
<b>Profit available for appropriation</b>	<b>26,185</b>	<b>25,724</b>	<b>14,867</b>	<b>8,485</b>
Less: Transfer to debenture redemption reserve	6,365	-	5,866	-
<b>Balance carried to balance sheet</b>	<b>19,820</b>	<b>25,724</b>	<b>9,001</b>	<b>8,485</b>

## 2. OPERATION AND PERFORMANCE REVIEW:

During the period under review, on consolidated basis, total income of the Company and its subsidiaries stood to be ₹ 108,019 lacs as compared to ₹ 77,957 lacs in the previous year.

On standalone basis, total income during the period was ₹ 31,224 lacs as compared to ₹ 20,233 lacs in the previous year. Profit before interest, depreciation and tax during the period was ₹ 12,974 lacs as compared to ₹ 7,417 lacs in the previous year. The Net profit/(loss) after tax was ₹ 6,382 lacs as compared to ₹ (5,924) lacs in the previous year.

During the period, the Company has made a provision for doubtful loans/advances and diminution in investment value of ₹13,532 lacs and ₹5,146 lacs respectively, for its loans and investments in Prime Focus London Plc, a subsidiary, which continued to suffer business headwinds due to continuing recessionary conditions and despite revival/value maximization efforts by the Management for past several years.

Pursuant to the approval of the Board of Directors and the Shareholders, Company executed a business transfer agreement to sell, transfer and/or otherwise dispose of its "Backend business" on a going concern basis by way of slump sale to Prime Focus World Creative Services Private Limited, a Company incorporated in India and a direct subsidiary of Prime Focus World N.V., a company incorporated and operating under the laws of Netherland for a total consideration of ₹22,970 lacs, effective June 30, 2014.

### 3. DIVIDEND:

In order to preserve funds for future activities, the Board of Directors of your Company do not recommend any Dividend for the period ended June 30, 2014.

### 4. APPROPRIATIONS:

An amount of ₹5,866 lacs is transferred to Debenture Redemption Reserve during the year.

### 5. SHARE CAPITAL:

The issued, subscribed and paid-up equity share capital of the Company as on June 30, 2014 stood at ₹1,854 lacs comprising of 185,417,436 equity shares of Re. 1/- each

Subsequently, pursuant to the approval of the shareholders in the Extra-ordinary General Meeting held on August 01, 2014, the Company has increased its authorized share capital from ₹2,500 lacs divided into 250,000,000 equity shares of Re.1/- each to ₹3,500 lacs dividend into 350,000,000 equity shares of Re. 1/- each.

### 6. SUBSIDIARIES:

During the period, the Company sold its entire shareholding held in M/s. Prime Focus World Creative Services Private Limited to M/s. Prime Focus World N.V., a company incorporated under the laws of Netherland.

Pursuant to the provisions of amended Clause 49 of the Listing Agreement, the Board of Directors has approved the 'material subsidiary policy'. The said policy is available for review at the below mentioned link:

Link: [http://primefocusltd.com/sites/default/modules/filemanager/files/corporate\\_governance/Policy\\_on\\_Material\\_Subsiadiaries.pdf](http://primefocusltd.com/sites/default/modules/filemanager/files/corporate_governance/Policy_on_Material_Subsiadiaries.pdf)

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 erstwhile 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 erstwhile Companies Act, 1956, is set out as an annexure to this Report.

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

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

### 7. DIRECTORS:

During the period under review, Mr. Naresh Malhotra relinquished his position as a Chairman of the Company vide his letter dated June 25, 2014. He shall continue to act as the Whole-time Director of the Company.

In view of the resignation of Mr. Naresh Malhotra as Chairman, Mr. Namit Malhotra was appointed as the Chairman, CEO and Executive Director of the Company with effect from June 25, 2014 for a period of 3 years at a remuneration upto ₹50 lacs p.a. Mr. Ramakrishnan Sankaranarayanan was appointed as the Managing Director of the Company with effect from June 25, 2014 for a period of 3 years at a remuneration upto ₹50 lacs p.a. Both these appointments were approved by the shareholders in the Extra-ordinary General Meeting held on August 01, 2014.

Pursuant to Section 152 of the Companies Act, 2013 and under the applicable provisions of the Articles of Association of the Company, Mr. Naresh Malhotra, Whole-time Director, retires by rotation at the ensuing 17th Annual General Meeting and being eligible, offers himself for re-appointment. The Board has proposed the re-appointment of Mr. Naresh Malhotra as Director of the Company, liable to retire by rotation at the ensuing 17th Annual General Meeting.

The Board of Directors of the Company (the 'Board'), at its meeting held on November 14, 2014 has, subject to the approval of shareholders, re-

appointed Mr. Naresh Malhotra as Whole-time Director, for a period of 5 (five) years from the expiry of his present term, which shall expire on March 31, 2015, at the remuneration recommended by the Nomination and Remuneration Committee and approved by the Board.

Pursuant to Sections 149, 150 and 152 of the Act, read with Companies (Appointment and Qualification of Directors) Rules, 2014 alongwith Schedule IV of the Act (including any statutory modification(s) or re-enactment thereof for the time being in force), the Independent Directors can hold office for a term of five consecutive years on the Board of Directors of your Company. Accordingly, it is proposed to appoint the following Directors as Non-executive Independent Directors not liable to retire by rotation for five (5) consecutive years with effect from the conclusion of the 17th Annual General Meeting upto the conclusion of the 22nd Annual General Meeting, subject to approval of shareholders at the ensuing 17th Annual General Meeting.

- a) Mr. Kodi Raghavan Srinivasan
- b) Mr. Padmanabha Gopal Aiyar
- c) Mr. Rivkaran Chadha

The Company has received requisite notice under Section 160 of the Companies Act, 2013 in writing from a member proposing the appointment of the aforesaid Directors.

All the above mentioned Independent Directors have given the declaration of independence as per Section 149(6) of the Act.

The Company shall be issuing the letter of appointment to the Independent Directors pursuant to their appointment in the ensuing 17th Annual General Meeting of the Company and the terms and conditions of appointment shall be disclosed on the website of the Company as required under Clause 49(II)(B)(4) of the Listing Agreement.

#### **8. MERGER OF DOUBLE NEGATIVE HOLDINGS LIMITED (DOUBLE NEGATIVE) WITH PFW's VFX BUSINESS:**

Effective July 01, 2014, Prime Focus World N.V. ('PFWNV') forming part of the group, closed the transaction relating to the merger of Double Negative, one of the largest Visual Effects services providers to the global film industry pursuant to a share sale agreement dated June 25, 2014. This agreement has created the world's largest independent VFX, stereo conversion and animation company serving the Hollywood film industry and Double Negative has now become a wholly owned subsidiary of PFWNV.

#### **9. EXECUTION OF BINDING TERM SHEET WITH RESPECT TO INVESTMENT BY OPEN OFFER OF COMPANY'S SHARES:**

The Company in view of its growing business requirements as a global leader in the media and entertainment industry and the need to compete with its peer group in the domestic and international market,

has strengthened its position and network by augmenting its long term resources. As a step towards this objective, Company proposes to combine its global film and media services business with that of Reliance MediaWorks Limited ("RML") by acquiring its film and media services business ("F&M business") to be transferred to and acquired by the Company by way of slump sale on a going concern basis, for a net consideration of ₹ 350 crores, which includes the fixed assets, current assets and current liabilities of the business on such terms and conditions as are agreed between the Company and RML.

In light of the above, it is proposed to issue upto 67,307,692 equity shares at the price of ₹ 52/- per share on a preferential allotment basis in terms of the Guidelines for Preferential Issues contained in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("ICDR Regulations") as consideration for the proposed business transfer. The Company has entered into binding term sheet on July 02, 2014 with the Promoters of the Company and RML setting out the rights and obligations of the parties involved vis-a-vis the preferential offer. Upon execution of the term sheet RML along with persons acting in concert have made an open offer to the shareholders of the Company.

Further, pursuant to the Company's proposal to acquire the Film and Media business of Reliance MediaWorks Limited, it was necessary to obtain the necessary permission of the Hon'ble Competition Commission of India (CCI) and Company has appointed solicitors and advocates to represent and file the necessary application before the Hon'ble Competition Commission of India on behalf of the Company.

The aforesaid open offer is subject to the procurement of the approval of CCI and consent from Securities and Exchange Board of India and the Company shall take necessary steps to complete the preferential offer and the open offer process on the approvals being granted.

#### **10. PREFERENTIAL OFFER:**

Further to the above, the Board of Directors in its meeting held on July 02, 2014 approved issuance of upto 23,076,923 equity shares each on a preferential basis subject to requisite statutory approvals to Monsoon Studio Private Limited (Promoter Group Company) and also to Reliance MediaWorks Limited at the price of ₹ 52/- per share and the said issue was approved by the shareholders at the Extraordinary General Meeting held on August 01, 2014. The issuance shall be effected upon receipt of all necessary statutory approvals.

#### **11. EMPLOYEE STOCK OPTION SCHEME (ESOP):**

In the Board of Directors' meeting held on July 02, 2014, approval was granted to introduce and implement Employee Stock Option Scheme titled 'PFL-ESOP Scheme 2014' whereby stock options upto 6% of the paid up capital of the Company (post aforesaid preferential allotment) aggregating 17,932,738 stock options would be issued to eligible

employees of the Company, its subsidiaries and associates. The said scheme was approved by the shareholders in the Extra-ordinary General Meeting held on August 01, 2014.

## 12. CORPORATE GOVERNANCE REPORT:

The Company is committed to maintain the highest standards of corporate governance and adhere to the corporate governance requirements set out by SEBI. The Company has also implemented several best corporate governance practices as prevalent globally.

The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

The requisite certificate from the Auditors of the Company confirming compliance with the conditions of corporate governance as stipulated under the aforesaid Clause 49, is attached to the Report on corporate governance.

## 13. WHISTLE BLOWER MECHANISM:

The employees of the Company are eligible to make Protected Disclosures under the Whistle Blower Policy in relation to matters relating to alleged wrongful conduct.

All Protected Disclosures should be addressed to the Vigilance and Ethics Officer appointed for the purpose viz. Mrs. Nivedita Nanda, Sr Vice President HR & Administration and reported in writing by the whistle blowers as soon as possible after the whistle blower becomes aware of the same so as to ensure a clear understanding of the issues raised.

In order to protect identity of the whistle blower, the Vigilance and Ethics Officer will take necessary steps and shall assure that in case any further clarification is required he will get in touch with the Whistle Blower. Any Anonymous / Pseudonymous disclosure shall not be entertained by the Vigilance and Ethics Officer.

Any Protected Disclosure against the Vigilance and Ethics Officer should be addressed to the Chairman of the Company and the Protected Disclosure against the Chairman/ CEO of the Company should be addressed to the Chairman of the Audit Committee.

The Receiving authority shall also carry out initial investigation either himself or by involving any other Officer of the Company or an outside agency before referring the matter to the Audit Committee of the Company for further appropriate investigation and needful action.

## 14. 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 erstwhile Companies Act, 1956.

## 15. PARTICULARS OF EMPLOYEES:

In terms of provisions of Section 217(2A) of the erstwhile 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.

## 16. 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 June 30, 2014 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.

## 17. 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.

## 18. AUDITORS AND AUDITORS' REPORT:

M/s. Deloitte Haskins & Sells, Chartered Accountants (Registration no. 117364W), who are the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting of

the Company. It is proposed to re-appoint them to examine and audit the accounts of the Company for five years to hold office from the conclusion of this 17th Annual General Meeting till the conclusion of the 22nd Annual General Meeting of the Company subject to ratification of their appointment at every Annual General Meeting subsequent to the appointment.

The Company has received letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified for re-appointment.

The Notes on Financial Statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

#### 19. 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 erstwhile 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 takes significant measures to reduce energy consumption by using energy efficient computers and by purchasing energy-efficient equipment. The Company purchases 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:

The Company constantly evaluates new developments and invests 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

	June 30, 2014 (15 months)	March 31, 2013 (12 months)
Foreign Exchange Earned: Revenue from operations and interest income	19,804	12,001
Foreign Exchange Outgo: Technical service cost, repairs and maintenance, interest and others	183	482

#### 20. 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

Whole-time Director &  
Chairman of the Meeting

Place: Mumbai

Date: November 14, 2014

# Management Discussion and Analysis

## Section 1

**PFL...Pushing the boundaries and soaring to new heights'**

**Bold strategic path adopted a decade back transforms PFL into "World's Largest Global Integrated Media Services player"**

The year gone by will go down as a landmark in the evolution of Prime Focus Limited (PFL). A year that saw the Company push its boundaries in all of its businesses and soar to new heights and emerge as the World's largest global independent and integrated media services player. The achievements were on multiple fronts such that, by the end of the year, each business was on a higher trajectory bolstered by strong organic and inorganic initiatives:

- **Recognition for our focus on high quality:** PFW's exclusive 3D conversion work in Hollywood Blockbuster "Gravity" propelled its 2D-3D conversion business to reach the zenith with multiple global awards and recognition. In recognition of the same, PFL's Founder, Executive Chairman and CEO, Mr. Namit Malhotra was nominated to the Board of Governors of International 3D & Advanced Imaging Society.
- **Global Market dominance in VFX:** The Company pushed its limits in the VFX space, adopting inorganic route to catapult into the tier1 position. PFW combined with Hollywood maestro Double Negative and PFW's joint venture in China is at the tipping point of an exciting growth phase in the fast growing Chinese Filmed Entertainment market.
- **Domestic businesses ready for next growth phase:** In a paradigm shift, PFL will absorb Reliance MediaWorks' (RMW) film and media services business division, subject to necessary approvals. This will step-up the Company's offerings in the fast growing Indian Media and Entertainment (M&E) market, while gaining from RMW's Hollywood relationships.
- **PFT defines new frontiers on its non-linear growth path:** PFT has further energized its overseas market offering with acquisition of DAX in North America and addition of new international clients including impressive line-up in South Africa. ISO certification, BARC project win have strengthened its leadership in domestic M&E markets.
- **Industry Acknowledgement of our contribution to M&E:** PFL Chairman Emeritus Mr. Naresh Malhotra received the prestigious Dadasaheb Phalke Award, 2014

**All these transformational steps have put both the creative and technology businesses on an accelerated growth path.**

## Section 2

**FY14 Key Highlights:**

**Spurred by multiple growth levers across businesses and geographies, PFL successfully emerged as the World's Largest Global Independent and Integrated Media Services player**

**Global creative business witnessed strong organic and inorganic growth:**

- **Creative services arm PFW successfully emerged as a global Tier 1 VFX service provider** post the business combination with UK based Academy Award winning VFX house, **Double Negative**
- Exclusive 3D conversion done for **Warner Bros 'Gravity'** wins PFW the **International 3D & Advanced Imaging Society Award**
- PFW delivered end-to-end creative services on **'Sin City: A Dame to Kill For'** its largest VFX commission to date

**Technology business continued on non-linear growth path**

- PFT acquired DAX – owner of Digital Dailies solution (Prime Time Emmy® Award winner) and is on track to expand in North America and replicate the success its flagship product CLEAR Media ERP Suite has seen in the Indian market
- India's Broadcast Audience Research Council (BARC) has selected Prime Focus Technologies (PFT) for play-out monitoring Service to power one of the world's largest audience measurement programs
- Announced its brand new go-to-market offering 'Journey to the Cloud' which envisages PFT working closely with M&E companies to evangelize the benefits of moving to the cloud as well as addressing dilemmas related to that important decision
- Launched CLEAR Media ERP in South East Asia markets at Asia's largest digital and multimedia tradeshow for the pro-audio, film and TV industries
- Signed a contract with South Africa's leading broadcasting network to aid smart content discovery a part from its deals with FX networks and Crown Media Holdings in the U.S.
- Added Saatchi & Saatchi, Havas Worldwide, Bajaj Finance Limited, Kent RO Systems in its client portfolio of Brand Services

**New Infrastructure**

- PFW launches new facilities in China and Goa and expands capacity in Mumbai and Chandigarh
- PFT launches True North, the world's largest Digital Media Services Cloud, 100,000 sq.ft. facility in Mumbai

- PFL-RMW FMS merger to substantially enhance customer value proposition and services delivery infrastructure including, state-of-art post-production and studio facilities in Film City Mumbai and access to Lowry Digital, owners of the Academy Award winning Lowry process for image enhancement

#### Successful Fund raising

- PFW secured US\$38 million equity investment from Macquarie Capital at an enterprise valuation of US\$300 million
- PFT raised ~ ₹ 461 million through optionally convertible debentures (OCDs) valuing PFT at ₹ 11 billion
- Promoters and Reliance Group announced equity infusion of ₹ 1.2 billion each through a preferential allotment that is pending regulatory approvals

#### Recognition in India and on the global stage

- **Chairman Emeritus Mr. Naresh Malhotra received the Dadasaheb Phalke Award**
- Founder, Executive Chairman and CEO, **Mr. Namit Malhotra was nominated to Board of Governors of International 3D & Advanced Imaging Society**
- PFT received ISO 27001 certification, Aegis Graham Bell Award 2013 and EMC Transformer Award 2013
- PFT's CLEAR was positioned as 'exemplar' in NASSCOM's Product Excellence Matrix
- PFT-restored Associated Press Archive Digitization won FOCAL International Award 2014
- Prime Focus was honoured with MACCIA Award 2013
- Prime Focus London won PrimeTimeEmmy® Award for 'World War II from Space' on History Channel
- Prime Focus won Best VFX for 'White House Down' at 24 FPS Annual International Animation Awards 2013
- Prime Focus bagged Best Visual Effects Award for 'White House Down', at the 2014 Asia Image Apollo Awards
- Founder, Executive Chairman and CEO, Namit Malhotra made it to Hindustan Times' 2014 power list of Mumbai's 50 Young Stars.
- PFW's Stereo Conversion Process received Lumiere™ Technology Award from International 3D & Advanced Imaging Society
- Prime Focus India won new accolades for its creative services at the prestigious FICCI BAF (Best Animated Frames) awards for 2014. Best TV Series (India) for 24 series, Best Animation TV Series (International) for Lego Animation Series
- PFL was the session co-partner at FICCI Frames 2014 which is Asia's largest media and entertainment industry conclave to co-present all tracks (film, broadcast & Digital)

### Section 3

#### Global & Indian Media & Entertainment Industry Landscape

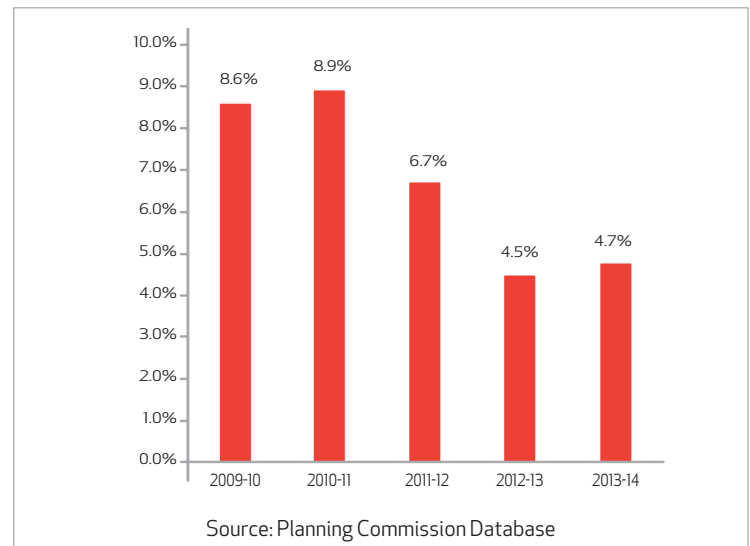
#### Global economy strengthened with higher growth projection of 3.6% for 2014

	2012	2013	2014
World	3.2	3	3.6
Advance Economies	1.4	1.3	2.2
US	2.8	1.9	2.8
Euroland	-0.7	-0.5	1.2
Japan	1.4	1.5	1.4
UK	0.3	1.8	2.9
Emerging Economies			
Brazil	1	2.3	1.8
Russia	3.4	1.3	1.3
India	4.7	4.4	5.6
China	7.7	7.7	7.5

Source: World Economic Outlook IMF

Global economic growth is projected to grow from 3.0% in 2013 to 3.6% in 2014 and 3.9% in 2015. The key growth drivers in advanced economies are reduction in fiscal tightening, except in Japan, and highly accommodative monetary conditions. Growth is expected to be strongest in the United States at 2.8% whereas emerging economies will be helped by stronger external demand from advanced economies though tighter financial conditions will dampen domestic demand growth. In China, growth is projected to remain at 7.5% in 2014.

#### Indian Economy set to overcome below 5% growth trend of last 2 years

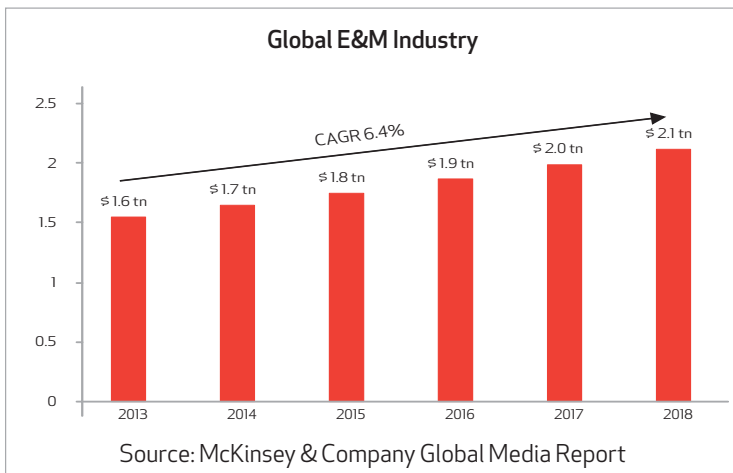


In 2014-15, the Indian economy is poised to overcome the sub-5% GDP growth witnessed over the last two years. The past growth slowdown was broad based and affecting mainly the industrial sector. Inflation too declined during this period, but continued to be above the comfort zone. The redeeming features in the last year was development on the macro stabilization front with dramatic improvement in the external economic situation and current account deficit (CAD) at 1.7% of GDP as against 4.7%

in 2012-13. With the new Government in the centre, there are increased expectations of a change for the better. This, coupled with the expected recovery in the global economy, has resulted in better growth prospects in 2014-15 and beyond. (Source: Budget)

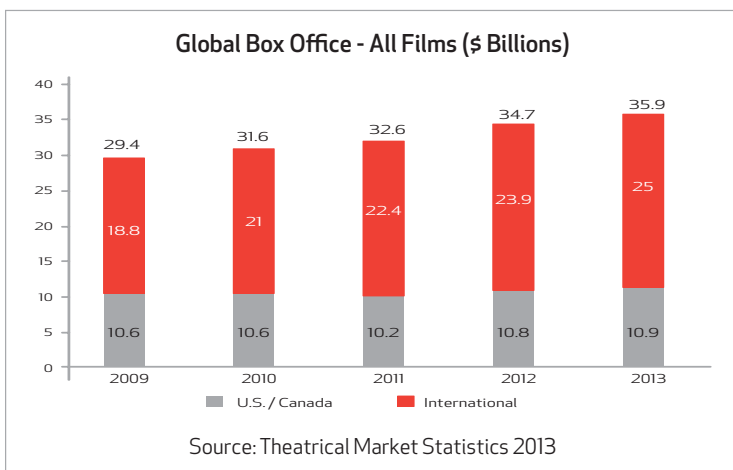
## Accelerating growth in Global E&M Industry at 6.4% CAGR, to reach US\$ 2.1 trillion by 2018

As per McKinsey's Global Media Report 2014, total global media spending will rise from US\$1.6 trillion in 2013 to a projected US\$2.1 trillion in 2018, at a higher 6.4% CAGR compared to 4.8% CAGR during 2008-13. Consumer spending on cinema is expected to increase from US\$37 billion in 2013 to reach US\$48 billion by 2018, growing at CAGR of 5.2%.



## Global Box office up by 4% on the back of increased international box office collections

According to the Theatrical Market Statistics 2013 released by the Motion Pictures Association of America, Inc. (MPAA), the global box office collections for all films released in each country around the world reached US\$35.9 billion in 2013, up by 4% over the 2012 level of US\$34.7 billion. This was largely due to increase in international (US\$25.0 billion) and U.S./Canada (US\$10.9 billion) box office collections. All international regions experienced growth in 2013. The Chinese box office (US\$3.6 billion) grew by 27% in 2013, becoming the first international market to exceed US\$3 billion in box office collections.



## 2013 Top 10 Non-US Box Office Markets All Films (\$ Billions)

China	\$3.6
Japan	\$2.4
U.K.	\$1.7
France	\$1.6
India	\$1.5
South Korea	\$1.4
Russia	\$1.4
Germany	\$1.3
Australia	\$1.1
Mexico	\$0.9

Source: IHS Screen Digest, local sources

The increase in 2013 U.S./Canada box office collections was due to an equivalent increase in average ticket price (2%) compared to 2012, in-line with the 2% increase in inflation as measured by the consumer price index (CPI). However, admissions fell by 20 million (-1%) compared to 2012.

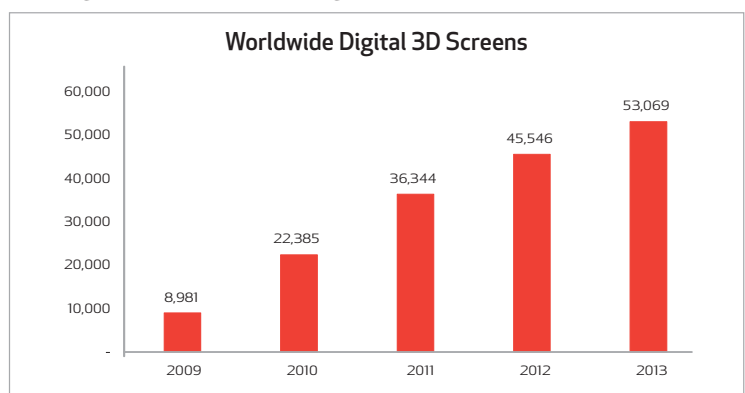
## Rise in digital screens worldwide results in more VFX&3D heavy Hollywood blockbusters

The number of digital screens globally reached 111,809 in 2013, an increase of 25% over 2012. Over 80% of the world's screens and at least 50% of screens in every region are now digital (MPAA). The rise in consumption in digital format has created a demand for VFX, 3D and Animation content.

Globally, the VFX industry size is US\$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 well in the international markets because of a wider reach and greater demand. The VFX market is in line to grow at a steady pace going forward. According to Box Office Mojo, this year's VFX heavy movies like Man of Steel (US\$668 million), Thor: the Dark World (US\$644 million), The Hunger Games-Catching Fire (US\$864 million) and Fast & Furious 6 (US\$788 million) performed very well at the box office and generated good returns for producers.

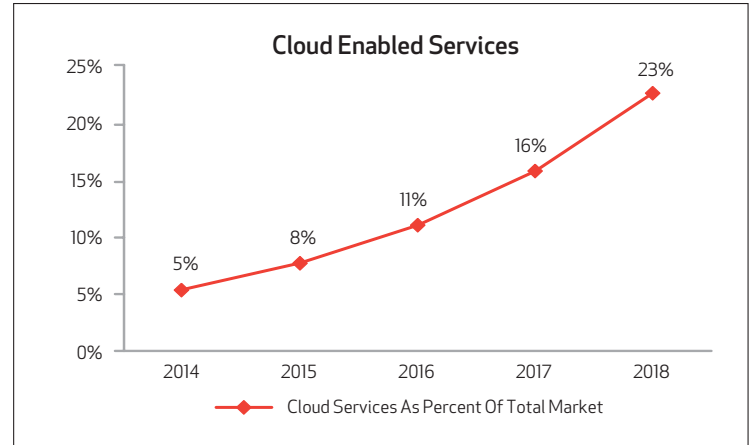
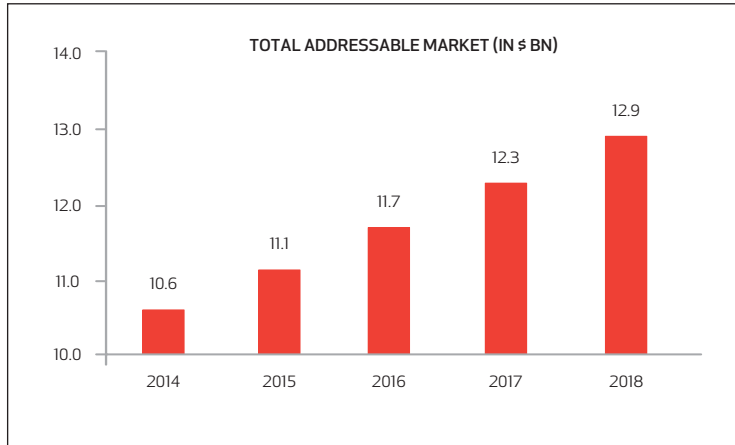
According to the Theatrical Market Statistics 2013, the demand for the 3D format has been on the rise. Over the last five years, the number of 3D movie screens around the world has increased to over 53,000 from a paltry 2,536 screens in 2008 with 3D digital comprising 36% of total screens. 3D continues to contribute significantly to global film collections. Transformers: Age of Extinction, Maleficent, The Amazing Spider-Man 2, Iron Man 3 and other movies received substantial boosts from 3D pricing worldwide. The next several years will see an expansion of 3D's power at the global box office with increasing franchises and sequels with respect to popular superheroes across the big screen. It is expected that more than 70 3D films will hit theatres in 2015 and 2016.

## Growing need for Content Management solutions for E&M industry





### Growing need for Content Management solutions for E&M industry



Source: Company Estimates based on Industry Sources

Total Addressable market for technology-based media services is expected to grow at a CAGR of 5% from US\$10.6 billion to reach US\$12.9 billion by 2018. North America is the largest market while Asia and Latin America are the fastest growing markets.

### Indian E&M Industry poised to grow at higher 14% CAGR driven by increasing digitisation

According to FICCI-KPMG Report 2014, the Indian Media & Entertainment (M&E) industry registered a growth of 11.8% over 2012 and touched ₹ 918 billion in 2013. The year also saw the industry benefit from the digitisation of media products and services along with growth in regional media. Gaming and digital advertising were the two prominent industry sub-sectors which recorded a strong growth in 2013 compared to the previous year, albeit on a smaller base.

#### Indian M & E Industry Size and Projections

Overall industry size (INR billion)	2008	2009	2010	2011	2012	2013	Growth in 2013 over 2012	2014p	2015p	2016p	2017p	2018p	CAGR (2013-18)
TV	241.0	257.0	297.0	329.0	370.1	417.2	12.7%	478.9	567.4	672.4	771.9	885.0	16.2%
Print	172.0	175.2	192.9	208.8	224.1	243.1	8.5%	264.0	287.0	313.0	343.0	374.0	9.0%
Films	104.4	89.3	83.3	92.9	112.4	125.3	11.5%	138.0	158.3	181.3	200.0	219.8	11.9%
Radio	8.4	8.3	10.0	11.5	12.7	14.6	15.0%	16.5	19.0	23.0	27.8	33.5	19.1%
Music	7.4	7.8	8.5	9.0	10.6	9.6	9.9%	10.1	11.2	12.9	14.9	17.5	12.9%
OOH	16.1	13.7	16.5	17.8	18.2	19.3	5.9%	21.2	23.1	25.2	27.5	30.0	9.2%
Animation and VFX	17.5	20.1	23.7	31.0	35.3	39.7	12.5%	45.0	51.7	60.0	70.2	82.9	15.9%
Gaming	7.0	8.0	10.0	13.0	15.3	19.2	25.5%	23.5	28.0	32.3	36.1	40.6	16.2%
Digital Advertising	6.0	8.0	10.0	15.4	21.7	30.1	38.7%	41.2	55.1	69.7	88.1	102.2	27.7%
<b>Total</b>	<b>580</b>	<b>587</b>	<b>652</b>	<b>728</b>	<b>821</b>	<b>918</b>	<b>11.8%</b>	<b>1039</b>	<b>1201</b>	<b>1390</b>	<b>1580</b>	<b>1785</b>	<b>14.2%</b>

Source: FICCI-KPMG Indian Media and Entertainment Industry Report 2014

Increasing digitisation across sub-sectors of the M&E industry, increase in advertisement rates in TV, innovative strategies to monetise digital content, rapid growth of new media powered by increasing smartphone penetration and campaign spending during the general elections were key levers of growth for the Indian M&E industry in 2014. The industry is expected to register a higher CAGR of 14.2% to touch ₹ 1,786 billion by 2018.

### Indian film industry to reach ₹ 220 billion by 2018 with focus shifting towards tier 2 & 3 cities

The Indian film Industry has been witnessing significant growth on the back of differentiated content, wider releases across digital screens and aggressive promotions by production houses. The industry is heavily dependent on domestic theatricals which contribute more than 75% to the industry's revenues. Factors such as rapid urbanisation, penetration of multiplexes in tier II and III cities, increasing sophistication in production and marketing of films and audience's receptivity to differentiated content are together expected to help the industry sustain its growth over the next few years and be worth ₹ 219.8 billion by 2018.

The growth in domestic theatrical revenues can be largely attributed to the growth in number of screens via growth of the multiplex segment, coupled with increased ticket prices and a steady supply of content across genres and languages. In 2013, the industry added approximately 150-200 screens with major growth coming from expansion of multiplexes in tier II and III cities. With metros and most of the tier I markets getting saturated, the focus is now shifting to the tier 2 and 3 cities which are experiencing rapid urbanisation and greater economic growth.

## FY14 to be a growth year for VFX & Post Production

VFX and Post-Production saw impressive growth of 21% and 14%, respectively, in 2013 to reach ₹ 9.3 billion and ₹ 17.7 billion whereas the performance of the animation industry grew only by ~5% and reached ₹ 12.7 billion. Overall, 2014 was a good year for the VFX industry as almost all top grossers had substantial use of VFX like Yeh Jawaani Hai Deewani, Aashiqui 2 and Jai Ho,. The use of VFX is not restricted to big budget action movies, even low-budget and non-action oriented movies owe a lot to the magic of VFX for example Go Goa Gone, Main Tera Hero and Ek Villain, etc. Television as a medium is getting bigger and better also because of increased use of VFX in television content in serials like '24'. Top television makers such as Sony, Panasonic and Videocon are bringing down the prices of their entry-level LCD and LED TV sets which will create a demand for high quality visuals and hence more demand for DI/ colour grading in TV content market.

### Top 10 Bollywood grossers (domestic collection net) of 2013 and 2012 with number of VFX shots

2013 movies	Box office collection INR million	VFX partner	Number of VFX shots (approx)	2012	Box office collection INR million	VFX partner	Number of VFX shot (approx)
Dhoom 3	2.803	Tata Elxsi	1,500	Ek Tha Tiger	1980	Tata Elxsi	1,062
Krish 3	2.405	Red Chillies VFX	3,500	Dabangg 2	1,585	Prime Focus	950
Chennai Express	2.267	Reliance Mediaworks	1,300	Rowdy Rathore	1,310	Reliance Mediaworks	600
Yah Jawaani hai Deewani	1.9	Prime Focus	300	Agneepath	1,230	Pixion Studios	1,600
Goliyon ki Raassleela Ram-Leela	1.1	Reliance Mediaworks	750 plus	Jab Tak Hai Jaan	1,207	Red Chillies	NA
Bhag Milkha Bhag	1.035	Pixion Studios	160	Barfi	1,200	Pixion Studios	500
Grand Masti	1.025	Pixion Studios	500	Housefull 2	1,140	Prime Focus	237
Race 2	1.02	NA	NA	Son of Sardar	1,050	Pixion Studios	3,600
Aashiqui 2	854	Prime Focus	107	Bol Bachan	1,020	Pixion Studios	600
Special Chabbis	700	Imaging Labs	NA	Talaash (14)	930	Pixion Studios	400

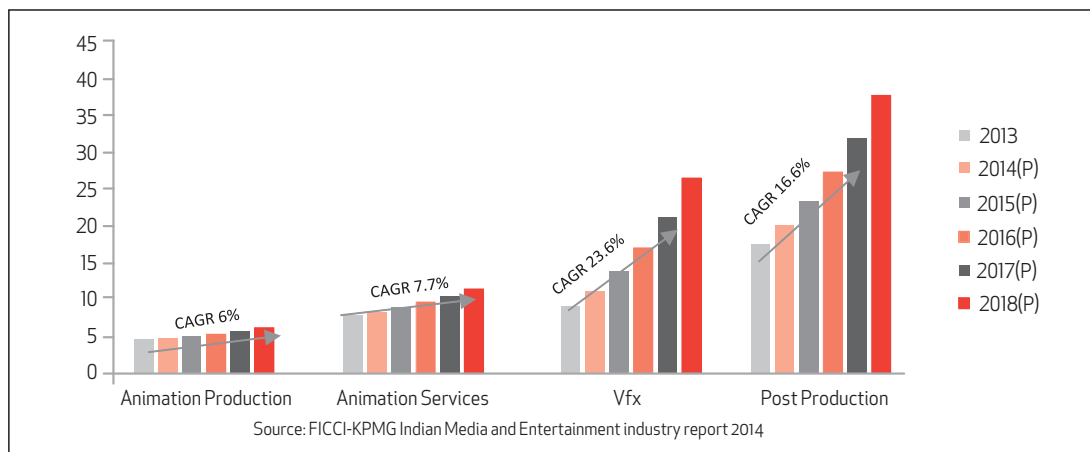
Source: FICCI-KPMG Indian Media and Entertainment industry report 2014

### Size of Animation, VFX and post-production industry in India (₹ In billion)

Segments	2009	2010	2011	2012	2013	CAGR 2009-13	Growth in 2013
Animation services	5.5	6.2	7.1	7.6	8.0	10%	5%
Animation production	3.7	3.9	4.2	4.5	4.7	6%	4%
VFX	3.1	4.5	6.2	7.7	9.3	32%	21%
Post-production	7.8	9.1	13.5	15.5	17.7	23%	14%
<b>Total</b>	<b>20.1</b>	<b>23.7</b>	<b>31.0</b>	<b>35.3</b>	<b>39.7</b>		

Source: FICCI-KPMG Indian Media and Entertainment industry report 2014

### Animation, VFX and Post-production future projections



Source: FICCI-KPMG Indian Media and Entertainment industry report 2014

### Business Overview:

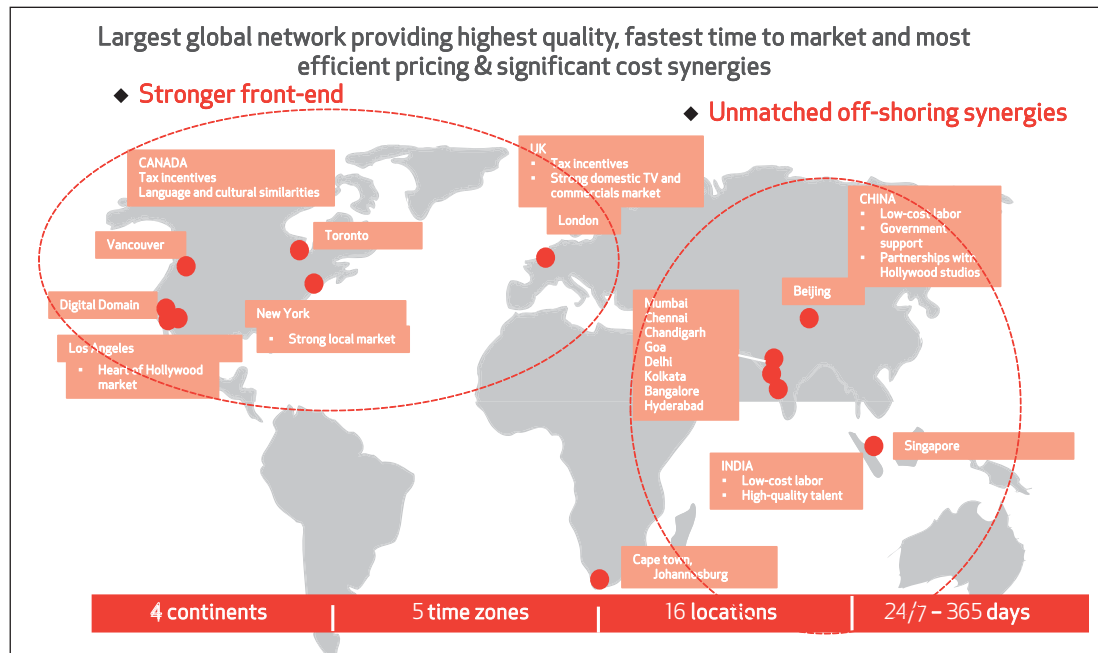
Prime Focus Limited is the world's largest global independent and integrated media services player with a unique full bouquet of 'Creative cum tech' media services. This includes visual effects, stereo 3D conversion, animation, video/audio postproduction, digital content management and distribution, Digital Intermediate, versioning and adaptation, and equipment rental to the Film, Broadcast, Advertising and Media industries.

The Company was founded in 1997 in a small garage in Mumbai by Mr. Namit Malhotra to provide post production services. Over the years, the Company has acquired access to global markets through strategic acquisitions as well as established state-of-the-art capabilities of its own. The Company has 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 markets. In FY14, over 80% of PFL's revenues came from outside India. The Company's global clientele is serviced from 16 cities across the globe. Prime Focus has a highly differentiated business model which seamlessly blends creativity, technology and finance to provide a holistic solution to its clients. PFL's new businesses (VFX, 3D & PFT) contributed 80% of FY14 revenues.

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

More than 5,500 employees are working for PFL group across 16 facilities in 4 continents across 7 time zones. This global presence is a strong differentiator, as well as key to profitability, optimizing local advantages. With its JV becoming operational in China, the company is now present in all key content markets globally.

### World Sourcing Model



Marquee investors have constantly backed PFL over the years further validating its robust business model and overall performance. In November 2012, Prime Focus successfully raised ~\$70 million from Standard Chartered Group. AID Partners Capital Limited, a private equity firm focused on buyout opportunities and expansion capital primarily in media and entertainment sector invested US\$10 million in PFL valuing it at US\$250 million. Macquarie Capital, the principal investing arm of the Macquarie Group, further invested US\$38 million into PFL, valuing it at an Enterprise Value of US\$300 million

RMW's film and media services business merger with PFL is combined with a cash investment of ₹ 2.4 billion in PFL from promoters of PFL and from RMW. Further, the net business consideration paid to RMW is ₹ 3.5 billion toward transfer of Film and Media Services business to Company. Post-merger completion, RMW will get 30.2% stake.

## Key Business Segments:

### VFX

In the last financial year, PFW and DNEG have rendered VFX services for 16 Bollywood movies and 27 Hollywood movies aggregating to a total of 43 movies. Post PFW business combination with Double Negative, PFW has catapulted to tier one independent VFX service provider. This augments PFL's 3D conversion leadership - with VFX global leadership—now making it the "house of choice" for VFX & 3D services of tier 1 Hollywood studios. Some of the major VFX projects done last year by PFW & DNEG include:

- White House down
- Godzilla
- Transcendence
- Man of Steel
- Fast & Furious 6
- The Hunger games-Catching Fire
- Captain Philips
- Thor the dark world
- The Great Gatsby
- The Legend of Hercules
- Non Stop
- Into the Storm
- Indigenous

Bollywood Movies done last year by PFW include:

- Yamla Pagla Deewana 2
- Raanjhanaa
- Aashiqui 2
- Go Goa Gone
- Yeh Jaawani Hai Deewani
- Once Upon a Time in Mumbai Doobara
- Madras Café
- Grand Masti
- Dhoom 3
- Jai Ho
- Gunday
- Queen
- Main Tera Hero
- 2 States
- Revolver Rani
- Heropanti

- Kochiadiyaan
- Humshakals
- EkVillian

TV Shows:-

- Dance India Dance
- Gangs of Hasseepur
- Zee Risthey Awards, IFFA Awards, Apsara Awards & GIMA Awards
- Master Chef – Junior
- M-TV Rodies
- YUDH
- Miss Malini
- SMJ-2 AKPL
- HarGhar (2013 & 2014)
- Jhalak Dikhlaa – Bangla
- Comedy with Kapil. (2014)
- The Anupam Kher show
- Cover shot (2013 & 14)

### 3D Conversion:

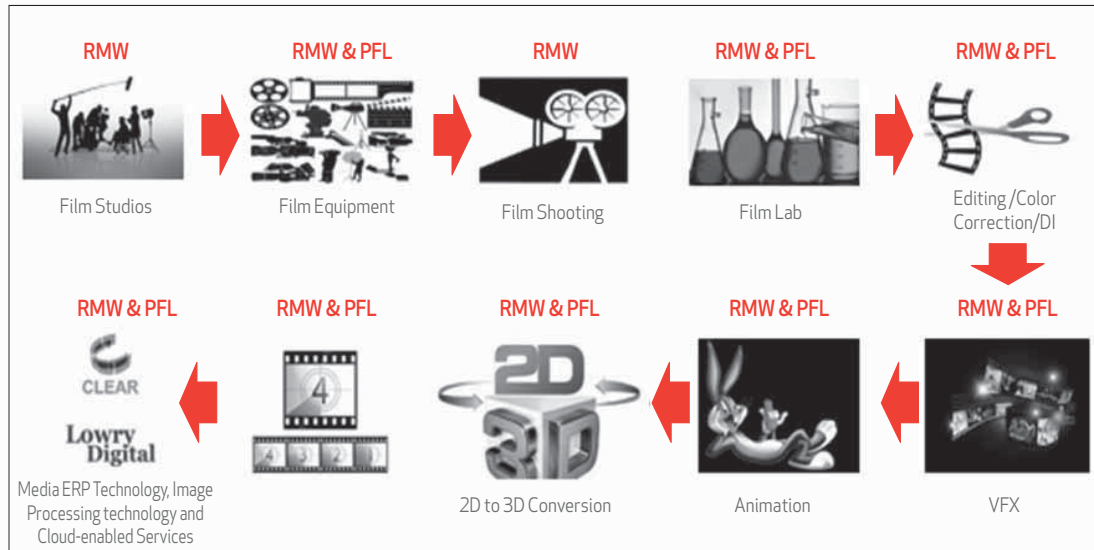
Prime Focus is a market leader in Hollywood 3D Conversion with ~29% market share. With its proprietary View-D™ technology, global scale and presence, short time-to-market, global delivery capabilities and artist-driven conversions, Prime Focus offers competitive advantages and execution capabilities.

Major 3D projects done last year by PFW include:

- Transformers-Age of Extinction
- Edge of Tomorrow
- Maleficent
- The Amazing Spiderman 2
- Noah
- Iceman 3D
- The Wizard of Oz
- The Last Emperor
- Gravity
- Guardians of the Galaxy
- World War Z

## Post-production Services

Post-production constitutes an integral part of the Prime Focus offering. The business has been built on the strength of differentiated post production offering, aimed at meeting the exacting and evolving demands of the advertising, broadcast and film businesses. RMW (film and media services business)-PFL merger will complete Prime Focus's offering in the fast growing Indian M&E market.



The merger will also add best in class infrastructure, ownership stake in Lowry Digital, state-of-the-art post-production and studio facilities in Mumbai and other valuable assets. Lowry process won an academy award for Image enhancement.

**Commercials** done last year by the company include:

- Hyundai i10
- L'Oreal Perfection
- Tanishq – A wedding celebration
- Cadbury's bubbly, Chococlairs, Gems 'surprise', Bournvita & 5 Star Chomp
- Vodafone Network
- MRF tyres
- Airtel India
- Maggi Noodles
- Bigrock
- Royal Stag
- Alpenliebe 2 chocoelairs
- Mars Galaxy
- Flipkart
- Bata
- TVS Tyres
- Indian Premier League (IPL)
- Lakme 9 – 5
- Asian Paints
- Rin
- Sony Six Fifa World Cup 2014

## Technology Products and Services

Our Technology business offers customer transformational solutions that help virtualize the content supply chain and manage their business of content better. CLEAR™, our award-winning Hybrid Cloud technology enabled Media ERP platform and Cloud-enabled Media services, helps broadcasters, studios, advertisers, sports bodies, the government and service providers drive creative enablement, enhance ecosystem efficiencies & sustainability, reduce cost and realize new monetization opportunities.

Primetime Emmy® Award winning Digital Dailies (Technology acquired in DAX Acquisition) is the de-facto industry standard in television production. Our vision is to build the best enterprise platform for Production on the Cloud by taking a fresh look at media work flows through the lens of a studio that wants to efficiently collaborate across divisions with its entertainment content before, during and after the production phase. Digital Dailies is one of the significant steps taken towards Production clients. PFT's CLEAR Media ERP platform combined with DAX's team and products will accelerate the realization of this vision.

Our Cloud-enabled media services deliver over 10 million files (VOD/Syndication fulfilment), 100,000 new television episodes, 5,000 hours of dubbing, 5,000 hours of compliance editing and over 35,000 hours of closed captioning/subtitling) annually.

## Business Arms:

### 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 professionals in 8 cities across 3 continents and 5 time zones. PFW provides visual effects, stereo 3D conversion and animation services to the Film, Broadcast, Advertising and Media industries. PFW has developed View-D™ (stereoscopic 2D to 3D conversion) which is today relied upon 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% market share. Entered Animation space with animated television series for a major toy manufacturer to offer high end premium animation services

PFW was an established but not a tier 1 player in the VFX market. However, the combination with Double Negative has positioned PFW as a tier 1 VFX service provider. The market is dominated by four to five key players that control almost US\$750 million to US\$800 million of annual revenue. Double Negative works closely with all leading studios like Marvel, Universal, Warner Brothers, Fox, Sony, Disney and Legendary, etc. Some of the most prominent film makers such as Christopher Nolan, Ridley Scott that have created some of the biggest franchises like the Dark Knight and Inception works closely with DNEG. DNEG has delivered 130+ film projects till date. This augments PFW's 3D conversion leadership - with VFX global leadership - now making it the "house of choice" for VFX & 3D services of tier 1 Hollywood studios, while enhancing unmatched offering in growing Indian M&E services market.

### Over US\$500 million in Box Office Collections

- Transformers-Age of Extinction - US\$1087 million
- Maleficent- US\$757 million
- The Amazing Spiderman 2-US\$709 million
- Godzilla-\$525 million

Source: Box Office Mojo

### Prime Focus Technologies

Prime Focus Technologies (PFT) is the technology arm of Prime Focus. PFT brings together a unique blend of Media and IT skills backed by a deep understanding of the global media and entertainment industry.

PFT acquired DAX, the acquisition became effective as on April 2014. DAX is a provider of production workflow and media asset management applications and services to the entertainment industry to expand in North America. DAX has 2 patents including **Primetime Emmy award winning Digital Dailies®** solution which is the de-facto industry standard in television production. Designed to maximize efficiencies throughout the content creation lifecycle, DAX enables secure exchange, collaboration, approvals and distribution of work-in-progress materials from concept

development through final delivery. DAX has 60+ Customers like **Legendary Pictures, 20th Century Fox, Lionsgate, Warner Brothers** to name a few.

CLEAR™ world's first Media ERP platform manages content and enterprise workflows for the business of content. It is a proven solution hosting and managing over 350,000 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.

PFT also offers an SLA-based suite of media processing and monetization services like Archiving, Bulk Digitization, Mastering, Delivery, Multiplatform 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.

Out of PFT's 1000 odd personnel around the world, over 250 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.

- **Broadcast:** Media ERP Suite offers a range of technical, creative and media processing services on the cloud, including award-winning DAX workflow, to manage multi-platform content operations for managing the Business of Broadcast (Content) - specific modules with configurable workflow templates for Content Supply Chain, Channel Operations, Distribution, Production & Digital Businesses.

- **Production/Studios:** CLEAR provides an integrated approach and a robust set of tools, including award-winning DAX workflow, for next generation Production on the Cloud. It offers a unified technology platform and services bouquet connecting the dots of Pre Production, Production and Post-Production, tracking every task and every content (/metadata) change.

- **Brands:** Media ERP platform tailored for creative agencies & brands to manage content creation and distribution workflows across partners, talent and versions. More than 900 brand marketers and agency partners access our services and technology each and every day. Working closely with our clients and their creative and media partners globally we help drive cost efficiency, increase speed to market and ensure brand consistency across media, in every sector and every market.

- **Sports:** Serving the needs of Sports Administrators and Broadcasters alike, PFT offers technology and services to help game development and fans enjoy the sport they love. CLEAR helps virtualize the multi-sports content supply chain and digitally mediate enterprise workflows for B2B and B2B2C platforms. Whether it is Live sport, production of shows from archive material or support for Studio productions, CLEAR helps manage content operations through various tools including multi-sports Live logger, native integration to Non Linear Editing (NLE) and associated publish robots.

PFT works with major content owners like **Disney, Warner Bros., Legendary Pictures, Fox, Relativity, 20TH Century Fox, Showtime, Lionsgate, Eros International, STAR TV, Star Sports, Discovery Channel, Bloomberg, National Geographic channel, CNBC Africa, Volkswagen, Pepsi IPL, HBO, BBC, Google, Unilever, Sony Entertainment, MTV, Colors, Hindustan Unilever Limited, JWT, Star Entertainment, CBS Television Studio, Nestle, etc.**

#### Section 4

##### PFL Business Strategy:

PFL's strategic goal is to sustain clear leadership in creative services (3D, VFX and animation) and establish PFT as the de-facto Media ERP technology leader of the M&E industry globally. The three M&A transactions undertaken during the year were strategic steps that helped the company achieve the position of the World's largest independent and integrated media services player.

Present	Strategic Direction	Future
<ul style="list-style-type: none"> <li>Global leader in stereo 3D conversion (30% share)</li> <li>One of the top 3 global VFX players</li> <li>Tier 1 player in growing Indian M &amp; E market</li> <li>Established PFT business, witnessing high growth and improving profitability</li> <li>Invested in facilities and work forces</li> <li>Secured successful rounds of funding from Marquee investors – SCPE, AID, Macquarie and Reliance ADA group.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen leadership in VFX &amp; 3D by growing presence in all our existing markets- synergies from mergers to provide thrust to growth in revenue and margins</li> <li>PFT to be rolled out in US at accelerated pace through DAX</li> <li>Ramp up in new markets like china</li> <li>Cost consolidation &amp; effective utilisation of resources</li> <li>Reduction in debt through improving cash flows and low capex</li> </ul>	<ul style="list-style-type: none"> <li>Sustain clear leadership across all M&amp;E services markets</li> <li>To be house of choice for VFX and 3D services for tier 1 studios</li> <li>Establish CLEAR as the de-facto ERP of the M&amp;E industry globally</li> <li>Leverage on the robust World sourcing model to increase returns</li> <li>Higher Margins &amp; Optimum level of Debt &amp; Cash Flows</li> </ul>

##### PFW Combination with Double Negative catapults PFW into Tier 1 VFX leadership globally

Gravity, Star Wars I and Transformers-Dark of the Moon have already established PFW as a leader in the global 3D services market and landed prestigious and exclusive 3D conversion projects like Edge of Tomorrow, Maleficent, Transformers-Age of Extinction. However, the global market for VFX is more fragmented than the 3D market and PFW, despite working on multiple quality projects like Avatar, the Great Gatsby, and Sin City, was not a Tier 1 player. The combination with Double Negative, in one go, catapults PFW into the 'elite' group of tier 1 service providers.

Double Negative works closely with all leading studios like Marvel, Universal, Warner Brothers, Fox, Sony, Disney and Legendary, etc. Some of the most prominent film makers such as Christopher Nolan, Ridley Scott have tremendous faith and confidence in Double Negative. These are Academy Award winning film makers who have created some of the biggest franchises like the Dark Knight and Inception for which were awarded the Academy Award for best visual effects.

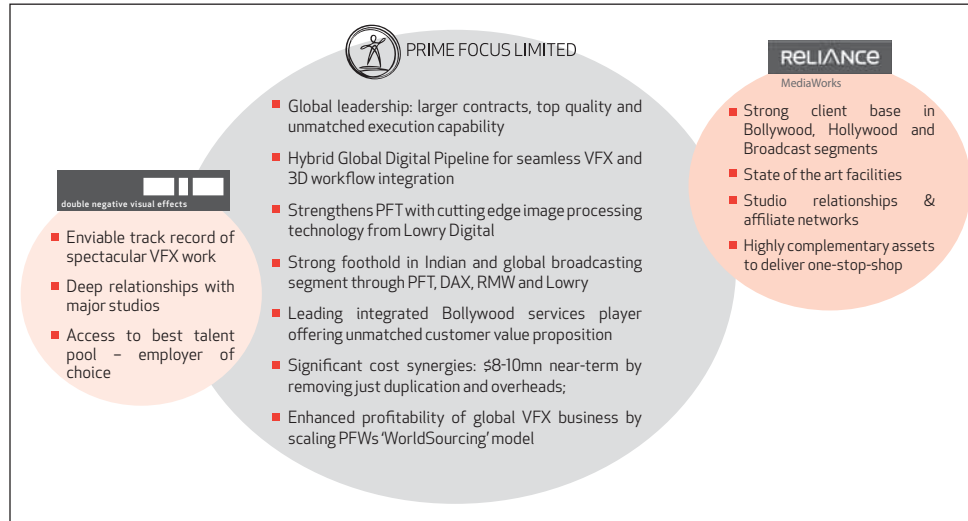
##### Entered fastest growing Chinese market via JV with AID partners

April 17, 2014 marked a new chapter in the Prime Focus World story with the cinema release of its first feature film stereo conversion project for China led out of its Beijing facility. PFW was the exclusive stereo conversion partner for Iceman 3D, a martial arts epic from director Law Win-cheong and Hong Kong superstar Donnie Yen. PFW deliver all 2,282 shots from its Mumbai office. The success of the 3D format in China seems secure following the success of Hollywood 3D blockbusters such as Transformers: Age of Extinction and Guardians of the Galaxy in 2014. The Beijing team is currently working with Chinese filmmakers on a number of high-profile domestic projects, including "The Taking of Tiger Mountain" directed by Hark Tsui (VFX), "Ghost blow out the lamp" directed by Lu Chuan (VFX & 3D Conversion), "GuJian Qi Tan" directed by Liang Shengquan (VFX) and "The Journey of flower" by Ling Yufen (VFX)

##### PFL - RMW combination to enhance service offerings in both India and World

PFL and Reliance Media Works are merging their global film and media services businesses, subject to necessary approvals. Post-deal, PFL will be delivering services across the spectrum for clients starting from film equipment rental, shooting floors/sound stages, editing /colour grading, VFX & Animation, 2D to 3D conversion and digital distribution. The merger will also add strong assets including an integrated state of the art studio to PFL's Indian capacities. Reliance's global relationships and investments (Dreamworks) can be leveraged to create enhanced revenue synergies.

## Synergies to create sustainable value through enhanced efficiencies



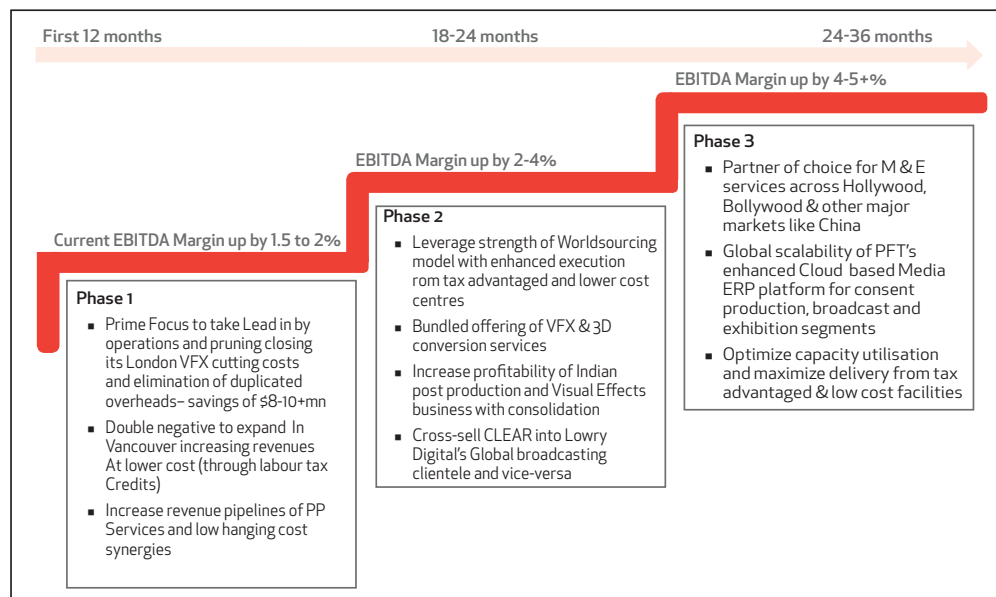
### PFT strengthening its roots in the US at accelerated pace post DAX acquisition

PFT pioneered a cutting-edge ERP solution in FY09 for M&E industry with CLEAR, now the world's most established cloud-based Media ERP platform. In the last 3 years, PFT has grown at 19x from a garage startup to establishing a global footprint. PFT's vision is to be the de-facto Media ERP technology leader globally. The recent DAX acquisition will help fuel PFT's market penetration in North America. DAX is a provider of production workflow and media asset management applications and services to the entertainment industry. The company is already seeing good traction in North America. PFT also won a contract from South Africa's leading broadcasting network to aid Smart content discovery. Apart from that PFT also signed deal with FX networks and Crown Media Holdings for DAX solutions and with BARC to offer play-out monitoring services to power one of the world's largest audience measurement programs. This robust non-linear model is expected to drive global growth going forward.

### Profitability to receive a boost post integration

Going forward, the company expects 4% to 5% increase in EBITDA margin over the next 24 to 36 months as the immense integration benefits start to set in and the rationalization of cost base and overheads across these operating entities takes place.

### Roadmap targeting profitability and cash flows



Initiatives to remove duplicated costs have already been started with PFL closing down PFW's London & Vancouver VFX Operations. Revenue enhancement opportunities from this merger along with PFL's World Sourcing capabilities are expected to benefit PFW going forward.



## Section 5

### Financial Analysis:

PFL recorded over ₹ 10 billion in revenue in FY14, the increase is mainly driven by increase in technology revenue (contributing 20% of revenue compared to 11% in FY13), followed by increase in creative services revenue. On the post production front, the India business continues to deliver strong performance. EBITDA margins have remained above 20% over the last five years even with an on-going expansion exemplifying strong leadership position and managerial acumen.

The fiscal year was extended by three months and hence, the audited numbers are for the entire 15 months as of June 30<sup>th</sup> 2014.

### Financial Highlights of the year:

- The net revenue of the company for FY14 (for fifteen months) ending June 2014 is ₹ 10,342 million compared to ₹ 7,622 million in the FY13.
- EBITDA for the year is at ₹ 2,363 million against EBITDA of ₹ 1,820 million in the previous year.
- A smart turnaround in PFL post the successful FCCB redemption in FY13 saw the company post profit for the year of ₹ 243 million compared to a loss of ₹ 203 million in the previous year.
- Diluted EPS was ₹ 1.31 per share up from (₹ 1.24) per share in the previous year.
- Debt maintenance: Company continues to focus on streamlining the debt across its various subsidiaries to maintain the debt at reasonable levels as well as rationalize the interest costs through the appropriate mix of domestic and lower cost FX debt commensurate to the FX denominated business in the group. The Double Negative transaction was financed via Equity dilution by the promoters along with the assumption of low cost FX debt. The Company has also sold its backend facility effective June 30<sup>th</sup>, 2014 to its international subsidiary Prime Focus World N.V., which resulted in repayment of higher cost Rupee Debt in the Company to the tune of approximately US\$20 million. Similarly, most of the technical equipment capital expenditure across the Group is being financed either through lower cost capital leases facilitated by vendors themselves, or through Buyers Credit financing which, again, is at lower interest costs. The Company continues to actively pursue opportunities to monetize non-core assets and use proceeds towards higher cost debt retirement.

## Section 6

### Outlook:

FY15 is going to be year of consolidation and integration for Prime Focus. PFL is at its inflection point post the three strategic steps taken in FY14 as well as the continuous investment in people, processes and technology over past many years. The Double Negative merger became effective from July 01, 2014 whereas the acquisition of RMW Film and Media Services business is awaiting regulatory approval. The Company has moved up the

value-chain in all its businesses; as a Tier1 VFX provider post DNEG merger, as a top-notch global 3D services provider post earning critical and global acclaim in Gravity and as a leading technology services provider ready to replicate the success seen in India on the global level post the DAX acquisition.

According to the PWC Outlook 2014-18, Global Filmed Entertainment revenue is expected to cross US\$100 billion in 2017. VFX heavy films like Transformers (US\$1,087 million), The Amazing Spiderman 2 (US\$709 million), Maleficent (US\$757 million) have been performing exceedingly well in the international markets. 80% of top performing movies were special effects heavy in 2013 (Box Office Mojo). The success of **Gravity** has given a big push to the 3D format with 80% of Gravity's opening weekend US box office sales from 3D screenings, the highest share ever for a 3D release. According to the Motion Picture Association of America, China's box-office collections in 2013 grew 27 % YOY to US\$3.6 billion, or roughly 10% of total global sales. The populous nation's middle class, with many experiencing movie theatres for the first time—is fuelling China's appetite for Hollywood movies. According to PWC's Global Entertainment and Media outlook report, spending at Chinese box offices is likely to surge 88.5%, to US\$5.9 billion by 2018 from US\$3.13 billion in 2013.

Indian film industry is growing on the back of differentiated content along with wider release across digital screens (added 200 screens in 2013), aggressive promotions (average of ₹ 250-300 million) and increased average ticket price (from ₹ 150 in 2011 to ₹ 170 in 2013).

On the technology services front, the Company's goal is to expand globally targeting an overseas revenue share similar to that in creative services. PFT, post DAX, is seeing good traction in the North American market and South African market. In the Indian market, Broadcast Audience Research Council (BARC) has selected Prime Focus Technologies (PFT) for play-out monitoring services. PFT's play-out monitoring services will input reliable data in to BARC's Audience Measurement System for generating TV viewership per thousand (TVTs). PFT is now set to open a new facility at Bangalore that can seat an additional 500 people and is also augmenting its sales force globally to serve global clients.

In summary, PFL's unique DNA of 'Creative cum Tech offerings' unmatched both in terms of breadth and reach, accelerated via organic and inorganic expansion make it well-poised to for profitable growth.

## Section 7

### 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. 4K UHD TV has generated a lot of excitement and press attention since the start of 2013. At the 2013 Consumer Electronics Show (CES), all the major display vendors announced and demonstrated 4K UHD TV consumer displays. In parallel, global broadcasters and media organizations have been testing 4K UHD TV production including Sky, Netflix, and RAI, with transmission tests supported by SIS Live, Ericsson and others. RMW merger will add Lowry digital in Prime Focus's portfolio which is equipped with 2K to 4K conversion and hence is in a better position to monetize on the upcoming opportunity.

## Section 8

### 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 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, the risk of being largely affected by events which unfold in a particular geography is redundant. Company further diversifies its operations in regional markets like Tamil, Telugu and Kannada to further mitigate its risk.

#### 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.

## Section 9

### 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 clearly 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. Company has appointed well reputed audit firm Deloitte, one of the Big 4 Global audit firms (among the largest International firm offering audit, assurance, tax, consulting, advisory etc.) as the statutory auditor.

## Section 10

### 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 June 30, 2014, the total number of personnel's was over 5500.

## Section 11

### 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, 2013-14.

# Corporate Governance Report

(As required by Clause 49 of the Listing Agreement of the Stock Exchanges, as amended effective October 1, 2014)

## 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.

## 2. BOARD OF DIRECTORS:

### a. Composition Of Board Of Directors And Details Of Other Directorships Held:

The Board of Directors of the Company has a combination of 3 Executive and 4 Non-Executive Directors out of which 3 are Independent Non-Executive Directors. With the appointment of Mr. Namit Malhotra – as Executive Director and Mr. Ramakrishnan Sankaranarayanan- as the Managing Director with effect from June 25, 2014, in terms of Clause 49 (I) (A) of the Listing Agreement, the number of Independent Directors required on the Board has increased to 4. The Company has initiated necessary steps to comply with this requirement at the earliest. 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 Financial Year (fifteen months) ended June 30, 2014 are as under:

Sr. No.	Name Of Director	Category Of Director	No.Of Directorship Held In other Companies #1	Membership Held In Committees Of Other Companies #2	Chairmanship Held In Committees Of Other Companies #2
1.	Mr. Namit Malhotra #3	Chairman & Executive Director	Nil	Nil	Nil
2.	Mr. Naresh Malhotra	Whole Time Director	2	Nil	Nil
3.	Mr. Ramakrishnan Sankaranarayanan #3	Managing Director	6	Nil	Nil
4.	Mr. Kodi Raghavan Srinivasan	Non- Executive Director (Independent)	Nil	Nil	Nil
5.	Mr. Padmanabha Gopal Aiyar	Non- Executive Director (Independent)	Nil	Nil	Nil
6.	Mr. Rivkaran Chadha	Non- Executive Director (Independent)	5	Nil	Nil
7.	Mr. Nainesh Jaisingh #4	Non - Executive Director	3	Nil	Nil
8.	Mr. Vibhav Parikh #4	Non - Executive Director (Alternate to Mr. Nainesh Jaisingh)	Nil	Nil	Nil

#1 This excludes directorship held in Private Companies, Foreign Companies, Companies formed under section 25 of the Companies Act, 1956/ Section 8 of the Companies Act, 2013 and Alternate Directorships, but includes directorship held in Private Companies which are subsidiaries of public limited companies.

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

#3 Mr. Namit Malhotra was appointed as Chairman & Executive Director and Mr. Ramakrishnan Sankaranarayanan was appointed as Managing Director of the Company for a period of 3 years, respectively with effect from June 25, 2014.

#4 Mr. Vibhav Parikh was appointed as alternate to Mr. Nainesh Jaisingh with effect from November 5, 2012.

Note: Mr. Rakesh Jhunjunwala, 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 2013-14, the Board met nine (9) times on May 30, 2013; June 21, 2013; August 05, 2013; August 14, 2013; November 14, 2013; February 12, 2014; March 10, 2014; May 12, 2014 and June 25, 2014. The gap between two board meetings did not exceed four months.

Attendance of each Director at Board Meetings for the year 2013-14 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. Namit Malhotra #1	-	-	NA
Mr. Naresh Malhotra	9	9	Present
Mr. Ramakrishnan Sankaranarayanan #1	-	-	NA
Mr. Kodi Raghavan Srinivasan	9	4	Absent
Mr. Padmanabha Gopal Aiyar	9	1	Absent
Mr. Rivkaran Chadha	9	8	Present
Mr. Nainesh Jaisingh #2	9	9	Present

#1 Mr. Namit Malhotra was appointed as Chairman & Executive Director and Mr. Ramakrishnan Sankaranarayanan was appointed as Managing Director of the Company for a period of 3 years, respectively with effect from June 25, 2014.

#2 In place of Mr. Nainesh Jaisingh, his alternate Mr. Vibhav Parikh attended the above Board Meetings and the Annual General Meeting.

**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 June 30, 2014, the Audit Committee comprises of the following members of the Board:

Sr. No.	Name of the Member	Position	Category
1.	Mr. Rivkaran Chadha	Chairman	Independent & Non-Executive Director
2.	Mr. Kodi Raghavan Srinivasan	Member	Independent & Non-Executive Director
3.	Mr. Nainesh Jaisingh or his Alternate viz. Mr. Vibhav Parikh, during his absence	Member	Non-Executive Director

The Committee's composition meets with the requirements of erstwhile Companies Act, 1956 and Section 177 of the Companies Act, 2013 as also Clause 49 of the Listing Agreement. The Members of the Audit Committee possess financial/accounting expertise/exposure.

ii. During the year 2013-14 the Audit Committee met five times on the following dates:

May 30, 2013; August 14, 2013; November 14, 2013; February 12, 2014; May 12, 2014.

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	5	5
Mr. Kodi Raghavan Srinivasan	5	5
Mr. Nainesh Jaisingh #1	5	5

#1 In place of Mr. Nainesh Jaisingh, his alternate Mr. Vibhav Parikh attended the Audit Committee Meeting.

iv. Terms of Reference:

The broad terms of reference includes the following as is mandated in Clause 49 of the Listing Agreement, Section 292A of the erstwhile Companies Act, 1956 and Section 177 of the Companies Act, 2013:

- 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, terms of appointment, remuneration 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. Reviewing, with the management the annual financial statements and auditors' report thereon before submission to the Board for approval with particular reference to the matters stated under sub clause (a) to (g) of Clause 49(II)(D)(4)
- e. Reviewing, with the management the quarterly financial statements before submission to the Board for approval.
- f. 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 utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- g. Review and monitor the auditor's independence and performance and effectiveness of audit process.
- h. Approval or any subsequent modification of transactions of the Company with related parties.
- i. Scrutiny of inter-corporate loans and investments.
- j. Valuation of undertakings or assets of the Company, wherever it is necessary.
- k. Evaluation of internal financial controls and risk management systems.
- l. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- m. 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.
- n. Discussion with internal auditors of any significant findings and follow up there on.
- o. 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.
- p. 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.
- q. 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.
- r. To review the functioning of the Whistle Blower mechanism.
- s. 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.
- t. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Board of Directors at its meeting held on November 14, 2014 reconstituted the Audit Committee by inducting Mr. G. P. Aiyar, Independent Director of the Company as a Member pursuant to which the strength of the Audit Committee is now four Members of which three are Independent Non-Executive Directors.

#### **B. Nomination and Remuneration Committee:**

The nomenclature of the Remuneration Committee of the Company was changed to "Nomination and Remuneration Committee" at the Board Meeting held on May 12, 2014.

As on June 30, 2014, the Nomination and Remuneration Committee comprised of four Directors, all of them being Non-Executive Directors with half the composition being Independent Directors. Mr. Rivkaran Chadha, Mr. Kodi Raghavan Srinivasan, Mr. Padmanabha Gopal Aiyar and Mr. Nainesh Jaisingh or his Alternate viz. Mr. Vibhav Parikh during his absence are the Members of the Nomination and Remuneration Committee. Mr. Rivkaran Chadha, Independent Director is the Chairman of the Committee. The Committee deals with the remuneration policy for the Directors of the Company. During the year under review, following Meetings of Nomination and Remuneration Committee were held:

1. November 14, 2013
2. February 12, 2014
3. May 12, 2014
4. June 25, 2014

The Committee's constitution and terms of reference are in compliance with provisions of the Companies Act, 2013 and Clause 49 (IV) of the Listing Agreement, as amended from time to time.

Attendance of each Director at Nomination and Remuneration Committee Meetings for the year 2013-14:

Name of the Director	No. of meetings held	No. of meetings attended
Mr. Rivkaran Chadha	4	4
Mr. Kodi Raghavan Srinivasan	4	1
Mr. Padmanabha Gopal Aiyar	4	-
Mr. Nainesh Jaisingh #1	4	4

#1 In place of Mr. Nainesh Jaisingh, his alternate Mr. Vibhav Parikh attended the Nomination and Remuneration Committee Meeting.

#### Remuneration to Directors

The Non-Executive Directors of the Company are paid sitting fees for attending the meeting of the Board of Directors. No sitting fee is being paid to the Directors for attending the Meeting of the Committees of the Board.

Detail of Directors' Remuneration paid to Executive and Non-Executive Directors for the year ended June 30, 2014 is as stated below:

Name of Director	Remuneration Paid (₹)	Sitting Fees (₹)	Total (₹)
<b>Executive Directors</b>			
Mr. Namit Malhotra #1	83,333	-	83,333
Mr. Naresh Malhotra*	7,500,000	-	7,500,000
Mr. Ramakrishnan Sankaranarayanan#1	83,333	-	83,333

\* An amount of Rs. 36,00,000 was received towards recovery of excess remuneration paid.

Name of Director	Remuneration Paid (₹)	Sitting Fees (₹)	Total (₹)
<b>Non-Executive Directors</b>			
Mr. G. P. Aiyar	-	20,000	20,000
Mr. Rivkaran Chadha	-	160,000	160,000
Mr. K. R. Srinivasan	-	80,000	80,000
Mr. Nainesh Jaisingh	-	-	-
Mr. Vibhav Parikh (Alternate to Mr. Nainesh Jaisingh)	-	180,000	180,000

#1 Mr. Namit Malhotra was appointed as Chairman & Executive Director and Mr. Ramakrishnan Sankaranarayanan was appointed as Managing Director of the Company for a period of 3 years, respectively with effect from June 25, 2014.

Breakup of Remuneration paid during the year to the Executive /Whole-time Directors is:

Name of Director	Basic (₹)	HRA (₹)	CCA (₹)	LTA (₹)	Reimbursement (₹)
Mr. Naresh Malhotra	3,000,000	1,500,000	2,404,245	62,505	533,250
Mr. Namit Malhotra	33,333	16,667	25,390	833	7,110
Mr. Ramakrishnan Sankaranarayanan	33,333	16,667	25,390	833	7,110

The Nomination and Remuneration Committee shall carry out evaluation of performance of every Director including Independent Director, Key Managerial Personnel and Senior Management Personnel at regular intervals (yearly or such other interval as the Committee deems fit). The Nomination and Remuneration Committee shall develop and recommend to the Board an annual performance evaluation process and oversee the same while conducting annual performance evaluations for Directors.

**C. Stakeholders' Relationship 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 June 30, 2014, the Committee consists of:-

<b>Chairman</b>	Mr. Rivkaran Chadha
<b>Members</b>	Mr. Kodi Raghavan Srinivasan
	Mr. Naresh Malhotra
	Mr. Nainesh Jaisingh or his alternate viz. Mr. Vibhav Parikh during his absence

**Compliance Officer**

Ms. Kirti Desai, Company Secretary of the Company is also the Compliance officer of the Company.

The nomenclature of "Shareholders'/Investors' Grievance Committee" was changed to "Stakeholders' Relationship Committee" by the Board in its meeting held on May 12, 2014. The Stakeholders Relationship Committee is primarily responsible to review all matters connected with the Company's transfer of securities and redressal of shareholders'/investors'/security holders' complaints.

The Stakeholders' Relationship Committee's composition and the terms of reference meet with the requirements of Clause 49 of the Listing Agreement and provisions of the Companies Act, 2013.

**Complaints from Investors**

During the year under review, the Company had received three complaints from the investors which were resolved to the satisfaction of the investors. There were no complaints pending as at the end of the financial year.

**D. Corporate Social Responsibility (CSR) Committee:**

Pursuant to the provisions of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Board of Directors had constituted Corporate Social Responsibility (CSR) Committee by passing circular resolution dated March 21, 2014, which functions with the objectives such as to:

- formulate and recommend to the Board, a Corporate Social Responsibility (CSR) Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013;
- recommend to the Board the amount of expenditure to be incurred on the activities referred to in clause (a); and
- monitor the implementation and progress therein of the Corporate Social Responsibility Policy of the company on a regular basis.

The CSR activities to be undertaken by the Company shall be as per CSR Policy and projects or programs or activities (either new or ongoing) falling within the purview of Schedule VII of the Companies Act, 2013 excluding activities undertaken in pursuance of its normal course of business will be included.

Pursuant to the provisions of Section 135 of the Companies Act, 2013, the CSR Committee in its meeting held on May 12, 2014 has approved and recommended to the Board, the CSR Policy. The said policy is available on the website of the Company at the below mentioned link:

**Link:** [http://primefocusltd.com/sites/default/modules/filemanager/files/corporate\\_governance/CSR\\_Policy.pdf](http://primefocusltd.com/sites/default/modules/filemanager/files/corporate_governance/CSR_Policy.pdf)

As on June 30, 2014, the CSR Committee consists of:-

<b>Chairman</b>	Mr. Rivkaran Chadha
<b>Members</b>	Mr. Naresh Malhotra
	Mr. Nainesh Jaisingh or his alternate, Mr. Vibhav Parikh during his absence

**E. ESOP Compensation Committee:**

Pursuant to the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the Board of Directors in its meeting held on July 02, 2014 constituted ESOP Compensation Committee comprising of the following members:

- Chairman** Mr. Rivkaran Chadha
- Members** Mr. Nainesh Jaisingh or his alternate, Mr. Vibhav Parikh during his absence  
Mr. K. R. Srinivasan

The terms of reference of ESOP Compensation Committee include, inter-alia, granting of Stock Options to the eligible employees, ascertaining the detailed terms and conditions for such grants, administering the Employee Stock Option Schemes of the Company and exercising the powers and performing the duties as prescribed under Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and/or any amendment or repealment thereto.

**4. GENERAL BODY MEETINGS:**

**i. Annual General Meeting:**

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

Financial year	Date	Location	Time
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.
2012-2013	September 30, 2013	Prime Focus Office, Main Frame IT Park, Building – H, Royal Palms, Near Aarey Colony, Goregaon (East), Mumbai – 400 065	10.00 a.m.

**ii. 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, 2011	NIL	No Special Resolution was passed at this meeting.
September 29, 2012	2	1. Appointment of Mr. Ramakrishnan Sankaranarayanan as Managing Director of the Company 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
September 30, 2013	1	1. Alteration to the Articles of Association of the Company

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.



iii. **Postal Ballot:**

a) During the year ended June 30, 2014, the following resolution was passed through Postal Ballot:

- Authorization to the Board of Directors to sell, transfer and/or otherwise dispose off 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 subsidiary of the Company, pursuant to the provisions of Section 293(1)(a) of the erstwhile Companies Act, 1956.

b) Procedure for 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).

c) Results of Postal Ballot:

Promoter/Public	No. of Shares held (1)	No. of Votes Polled (2)	No. of Votes polled on Outstanding shares (3) = $[(2)/(1)]*100$	No. of Votes in Favour (4)	No. of Votes Against (5)	% of Votes in favour on Votes polled (6) = $[(4)/(2)]*100$	% of Votes against on Votes polled (7) = $[(5)/(2)]*100$
Promoter and Promoter Group	76,194,992	76,194,992	100.00	76,194,992	0	100.00	0.00
Public-Institutional Holders	49,229,691	36,549,990	74.24	36,549,990	0	100.00	0.00
Public – Others	59,992,753	192,897	0.32	172,866	14,171	89.62	7.35
<b>Total</b>	<b>185,417,436</b>	<b>112,937,879</b>	<b>60.91</b>	<b>112,917,848</b>	<b>14,171</b>	<b>99.98</b>	<b>0.01</b>

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 (AS18) have been made in the Annual Report.

Pursuant to the applicable provisions of Clause 49 of the Listing Agreement, as amended, the Board of Directors in its meeting held on August 28, 2014 had adopted the 'Related Party Transaction Policy'. The said policy is available for the reference of the Members of the Company on the Company's website at the below mentioned link:

**Link:** [http://primefocusltd.com/sites/default/modules/filemanager/files/corporate\\_governance/Policy\\_on\\_Related\\_parties.pdf](http://primefocusltd.com/sites/default/modules/filemanager/files/corporate_governance/Policy_on_Related_parties.pdf)

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**

Pursuant to provisions of Clause 49 of the Listing Agreement and the provisions of Section 177 of the Companies Act, 2013, the Board of Directors in its meeting held on May 12, 2014 has adopted a 'Whistle Blower Policy' to take cognizance of complaints made and suggestions given by the employees and others.

Ms. Nivedita Nanda, Sr. Vice President HR & Administration is appointed as the Vigilance and Ethics Officer of the Company.

The said policy is available for the reference of the Shareholders of the Company on the Company's website at the below mentioned link:

**Link:** [http://primefocusltd.com/sites/default/modules/filemanager/files/vigil\\_mechanism\\_policy.pdf](http://primefocusltd.com/sites/default/modules/filemanager/files/vigil_mechanism_policy.pdf)

There has been no complaint as at the Financial Year ended June 30, 2014 and no employee of the Company was denied access to meet the Chairman of the Audit Committee in this regard.

**d. CEO/CFO certification**

In terms of requirements of Clause 49 (V) of the Listing agreement, the CEO and CFO of the Company has certified 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 requirement of constitution of the Remuneration Committee and adoption of Whistle Blower Policy.

**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 dematerialized shares held with NSDL and CDSL. This Report is also placed before the Board for its noting.

**g. Familiarization programme for Independent Directors**

Pursuant to the applicable provisions of Clause 49(II)(B)(7) of the Listing Agreement, as amended, the Board of Directors in its meeting held on November 14, 2014 had adopted the 'Familiarization programme for Independent Directors. The details of the said programme is available for the reference of the Members of the Company on the Company's website at the below mentioned link:

**Link:**

[http://primefocusltd.com/sites/default/modules/filemanager/files/corporate\\_governance/Familiarisation\\_programme\\_for\\_ID.PDF](http://primefocusltd.com/sites/default/modules/filemanager/files/corporate_governance/Familiarisation_programme_for_ID.PDF)

**h. Risk Management Policy & Committee**

Pursuant to the provisions of Clause 49(VI)(B) of the Listing Agreement, as amended, the Board of Directors in its meeting held on August 28, 2014 had adopted the 'Risk Management Policy'. The Policy covers the various risks associated with the Company while executing its object. The Policy aims to assess the risk, manage it and monitor it so as to keep the risk at zero level or minimum level.

The Company is committed to managing risk in a manner appropriate to achieve its strategic objectives.

Further, pursuant to the provisions of Clause 49(VI)(C) of the Listing Agreement, as amended, the Board of Directors in its meeting held on November 14, 2014 has constituted Risk Management Committee which shall be responsible to monitor and review the risk management plan of the Company.

The Risk Management Committee consists of:-

**Chairman** Mr. Naresh Malhotra

**Members** Mr. Ramakrishnan Sankaranarayanan

Mr. Nainesh Jaisingh (or his alternate Mr. Vibhav Parikh during his absence)

Mr. Vikas Rathee

## 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. The Directors and the Senior Management have affirmed compliance of the Code.

The Annual Report of the Company contains a declaration to this effect duly signed by the CEO of the Company.

## 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 limits. Quarterly results are submitted to the Stock Exchanges in terms of the requirements of Clause 41 of the Listing Agreement.
- b. The quarterly/half yearly and 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 newspaper.
- c. The Company's website [www.primefocusltd.com](http://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 format.
- d. The Company posts its Quarterly / Half Yearly/Annual Results, Annual Report, official news releases, presentations made to investors and transcripts of the meetings with institutional investors / analysts on its website i.e. [www.primefocusltd.com](http://www.primefocusltd.com). This website contains the basic information about the Company, e.g., details of its business, financial information, shareholding pattern, compliance with corporate governance, contact information of the designated officials of the Company who are responsible for assisting and handling investor grievances and such other details as may be required under Clause 54 of the Listing Agreement. The Company ensures that the contents of this website are updated at all times.

## 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 dematerialized 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 June 30, 2014, the unclaimed shares lying in 'Prime Focus Limited-Unclaimed Securities Suspense Account' held with Centrum Broking Limited are as 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 2013-14 i.e. as on April 01, 2013.	15	3960
Number of Shareholders who approached for Issuer/ Registrar for transfer of shares from suspense account during the year 2013-14.	-	-
Number of shareholders whom shares were transferred from suspense account during the year 2013-14.	-	-
Number of Shareholders and the outstanding shares in the suspense account lying at the end of the year i.e. as on June 30, 2014	15	3960

- b. Status of Unclaimed dividend:

The Unclaimed dividends for the financial year 2007-2008 remaining unclaimed for seven years was transferred by the Company to the 'Investors Education and Protection Fund' established by the Central Government (IEPF) pursuant to Section 205C of the erstwhile Companies Act, 1956 on September 20, 2014.

## 9. a. GENERAL SHAREHOLDER INFORMATION

1.	Annual General Meeting Date, Time and Venue	December 24, 2014 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	2013-2014
3.	Dates of Book Closure	From Wednesday, December 17, 2014 to Wednesday, December 24, 2014 (both days inclusive)
4.	Dividend	No Dividend has been declared during the year in order to preserve funds for future business activities.

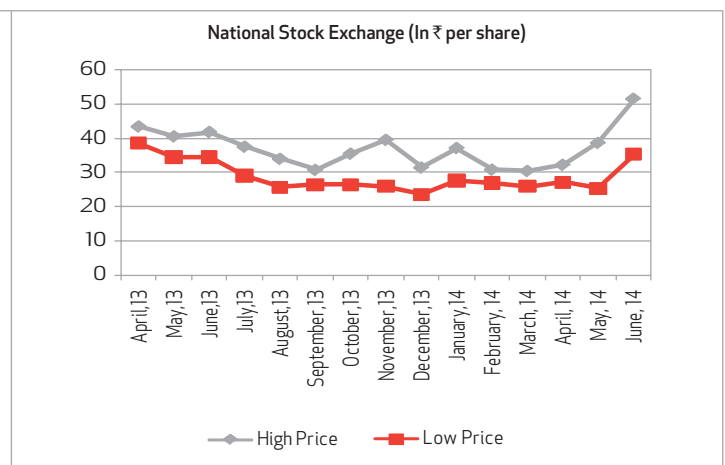
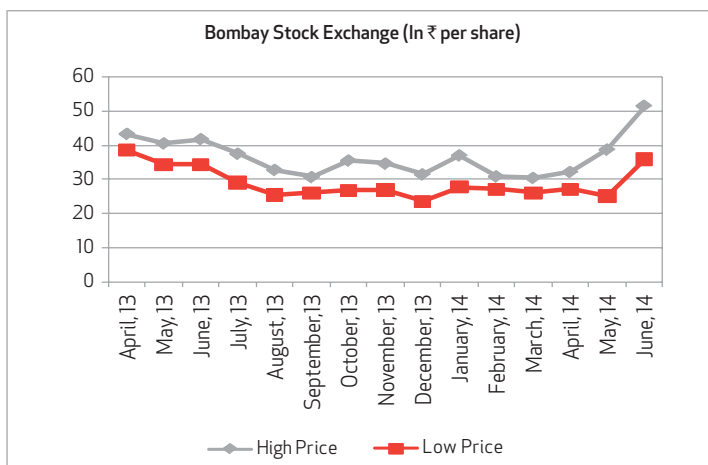
5.	Listing on Stock Exchanges	<p>The equity shares of your Company are listed on:                      BSE Limited (BSE)                      Add:- Floor 25, P.J. Towers, Dalal Street, Fort, Mumbai-400 001; &amp;                      National Stock Exchange of India Limited (NSE)                      Add:- Exchange Plaza, Bandra-Kurla Complex, Bandra,Mumbai-400 051.</p> <p>The Zero Coupon Unsecured Redeemable Non-Convertible Debentures (NCDs) issued by the Company under Series A and Series B are listed on Wholesale Debt Market Segment of the BSE Limited (BSE).                      Your Company has paid Annual Listing Fees to all the exchanges for the financial year 2014-15.</p>
6.	Stock Code	<p><b>For Equity Shares</b>                      BSE Limited (BSE):- "532748"                      National Stock Exchange of India Limited (NSE):- "PFOCUS"                      ISIN Code : INE367G01038</p> <p><b>For NCDs</b>                      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. The Share Transfer Agent attends to share transfer formalities, if any, once in a fortnight.</p>
9.	Plant Location	<p>The Company is not a manufacturing unit and thus not having any Plant. Following are the Offices where the business of the Company is being conducted:</p> <p><b>Goregaon-Film City Office</b>                      Dadasaheb Phalke Film City,                      Goregaon (East),                      Mumbai-400065.</p> <p><b>Khar Office</b>                      Prime Focus House,                      Linking Road, Opposite Citi Bank,                      Khar (West), Mumbai-400052.</p> <p><b>Hyderabad Office</b>                      Rama Naidu Studios Complex,                      79, Film Nagar, Jubilee Hills,                      Hyderabad - 500033, India.</p>
10.	Address for Correspondence	<p>Ms. Kirti Desai, Company Secretary                      Prime Focus Limited                      Registered Office:                      Prime Focus House, Linking Road, Opposite Citi Bank ,                      Khar (West), Mumbai – 400 052, India. Phone: +91-22-67155000; Fax: +91-22-67155001                      Website:www.primefocusltd.com; email: ir.india@primefocusworld.com</p>
11.	Dematerialization of Shares and liquidity	<p>As on June 30, 2014; 18,54,16,056 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 traded only in dematerialized form in the stock exchanges.</p>

12.	Electronic Clearing Services (ECS)	Members are requested to update their bank account details with their respective Depository Participants for shares held in the electronic form or write to the Company's Registrar and Share Transfer Agent M/s Link Intime India Private Limited for the shares held in physical form.
13.	Investor Complaints to be addressed to	Registrar and Share Transfer Agent M/s Link Intime India Private Limited or to Ms. Kirti Desai, Company Secretary at ir.india@primefocusworld.com.
14.	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 June 30, 2014.

## 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:

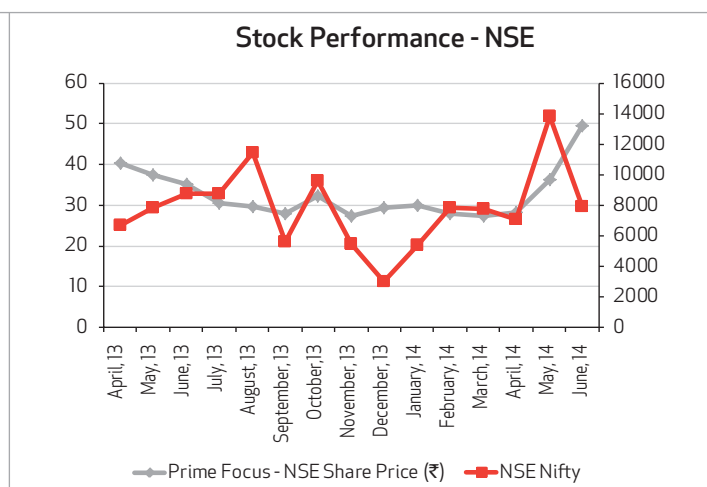
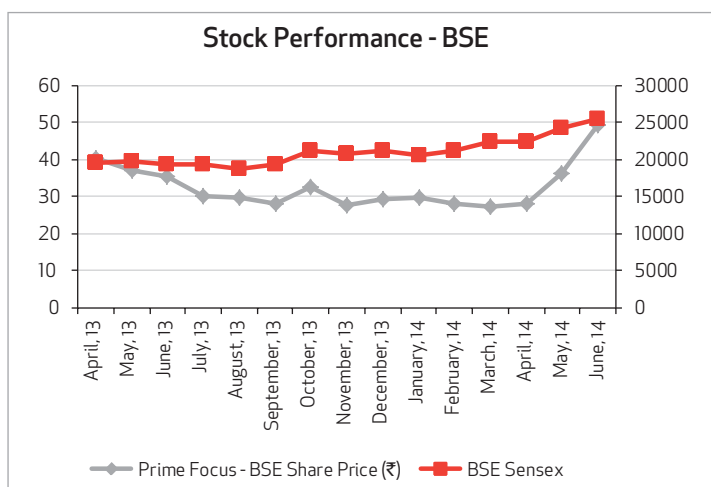
Month	BSE Limited			National Stock Exchange of India Limited		
	High Price (₹)	Low Price (₹)	Volume (No. of shares)	High Price (₹)	Low Price (₹)	Volume (No. of shares)
April, 13	43.40	38.60	1,748,442	43.30	38.65	139,318
May, 13	40.50	34.50	1,993,672	40.50	34.50	250,140
June, 13	41.80	34.50	2,279,518	41.75	34.50	254,505
July, 13	37.50	29.20	979,124	37.50	29.20	116,865
August, 13	33.95	25.80	2,027,233	32.75	25.65	257,129
September, 13	30.70	26.50	658,629	30.65	26.25	130,878
October, 13	35.45	26.55	1,329,404	35.50	26.80	179,782
November, 13	39.50	26.10	1,103,844	34.60	27.00	116,475
December, 13	31.40	23.75	3,710,224	31.45	23.70	376,081
January, 14	37.10	27.85	3,089,599	37.00	27.85	395,622
February, 14	30.80	27.10	780,329	30.85	27.20	123,929
March, 14	30.40	26.10	5011,106	30.40	26.15	294,394
April, 14	32.20	27.25	5,402,592	32.15	27.20	646,417
May, 14	38.60	25.40	6,537,782	38.70	25.25	946,650
June, 14	51.50	35.50	16,603,517	51.50	36.05	2,581,775



## 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):

Month	BSE Share Price (₹)	Sensex	NSE Share Price (₹)	NSE Nifty
April,13	40.35	19,504.18	40.45	6,699.02
May,13	36.85	19,760.30	37.45	7,794.82
June,13	35.15	19,395.81	35.05	8,753.33
July,13	30.10	19,345.70	30.45	8,717.16
August,13	29.45	18,619.72	29.55	11,431.52
September,13	27.90	19,379.77	27.95	5,642.77
October,13	32.40	21,164.52	32.25	9,560.54
November,13	27.40	20,791.93	27.40	5,487.36
December,13	29.30	21,170.68	29.25	3,032.11
January,14	29.70	20,513.85	29.85	5,407.10
February,14	28.05	21,120.12	28.05	7,869.42
March,14	27.15	22,386.27	27.25	7,743.30
April,14	28.10	22,417.80	28.10	7,066.78
May,14	36.25	24,217.34	36.20	13,837.29
June,14	49.40	25,413.78	49.45	7,887.37

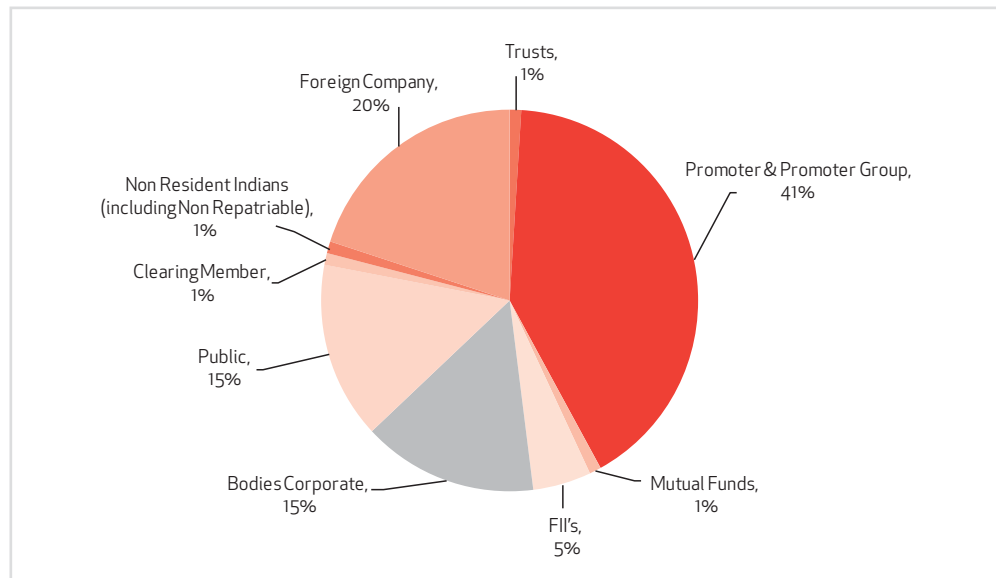


d. **Distribution of Shareholding as on June 30, 2014**

The broad shareholding distribution of the Company as on June 30, 2014 with respect to categories of investors was as follows:

Sr.No.	Category	No. of Equity Shares	Percentage%
1.	Promoter & Promoter Group	77,101,546	41.5827
2.	Mutual Funds	2,054,518	1.1081
3.	FII's	8,729,596	4.7081
4.	Bodies Corporate	28,214,351	15.2167
5.	Public	28,573,130	15.4102
6.	Clearing Member	1,229,805	0.6633
7.	Non Resident Indians (including Non Repatriable)	1,442,133	0.7778
8.	Foreign Company	36,549,990	19.7123
9.	Nationalised Banks	2,200	0.0012
10.	Non-Nationalized Banks	24,920	0.0134
11.	Financial Institutions	54,668	0.0295
12.	Foreign Portfolio Investors (Corporate)	275,579	0.1486
13.	Trusts	1,165,000	0.6283
	<b>Total</b>	<b>185,417,436</b>	<b>100.00</b>

**Distribution of Shareholding as on June 30, 2014**



c. The broad shareholding distribution of the Company as on June 30, 2014 with respect to/ holdings was as follows:

Range	No. of Holders	Percentage %	No. of Shares	Percentage %
1-500	10,859	71.6908	2,015,447	1.0870
501-1000	1,818	12.0024	1,554,316	0.8383
1001-2000	856	5.6513	1,380,310	0.7444
2001-3000	321	2.1192	843,545	0.4549
3001-4000	170	1.1223	628,670	0.3391
4001-5000	211	1.3930	1,022,794	0.5516
5001-10000	324	2.1390	2,505,411	1.3512
10001 and above	588	3.8820	175,466,943	94.6335
<b>Total</b>	<b>15,147</b>	<b>100.0000</b>	<b>185,417,436</b>	<b>100.0000</b>

#### ANNUAL DECLARATION BY THE CHIEF EXECUTIVE OFFICER PURSUANT TO THE LISTING AGREEMENT

As per the requirements of Clause 49(I)(D)(ii) of the Listing Agreement, I, Namit Malhotra, Chief Executive Officer, 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 June 30, 2014.

For and on behalf of the Board

**Namit Malhotra**  
Chief Executive Officer

Mumbai

November 14, 2014



# Corporate Governance Compliance Certificate

To,  
The Members,  
Prime Focus Limited  
Opposite CITI Bank, Linking Road, Khar (West),  
Mumbai - 400 052

We have examined all relevant records of **Prime Focus Limited (the Company)** for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with BSE Limited and National Stock Exchange of India Limited for the financial year ended **30<sup>th</sup> June 2014**. To the best of our knowledge and belief, we have obtained all the information and explanations which were necessary for the purpose of this certification.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our scope was limited to examination of 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 examination 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 **except that with effect from 25<sup>th</sup> June 2014, composition of Board of Directors is not as per Clause 49(I)(A)(ii) of the Listing Agreement.**
- b) The non-mandatory requirement of the said Clause 49 of the Listing Agreement with regard to
  - i) constitution of the Remuneration Committee and
  - ii) adoption of Whistle Blower Policy.

S. N. ANANTHASUBRAMANIAN & CO.

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

Date: 14<sup>th</sup> November 2014

Place: Mumbai

# Independent Auditor's Report

To the Members of  
**Prime Focus Limited**  
**Report on the Financial Statements**

We have audited the accompanying financial statements of **Prime Focus Limited** ("the Company"), which comprise the Balance Sheet as at 30<sup>th</sup> June, 2014, the Statement of Profit and Loss and Cash Flow Statement for the period from 1<sup>st</sup> April, 2013 to 30<sup>th</sup> June, 2014, and a summary of significant accounting policies and other explanatory information.

## **Management's Responsibility for the Financial Statements**

The Company's 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 notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## **Auditors' Responsibility**

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.

An audit involves performing procedures to obtain audit evidence about the amounts and the 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 30<sup>th</sup> June, 2014;
- (b) In the case of the Statement of Profit and Loss, of the profit of the Company for the period ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows of the Company for the period ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. 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, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d. In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs).
  - e. On the basis of the written representations received from the directors as on 30<sup>th</sup> June, 2014, taken on record by the Board of Directors, none of the directors is disqualified as on 30<sup>th</sup> June, 2014, from being appointed as a director in terms of Section 274(1) (g) of the Act.

**For DELOITTE HASKINS & SELLS**

Chartered Accountants  
(Firm Registration No. 117364W)

**Abhijit A. Damle**

(Partner)  
Membership No. 102912

Mumbai, August 28, 2014

## ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in Paragraph 1 under "Report on Other Legal and Regulatory Requirements" section of our report of even date

Having regard to the nature of the Company's business/ activities/ result during the period clauses (ii), (vi) (viii), (xii), (xiii), (xiv), (xviii) and (xx) of paragraph 4 of the Order are not applicable to the Company.

- i. In respect of its fixed assets:
  - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b) As explained to us, all the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
  - c) Although a substantial part of the fixed assets have been disposed off during the period, in our opinion and according to the information and explanations given to us, the ability of the Company to continue as a going concern is not affected.
- ii. In respect of the loans, secured or unsecured, granted or taken by the Company to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
  - a) The Company has granted unsecured loans aggregating ₹ 874,202,742 to one party during the period. At the year end, the outstanding balances of such loans granted aggregated ₹ 6,530,990 and the maximum amount involved during the period was ₹ 255,021,968.
  - b) The rate of interest and other terms and conditions of such loans are, in our opinion, prima facie, not prejudicial to the interest of the Company.
  - c) The receipts of principal amounts and interest have been as per stipulations.
  - d) In respect of the said loans and interest thereon, there are no overdue amounts.
  - e) The Company has not taken loans secured or unsecured from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- iii. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, the Company needs to strengthen the internal control system to make it commensurate with the size of the Company and the nature of its business for the purchases of fixed assets and sale of services. In view of this being our first year of audit, we are unable to comment on the continuing failure, if any, to correct major weaknesses in such internal control system.
- iv. In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
  - (b) Where each of such transaction is in excess of ₹5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time or the prices at which transactions for similar services have been made with other parties or as per information available with the Company.
- v. In our opinion, the internal audit function carried out during the period by a firm of Chartered Accountants appointed by the Management has not been commensurate with the size of the Company and the nature of its business. The scope of internal audit function and the extent of coverage needs to be enhanced to make it commensurate with the size of the Company and the nature of its business.

vi. According to the information and explanations given to us, in respect of statutory dues:

- a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities, except for payment of Service Tax and Tax Deducted at Source, where delays have been noted.
- b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 30th June, 2014 for a period of more than six months from the date they became payable.
- c) There are no cases of non-deposit with the appropriate authorities of disputed dues of Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess. Details of dues of Income Tax which have not been deposited as on 30th June, 2014 on account of disputes are given below:

Statute	Nature of Dues	Amount involved (₹)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	73,155,229	Assessment year 2007-2008, 2009-2010 and 2010-2011	Commissioner of Income Tax (Appeals)
		653,294	Assessment year 2008-2009	Income Tax Appellate Tribunal
Total		73,808,523		

- vii. The Company has no accumulated losses at the end of the financial period, but has incurred cash loss during the immediately preceding financial year.
- viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.
- ix. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by Others from banks or financial institutions are not, prima facie, prejudicial to the interests of the Company.
- x. In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the period for the purposes for which they were obtained.
- xi. In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, prima facie, not been used during the period for long-term investment.
- xii. The Company has unsecured debentures outstanding during the period on which no security or charge is required to be created.
- xiii. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the period.

**For DELOITTE HASKINS & SELLS**

Chartered Accountants  
(Firm Registration No. 117364W)

**Abhijit A. Damle**  
(Partner)  
Membership No. 102912

**Mumbai,**  
dated: 28<sup>th</sup> August, 2014

## Balance Sheet as at 30th June, 2014

In ₹

	Notes	As at June 30, 2014	As at March 31, 2013
<b>Equity and Liabilities</b>			
<b>Shareholders' funds</b>			
Share Capital	3	185,417,436	185,417,436
Reserves and Surplus	4	4,325,231,206	3,913,535,234
		<b>4,510,648,642</b>	<b>4,098,952,670</b>
<b>Non-current liabilities</b>			
Long-term borrowings	5	2,626,346,543	2,602,497,630
Other long-term liabilities	7	3,970,260	10,880,100
Long-term provisions	8	6,998,021	8,571,258
		<b>2,637,314,824</b>	<b>2,621,948,988</b>
<b>Current liabilities</b>			
Short-term borrowings	9	857,187,662	1,121,499,354
Trade payables		278,759,163	334,292,141
Other current liabilities	10	575,835,200	653,517,670
Short-term provisions	8	443,185,585	1,303,793
		<b>2,154,967,610</b>	<b>2,110,612,958</b>
		<b>9,302,931,076</b>	<b>8,831,514,616</b>
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
Tangible assets	11	1,700,457,079	2,175,262,676
Intangible assets	12	32,177,922	94,346,383
Capital work-in-progress		3,200,365	1,421,928
Non-current investments	13	2,384,595,576	2,506,811,057
Deferred tax assets (net)	6	1,129,343,192	525,651,205
Long-term loans and advances	15	621,123,932	564,297,892
		<b>5,870,898,066</b>	<b>5,867,791,141</b>
<b>Current assets</b>			
Trade receivables	14	1,392,181,531	1,319,735,446
Cash and bank balances	16	65,429,798	105,170,322
Short-term loans and advances	15	1,890,415,588	1,488,002,226
Other current assets	17	84,006,093	50,815,481
		<b>3,432,033,010</b>	<b>2,963,723,475</b>
		<b>9,302,931,076</b>	<b>8,831,514,616</b>
Notes to accounts	1-37		

As per our report of even date

For Deloitte Haskins & Sells  
Chartered Accountants

Abhijit A. Damle  
Partner

Mumbai  
August 28, 2014

For and on behalf of the Board of Directors

Naresh Malhotra  
Whole-time Director

Ramakrishnan Sankaranarayanan  
Managing Director

Kirti Desai  
Company Secretary

## Statement of Profit and Loss for the period from 1st April, 2013 to 30th June, 2014

In ₹

	Notes	For the period ended June 30, 2014	For the year ended March 31, 2013
<b>Income</b>			
Revenue from operations - sale of services (net)		2,735,478,868	1,828,823,087
Other operating income		14,632,775	-
Other income	18	372,289,315	194,505,743
		<b>3,122,400,958</b>	<b>2,023,328,830</b>
<b>Expenses</b>			
Employee benefits expense	19	693,500,509	313,075,588
Technician fees		641,147,739	570,457,220
Finance costs	20	281,083,490	229,950,506
Depreciation and amortization expense	11 & 12	439,856,043	348,043,326
Other expenses	21	490,387,478	398,127,605
		<b>2,545,975,259</b>	<b>1,859,654,245</b>
<b>Profit before exceptional items and tax</b>		<b>576,425,699</b>	<b>163,674,585</b>
Exceptional Items	22	(17,151,087)	1,076,564,961
<b>Profit / (Loss) before tax</b>		<b>593,576,786</b>	<b>(912,890,376)</b>
<b>Tax expense</b>			
Current tax		444,159,935	-
Excess provision of taxes in respect of earlier years		-	(24,375,396)
MAT credit entitlement		(1,763,157)	-
		442,396,778	(24,375,396)
Deferred tax		(487,046,457)	(296,086,120)
<b>Total tax expense</b>		<b>(44,649,679)</b>	<b>(320,461,516)</b>
<b>Profit / (Loss) for the period / year</b>		<b>638,226,465</b>	<b>(592,428,860)</b>
<b>Earnings per equity share of face value of ₹ 1 each (before exceptional items) (refer note 23)</b>			
Basic		3.37	0.83
Diluted		3.37	0.83
<b>Earnings per equity share of face value of ₹ 1 each (after exceptional items) (refer note 23)</b>			
Basic		3.44	(3.63)
Diluted		3.44	(3.63)
Notes to accounts	1-37		

As per our report of even date

For Deloitte Haskins & Sells  
Chartered AccountantsAbhijit A. Damle  
PartnerMumbai  
August 28, 2014

For and on behalf of the Board of Directors

Naresh Malhotra  
Whole-time DirectorRamakrishnan Sankaranarayanan  
Managing DirectorKirti Desai  
Company Secretary

## Cash Flow Statement for the period from 1st April, 2013 to 30th June, 2014

In ₹

	For the period ended June 30, 2014	For the year ended March 31, 2013
<b>Cash flow from operating activities</b>		
Profit / (Loss) before tax	593,576,786	(912,890,376)
Adjusted for		
Depreciation and amortization expense	439,856,043	348,043,326
Loss on sale of fixed assets (net)	3,010,210	10,020,803
(Profit) on sale of current Investment	-	(1,521,937)
Unrealized foreign exchange (gain) / loss (net)	(122,731,948)	3,989,381
Gain on sale of assets on slump sale	(1,972,058,739)	-
Foreign exchange loss on repayment of FCCBs	-	822,781,300
Bad debts written off	7,157,852	44,512,727
Provision for doubtful debts/ advances (net)	87,021,380	209,270,934
Provision for doubtful loans and advances to a subsidiary	1,353,249,789	-
Provision for diminution in the value of investment	514,636,483	-
Sundry credit balance written off	-	2,820,995
Excess provision of earlier years written back	(5,527,359)	-
Interest income	(132,993,023)	(111,129,149)
Dividend income	(12,000)	(12,000)
Finance Costs	281,083,490	229,950,506
Operating profit before working capital changes	<b>1,046,268,964</b>	<b>645,836,510</b>
Movements in working capital :		
(Decrease) / increase in trade payables	(11,480,042)	99,851,339
(Decrease) / increase in provisions	(1,668,669)	3,227,446
Increase in other current liabilities	2,381,783	23,613,704
(Decrease) in other long-term liabilities	(6,909,840)	(7,069,900)
(Increase) in trade receivables	(59,759,432)	(161,158,666)
(Increase) / decrease in long-term loans and advances	(3,734,573)	443,203
Decrease / (increase) in short-term loans and advances	30,805,901	(32,836,736)
(Increase) / decrease in other current assets	(33,227,419)	62,403,726
Cash generated from operations	<b>962,676,673</b>	<b>634,310,626</b>
Direct taxes (paid) / refunds (net)	(63,928,626)	430,259
<b>Net cash flow generated from operating activities (A)</b>	<b>898,748,047</b>	<b>634,740,885</b>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	(213,197,807)	(497,002,710)
Proceeds from sale of fixed assets	5,966,833	20,210,552
Advance received towards backend sale	621,249,000	-
Proceeds from sale/ maturity of current investments	-	1,935,504
Purchase of investment in subsidiaries	(392,521,002)	(1,438,240)
Sale of investment in subsidiary	100,000	-
Loans given to subsidiaries	(901,136,977)	(826,805,000)
Loans repaid by subsidiaries	884,795,007	326,165,570
Inter-corporate deposits given	(10,000,000)	(12,223,657)
Inter-corporate deposits received back	5,000,000	-
Margin money and fixed deposits under lien	29,534,723	(20,728,016)
Interest received	32,043,234	121,126,022
Dividend received	12,000	12,000
<b>Net cash flow generated from / (used in) investing activities (B)</b>	<b>61,845,011</b>	<b>(888,747,975)</b>



## Cash Flow Statement for the period from 1st April, 2013 to 30th June, 2014

In ₹

	For the period ended June 30, 2014	For the year ended March 31, 2013
<b>Cash flow from financing activities</b>		
Proceeds from long term borrowings (net of expenses)	96,088,589	2,416,095,287
Repayment of long term borrowings	(518,959,806)	(4,730,775,379)
Proceeds from short term borrowings (net)	(264,311,692)	475,141,415
Proceeds from issue of shares	-	2,281,889,076
Finance costs paid	(283,615,950)	(227,999,063)
<b>Net Cash (used in) / generated from financing activities (C)</b>	<b>(970,798,859)</b>	<b>214,351,336</b>
<b>Net (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(10,205,801)</b>	<b>(39,655,754)</b>
Cash and cash equivalents at the beginning of the period/ year	15,737,215	55,392,969
<b>Cash and cash equivalents at the end of the period/ year (Refer note below)</b>	<b>5,531,414</b>	<b>15,737,215</b>
Note:		
<b>Reconciliation of cash and cash equivalents</b>		
Cash and Bank balances		
As per Balance Sheet (Refer note 16)	65,429,798	105,170,322
less: Other bank balances (Refer note 16)	59,898,384	89,433,107
<b>As per Cash Flow Statement</b>	<b>5,531,414</b>	<b>15,737,215</b>

As per our report of even date

For Deloitte Haskins & Sells  
Chartered Accountants

Abhijit A. Damle  
Partner

Mumbai  
August 28, 2014

For and on behalf of the Board of Directors

Naresh Malhotra  
Whole-time Director

Ramakrishnan Sankaranarayanan  
Managing Director

Kirti Desai  
Company Secretary

## Significant Accounting Policies and Notes to Accounts

### 1. Corporate information

Prime Focus Limited (the Company) is a public listed company domiciled in India and incorporated under the provisions of the Companies Act, 1956. 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 the 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 Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ the 2013 Act, as applicable. 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 assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Accounting estimates change from period to period. Actual results could differ from those 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

Fixed assets are stated at cost of acquisition or construction. They are stated at historical cost less accumulated depreciation and impairment loss, if any. The cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended 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.

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 are higher, as per the following rates:

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%

Cost of Leasehold improvement is amortised over a period of lease

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

#### e. Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment loss, if any. Intangible assets are amortized on a straight line basis over the estimated useful economic life.

##### Software

Software is amortized on straight line basis over its estimate of useful life being six years.

**f. Impairment**

The carrying values of assets are reviewed at each Balance Sheet date for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the higher of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

**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. Borrowing cost**

Borrowing costs include interest, amortisation 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 relating to acquisition or construction of qualifying assets which takes substantial period of time to get ready for its intended use are capitalised to the extent they relate to the period till such assets are ready to be put to use. All other borrowing costs are expensed in the period in which they occur.

**i. Investments**

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

**j. Revenue recognition**

Revenue comprises the fair value of the consideration for the sale of services and products in the ordinary course of the Company's activities. Revenue is shown net of applicable 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 no significant uncertainty exists as to its determination or realisation. The Company bases its estimates on empirical evidence of the past taking into consideration the type of transaction, the type of customer and the specifics of each arrangement.

i. The Company provides a variety of post-production services including digital intermediate, visual special effects (VFX), two dimension to three dimension (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 from services 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 within 'other current assets' and billing in advance is included as deferred revenue in 'other current liabilities'.

ii. 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. Dividend from subsidiaries is recognized even if same are declared after the balance sheet date but pertains to period on or before the date of balance sheet.

**k. Foreign currency transactions****Initial recognition**

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

**Conversion**

At the period end, foreign currency monetary items are reported using the closing exchange 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.

## Exchange differences

Exchange differences are recognised as income or expenses in the period in which they arise except in case of exchange differences arising on long term foreign currency monetary items related to acquisition of fixed assets which are capitalised and depreciated over the remaining useful life of assets.

### l. Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the period 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, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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

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

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

### m. 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.

### n. Provisions and contingencies

A provision is recognized when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. A contingent liability is disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognized nor disclosed.

### o. Retirement and other employee benefits

#### Defined Contribution Plan

##### Provident Fund:

The Company contributes towards Provident Fund and Family Pension Fund. Liability in respect thereof is determined on the basis of contribution as required under the Statute/Rules.

#### Defined Benefit Plan

##### Gratuity:

Provision for gratuity is made based upon the actual valuation done at the end of every financial year using "Projected Unit Credit Method" Major drivers in actuarial assumptions, typically, are years of services and employees compensation. Gains and losses on changes in actuarial assumptions are accounted for in the Statement of Profit and Loss.

### p. Cash flow statement

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

## 3. Share capital

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>Authorised shares:</b>		
250,000,000 Equity shares of ₹1/- each	250,000,000	250,000,000
<b>Issued, subscribed and paid-Up:</b>		
185,417,436 Equity shares of ₹1/- each	185,417,436	185,417,436
	<u>185,417,436</u>	<u>185,417,436</u>

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

in ₹

	As at June 30, 2014		As at March 31, 2013	
	No.	Amount	No.	Amount
At the beginning of the period / year	185,417,436	185,417,436	138,867,446	138,867,446
Issued during the period / year	-	-	46,549,990	46,549,990
<b>At the end of the period / year</b>	<u>185,417,436</u>	<u>185,417,436</u>	<u>185,417,436</u>	<u>185,417,436</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. 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 June 30, 2014 No.	As at March 31, 2013 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

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

	As at June 30, 2014		As at March 31, 2013	
	No.	% of holding	No.	% of holding
Naresh Malhotra	62,201,546	33.55	58,387,712	31.49
Standard Chartered Private Equity (Mauritius) III Limited	36,549,990	19.71	36,549,990	19.71
Namit Malhotra	14,900,000	8.04	17,400,000	9.38

## 4. Reserves and surplus

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>Securities Premium Account</b>		
As per last balance sheet	3,051,621,190	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)	226,530,493	949,155,809
	<u>2,825,090,697</u>	<u>3,051,621,190</u>
<b>General Reserve</b>		
As per last balance sheet	13,400,000	13,400,000
<b>Debenture Redemption Reserve</b>		
Transferred from Statement of Profit and Loss	586,655,965	-
<b>Surplus in the Statement of Profit and Loss</b>		
As per last balance sheet	848,514,044	1,440,942,904
Add: Profit/(Loss) for the period / year	638,226,465	(592,428,860)
Less: Transferred to Debenture Redemption Reserve	586,655,965	-
	<u>900,084,544</u>	<u>848,514,044</u>
	<u>4,325,231,206</u>	<u>3,913,535,234</u>

**5. Long-term borrowings**

in ₹

	Non-current portion		Current maturities	
	As at June 30, 2014	As at March 31, 2013	As at June 30, 2014	As at March 31, 2013
<b>Debentures (unsecured)</b>				
Non-convertible debentures - series A	1,010,000,000	1,010,000,000	-	-
Non-convertible debentures - series B	891,000,000	891,000,000	-	-
Premium on aforesaid debentures (Refer note (a) below)	445,623,858	102,447,834	-	-
<b>Term loans (secured)</b>				
from a bank	198,000,000	363,000,000	132,000,000	132,000,000
from financial institutions (Refer note (b) & (c) below)	-	-	-	100,000,000
<b>Other loans and advances (secured)</b>				
Finance lease obligations (Refer note (d) below & note 35)	19,380,399	85,333,022	10,196,125	37,181,167
Foreign currency loans - buyers credit (Refer note (e) below)	62,342,286	150,716,774	146,500,830	167,108,297
	<b>2,626,346,543</b>	<b>2,602,497,630</b>	<b>288,696,955</b>	<b>436,289,464</b>
<b>The above amount includes</b>				
Secured borrowings	279,722,685	599,049,796	288,696,955	436,289,464
Unsecured borrowings	2,346,623,858	2,003,447,834	-	-
Amount disclosed under the head "other current liabilities" (Refer note 10)	-	-	(288,696,955)	(436,289,464)
<b>Net amount</b>	<b>2,626,346,543</b>	<b>2,602,497,630</b>	<b>-</b>	<b>-</b>

- a. 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) III 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 ₹1,010,000,000 redeemable after 5 years and the Series B NCDs comprised of 891 Debentures aggregating ₹891,000,000 redeemable after 6 years.

The amounts payable on redemption on Debentures are as follows:

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

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 4th month from the date of disbursement. At the period end, outstanding balance of the term loan is ₹ 330,000,000 and as at March 31, 2013 was ₹ 495,000,000. 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.

- b. 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 was 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. The loan was repaid during the period.

- c. 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 June 30, 2014	As at March 31, 2013	As at June 30, 2014	As at March 31, 2013	As at June 30, 2014	As at March 31, 2013
Within one year	13,031,371	49,207,102	2,835,246	12,025,935	10,196,125	37,181,167
Later than one year and not later five years	22,024,841	98,333,862	2,644,442	13,000,840	19,380,399	85,333,022
Later than five years	-	-	-	-	-	-
	<b>35,056,212</b>	<b>147,540,964</b>	<b>5,479,688</b>	<b>25,026,775</b>	<b>29,576,524</b>	<b>122,514,189</b>

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

- d. 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 (asset) (net)

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>Deferred tax liability</b>		
Difference between tax and books written-down values of fixed assets	166,197,107	248,716,477
	<u>166,197,107</u>	<u>248,716,477</u>
<b>Deferred tax assets</b>		
Unabsorbed Depreciation	-	119,523,375
Unabsorbed Loss Carried forward	488,889,179	583,742,392
Premium on redemption of NCD	116,645,530	-
Provision for doubtful loan	459,969,603	-
Provision for diminution in the value of investment	174,924,941	-
Provision for doubtful debts / advances	52,321,698	67,897,955
Provision for gratuity	2,789,348	3,203,960
	<u>1,295,540,299</u>	<u>774,367,682</u>
<b>Net deferred tax (assets)</b>	<u>(1,129,343,192)</u>	<u>(525,651,205)</u>

The Company had recognized a deferred tax asset on the carry forward losses and unabsorbed depreciation in the previous year. In the current period, the entire unabsorbed depreciation and part of the carry forward losses have been set off against the taxable income for the period. During the period, the Company has entered into non-cancellable agreements to lease / sublease its premises and render outsourcing services to wholly owned subsidiaries, for a term of three to five years. The resultant revenue coupled with the revenue from existing business activities would generate sufficient taxable income to off-set losses carried forward. Accordingly, the management is confident of realizing the said deferred tax asset.

#### 7. Other long-term liabilities

in ₹

	As at June 30, 2014	As at March 31, 2013
Security deposits	3,970,260	10,880,100
	<u>3,970,260</u>	<u>10,880,100</u>

#### 8. Provisions

in ₹

	Long-term		Short-term	
	As at June 30, 2014	As at March 31, 2013	As at June 30, 2014	As at March 31, 2013
Provision for gratuity (refer note 24)	6,998,021	8,571,258	1,208,361	1,303,793
Provision for income tax (net of advance tax)	-	-	441,977,224	-
	<u>6,998,021</u>	<u>8,571,258</u>	<u>443,185,585</u>	<u>1,303,793</u>

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

in ₹

	As at June 30, 2014	As at March 31, 2013
From Banks / Financial Institutions		
Cash credit/ overdraft	305,287,662	346,499,354
Short-term demand loans	551,900,000	775,000,000
	<u>857,187,662</u>	<u>1,121,499,354</u>

- a. In February 2011, the Company entered into an agreement for a working capital demand loan of ₹ 250,000,000 from a bank 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 June 30, 2014 and March 31, 2013, ₹ 250,000,000 is outstanding and is included in short-term demand loans.

- b. 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 had pledged his shares of the Company as security. Further, the loan had been guaranteed by the personal guarantee of promoters of the Company. As at March 31, 2013, ₹ 10,000,000 was outstanding and included in short-term demand loans. The loan was repaid during the period.
- c. 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 had pledged his shares of the Company as security. Further, the loan had been guaranteed by the personal guarantee of promoters of the Company. As at March 31, 2013, ₹ 20,000,000 was outstanding and included in short-term demand loans. The loan was repaid during the period.
- d. 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 had pledged his shares of the Company as security. Further, the loan had been guaranteed by the personal guarantee of promoters of the Company. As at March 31, 2013, ₹ 50,000,000 was outstanding and included in short-term demand loans. The loan was repaid during the period.
- e. 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 had pledged his shares of the Company as security. Further, the loan had been guaranteed by the personal guarantee of promoters of the Company. As at March 31, 2013, ₹ 20,000,000 was outstanding and included in short-term demand loans. The loan was repaid during the period.
- f. 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 had pledged his shares of the Company as security. Further, the loan had been guaranteed by the personal guarantee of promoters of the Company. As at March 31, 2013, ₹ 100,000,000 was outstanding and included in short-term demand loans. The loan was repaid during the period.
- g. 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 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 June 30, 2014 ₹ 292,267,856 and March 31, 2013, ₹ 353,072,559 is outstanding under the Facility, As at June 30, 2014 ₹ 166,900,000 and March 31, 2013 ₹ 175,000,000 is included in short-term demand loans and as at June 30, 2014 ₹ 125,367,856 and March 31, 2013 ₹ 178,072,559 is included in cash credit / overdraft.
- h. 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 14.50% to 14.75% per annum. As at June 30, 2014 and March 31, 2013, the cash credits/ overdraft outstanding to other banks were ₹ 179,919,806 and ₹ 168,426,795, respectively.
- i. 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 his shares of the Company as collateral security. Further, the loan has been guaranteed by the personal guarantee of promoters of the Company. As at June 30, 2014 ₹ 135,000,000 and as at March 31, 2013, ₹ 150,000,000 was outstanding and is included in short-term demand loans.

**10. Other current liabilities**

in ₹

	As at June 30, 2014	As at March 31, 2013
Current maturities of long-term borrowings	288,696,955	436,289,464
Accrued salaries and benefits	55,423,007	35,757,818
Advances received from clients	11,359,091	19,485,768
Interest accrued but not due on borrowings	5,893,588	8,426,048
Security deposits	32,074,100	25,274,000
Capital creditors	137,232,112	67,171,396
Bank book overdraft	2,028,765	789,302
Deferred revenue	20,000	-
Unclaimed dividends	14,835	14,835
Other payables	43,092,747	60,309,039
	<b>575,835,200</b>	<b>653,517,670</b>

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



## 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, 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

	Building	Plant and equipment	Furniture and fixtures	Lease Hold Improvement	Office equipments	Vehicles	Total
<b>Gross block</b>							
As at April 1, 2013	500,004,038	2,908,432,341	186,832,985	28,909,070	72,728,278	35,344,519	3,732,251,231
Additions	-	314,171,627	938,919	2,759,766	1,751,162	88,000	319,709,474
Deduction	-	(6,393,833)	-	-	(120,883)	(9,890,161)	(16,404,877)
Slump sale (Refer Note 35)	-	(594,179,475)	-	-	(16,381,178)	(2,446,707)	(613,007,360)
<b>As at June 30, 2014</b>	<b>500,004,038</b>	<b>2,622,030,660</b>	<b>187,771,904</b>	<b>31,668,836</b>	<b>57,977,379</b>	<b>23,095,651</b>	<b>3,422,548,468</b>
<b>Depreciation</b>							
As at April 1, 2013	28,572,984	1,393,187,960	74,535,662	14,778,205	37,119,481	8,794,263	1,556,988,555
For the period	10,182,008	349,580,528	22,474,163	6,742,904	12,685,573	2,994,027	404,659,203
Deduction	-	(2,249,909)	-	-	(112,281)	(5,065,644)	(7,427,834)
Slump sale (Refer Note 35)	-	(222,015,181)	-	-	(9,489,135)	(624,219)	(232,128,535)
<b>As at June 30, 2014</b>	<b>38,754,992</b>	<b>1,518,503,398</b>	<b>97,009,825</b>	<b>21,521,109</b>	<b>40,203,638</b>	<b>6,098,427</b>	<b>1,722,091,389</b>
<b>Net block</b>							
<b>As at June 30, 2014</b>	<b>461,249,046</b>	<b>1,103,527,262</b>	<b>90,762,079</b>	<b>10,147,727</b>	<b>17,773,741</b>	<b>16,997,224</b>	<b>1,700,457,079</b>
As at April 1, 2013	471,431,054	1,515,244,381	112,297,323	14,130,865	35,608,797	26,550,256	2,175,262,676

- a. Additions to plant and equipment includes ₹ 43,383,656 (net loss) [Previous year: ₹ 17,432,155 (net loss)] on account of exchange difference during the period / year.
- b. Plant and equipment and vehicles include assets taken on finance lease as under:
- Gross block: ₹ 50,899,305 (Previous year: ₹ 167,503,219)
- Depreciation charge for the period: ₹ 5,281,414 (Previous year: ₹ 22,262,747)
- Accumulated depreciation: ₹ 14,775,579 (Previous year: ₹ 47,198,568)
- Net block: ₹ 36,123,726 (Previous year: ₹ 120,304,651)

12. Intangible assets

in ₹

	Goodwill	Film Rights	Software	Total
<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
<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
<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

	Goodwill	Film Rights	Software	Total
<b>Gross block</b>				
As at April 1, 2013	5,320,000	30,000,000	138,851,806	174,171,806
Additions	-	-	4,571,873	4,571,873
Slump sale (Refer Note 35)	-	-	(82,648,282)	(82,648,282)
<b>As at June 30, 2014</b>	<b>5,320,000</b>	<b>30,000,000</b>	<b>60,775,397</b>	<b>96,095,397</b>
<b>Depreciation</b>				
As at April 1, 2013	5,320,000	12,000,001	62,505,422	79,825,423
For the period	-	7,495,890	27,700,950	35,196,840
Slump sale (Refer Note 35)	-	-	(51,104,788)	(51,104,788)
<b>As at June 30, 2014</b>	<b>5,320,000</b>	<b>19,495,891</b>	<b>39,101,584</b>	<b>63,917,475</b>
<b>Net block</b>				
<b>As at June 30, 2014</b>	<b>-</b>	<b>10,504,109</b>	<b>21,673,813</b>	<b>32,177,922</b>
As at April 1, 2013	-	17,999,999	76,346,384	94,346,383

a. Software includes assets taken on finance lease as under:

Gross block: ₹ 1,550,000 (Previous year: ₹ 36,786,005)

Depreciation charge for the period: ₹ 313,726 (Previous year: ₹ 5,963,011)

Accumulated depreciation: ₹ 1,061,295 (Previous year: ₹ 13,908,614)

Net block: ₹ 488,705 (Previous year: ₹ 22,877,391)

## 13. Non-current investments

in ₹

	As at June 30, 2014	As at March 31, 2013
<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
21,367,003 equity shares of 5 pence each (refer note b)		
<b>Unquoted, fully paid up</b>		
<b>Prime Focus London Plc, UK</b>	144,046,663	-
21,492,003 equity shares of 5 pence each. (Net of provision for diminution of ₹ 514,636,483) (refer note 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</b>	99,990	99,990
9,999 equity shares of ₹ 10/- each		
<b>Prime Focus International Limited</b>	2,082,178,346	1,690,349,846
21,748,973 (previous year: 20,339,598) equity share of Pound 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	2,199,580
43,000 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</b>	-	100,000
Nil (previous year: 10,000) equity shares of ₹ 10/- each		
<b>PF Overseas Limited</b>	5,937	-
100 (previous year: Nil) equity shares of \$ 1/- each		
	<b>2,384,492,076</b>	<b>2,506,707,557</b>
<b>Non-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>2,384,595,576</b>	<b>2,506,811,057</b>
a. Aggregate amount of quoted Investments	-	657,996,581
Aggregate amount of unquoted Investments	2,384,595,576	1,848,814,476

- b. Investments include ₹ 658,683,146 (Previous year: ₹ 657,996,581) in Prime Focus London Plc., UK ['PF UK'], a subsidiary company. PF UK cancelled its listing on AIM w.e.f. December 11, 2013 as the cost of listing outweighed the benefits. The market value of shares as on March 31, 2013 was ₹ 149,947,623. Due to sustained losses, the management is of the view that there is other than temporary diminution in the value of these investments and accordingly provision of ₹ 514,636,483 has been made in current financial period based on the valuation report, obtained from an external valuer.

**14. Trade receivables (unsecured)**

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>Debts outstanding for a period exceeding six months</b>		
Considered good	361,121,882	269,873,422
Considered doubtful	58,586,821	209,270,934
<b>Other debts</b>		
Considered good	1,031,059,649	1,049,862,024
Considered doubtful	1,539,222	-
	<b>1,452,307,574</b>	<b>1,529,006,380</b>
Less: Provision	60,126,043	209,270,934
	<b>1,392,181,531</b>	<b>1,319,735,446</b>

**15. Loans and advances**

in ₹

	Long-term		Short-term	
	As at June 30, 2014	As at March 31, 2013	As at June 30, 2014	As at March 31, 2013
<b>Unsecured - considered good</b>				
Capital advances	342,738,851	353,156,456	-	-
Deposits	69,900,537	65,761,447	12,834,100	5,334,100
Inter-company deposits (including interest)	-	-	89,830,941	109,077,226
Loans to subsidiaries	-	-	16,341,970	1,175,475,074
Advances to subsidiaries	-	-	46,902,467	58,802,946
Receivable towards transfer of backend business (Refer note 35)	-	-	1,675,800,000	-
MAT credit entitlement	68,524,051	66,760,894	-	-
Advance payment of taxes (Net of provision for tax)	139,960,493	78,214,578	-	-
Other loans and advances	-	404,517	48,706,110	139,312,880
	<b>621,123,932</b>	<b>564,297,892</b>	<b>1,890,415,588</b>	<b>1,488,002,226</b>
<b>Unsecured - considered doubtful</b>				
Capital advances	11,000,000	-	-	-
Inter-company deposits (including interest)	-	-	31,946,577	-
Loans to subsidiary (including interest)	-	-	1,338,831,689	-
Advances to subsidiary	-	-	14,418,100	-
Other loans and advances	-	-	53,299,472	-
	11,000,000	-	1,438,495,838	-
Less: Provision	11,000,000	-	1,438,495,838	-
	-	-	-	-
	<b>621,123,932</b>	<b>564,297,892</b>	<b>1,890,415,588</b>	<b>1,488,002,226</b>

- a. Other loans and advances includes prepaid expenses, loans and advances to employees and others, advances to suppliers and service taxes receivable.
- b. Loans and advances include amount due from private companies in which directors is a member / director.

	As at June 30, 2014	As at March 31, 2013
Prime Focus Visual Effects Private Limited	7,864	6,672
GVS Software Private Limited	305	-
Prime Focus Technologies Private Limited	21,939,984	20,505,462
Prime Focus 3D India Private Limited	5,886	-
Prime Focus World Creative Services Private Limited	9,810,980	-
	<b>31,765,019</b>	<b>20,512,134</b>

## c. i. Loans given to subsidiaries in which directors are interested

Name of the Company	As at June 30, 2014	Maximum outstanding balance during the period	As at March 31, 2013	Maximum outstanding balance during the year
Prime Focus London Plc, UK	1,239,978,500	1,239,978,500	1,127,866,250	1,127,866,250
Prime Focus Technologies Private Limited	6,530,990	255,021,968	-	92,842,235
Prime Focus World Creative Services Private Limited	9,810,980	19,704,540	-	-

a. Loans shown above fall under the category of 'Short-Term Loans and Advances' and are repayable on demand.

b. All the above loans are interest bearing.

c. There are no advances in the nature of loans.

## ii. Investment by loanee in the shares of the subsidiaries.

**Investment by Prime Focus Technologies Private Limited in subsidiaries.**

Name of the Company	Amount of investment	
	As at June 30, 2014	As at March 31, 2013
Prime Focus Technologies UK Limited	1	1
Prime Focus Technologies, Inc	92,133,810	60

**16. Cash and bank balances**

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>Cash and cash equivalents</b>		
Cash on hand	185,039	564,665
Balances with banks:		
On Current Accounts	5,346,375	8,992,544
Deposits	-	6,180,006
	<b>5,531,414</b>	<b>15,737,215</b>
<b>Other bank balances:</b>		
Margin money deposits	59,898,384	89,433,107
	<b>59,898,384</b>	<b>89,433,107</b>
	<b>65,429,798</b>	<b>105,170,322</b>

Margin money deposits are subject to first charge to secure the foreign currency loans – buyer's credit and bank guarantees.

**17. Other current assets**

in ₹

	As at June 30, 2014	As at March 31, 2013
Unbilled revenue	83,202,192	49,974,773
Interest accrued on fixed deposits	803,901	840,708
	<b>84,006,093</b>	<b>50,815,481</b>

**18. Other income**

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
<b>Dividend</b>		
Long-term investments - non trade	12,000	12,000
<b>Interest Income</b>		
Bank deposits	8,236,922	28,531,518
Others	124,756,101	82,597,631
Profit on sale of current investment	-	1,521,937
Exchange gain (net)	210,564,510	81,672,114
Excess provision of earlier years written back	5,527,359	-
Insurance claim received	8,871,816	-
Bad debts recovered	6,000	-
Recovery of excess remuneration paid to KMP (Refer note 27)	3,600,000	-
Rent income (Refer note 27)	2,906,798	-
Miscellaneous income	7,807,809	170,543
	<b>372,289,315</b>	<b>194,505,743</b>

**19. Employee benefits expense**

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
Salaries and wages	679,625,648	301,903,172
Bonus and incentive	197,063	306,498
Contribution to provident and other funds	7,932,490	3,865,453
Gratuity (refer note 24)	(1,668,669)	3,227,446
Staff welfare	7,413,977	3,773,019
	<b>693,500,509</b>	<b>313,075,588</b>

**20. Finance costs**

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
Interest on working capital finance	155,951,388	124,242,361
Interest on term loan	92,125,534	70,751,355
Interest on buyer's credit	9,803,768	12,816,449
Interest on others	6,292,499	4,176,779
Bank charges	16,910,301	17,963,562
	<b>281,083,490</b>	<b>229,950,506</b>

**21. Other Expenses**

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
Technical service cost	34,560,578	44,368,059
Communication cost	23,601,056	18,011,957
Consumable stores	667,255	1,068,061
Director's sitting Fees	440,000	320,000
Electricity charges	102,192,236	80,304,119
Insurance cost	10,783,664	12,298,210
Legal and professional fees	26,305,755	11,616,503
Loss on sale of fixed assets (net)	3,010,210	10,020,803
Rates and taxes	2,720,553	1,552,824
Rebates and discount	17,297,565	19,026,620
Rent (refer note 25)	76,795,116	56,052,371
Travelling and conveyance	51,388,056	39,541,029
Repairs and maintenance-equipment	34,607,679	23,346,829
Repairs and maintenance-building	26,044,460	22,652,904
Bad debts written off	7,157,852	-
(Net of provision for doubtful debt of ₹ 149,144,891)		
Auditor's remuneration		
As auditor		
Audit fees *	2,775,000	1,146,000
In other matters (certification, limited reviews, etc.) #	737,500	950,750
Miscellaneous expenses	69,302,943	55,850,566
	<b>490,387,478</b>	<b>398,127,605</b>

\* Includes ₹ 300,000 paid to MZSK &amp; Associates, the erstwhile auditors

# Includes ₹ 12,500 paid to MZSK &amp; Associates, the erstwhile auditors

**22. Exceptional items**

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
Gain on sale of assets on slump sale (Refer Note 35)	(1,972,058,739)	-
Provision for doubtful loans and advances to a subsidiary (net) (Refer Note 27)	1,353,249,789	-
Provision for diminution in the value of investment in a subsidiary (Refer Note 13)	514,636,483	-
Bad debts written off	-	44,512,727
Provision for doubtful debts/ advances (net)	87,021,380	209,270,934
Exchange loss on Foreign Currency Convertible bonds	-	822,781,300
	<b>(17,151,087)</b>	<b>1,076,564,961</b>

**23. Earnings per share (EPS)**

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
Net Profit / (Loss) attributable to equity shareholders	638,226,465	(592,428,860)
Exceptional items (net of tax)	(13,556,047)	727,392,759
Net Profit before exceptional items but after tax	624,670,418	134,963,899
	<b>Number</b>	<b>Number</b>
Weighted average number of equity shares in calculating basic and diluted EPS	<b>185,417,436</b>	<b>163,258,812</b>
<b>Earnings per share (before exceptional items)</b>		
Basic EPS	3.37	0.83
Diluted EPS	3.37	0.83
<b>Earnings per share (after exceptional items)</b>		
Basic EPS	3.44	(3.63)
Diluted EPS	3.44	(3.63)

24. The disclosures as required under Accounting Standard 15 "Employee Benefits" are as follows:

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 tenure of employment with the Company.

I. **Reconciliation of asset/ liability recognized in the Balance Sheet**

in ₹

	As at June 30, 2014	As at March 31, 2013
Defined benefit obligation	8,206,382	9,875,051
Fair value of plan assets	-	-
<b>Liability recognized</b>	<b>8,206,382</b>	<b>9,875,051</b>

II. **Expense recognized in the Statement of Profit and Loss**

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
Current service cost	5,265,745	2,313,940
Interest cost	987,505	565,046
Actuarial(gain)/ loss	(7,921,919)	348,460
<b>Net expense</b>	<b>(1,668,669)</b>	<b>3,227,446</b>

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

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
Opening defined benefit obligation	9,875,051	6,647,605
Interest cost	987,505	565,046
Current service cost	5,265,745	2,313,940
Actuarial (gain) / loss	(7,921,919)	348,460
<b>Closing defined benefit obligation</b>	<b>8,206,382</b>	<b>9,875,051</b>

**Principal actuarial assumptions:**

	As at June 30, 2014	As at March 31, 2013
Discount rate	8.96%	8.00%
Rate of escalation in salary (per annum)	5.00%	5.00%
Employee turnover	2.00%	2.00%

Major drivers in actuarial assumptions typically are years of service and employee compensation. The estimates of rate of escalation in salary, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, including supply and demand in the employment market. The above information is as certified by the actuary.

b. **Defined contribution plan:**

The Company contributed ₹ 5,200,609 (Previous year: ₹ 2,809,463) to provident fund during the period and recognized the contribution as an expense, which is included in note 19 as contribution to provident fund and other funds.

25. **Leases**

The Company has taken premises on non-cancellable operating lease basis. The tenure of leases ranges from 36 to 180 months with non-cancellable periods ranging from 12 to 60 months. Future lease rentals in respect of the premises taken on non-cancellable operating leases are as follows:

in ₹

	As at June 30, 2014	As at March 31, 2013
Lease Payments due within one year	1,634,029	5,440,818
Lease Payments due later than one but not later than five years	-	1,461,017
Lease Payments due later than five years	-	-
	<b>1,634,029</b>	<b>6,901,835</b>



Amount of lease rental charged to the Statement of Profit and Loss in respect of non-cancellable operating leases is ₹ 10,834,829 (Previous year: ₹ 9,881,074).

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 ₹ 65,960,287 (Previous year: ₹ 46,171,297).

The Company has sublet certain premises on cancellable operating lease basis. The tenure of the lease is of 60 months. An amount of ₹ 2,906,798 (Previous year: ₹ Nil) has been recognized as other income in respect of the sublease (Refer note 27).

## 26. Segment information

Business is the primary segment for the Company being post production activities. Since, the Company's entire operations are governed by the same set of risks and returns, these have been considered as representing a single segment.

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

in ₹

	Revenue from operations (net)		Segment Assets		Capital Expenditure	
	Period ended June 30, 2014	Year ended March 31, 2013	As at June 30, 2014	As at March 31, 2013	Period ended June 30, 2014	Year ended March 31, 2013
India	847,923,807	675,170,562	4,348,557,021	3,276,585,769	326,642,179	611,684,735
United Kingdom	625,218,139	309,392,750	352,550,474	272,522,012	-	-
British Virgin Island	393,834,578	35,432,340	171,293,405	35,432,340	-	-
U.S.A	11,180,349	712,665,190	1,523,695	547,070,066	-	-
Canada	848,808,449	78,341,398	478,900,456	72,394,949	-	-
Other Countries	8,513,546	17,820,847	8,373,636	705,470	-	-
	<u>2,735,478,868</u>	<u>1,828,823,087</u>	<u>5,361,198,687</u>	<u>4,204,710,606</u>	<u>326,642,179</u>	<u>611,684,735</u>

## 27. Related party disclosures

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

#### i) Subsidiary companies

Prime Focus London Plc, UK  
 Prime Focus International Limited  
 Prime Focus Technologies Private Limited  
 Prime Focus Visual Effects 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 (w.e.f. July 12, 2013 it is a subsidiary of Prime Focus World N.V.)  
 PF Overseas Limited (w.e.f. July 26, 2013)

#### ii) Step-down subsidiary companies

##### Subsidiary companies of PF World Limited

Prime Focus Luxembourg S.a.r.l  
 Prime Focus 3D Cooperatief U.A. (Subsidiary of Prime Focus Luxembourg S.a.r.l.)  
 Prime Focus World N.V. (Subsidiary of Prime Focus 3D Cooperatief U.A.)  
 Prime Focus International Services UK Limited (Subsidiary of Prime Focus World N.V.)  
 Prime Focus North America Inc. (Subsidiary of Prime Focus World N.V.)  
 1800 Vine Street LLC (Subsidiary of Prime Focus North America, Inc.)  
 Prime Focus Creative Services Canada Inc. (Subsidiary of Prime Focus World N.V.)  
 Prime Focus VFX Australia Pty Limited (Subsidiary of Prime Focus World N.V.) (Liquidated in FY 2014)  
 Prime Focus VFX USA, Inc. (Subsidiary of Prime Focus World N.V.)  
 Prime Focus ME Holdings Limited (formerly known as Lifestyles Interseas Limited) (Subsidiary of Prime Focus World N.V.)  
 Prime Focus China Limited (Subsidiary of Prime Focus World N.V.)  
 Prime Focus (HK) Holdings Limited (Subsidiary of Prime Focus China Limited)  
 Prime Focus World Creative Services Private Limited (Subsidiary of Prime Focus World N.V. w.e.f. July 12, 2013)

## **Subsidiary companies of Prime Focus London Plc, UK**

Prime Focus Visual Entertainment Services Limited  
VTR Media Investments Limited  
PF Film UK Limited (Liquidated in FY 2013)  
PF Broadcast & Commercial Limited (Liquidated in FY 2013)  
Busy Buses Limited  
Prime Focus Broadcast Limited (Liquidated in FY 2014)  
Clipstream Limited  
Amazing Spectacles Limited (Subsidiary of VTR Media Investments Limited)  
Prime Focus MW 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) (Liquidated in FY 2014)  
Prime Focus Productions 5 Limited (Subsidiary of VTR Media Investments Limited)  
DMJM Film Limited (Subsidiary of VTR Media Investments Limited) (Liquidated in FY 2014)

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

Prime Focus Technologies UK Limited  
Prime Focus Technologies, Inc.  
DAX PFT LLC (Subsidiary of Prime Focus Technologies, Inc.)  
DAX Cloud ULC (Subsidiary of DAX PFT LLC)

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

#### **i. Subsidiary companies**

Prime Focus Technologies Private Limited  
Prime Focus London Plc, UK  
Prime Focus Visual Effects Private Limited  
GVS Software Private Limited  
Prime Focus 3D India Private Limited  
Prime Focus Motion Pictures Limited  
PF Investments Limited  
Prime Focus International Limited  
PF Overseas Limited  
Prime Focus World Creative Services Private Limited

#### **ii. Step down subsidiary companies**

PF Broadcast & Commercial Limited  
Prime Focus Visual Entertainment Services Limited  
Prime Focus North America, Inc  
Prime Focus Creative Services Canada Inc  
Prime Focus International Services UK Limited  
Prime Focus ME Holdings Limited  
Prime Focus World N.V.  
Prime Focus World Creative Services Private Limited

#### **iii. Key management personnel**

Mr. Namit Malhotra – CEO, Chairman and Executive Director (w.e.f June 25, 2014)  
Mr. Naresh Malhotra – Whole-time Director (Chairman till June 24, 2014)  
Mr. Ramakrishnan Sankaranarayanan – Managing Director (w.e.f June 25, 2014), CEO (till June 24, 2014)

#### **iv. Relative of Key management personnel**

Mr. Namit Malhotra – Son of Mr. Naresh Malhotra

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

Blooming Buds Coaching Private Limited  
N2M Reality Private Limited

#### **vi. Enterprises exercising 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) Subsidiary companies #

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
<b>Revenue</b>		
Prime Focus Technologies Private Limited	2,000,000	3,937,092
<b>Other operating income</b>		
Prime Focus Technologies Private Limited	3,626,827	-
<b>Technical service cost</b>		
Prime Focus London Plc, UK	-	12,343,706
Prime Focus Technologies Private Limited (netted off from revenue)	34,818,733	48,653,619
<b>Reimbursement of expenses incurred by:</b>		
Prime Focus London Plc, UK	-	17,789,560
Prime Focus Technologies Private Limited	6,095,950	34,377,382
Prime Focus Visual Effects Private Limited	-	1,700
GVS Software Private Limited	305	-
Prime Focus World Creative Services Private Limited	-	1,700
<b>Reimbursement of expenses incurred on behalf of:</b>		
Prime Focus London Plc, UK	3,053,471	-
Prime Focus Technologies Private Limited	32,507,393	1,997,049
Prime Focus Visual Effects Private Limited	-	(13,236)
Prime Focus 3D India Private Limited	5,886	5,479
Prime Focus Motion Pictures Limited	1,632	-
Prime Focus World Creative Services Private Limited	-	(13,236)
<b>Investments</b>		
PF Investments Limited	-	1,389,250
Prime Focus International Limited	391,828,500	-
PF Overseas Limited	5,937	-
Prime Focus Visual Effects Private Limited	-	48,990
<b>Loans given</b>		
Prime Focus London Plc, UK	-	542,405,000
Prime Focus Technologies Private Limited	874,202,742	284,400,000
<b>Loans repaid (including interest)</b>		
Prime Focus London Plc, UK	-	68,782,710
Prime Focus Technologies Private Limited	890,158,190	342,466,195
<b>Interest on loans</b>		
Prime Focus London Plc, UK	93,286,355	59,663,090
Prime Focus Technologies Private Limited	22,486,438	9,030,257

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>Balance outstanding ###</b>		
<b>Trade receivables</b>		
Prime Focus London Plc, UK	-	(88,720)
Prime Focus Technologies Private Limited	5,949,241	118,922
<b>Trade payables</b>		
Prime Focus London Plc, UK	-	36,441,340
Prime Focus Technologies Private Limited	6,781,968	9,804,286
Prime Focus Visual Effects Private Limited	-	(13,236)
Prime Focus World Creative Services Private Limited	-	(13,236)
<b>Other payables</b>		
Prime Focus 3D India Private Limited	500,000	500,000
<b>Advances receivable</b>		
Prime Focus London Plc, UK	14,418,100	9,119,861
Prime Focus Visual Effects Private Limited	7,864	6,672
GVS Software Private Limited	305	-
Prime Focus Motion Pictures Limited	586,379	584,746
Prime Focus Technologies Private Limited	15,408,994	20,505,462
Prime Focus 3D India Private Limited	5,886	-
Prime Focus World Creative Services Private Limited	-	1,700
<b>Loans receivable (including interest)</b>		
Prime Focus London Plc, UK	1,338,831,689	1,175,475,074
Prime Focus Technologies Private Limited	6,530,990	-

(ii) **Step-down Subsidiaries #**

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
<b>Revenue from operations</b>		
PF Broadcast & Commercial Limited	-	2,266,688
Prime Focus North America, Inc	11,180,349	709,562,081
Prime Focus Creative Services Canada Inc	848,808,449	78,341,398
Prime Focus Visual Entertainment Services Limited	-	33,620,916
Prime Focus International Services UK Limited	602,390,924	266,680,647
Prime Focus ME Holdings Limited	393,834,578	35,432,340
<b>Other operating income</b>		
Prime Focus World Creative Services Private Limited	1,157,608	-
<b>Other income</b>		
Prime Focus World Creative Services Private Limited	2,906,798	-
<b>Sale of backend business</b>		
Prime Focus World Creative Services Private Limited	2,297,049,000	-
<b>Sale of Investments</b>		
Prime Focus World N.V.	100,000	-
<b>Technical service cost</b>		
Prime Focus North America, Inc	-	5,209,988

	in ₹	
	Period ended June 30, 2014	Year ended March 31, 2013
PF Broadcast & Commercial Limited	-	52,814
Prime Focus International Services UK Limited	202,346	6,192,105
Prime Focus Visual Entertainment Services Limited	-	78,758
<b>Reimbursement of expenses incurred by:</b>		
Prime Focus International Services UK Limited	943,784	930,382
Prime Focus North America, Inc	2,555,763	930,410
Prime Focus Creative Services Canada Inc	-	930,410
<b>Reimbursement of expenses incurred on behalf of:</b>		
Prime Focus North America, Inc	3,605,577	3,836,774
Prime Focus World N.V.	831,062	-
<b>Loans given</b>		
Prime Focus World Creative Services Private Limited	26,934,235	-
<b>Loans repaid (including interest)</b>		
Prime Focus World Creative Services Private Limited	18,406,322	-
<b>Interest on loans</b>		
Prime Focus World Creative Services Private Limited	1,283,067	-
<b>Security deposit</b>		
Prime Focus World Creative Services Private Limited	3,970,260	-

	in ₹	
	As at June 30, 2014	As at March 31, 2013
<b>Balance outstanding</b>		
<b>Trade receivables</b>		
PF Broadcast & Commercial Limited	673,629	544,905
Prime Focus North America, Inc	-	541,986,104
Prime Focus Creative Services Canada Inc	478,900,456	72,394,949
Prime Focus Visual Entertainment Services Limited	-	(31)
Prime Focus International Services UK Limited	327,551,297	259,127,737
Prime Focus ME Holdings Limited	171,293,405	35,432,340
<b>Trade payables</b>		
Prime Focus North America, Inc	71,498,149	62,487,828
Prime Focus Creative Services Canada Inc	26,068,126	24,015,770
PF Broadcast & Commercial Limited	61,239	49,537
Prime Focus International Services UK Limited	8,605,267	6,192,105
Prime Focus Visual Entertainment Services Limited	91,859	74,305
<b>Advances receivable</b>		
Prime Focus International Services UK Limited	1,101,690	891,168
Prime Focus North America, Inc	3,625,864	3,612,488
Prime Focus Creative Services Canada Inc	25,333,430	24,080,849
Prime Focus World N.V.	832,055	-
<b>Loans receivable</b>		
Prime Focus World Creative Services Private Limited	9,810,980	-
<b>BTA Consideration receivable (refer note 35)</b>		
Prime Focus World Creative Services Private Limited	1,675,800,000	-
<b>Security deposit receivable</b>		
Prime Focus World Creative Services Private Limited	3,970,260	-

(iii) Key Management Personnel\*

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
<b>Remuneration</b>		
Mr. Naresh Malhotra	7,500,000	6,000,000
Mr. Ramakrishnan Sankaranarayanan	7,068,333	3,900,000
Mr. Namit Malhotra	83,333	-
<b>Recovery of excess remuneration paid</b>		
Mr. Naresh Malhotra	3,600,000	-

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>Balance Outstanding – Remuneration Payable</b>		
Mr. Naresh Malhotra	371,790	195,307
Mr. Ramakrishnan Sankaranarayanan	449,559	258,400
Mr. Namit Malhotra	83,333	-

(iv) Relative of Key Management Personnel

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
<b>Issue of equity shares</b>		
Mr. Namit Malhotra	-	554,780,000

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

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
<b>Rent</b>		
Blooming Buds Coaching Private Limited	39,300,000	30,000,000
<b>Deposit given</b>		
Blooming Buds Coaching Private Limited	5,000,000	-
<b>Capital advance given</b>		
N2M Realty Private Limited	-	330,000,000

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>Balance outstanding</b>		
<b>Rent paid in advance</b>		
Blooming Buds Coaching Private Limited	3,327,540	-
<b>Deposit</b>		
Blooming Buds Coaching Private Limited	53,000,000	48,000,000
<b>Capital advance</b>		
N2M Realty Private Limited	330,000,000	330,000,000

## (vi) Enterprises exercising significant influence over the Company

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
<b>Issue of equity shares (including share premium)</b>		
Standard Chartered Private Equity (Mauritius) III Limited	-	1,891,461,983
<b>Issue of non-convertible debentures (NCD)</b>		
Standard Chartered Private Equity (Mauritius) Limited	-	1,901,000,000
<b>Loan (repayments) / taken, net</b>		
Standard Chartered Bank	(225,804,703)	848,072,559
<b>Finance costs</b>		
Standard Chartered Bank	133,742,944	52,102,865
<b>Premium on NCD accrued</b>		
Standard Chartered Private Equity (Mauritius) Limited	343,176,024	102,447,834
<b>Interest income</b>		
Standard Chartered Bank	22,295	20,677,227

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>Balance outstanding</b>		
<b>Loan outstanding</b>		
Standard Chartered Bank	622,267,856	848,072,559
<b>Fixed Deposit</b>		
Standard Chartered Bank	-	5,000,000
<b>Bank Balance in current account</b>		
Standard Chartered Bank	4,954	(1,398,968)
<b>Non-convertible debentures</b>		
Standard Chartered Private Equity (Mauritius) Limited	1,901,000,000	1,901,000,000
<b>Interest income receivable</b>		
Standard Chartered Bank	-	15,068
<b>Premium on NCD accrued</b>		
Standard Chartered Private Equity (Mauritius) Limited	445,623,858	102,447,834

# The Company has given guarantees on behalf of subsidiaries and step-down subsidiaries as described below

	As at June 30, 2014	As at March 31, 2013
Prime Focus London Plc, UK	₹ 485,359,697	₹ 560,025,716
	£4,755,398	£4,755,398
	\$-	\$3,080,000
Prime Focus Technologies Private Limited	₹ 1,609,500,000	₹ 790,000,000
Prime Focus North America, Inc	₹ 322,057,239	₹ 835,594,197
	\$5,372,904	\$15,372,904
PF World Limited, Mauritius	₹ 2,676,365,650	₹ -
	\$44,650,000	\$-

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

## There are no provisions for doubtful debts / amounts written off / written back in respect of dues from / to related parties except in respect of the following.

- Provision for doubtful loans and advances of ₹ 1,353,249,789 (net) has been made in respect of for Prime Focus London Plc, UK (Refer note 15 & 22).
- Provision for diminution in the value of investments of ₹ 514,636,483 has been made in respect of investments made in Prime Focus London Plc, UK (Refer note 13)

**28. Capital and other commitments**

in ₹

	As at June 30, 2014	As at March 31, 2013
i Estimated amount of contracts remaining to be executed on capital account and not provided for	5,466,453	19,706,614
ii Commitment to provide necessary financial support to Subsidiary Companies		

**29. Contingent liabilities in respect of**

in ₹

	As at June 30, 2014	As at March 31, 2013
i Income Tax matters under dispute* Relates to demands raised by the income tax authorities for various assessment years mainly on account of disallowances of depreciation on computer based assets, additions under the Transfer Pricing provisions and Tax deducted at source (TDS) amounts. * In the above matter, the Company is hopeful of succeeding and as such does not expect any significant liability to crystalize.	73,808,523	125,731,981
ii On account of undertakings given by the Company in favour of Customs authorities at the time of import of capital goods under EPCG Scheme.	-	640,740,299
iii Guarantees given on behalf of subsidiary and step-down subsidiary companies	5,093,282,586	2,185,619,913

**30. Unhedged foreign currency exposure**

in ₹

	As at June 30, 2014	As at March 31, 2013
Buyer's Credit (Liability)	₹ 208,843,116	₹ 317,868,852
	\$ 3,313,749	\$ 4,796,182
	€ 124,875	€ 820,700
Trade Receivables (Assets)	₹ 1,010,010,357	₹ 921,131,617
	\$ 2,987,481	\$ 10,646,197
	C\$ 8,525,471	C\$ 1,355,825
	£ 3,444,367	£ 3,271,044
	AED 29,908	-
	€ 0	€ 9
Loans and Advances (Assets)	₹ 1,385,866,084	₹ 1,213,179,441
	\$ 22,511,488	\$ 21,625,887
	C\$ 450,990	C\$ 450,990
	£ 150,983	£ 121,256
	₹ 219,712,574	₹ 157,572,315
	C\$ 153,402	C\$ 153,402
	€ 397,184	€ 29,528
	£ 92,072	£ 489,998
Trade Payables and Other Current Liabilities	\$ 2,822,981	\$ 1,978,623

**31. 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 June 30, 2014. The information regarding micro, small and medium enterprises has been determined on the basis of information available with the management.

**32. Value of imports calculated on CIF basis**

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
Capital Goods	228,799,350	165,302,300



**33. Expenditure in foreign currency (accrual basis)**

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
Bank charges	155,676	99,102
Interest on buyer's credit	7,034,817	8,436,176
Legal and professional fees	1,021,245	442,553
Miscellaneous expenses	-	55,658
Repairs and maintenance	9,507,700	4,765,862
Consumable stores	228,435	4,679
Staff welfare	-	2,209
Technical service cost	202,336	25,170,232
Technician fees	-	9,193,863
Traveling and conveyance	208,989	94,239
Freight and clearing	14,691	-
Sales and promotion	11,801	-

**34. Earnings in foreign currency (accrual basis)**

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
Revenue from operations	1,887,182,794	1,140,481,885
Interest Income	93,286,304	59,663,090

35. Effective June 30, 2014, the Company sold its 'Backend Business', which includes (a) business of providing the services of conversion of 2D audio visual/moving images to stereo 3D audio visual/moving images provided by the Company to Prime Focus World N.V., a company incorporated and operating under the laws of Netherlands ("PFW") ("Conversion Business"); and (b) the business of providing the services of computer generated film visual special effects by the Company to PFW ("VFX Business"), to Prime Focus World Creative Services Private Limited, a company incorporated in India and an indirect controlled subsidiary of the Company on a going concern basis by way of slump sale for a total consideration of ₹ 2,297,049,000. The carrying values of net assets transferred under slump sale is given below:

in ₹

	Amount
Plant and equipment	372,164,294
Office equipment	6,892,043
Vehicles	1,822,488
Software	31,543,494
Finance lease obligations	(87,432,058)
<b>Total carrying value of net assets transferred</b>	<b>324,990,261</b>

The gain recognized on the backend slump sale of ₹ 1,972,058,739 is recorded as exceptional item (Refer note 22).

36. The Board of Directors of the Company vide circular resolution passed on March 24, 2014 inter-alia, considered and approved the extension of the current financial year i.e. (April 01, 2013 to March 31, 2014) of the Company by a period of three (3) months in accordance with the provisions of Section 210 of the Companies Act, 1956. Accordingly, the current financial year of the Company is for a period of fifteen (15) months i.e. commencing from April 01, 2013 and ending on June 30, 2014 and therefore the financial results of the current financial period are not comparable with financial results of the year ended March 31, 2013 which are for twelve (12) months.
37. Previous year's figures have been regrouped where necessary to confirm to current period's classification.

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

**Naresh Malhotra**  
Whole-time Director

**Ramakrishnan Sankaranarayanan**  
Managing Director

**Kirti Desai**  
Company Secretary

Mumbai  
August 28, 2014

**Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Company's Interest in Subsidiary Companies for the period ended June 30, 2014**

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				Changes in the interest of Holding company between the end of the Subsidiary's financial year and June 30, 2014			
						Not dealt in the Holding company's accounts		Dealt with in the holding company's accounts		Fixed assets (net additions)	Investments	Monies lent by the Subsidiary	Monies borrowed by the Subsidiary company other than for meeting current liabilities
						For the financial year of the subsidiary ended on 31 st March 2014	for the previous financial year of the subsidiary company since it became the company's subsidiary	For the financial year of the subsidiary ended on 31 st March 2014	for the previous financial year of the subsidiary company since it became the company's subsidiary				
Prime focus London Plc	31-Mar-14	Prime Focus Limited	28-Apr-06	21,492,003	65.01%	36,173,681	(419,397,546)			-	-	-	-
Prime Focus Visual Entertainment Services Limited	31-Mar-14	Prime Focus London Plc	28-Apr-06	1,000	100%	(752,391,307)	982,434,546			-	-	-	-
VTR Media Investments Limited	31-Mar-14	Prime Focus London Plc	28-Apr-06	2	100%	315,903,077	(540,344,233)			-	-	-	-
Amazing Spectacles Limited	31-Mar-14	VTR Media Investment Limited	28-Apr-06	2	100%	118,946,948	(20,073,198)			-	-	-	-
Clipstream Limited	31-Mar-14	Prime Focus London Plc	28-Apr-06	2	100%	(3,977)	(30,298,303)			-	-	-	-
Prime Focus (MV) Limited	31-Mar-14	VTR Media Investment Limited	28-Apr-06	51	100%	(10,484)	(9,738,085)			-	-	-	-
PF Broadcast VFX Limited	31-Mar-14	Prime Focus London Plc	1-Dec-10	1	100%	24,062,161	(32,454,149)			-	-	-	-
PF Film UK Limited*	31-Mar-14	Prime Focus London Plc	2-Dec-08	1	100%	11,333,646	8,776,719			-	-	-	-
PF Broadcast & Commercial Limited*	31-Mar-14	Prime Focus London Plc	12-Jan-11	1	100%	-	218,691,915			-	-	-	-
Busy Buses Limited	31-Mar-14	Prime Focus London Plc	1-Apr-10	2	100%	-	554,146			-	-	-	-
Prime Focus Productions 1 Limited	31-Mar-14	VTR Media Investment Limited	1-Dec-10	1	100%	-	-			-	-	-	-
PF Television VFX Limited	31-Mar-14	VTR Media Investment Limited	1-Dec-10	1	100%	681,763	(6,529,288)			-	-	-	-
Prime Focus Productions 5 Limited	31-Mar-14	VTR Media Investment Limited	1-Dec-10	1	100%	-	-			-	-	-	-
DMJMFilm Limited	31-Mar-14	VTR Media Investment Limited	23-Jan-12	1	100%	-	-			-	-	-	-
Prime Focus Broadcast Limited*	31-Mar-14	Prime Focus London Plc	2-Aug-12	1	100%	(46,433,895)	47,019,662			-	-	-	-
VTR Media Services & Investments Limited	31-Mar-14	Prime Focus London Plc	30-Mar-13	100	100%	168,762,055	25,107,409			-	-	-	-
Prime Focus International Limited	31-Mar-14	Prime Focus Limited	19-Dec-07	21,748,973	100%	(62,933,781)	(20,796,027)			-	-	-	-
Prime Focus World, N.V.	31-Mar-14	Prime Focus 3D Cooperatief U.A. Netherlands	16-Aug-11	4,500,000	100%	141,871,289	(184,290,072)			-	-	-	-
Prime Focus International Services UK Limited	31-Mar-14	Prime Focus World, N.V.	23-Mar-11	1	100%	(426,683,545)	472,165,241			6,932,057	-	-	2,496,303

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				Changes in the interest of Holding company between the end of the Subsidiary's financial year and June 30, 2014			
						Not dealt in the Holding company's accounts		Dealt with in the holding company's accounts		Fixed assets (net additions)	Investments	Monies lent by the Subsidiary	Monies borrowed by the Subsidiary company other than for meeting current liabilities
						For the financial year of the subsidiary ended on 31 st March 2014	for the previous financial year of the subsidiary company since it became the company's subsidiary	For the financial year of the subsidiary ended on 31 st March 2014	for the previous financial year of the subsidiary company since it became the company's subsidiary				
Prime Focus Creative Services Canada, Inc	31-Mar-14	Prime Focus World, N.V.	1-Apr-08	1	100%	(127,522,214)	(434,328,508)			(2,040,512)	-	-	-
Prime Focus VFX USA Inc.	31-Mar-14	Prime Focus World, N.V.	1-Apr-08	100	100%	(97,021)	177,529,657			-	-	-	-
Prime Focus VFX Australia Pty Limited#	31-Mar-14	Prime Focus World, N.V.	1-Apr-08	100	100%	-	20,055			-	-	-	-
Prime Focus North America, Inc	31-Mar-14	Prime Focus World, N.V.	1-Apr-08	5,100	100%	(141,176,973)	972,366,663			-	-	-	-
1800 Vine street, Inc	31-Mar-14	Prime Focus North America, Inc	1-Apr-08	-	100%	12,191,307	(31,066,265)			-	-	-	-
Prime Focus ME Holdings Limited	31-Mar-14	Prime Focus World, N.V.	28-Mar-13	1	100%	594,781,474	550,060,674			-	-	-	-
Vegas II VFX Limited	31-Mar-14	Prime Focus Creative Services Canada, Inc	30-May-13	-	100%	67,737,950	-			-	-	-	-
Prime Focus China Limited	31-Mar-14	Prime Focus World, N.V.	1-Apr-13	300	70%	(19,042,201)	-			-	-	-	-
Prime Focus (HK) Holdings Limited	31-Mar-14	Prime Focus China Limited	1-Apr-13	1	100%	27,926,856	-			140,562	-	-	-
Prime Focus World Creative Services Pvt. Limited	31-Mar-14	Prime Focus World, N.V.	12-Jul-13	101,360	100%	(5,076,134)	-			71,471,251	-	-	16,666,895
PF Investments Ltd (Mauritius)	31-Mar-14	Prime Focus Limited	23-Jun-11	43,000	100%	(373,607)	(1,159,946)			-	-	-	-
PF World Ltd (Mauritius)	31-Mar-14	Prime Focus Limited	11-May-11	106,000	100%	(394,761)	(1,399,917)			-	-	-	-
PF Overseas Limited	31-Mar-14	Prime Focus Limited	26-Jul-13	100	100%	(347,911)	-			-	-	-	-
Prime Focus Luxembourg S.arl	31-Mar-14	PF World Ltd (Mauritius)	21-Sep-11	17,320,000	100%	(33,607,453)	(2,582,184)			-	-	-	-
Prime Focus 3D Cooperatief U.A.	31-Mar-14	Prime Focus Luxembourg S.arl (and) PF Investment Ltd.	21-Sep-11	N.A.	99.99% (and) 0.01%	(2,546,468)	(3,234,809)			-	-	-	-
Prime Focus Technologies Pvt. Ltd.	31-Mar-14	Prime Focus Limited	8-Mar-08	1,517,550	75.50%	147,467,543	132,180,687			74,284,686	-	-	271,023,266
Prime Focus Technologies UK Limited	31-Mar-14	Prime Focus Technologies Pvt Limited	13-Aug-10	1	100%	6,883,727	(13,877,455)			-	-	-	-
Prime Focus Technologies, INC	31-Mar-14	Prime Focus Technologies Pvt Limited	4-Mar-13	100	100%	24,030,238	-			-	600,727,000	-	-
Prime Focus Visual Effects Pvt. Ltd.	31-Mar-14	Prime Focus Limited	28-Feb-08	10,000	100%	(14,020)	(33,023)			-	-	-	-
Prime Focus Motion Pictures Limited	31-Mar-14	Prime Focus Limited	22-Aug-08	50,000	100%	-	(10,515)			-	-	-	-
GVS Software Pvt. Ltd.	31-Mar-14	Prime Focus Limited	1-Apr-08	10,000	100%	-	(10,515)			-	-	-	-
Prime Focus 3D India Pvt. Ltd.	31-Mar-14	Prime Focus Limited	9-Jun-11	50,000	100%	-	-			-	-	-	-

**Statement Pursuant to exemption received under Section 212 (8) of the Companies Act, 1956 relating to Subsidiary Companies for their financial year ended March 31, 2014**

Name of the Subsidiary Company	Country of Registration	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary	Turnover	Profit before taxation	Income tax	Profit after taxation	Proposed Dividend
Prime focus London Plc	U.K.	163,455,296	472,051,676	3,188,882,457	2,553,375,485	-	11,598,766	55,643,256	-	55,643,256	
Prime Focus Visual Entertainment Services Limited	U.K.	99,418	277,369,360	439,469,813	162,001,034	-	122,950,837	(764,841,523)	(12,450,216)	(752,391,307)	
VTR Media Investments Limited	U.K.	199	(323,920,646)	180,246,425	504,166,871	608,935	1,803,531	315,903,077	-	315,903,077	
Amazing Spectacles Limited	U.K.	199	119,110,477	388,688,788	269,578,113	-	399,243,112	118,946,948	-	118,946,948	
Clipstream Limited	U.K.	199	(39,362,043)	130,934	39,492,777	-	-	(3,977)	-	(3,977)	
Prime Focus (MW) Limited	U.K.	9,942	(3,986,454)	1,281,796	5,258,308	-	-	(10,484)	-	(10,484)	
PF Broadcast VFX Limited	U.K.	99	-	99	-	-	29,122,629	24,062,161	-	24,062,161	
PF Film UK Limited*	U.K.	-	(20,676,992)	-	20,676,992	-	-	11,333,646	-	11,333,646	
PF Broadcast & Commercial Limited*	U.K.	-	-	-	-	-	-	-	-	-	
Busy Buses Limited	U.K.	298	904,903	987,718	82,517	-	-	-	-	-	
Prime Focus Productions 1 Limited	U.K.	99	-	99	-	-	-	-	-	-	
PF Television VFX Limited	U.K.	99	(13,121,792)	137,793	13,259,486	-	-	681,763	-	681,763	
Prime Focus Productions 5 Limited	U.K.	99	-	99	-	-	-	-	-	-	
DMJM Film Limited	U.K.	1	-	1	-	-	-	-	-	-	
Prime Focus Broadcast Limited*	U.K.	1	-	1	-	-	423,872,547	(46,433,895)	-	(46,433,895)	
VTR Media Services & Investments Limited	British Virgin Islands	6,562	168,762,055	300,938,286	132,169,669	-	255,752,805	168,762,055	-	168,762,055	
Prime Focus International Limited	U.K.	2,422,537,097	(361,403,518)	6,371,841,489	4,310,707,911	-	128,293,262	(62,562,057)	371,724	(62,933,781)	
Prime Focus World, N.V.	Netherlands	3,857,618	2,082,250,718	4,876,084,493	2,789,976,157	-	-	262,756	(141,608,533)	141,871,289	
Prime Focus International Services UK Limited	U.K.	1	(465,823,756)	1,189,675,198	1,655,498,954	-	1,573,298,226	(426,683,545)	-	(426,683,545)	
Prime Focus Creative Services Canada, Inc	Canada	38,794,373	(602,490,799)	1,040,933,774	1,604,630,200	-	1,375,576,692	(127,522,214)	-	(127,522,214)	
Prime Focus VFX USA Inc.	U.S.A.	598	(15,146,180)	18,349	15,163,931	-	-	(97,021)	-	(97,021)	

Name of the Subsidiary Company	Country of Registration	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary	Turnover	Profit before taxation	Income tax	Profit after taxation	Proposed Dividend
Prime Focus VFX Australia Pty Limited <sup>#</sup>	Australia	-	-	-	-	-	-	-	-	-	-
Prime Focus North America, Inc	U.S.A.	298,790	3,452,199,273	5,058,179,667	1,605,681,604	-	20,237,743	(141,176,973)	-	(141,176,973)	
1800 Vine street, Inc	U.S.A.	-	(34,621,582)	627,697,682	662,319,264	-	-	12,191,307	-	12,191,307	
Prime Focus ME Holdings Limited	British Virgin Islands	410,768	1,161,215,476	1,161,626,244	-	-	1,121,393,203	594,781,474	-	594,781,474	
Vegas II VFX Limited	Canada	-	67,737,950	862,874,215	795,136,265	-	623,895,444	67,737,950	-	67,737,950	
Prime Focus China Limited	British Virgin Islands	17,927	(27,203,144)	9,366,376	36,551,593	-	-	(27,203,144)	-	(27,203,144)	
Prime Focus (HK) Holdings Limited	Hong Kong	76	27,926,856	96,430,874	68,503,942	-	88,925,830	27,926,856	-	27,926,856	
Prime Focus World Creative Services Pvt. Limited	India	1,013,600	615,258,266	650,605,011	34,333,145	-	-	(5,076,134)	-	(5,076,134)	
PF Investments Limited	Mauritius	2,569,594	(1,775,828)	972,442	178,676	-	-	(373,607)	-	(373,607)	
PF World Limited	Mauritius	6,334,348	(2,383,089)	2,071,928,360	2,067,977,101	-	-	(394,761)	-	(394,761)	
PF Overseas Limited	Mauritius	5,976	(1,285,753)	5,976	1,285,753	-	-	(347,911)	-	(347,911)	
Prime Focus Luxembourg S.a.r.l.	Luxembourg	1,035,008,560	(79,260,345)	2,072,158,302	1,116,410,087	-	-	(33,095,688)	511,765	(33,607,453)	
Prime Focus 3D Cooperatief U.A.	Netherlands	2,071,727,095	(6,067,050)	2,071,784,284	6,124,239	-	-	(2,546,468)	-	(2,546,468)	
Prime Focus Technologies Pvt Limited	India	170,100,000	338,651,411	2,071,421,052	1,562,669,641	-	1,347,693,184	291,646,108	96,324,859	195,321,249	
Prime Focus Technologies UK Limited	U.K.	1	(12,275,855)	45,558,780	57,834,634	-	50,321,696	6,883,727	-	6,883,727	
Prime Focus Technologies, INC	U.S.A.	60	23,822,100	212,178,791	188,356,632	-	306,193,546	24,030,238	-	24,030,238	
Prime Focus Visual Effects Pvt. Limited	India	100,000	(47,043)	90,400	37,443	-	-	(14,020)	-	(14,020)	
PF Motion Pictures Limited	India	500,000	(595,262)	500,000	595,262	-	-	-	-	-	
GVS Software Pvt. Limited	India	100,000	(108,215)	2,300	10,515	-	-	-	-	-	
Prime Focus 3D India Pvt. Limited	India	500,000	-	500,000	-	-	-	-	-	-	

Exchange Rate : 1 GBP = INR 99.418

1 USD = INR 59.758

Note

<sup>#</sup> Subsidiaries that are liquidated

## Independent Auditors' Report

To,

The Board of Directors of Prime Focus Limited

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of PRIME FOCUS LIMITED (the "Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group"), which comprise the Consolidated Balance Sheet as at June 30, 2014, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the period April 1, 2013 to June 30, 2014, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

The Company's 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 Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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.

An audit involves performing procedures to obtain audit evidence about the amounts and the 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 presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the other auditors on the financial statements / financial information of the subsidiaries referred to below in the Other Matter paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at June 30, 2014;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the period ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the period ended on that date.

**Other Matter**

We did not audit the financial statements / consolidated financial statements of 11 subsidiaries, whose financial statements / consolidated financial statements reflect total assets (net) of Rs. 5,946,064,424 as at June 30, 2014, total revenues of Rs. 1,636,357,094 and net cash outflows amounting to Rs. 106,455,644 for the period ended on that date, as considered in the consolidated financial statements. These subsidiaries have been audited by other auditors for the year ended March 31, 2014. These audited financial statements reflect total assets (net) of Rs 5,966,374,949 as at March 31, 2014, total revenue of Rs 1,404,661,348 and net cash outflows amounting to Rs 79,732,372 for the year ended March 31, 2014. The respective auditors' reports have been furnished to us and our opinion is solely based on the reports of other auditors. We have relied on the unaudited financial information of these subsidiaries which reflect total assets (net) of Rs. 5,946,064,424 as at June 30, 2014, total revenue of Rs. 231,695,746 and net cash outflows amounting to Rs. 26,723,272 for the period from April 1, 2014 to June 30, 2014. These financial information, as approved by the Board of Directors of the Company, have been furnished to us by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on such approved unaudited financial information.

Our opinion is not qualified in respect of this matter.

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm's Registration No. 117364W)

**Abhijit A. Damle**  
(Partner)  
(Membership No.102912)

MUMBAI, August 28, 2014

## Consolidated Balance Sheet as at 30th June, 2014

in ₹

	Notes	As at June 30, 2014	As at March 31, 2013
<b>Equity and Liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	3	185,417,436	185,417,436
Reserves and surplus	4	7,190,046,208	5,358,231,403
		<b>7,375,463,644</b>	<b>5,543,648,839</b>
Minority interest		1,612,680,239	641,092,484
<b>Non-current liabilities</b>			
Long-term borrowings	5	5,701,270,452	3,306,359,667
Deferred tax liability (net)	6	118,699,353	130,659,113
Other long-term liabilities	7	606,084,494	177,327,934
Long-term provisions	8	14,049,946	12,522,480
		<b>6,440,104,245</b>	<b>3,626,869,194</b>
<b>Current liabilities</b>			
Short-term borrowings	9	1,773,625,287	2,994,596,483
Trade payables		1,249,304,839	609,532,315
Other current liabilities	10	1,814,338,550	1,750,115,393
Short-term provisions	8	443,233,619	1,322,565
		<b>5,280,502,295</b>	<b>5,355,566,756</b>
<b>TOTAL</b>		<b>20,708,750,423</b>	<b>15,167,177,273</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	11	6,321,605,516	5,512,397,139
Intangible assets	12	4,600,843,123	3,104,749,143
Capital work-in-progress		40,903,388	206,426,442
Intangible assets under development		157,178,849	63,411,475
Non-current investments	13	103,500	103,500
Deferred tax assets (net)	6	1,129,343,192	601,308,735
Long-term loans and advances	16	938,825,484	801,515,035
Other non-current assets	18	682,447	169,068,848
		<b>13,189,485,499</b>	<b>10,458,980,317</b>
<b>Current assets</b>			
Current investments	14	625,148	650,171
Inventories		315,789	4,487,031
Trade receivables	15	3,852,654,086	2,548,668,643
Cash and bank balances	17	224,924,109	491,201,203
Short-term loans and advances	16	1,734,627,340	631,165,059
Other current assets	18	1,706,118,452	1,032,024,849
		<b>7,519,264,924</b>	<b>4,708,196,956</b>
<b>TOTAL</b>		<b>20,708,750,423</b>	<b>15,167,177,273</b>
Notes to accounts	1-35		

As per our report of even date

For Deloitte Haskins & Sells  
Chartered Accountants

Abhijit A. Damle  
Partner

Mumbai  
August 28, 2014

For and on behalf of the Board of Directors

Naresh Malhotra  
Whole-time Director

Ramakrishnan Sankaranarayanan  
Managing Director

Kirti Desai  
Company Secretary



## Consolidated Statement of Profit and Loss for the period from 1st April, 2013 to 30th June, 2014

in ₹

	Notes	For the period ended June 30, 2014	Previous year ended March 31, 2013
<b>Income</b>			
Revenue from operations - sale of services (net)		10,327,215,871	7,621,625,233
Other operating income		14,632,775	-
Other income	19	460,100,989	174,118,985
		<b>10,801,949,635</b>	<b>7,795,744,218</b>
<b>Expenses</b>			
Employee benefits expenses	20	4,597,827,481	3,083,979,177
Technician fees		816,661,805	765,571,051
Finance costs	21	686,759,914	418,251,347
Depreciation and amortization expenses	11 & 12	1,331,978,681	998,856,505
Other expenses	22	2,945,119,339	2,019,173,706
		<b>10,378,347,220</b>	<b>7,285,831,786</b>
<b>Profit before exceptional items and tax</b>		<b>423,602,415</b>	<b>509,912,432</b>
Exceptional items	23	174,064,647	1,076,564,961
<b>Profit / (Loss) before tax</b>		<b>249,537,768</b>	<b>(566,652,529)</b>
<b>Tax expense</b>			
Current tax		520,474,308	(65,376,761)
Excess provision of tax in respect of earlier years		-	(58,772,062)
MAT credit entitlement		(17,762,686)	(1,808,254)
		<b>502,711,622</b>	<b>(125,957,077)</b>
Deferred tax		(431,918,485)	(272,222,063)
<b>Total tax expenses</b>		<b>70,793,137</b>	<b>(398,179,140)</b>
<b>Profit / (Loss) after tax (before adjustment of minority interest)</b>		<b>178,744,631</b>	<b>(168,473,389)</b>
Minority interest		(63,869,247)	34,636,360
<b>Profit / (Loss) for the period / year</b>		<b>242,613,878</b>	<b>(203,109,749)</b>
<b>Earnings per equity share of face value of ₹ 1 each (before exceptional items) (refer note 24)</b>			
Basic		2.05	3.21
Diluted		2.05	3.21
<b>Earnings per equity share of face value of ₹ 1 each (after exceptional items) (refer note 24)</b>			
Basic		1.31	(1.24)
Diluted		1.31	(1.24)
Notes to accounts	1-35		

As per our report of even date

For Deloitte Haskins & Sells  
Chartered AccountantsAbhijit A. Damle  
PartnerMumbai  
August 28, 2014

For and on behalf of the Board of Directors

Naresh Malhotra  
Whole-time DirectorRamakrishnan Sankaranarayanan  
Managing DirectorKirti Desai  
Company Secretary

## Consolidated Cash Flow Statement for the period from 1st April, 2013 to 30th June, 2014

in ₹

	For the period ended June 30, 2014	Previous year ended March 31, 2013
<b>Cash flow from Operating activities</b>		
Profit/(Loss) before tax	249,537,768	(566,652,529)
Adjusted for:		
Depreciation and amortization	1,331,978,681	998,856,505
Assets written off	77,987,782	-
Loss on sale of fixed assets (net)	60,826,631	9,256,178
(Profit)/ loss on sale of Investments	-	(1,521,937)
Unrealized foreign exchange (gain)/loss (net)	(100,567,470)	3,728,557
Foreign exchange loss on repayment of FCCB	-	822,781,300
Bad debts written off (net)	38,539,864	184,739,615
Provision for doubtful debts/ advances (net)	87,021,379	209,514,177
Sundry credit balance written (back)/ off	-	2,820,995
Excess provision of earlier years written back	(5,527,359)	-
Stock option expense	108,249,496	-
Interest income	(26,865,884)	(45,435,010)
Dividend income	(12,000)	(12,000)
Finance costs	624,123,480	418,251,347
Operating profit before working capital changes	<b>2,445,292,368</b>	<b>2,036,327,198</b>
Movements in working capital		
Increase/(decrease) in trade payables	687,401,378	(1,734,325,683)
Increase in provisions	1,461,296	-
(Decrease)/Increase in current liabilities	(208,416,723)	217,897,406
Increase in other long term liabilities	55,308,465	56,930,100
(Increase)/decrease in trade receivables	(975,188,987)	766,562,361
(Increase) in long term loans and advances	(19,783,299)	(62,696,694)
(Increase) in short term loans and advances	(937,512,137)	(1,021,268,189)
Decrease in inventories	4,171,242	2,058,982
(Increase)/decrease in other current assets	(673,122,233)	32,948,962
Cash generated from operations	<b>379,611,370</b>	<b>294,434,443</b>
Direct taxes (paid) (net)	(120,817,300)	(119,947,610)
<b>Net cash flow generated from operating activities (A)</b>	<b>258,794,070</b>	<b>174,486,833</b>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	(2,262,177,857)	(1,508,088,439)
Proceeds from sale of fixed assets	25,607,917	173,263,829
Proceeds from sale/ maturity of current investments	-	1,935,504
Consideration towards business acquisition of Sample Digital Holdings LLC (DAX)	(124,831,071)	-
Inter-corporate deposits given	(159,852,500)	(12,223,657)
Inter-corporate deposits received back	5,000,000	-
Margin money and fixed deposits under lien	84,913,605	(29,904,882)
Interest received	16,181,115	54,643,123
Dividends received	12,000	12,000
<b>Net cash flow (used in) investing activities (B)</b>	<b>(2,415,146,791)</b>	<b>(1,320,362,522)</b>

## Consolidated Cash Flow Statement for the period from 1st April, 2013 to 30th June, 2014

	in ₹	
	For the period ended June 30, 2014	Previous year ended March 31, 2013
<b>Cash flow from financing activities</b>		
Proceeds/(Repayment) from long term borrowings (net)	1,787,568,691	(2,109,552,343)
(Repayment)/ Proceeds from short term borrowings (net)	(1,472,635,456)	1,467,038,908
Proceeds from issuance of preferred shares (net of expenses)	2,091,186,728	-
Proceeds from issuance of shares (net of expenses)	-	2,824,806,811
Finance costs paid	(623,314,300)	(488,773,798)
<b>Net cash flow generated from financing activities (C)</b>	<b>1,782,805,663</b>	<b>1,693,519,578</b>
<b>Effect of exchange on cash and cash equivalents (D)</b>	<b>23,797,168</b>	<b>(370,146,873)</b>
<b>Net (decrease)/ increase in cash and cash equivalents (A+B+C+D)</b>	<b>(349,749,890)</b>	<b>177,497,016</b>
Cash and cash equivalents at the beginning of the period / year	491,201,203	313,704,187
<b>Cash and cash equivalents at the end of the period / year (Refer note below)</b>	<b>141,451,313</b>	<b>491,201,203</b>
<b>Note:</b>		
<b>Reconciliation of cash and cash equivalents</b>		
Cash and Bank balances		
As per Balance Sheet (Refer note 17)	224,924,109	491,201,203
less: Other bank balances (Refer note 17)	83,472,796	-
As per Cash Flow Statement	<b>141,451,313</b>	<b>491,201,203</b>

As per our report of even date

For Deloitte Haskins & Sells  
Chartered Accountants

Abhijit A. Damle  
Partner

Mumbai  
August 28, 2014

For and on behalf of the Board of Directors

Naresh Malhotra  
Whole-time Director

Ramakrishnan Sankaranarayanan  
Managing Director

Kirti Desai  
Company Secretary

## Significant Accounting Policies and Notes to Accounts

### 1. Corporate information

Prime Focus Limited (the Company or the Parent Company) is a public company domiciled in India and incorporated under the provision of the Companies Act, 1956. The Company and its subsidiaries (collectively referred to as 'the Group') are 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 Section 211 (3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ the 2013 Act, as applicable. 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 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 principles of consolidation laid down in Accounting Standard 21, Consolidated Financial Statements, notified under Section 211 (3C) of the Companies Act, 1956.

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

- i) The financial statements of the subsidiary companies, used in the consolidation have been drawn upto March 31, 2014. Adjustments have been made for the effects of significant transactions or other events that occurred between March 31 and the date of the financial statements of the Parent.
- ii) The financial statements of the Company and its 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.
- iii) 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. Any exchange difference arising on consolidation is recognised in the Foreign Currency Translation Reserve.
- 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 the Company, except in case of depreciation.
- 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, for subsidiary companies, Prime Focus London Plc, UK and its subsidiaries ('PF London Group') and Prime Focus World N.V. ('PFWNV') 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.

Goodwill on consolidation of PF London Group and PFW Group is ₹ 63,034,885 (Previous year ₹. 34,396,647) and ₹1,207,581,397 (Previous year: ₹1,095,030,051), 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 subsidiaries	Principal activity	Country of incorporation	Current period percentage of holding	Previous year percentage of holding
Prime Focus London Plc. UK	Post Production and VFX services	England & Wales	65.01%	64.98%
Prime Focus International Limited	Media and other Investments	England & Wales	100%	100%
Prime Focus Technologies Private Limited	Digital Asset Management	India	75.50%	75.50%
Prime Focus Visual Effects Private Limited	Dormant	India	100%	100%
GVS Software Private Limited	Dormant	India	100%	100%
Prime Focus Motion Pictures Limited	Dormant	India	100%	100%
PF World Limited	Investments	Mauritius	100%	100%
PF Investments Limited	Investments	Mauritius	100%	100%
PF Overseas Limited (w.e.f. July 26, 2013)	Investments	Mauritius	100%	Nil
Prime Focus 3D India Private Limited	Dormant	India	100%	100%
<b>Subsidiary companies of Prime Focus London Plc. UK</b>				
Prime Focus Visual Entertainment Services Limited.	Broadcast Post Production	England & Wales	100%	100%
VTR Media Investments Limited.	Media Investments	England & Wales	100%	100%
Busy Buses Limited.	Dormant	England & Wales	100%	100%
PF Broadcast & Commercial Limited (Liquidated in FY 2014)	Post Production Service	England & Wales	Nil	100%
Clipstream Limited	Digital Content Management	England & Wales	100%	100%
Prime Focus Broadcast Limited (Liquidated in FY 2014)	Post Production Service	England & Wales	Nil	100%
<b>Subsidiary companies of VTR Media Investments Limited</b>				
Amazing Spectacles Limited	Post Production Service	England & Wales	100%	100%
Prime Focus MW Limited	Post Production of Television Commercials	England & Wales	100%	100%
Prime Focus Productions 1 Limited	Dormant	England & Wales	100%	100%
PF Television VFX Limited	Dormant	England & Wales	100%	100%
PF Broadcast VFX Limited	Dormant	England & Wales	100%	100%
Prime Focus Productions 5 Limited	Dormant	England & Wales	100%	100%
DMJM Film Limited	Dormant	England & Wales	100%	100%
<b>Subsidiary company of PF World Limited</b>				
Prime Focus Luxembourg S.a.r.l	Investments	Luxembourg	100%	100%
<b>Subsidiary company of Prime Focus Luxembourg S.a.r.l</b>				
Prime Focus 3D Cooperatief U.A	Investments	Netherlands	99%	100%
<b>Subsidiary company of Prime Focus 3D Cooperatief U.A.</b>				
Prime Focus World N.V.	Investments	Netherlands	100%	100%
<b>Subsidiary companies of Prime Focus World N.V.</b>				
Prime Focus Creative Services Canada Inc	Post Production and VFX Services	Canada	100%	100%
Prime Focus VFX USA Inc	Dormant	USA	100%	100%
Prime Focus North America Inc	Post Production and VFX Services	USA	100%	100%
Prime Focus International Services UK Limited.	Post Production and VFX Services	England & Wales	100%	100%
Prime Focus ME Holdings Limited (formerly known as Lifestyles Interseas Limited)	Post Production and VFX Services	British Virgin Island	100%	100%
Prime Focus VFX Australia Pty Limited (Liquidated in FY2014)	Dormant	Australia	Nil	100%

Name of subsidiaries	Principal activity	Country of incorporation	Current period percentage of holding	Previous year percentage of holding
Prime Focus World Creative Services Private Limited	Post Production and VFX services	India	100%	Nil
Prime Focus China Limited	Post Production and VFX services	British Virgin Island	70%	Nil
<b>Subsidiary company of Prime Focus Creative Services Canada Inc.</b>				
Vegas II VFX Limited (w.e.f. May 30, 2013)	Post Production and VFX services	Canada	100%	Nil
<b>Subsidiary company of Prime Focus North America Inc.</b>				
1800 Vine Street LLC	Administrative	USA	100%	100%
<b>Subsidiary company of Prime Focus China Ltd.</b>				
Prime Focus (HK) Holdings Limited	Post Production and VFX services	Hong Kong	100%	Nil
<b>Subsidiary companies of Prime Focus Technologies Private Limited</b>				
Prime Focus Technologies UK Limited	Digital Asset Management	England & Wales	100%	100%
Prime Focus Technologies, Inc.	Post Production	USA	100%	100%
<b>Subsidiary company of Prime Focus Technologies, Inc.</b>				
DAX PFT LLC (w.e.f. April 04, 2014)	Digital Asset Management	USA	100%	Nil
<b>Subsidiary company of DAX PFT LLC</b>				
DAX Cloud ULC (w.e.f. April 04, 2014)	Digital Asset Management	Canada	100%	Nil

#### 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 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 change from period to period. Actual results could differ from those 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 carried at cost of acquisition or construction. They are stated at historical cost less accumulated depreciation and impairment loss. The cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended 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.

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 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% - 20.00%	9.50%

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

However, subsidiary companies, PF London Group and Prime Focus International Limited (PFIL), 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)
Plant and equipment	13.91%
Furniture and fixtures	18.10%
Vehicles	25.89%

Gross book value of assets of PF London Group is ₹.2,922,904,227 (previous year ₹.2,336,363,065). Net book value of assets of PF London Group is ₹.1,184,573,303 (previous year ₹.1,097,083,077) and depreciation charge for the period is ₹.197,612,694 (previous year ₹.177,557,310).

Gross book value of assets of PFIL is ₹.2,037,057,045 (previous year ₹.1,069,866,004). Net book value of assets of PFIL is ₹.1,920,137,922 (previous year ₹.1,035,856,688) and depreciation charge for the period is ₹.71,147,375 (previous year ₹.35,347,872).

Pursuant to the enactment of the 2013 Act, effective 1st April, 2014, Prime Focus Technologies Private Limited (PFT) has revised the estimated useful lives of its fixed assets to ensure compliance with the stipulations of Schedule II to the Act. Accordingly, the unamortized depreciable amounts of the fixed assets as at 1st April, 2014 have been charged over the revised remaining useful lives. Further, in accordance with the stipulations of the said Schedule, written down value of fixed assets, whose lives had expired as at 1st April, 2014 aggregating ₹. 2,250,751 (net of tax) have been adjusted against retained earnings.

#### f. Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment loss, if any. Intangible assets are amortized on a straight line basis over the estimated useful economic life.

The Group is amortizing the intangible asset pertaining to the 2D to 3D conversion business over 20 years as the Group 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 financial period. 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.

##### Software

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

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, developed technology, customer relationships/contracts, non-compete, intellectual property and goodwill are amortized on a straight-line basis over their estimated useful life as follows:

Trade names	Over 5 years
Developed technology	Over 5 years
Customer relationships & contracts	Over 5 – 10 years
Non-compete	Over 10 years
Intellectual property	Over 10 years
Goodwill	Over 10 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 values of assets are reviewed at each Balance Sheet date for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognized, if the carrying amount of these assets exceeds their recoverable amount. The recoverable

amount is the higher of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognized for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognized in the Statement of Profit and Loss, except in case of revalued assets

## **h. Borrowing cost**

Borrowing costs include 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 relating to acquisition or construction of qualifying assets which takes substantial period of time to get ready for its intended use are capitalised to the extent they relate to the period till such assets are ready to be put to use. All other borrowing costs are expensed in the period in which they occur.

## **i. Leases**

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the 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.

## **j. Inventory**

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

## **k. Investments**

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

## **l. Revenue Recognition**

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

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and no significant uncertainty exists as to its determination or realisation. The Group bases its estimates on historical results of the past taking into consideration the type of transaction, the type of customer and the specifics of each arrangement.

- i.** The Group provides a variety of post-production services including digital intermediate, visual special effects (VFX), two dimension to three dimension (2D to 3D) conversion and other technical services to its 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 from services 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 within 'other current assets' and billing in advance is included as deferred revenue in 'other current liabilities'.

- ii.** Contract with contingent revenue terms

Some customer contracts for the provision of services are structured so that the economic benefits that flow to the Group are contingent on a future event, such as the performance of the film at the box office. In such cases management perform an assessment of the probability that the contingent event will occur. These assessments are generally based on available market information and revenue will only be recognised when this assessment shows that it is probable the contingent event will occur and therefore it is probable the economic benefits will flow to the Group. When the determination to recognize revenue is reached, the Group calculates revenue in accordance with the fixed price contract policy with regard to percentage of completion method, unbilled revenue, deferred revenue and change orders.

- iii.** 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.

## **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**

At the period end, foreign currency monetary items are reported using the closing exchange 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.



**Exchange differences**

Exchange differences are recognised as income or expenses in the period in which they arise except in case of exchange differences arising on long term foreign currency monetary items related to acquisition of fixed assets which are capitalised and depreciated over the remaining useful life of assets.

**n. Income taxes**

Tax expense comprises of current and deferred tax. Current income tax is determined on the basis of taxable income and tax credits computed for each of the entities in the Group in accordance with the provisions of applicable tax laws of the respective jurisdiction where the entities are located. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the period 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 Group has unabsorbed depreciation or carry forward tax losses, the corresponding 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 Group 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 Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be 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 Group will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT credit entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Group 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 and contingencies**

A provision is recognized when the Group has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. A contingent liability is disclosed when the Group has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognized nor disclosed.

**q. Retirement and other employee benefits**

Post-employment benefits and other long term benefits of the Group:

Payments to defined contribution retirement benefit plans are recognized as an expense when the employees have rendered service entitling them to the contributions.

Retirement benefits in the form of Provident Fund and Family Pension Fund are defined contribution schemes and the contributions are charged to the Statement of Profit and Loss of the period when the contributions to the respective funds are due. Liability in respect thereof is determined on the basis of contributions as required under the Statue/Rules. There are no other obligations other than the contribution payable to the respective funds.

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 period. Actuarial gains and losses are recognized in full in the period in which they occur in the Statement of Profit and Loss.

**r. Cash flow statement**

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Group are segregated based on the available information.

**3. Share capital**

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>Authorised shares:</b>		
250,000,000 Shares of ₹ 1/- each	<u>250,000,000</u>	<u>250,000,000</u>
<b>Issued, subscribed and paid-Up:</b>		
185,417,436 Shares of ₹ 1/- each	<u>185,417,436</u>	<u>185,417,436</u>

**a. Reconciliation of the shares outstanding at the beginning and at the end of the period / year:**

	As at June 30, 2014		As at March 31, 2013	
	No.	Amount	No.	Amount
At the beginning of the period / year	185,417,436	185,417,436	138,867,446	138,867,446
Issued during the period / year	-	-	46,549,990	46,549,990
At the end of the period / year	<u>185,417,436</u>	<u>185,417,436</u>	<u>185,417,436</u>	<u>185,417,436</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. 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 June 30, 2014	As at March 31, 2013
	No.	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

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

	As at June 30, 2014		As at March 31, 2013	
	No.	% holding	No.	% holding
Naresh Malhotra	62,201,546	33.55	58,387,712	31.49
Standard Chartered Private Equity (Mauritius) III Limited	36,549,990	19.71	36,549,990	19.71
Namit Malhotra	14,900,000	8.04	17,400,000	9.38

## 4. Reserves and surplus

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>Securities Premium Reserve</b>		
As per last balance sheet	3,498,061,519	1,661,970,954
Add: Premium on issue of equity shares / Preferred shares	1,354,509,831	2,846,132,321
Less: Expenses on issue of equity shares / preferred shares / debentures	35,643,882	60,885,948
Less: Premium on redemption of bonds/ debentures (net of tax)	226,530,493	949,155,808
	<b>4,590,396,975</b>	<b>3,498,061,519</b>
<b>General Reserve</b>		
As per last balance sheet	13,400,000	13,400,000
<b>Debenture Redemption Reserve</b>		
Transferred from Statement of Profit and Loss	636,455,965	-
<b>Surplus in the Statement of Profit and Loss</b>		
As per last balance sheet	2,572,453,224	2,838,590,473
Add: Profit / (Loss) for the period / year	242,613,878	(203,109,749)
Less: Adjustment of depreciation on fixed assets (net of tax)	2,250,751	-
Less: Transferred to Debenture Redemption Reserve	636,455,965	-
Less: Minority share	194,352,035	63,027,500
	<b>1,982,008,351</b>	<b>2,572,453,224</b>
<b>Share options outstanding account</b>		
Amounts recorded on grants during the period	225,939,646	-
Less: Deferred stock compensation expense	117,690,150	-
	<b>108,249,496</b>	-
<b>Fair value reserve</b>	(1,607,524)	(1,155,860)
<b>Foreign currency translation reserve</b>	(138,857,055)	(724,527,480)
<b>Total reserves and surplus</b>	<b>7,190,046,208</b>	<b>5,358,231,403</b>

On March 19, 2013, the PFWNV issued 187,500 of class B Convertible Redeemable Preferred Shares ("class B Preferred"), which carry a par value of €0.01 per share, for \$10.0 million. These class B Preferred shares form a separate class and carry equal rights. The preferred shares are senior to the ordinary shares of PFWNV with respect to distribution of assets and rights upon liquidation of PFWNV or a Sale Transaction. The holder of the class B Preferred is entitled to the same dividend or distribution that the Board may declare to the holders of the Ordinary shares of PFWNV. The class B Preferred shareholders are entitled to vote together with Ordinary shareholders and the number of entitled votes will be calculated based on an as converted basis according to the then applicable conversion rate of the class B Preferred shares to ordinary shares of PFWNV. All outstanding class B Preferred shares shall automatically be converted into ordinary shares of PFWNV in the event of a qualifying initial public offering.

On June 21, 2013, PFWNV issued 827,781 of class A Convertible Redeemable Preferred Shares ("class A Preferred"), which carry a par value of €0.01 per share, for \$38.0 million. These class A Preferred form a separate class and carry equal rights. The Series A Preferred shares are senior to the Series B Preferred shares and ordinary shares of PFWNV with respect to distribution of assets and rights upon liquidation of PFWNV or a Sale Transaction. The holder of the class A Preferred is entitled to a cumulative preferred dividend, accrued on quarterly basis, of 5% per annum over the aggregate of (a) nominal value of the class A Preferred, plus (b) share premium paid, in addition to the same dividend or distribution that the Board may declare from time to time to the holders of the Ordinary shares of PFWNV. The class A Preferred shareholders are entitled to vote together with Ordinary shareholders of PFWNV and the number of entitled votes will be calculated based on an "as converted" basis according to the then applicable conversion rate of the class A Preferred shares to ordinary shares of PFWNV. All outstanding class A Preferred shares shall mandatorily convert to ordinary shares of PFWNV upon completion of a qualifying initial public offering or at any time at the option of the holder into ordinary shares.

In consolidated financials, class A & B Convertible Redeemable Preferred Shares are considered as part of Minority interest of the group.

**5. Long-term borrowings**

in ₹

	Non-current portion		Current maturities	
	As at June 30, 2014	As at March 31, 2013	As at June 30, 2014	As at March 31, 2013
<b>Debentures (unsecured)</b>				
Non-convertible debentures - series A	1,010,000,000	1,010,000,000	-	-
Non-convertible debentures - series B	891,000,000	891,000,000	-	-
Premium on Non-convertible debentures (Refer note (a) below)	445,623,858	-	-	-
<b>Debentures (secured)</b>				
Optionally convertible debentures (Refer note (b) below)	461,400,005	-	-	-
<b>Term loans (secured)</b>				
from banks	385,615,289	1,052,495,925	377,113,216	179,773,225
from financial institutions (Refer note (c) to (h) below)	2,049,652,639	20,193,609	16,962,949	303,451,137
<b>Other loans and advances (secured)</b>				
Finance lease obligations (Refer note (i) below)	222,359,001	155,631,284	216,980,650	88,458,000
Foreign currency loans - buyers credit (Refer note (j) below)	235,619,660	177,038,849	146,500,830	193,258,133
	<b>5,701,270,452</b>	<b>3,306,359,667</b>	<b>757,557,645</b>	<b>764,940,495</b>
<b>The above amount includes</b>				
Secured borrowings	2,893,246,589	1,405,359,667	757,557,645	764,940,495
Unsecured borrowings	2,808,023,863	1,901,000,000	-	-
Amount disclosed under the head "other current liabilities" (note 10)	-	-	(757,557,645)	(764,940,495)
	<b>5,701,270,452</b>	<b>3,306,359,667</b>	<b>-</b>	<b>-</b>

- a. 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) III 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:
- With respect to the Series A NCDs, an amount equal to 188.17% of the Principal amount of Series A NCDs.
  - 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.
- b. During March 2014 and April 2014, PFT raised through private placement of secured, unlisted, redeemable, optionally convertible debentures (OCDs) aggregating ₹ 461,400,005. After 2 years, Investors will have an option of converting up to 25% of the total principal amount into equity shares of PFT. OCDs are secured by pledge of equity shares of PFT equivalent to 3 times of the issue size held by the Parent Company, guarantee issued by the Parent Company and personal guarantees of promoters. Further, secured by second charge on all the fixed assets of PFT and first and exclusive charge on Debt Service Reserve Amount (DSRA). Interest rate 14% p.a. with maturity profile of 27 months.
- 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 4th month from the date of disbursement. At the period end, outstanding balance of the term loan is ₹ 330,000,000 and as at March 31, 2013 was ₹ 495,000,000. 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 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. The loan was repaid during the period.
- e. Term loans from bank include ₹ 231,987,111 (Previous year: ₹ 204,994,761) taken by PFT, which is secured by first and exclusive charge on all existing and future current assets and existing and movable fixed asset except for fixed assets financed through equipment loan/lease, extension of mortgage property owned the Group 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 14.15% p.a to 14.50% p.a. As at June 30, 2014, ₹ 44,371,822 (Previous year: ₹ 47,773,225) is included in current maturities of long-term borrowings and balance of ₹ 187,615,289 (Previous year: ₹ 157,221,536) is included in long-term borrowings.

- f. Term loans from banks include ₹ 584,848,535 (Previous year: ₹ 532,274,390) 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 June 30, 2014, ₹ 567,885,586 (Previous year: ₹ 532,274,390) is included in long-term borrowings in the balance sheet and ₹ 16,962,949 (Previous year: ₹ Nil) is included in current maturities of long-term borrowings. Interest is charged on this mortgage at a fixed rate of 7.1%. From July 1, 2013 the interest rate on the mortgage is reset to 3.8% for a 5 year period. The mortgage expires on July 1, 2018.
- g. Bank loan of ₹ 1,481,767,053 (\$ 24,720,426) is collateralized by the tangible and intangible assets of the PFW Group, with the land and buildings subordinated to the mortgage holder. Interest is charged on this facility at a variable rate, which ranged from 5.2% to 6% in the current financial year. On June 30, 2014, the PFW Group amended its revolving credit facility. The amendment transferred \$7.5 million into a term loan agreement with payment terms of \$1 million will be paid at the beginning of the next 6 quarters starting July 15, 2014, and a balloon payment of \$1.5 million will be paid at the maturity date of revolving credit facility of \$17.5 million and adjusted some of the financial covenants included in the original financing agreement. No other significant changes were made to the terms and conditions of the original revolving credit facility.
- h. In 2011, PF London Group entered into a demand loan agreement with a bank with a sanctioned limit of \$3.08 million with an interest rate of libor+3% against stand by letter of credit issued by the Company's banker. As at June 30, 2014, ₹ 200,741,394 (€ 1,966,800) is included in current maturities of long-term borrowings.
- i. 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 June 30, 2014	As at March 31, 2013	As at June 30, 2014	As at March 31, 2013	As at June 30, 2014	As at March 31, 2013
Within one year	254,771,570	113,211,834	37,790,920	24,753,834	216,980,650	88,458,000
Later than one year and not later five years	252,990,591	179,881,523	30,631,590	24,250,239	222,359,001	155,631,284
Later than five years	-	-	-	-	-	-
	<b>507,762,161</b>	<b>293,093,357</b>	<b>68,422,510</b>	<b>49,004,073</b>	<b>439,339,651</b>	<b>244,089,284</b>

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

- j. Foreign currency loans

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

## 6. Deferred tax liability (net)

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>Deferred tax liability</b>		
Difference between tax and books written down values of fixed assets	121,657,864	133,855,932
	<b>121,657,864</b>	<b>133,855,932</b>
<b>Deferred tax assets</b>		
Provision for doubtful debts	82,678	78,920
Provision for bonus	-	1,829,834
Provision for gratuity	2,875,833	1,288,065
	<b>2,958,511</b>	<b>3,196,819</b>
	<b>118,699,353</b>	<b>130,659,113</b>

## Deferred tax (asset) (net)

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>Deferred tax liability</b>		
Difference between tax and books written down values of fixed assets	166,197,107	248,716,477
	<b>166,197,107</b>	<b>248,716,477</b>
<b>Deferred tax assets</b>		
Unabsorbed depreciation	-	119,523,375
Unabsorbed loss carried forward	488,889,179	659,399,922
Premium on redemption on NCD	116,645,530	-
Provision for doubtful loan	459,969,603	-
Provision for diminution in the value of investment	174,924,941	-
Provision for doubtful debts / advances	52,321,698	67,897,955
Provision for gratuity	2,789,348	3,203,960
	<b>1,295,540,299</b>	<b>850,025,212</b>
	<b>(1,129,343,192)</b>	<b>(601,308,735)</b>

The Group had recognized a deferred tax asset on the carry forward losses and unabsorbed depreciation in the previous year. In the current period, the entire unabsorbed depreciation and part of the carry forward losses have been set off against the taxable income for the period. During the period, the Group has entered into non-cancellable agreements to lease / sublease its premises and render outsourcing services to wholly owned subsidiaries, for a term of three to five years. The resultant revenue coupled with the revenue from existing business activities would generate sufficient taxable income to off-set losses carried forward. Accordingly, the management is confident of realizing the said deferred tax asset.

## 7. Other long-term liabilities

in ₹

	As at June 30, 2014	As at March 31, 2013
Security deposits	36,120,260	74,880,100
Premium on Non-convertible debentures	-	102,447,834
Other long term payables	569,964,234	-
	<b>606,084,494</b>	<b>177,327,934</b>

Other long term payable include ₹ 474,732,720, which is deferred consideration towards acquisition of DAX (refer note 32) and includes liabilities towards rent straight lining on non-cancellable operating lease.

## 8. Provisions

in ₹

	Long-term		Short-term	
	As at June 30, 2014	As at March 31, 2013	As at June 30, 2014	As at March 31, 2013
<b>Provision for employee benefits</b>				
Provision for gratuity	14,049,946	12,522,480	1,256,395	1,322,565
Provision for income tax (net of advance tax)	-	-	441,977,224	-
	<b>14,049,946</b>	<b>12,522,480</b>	<b>443,233,619</b>	<b>1,322,565</b>

## 9. Short-term borrowings (Secured)

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>From Banks / Financial Institutions</b>		
Cash credit / overdraft	927,297,274	888,579,231
Short-term demand loan	757,964,787	2,106,017,252
Invoice discounting facility	88,363,226	-
	<b>1,773,625,287</b>	<b>2,994,596,483</b>

- In February 2011, the Company entered into an agreement for a working capital demand loan of ₹ 250,000,000 from a bank 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 June 30, 2014 and March 31, 2013, ₹ 250,000,000 is outstanding and is included in short-term demand loans.
- 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 demand loan. The loan was repaid during the period.
- 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 demand loan. The loan was repaid during the period.
- 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 demand loan. The loan was repaid during the period.
- 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 demand loan. The loan was repaid during the period.

- f. 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 demand loan. The loan was repaid during the period.
- g. 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 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 June 30, 2014 ₹ 292,267,856 and March 31, 2013, ₹ 353,072,559 is outstanding under the Facility, of which as at June 30, 2014 ₹ 166,900,000 and March 31, 2013 ₹ 175,000,000 is included in short-term demand loans and as at June 30, 2014 ₹ 125,367,856 and March 31, 2013 ₹ 178,072,559 is included in cash credit / overdraft.
- h. 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 14.50% to 14.75% per annum. As at June 30, 2014 and March 31, 2013, the cash credits/ overdraft outstanding to other banks were ₹ 179,919,806 and ₹ 168,426,795, respectively.
- i. 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 June 30, 2014 ₹ 135,000,000 and as at March 31, 2013, ₹ 150,000,000 was outstanding and is included in short-term demand loans.
- j. Short term demand loan includes bank loan of ₹ 206,064,787 (\$3,437,794) taken by PFW Group, which is collateralized by the tax credit receivables of \$ 4,061,703. The line of credit amount is \$ 3,950,000. The line of credit is bearing interest rate at the bank prime rate plus 1.3%, equivalent to 4.3% at June 30, 2014.
- k. PFT has availed a cash credit and invoice discounting facility 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 pari-passu with term loans. 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%. As at June 30, 2014 ₹ 105,479,040 included in Cash Credit / Overdraft and ₹ 51,894,910 included in Invoice Discounting Facility.
- l. Cash credit balance includes a line of credit availed from a bank by the PF London Group of ₹ 516,530,572 (€5,060,800) (previous year: ₹ 411,922,417 (€4,989,286)). The facility is repayable on demand, carries interest at LIBOR + 5% and is secured by film trade receivables of PF London Group.
- m. Invoice discounting facility includes a line of credit availed from a financial institution by the PF London Group of ₹ 36,468,316 (€357,305) (previous year: ₹ 74,368,309 (€900,764)). 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

in ₹

	As at June 30, 2014	As at March 31, 2013
Current maturities of long-term borrowings (Refer Note 5)	757,557,645	764,940,495
Accrued salaries and benefits	218,265,798	100,988,439
Provision for expenses	75,865,030	241,383,343
Withholding and other taxes payable	245,482,741	189,566,081
Capital Creditors	137,232,112	-
Advances received from customers	95,863,107	58,981,759
Interest accrued but not due on borrowings	9,235,229	8,426,048
Security deposits	16,424,100	25,274,000
Bank book overdraft	2,028,765	789,302
Deferred revenue	74,625,074	254,121,725
Unclaimed dividends	14,835	14,835
Other payables	181,744,114	105,629,366
	<b>1,814,338,550</b>	<b>1,750,115,393</b>

Other payables include withholding taxes payable, service tax payable, VAT 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, 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	12,005,490	5,119,706	802,640,157
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	-	330,247	22,612,961
<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>29,962,539</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
	Building	Plant and equipment	Furniture and fixtures	Lease Hold Improvement	Office equipments	Vehicles	Total
<b>Gross block</b>							
As at April 1, 2013	1,821,574,114	5,664,057,716	441,774,220	824,852,479	85,207,143	40,493,074	8,877,958,746
Additions	-	1,502,606,476	34,345,022	30,286,642	80,490,149	7,017,599	1,654,745,888
Deduction	-	(47,043,051)	(532,317)	(102,039,865)	(120,883)	(9,890,161)	(159,626,277)
Exchange differences	135,816,216	471,686,653	57,005,008	149,715,445	5,692,477	775,417	820,691,216
<b>As at June 30, 2014</b>	<b>1,957,390,330</b>	<b>7,591,307,794</b>	<b>532,591,933</b>	<b>902,814,701</b>	<b>171,268,886</b>	<b>38,395,929</b>	<b>11,193,769,573</b>
<b>Depreciation</b>							
As at April 1, 2013	112,771,971	2,534,892,009	229,114,233	438,947,788	39,305,071	10,530,535	3,365,561,607
For the period	46,231,024	895,774,557	48,929,661	113,024,679	45,908,299	5,155,540	1,155,023,760
Deduction	-	(8,543,105)	(532,317)	(2,947,375)	(112,281)	(5,065,644)	(17,200,722)
Exchange differences	8,521,922	254,293,745	35,054,408	69,248,003	703,395	957,939	368,779,412
<b>As at June 30, 2014</b>	<b>167,524,917</b>	<b>3,676,417,206</b>	<b>312,565,985</b>	<b>618,273,095</b>	<b>85,804,484</b>	<b>11,578,370</b>	<b>4,872,164,057</b>
<b>Net block</b>							
<b>As at June 30, 2014</b>	<b>1,789,865,413</b>	<b>3,914,890,588</b>	<b>220,025,948</b>	<b>284,541,606</b>	<b>85,464,402</b>	<b>26,817,559</b>	<b>6,321,605,516</b>
As at April 1, 2013	1,708,802,143	3,129,165,707	212,659,987	385,904,691	45,902,072	29,962,539	5,512,397,139

The Group has capitalized exchange loss, arising on long-term foreign currency loans, amounting to ₹ 54,820,725 (Previous year: ₹ 21,130,264) to the cost of plant and equipment.



## 12. Intangible assets

in ₹

	Goodwill	Goodwill on consolidation	Film Rights	Customer relationships and contracts	Trade names	Software	Total
<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>Amortization</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
	Goodwill	Goodwill on consolidation	Film Rights	Customer relationships and contracts	Trade names	Software	Total
<b>Gross block</b>							
As at April 1, 2013	5,320,000	1,129,426,698	896,647,016	66,052,718	6,506,940	1,320,228,217	3,424,181,589
Additions	-	20,078,915	525,849,087	-	-	757,548,619	1,303,476,621
Deduction	-	-	-	-	-	(1,160,929)	(1,160,929)
Exchange differences	-	121,110,669	204,729,289	342,044	809,813	55,176,675	382,168,490
<b>As at June 30, 2014</b>	<b>5,320,000</b>	<b>1,270,616,282</b>	<b>1,627,225,392</b>	<b>66,394,762</b>	<b>7,316,753</b>	<b>2,131,792,582</b>	<b>5,108,665,771</b>
<b>Amortization</b>							
As at April 1, 2013	5,320,000	-	12,000,001	66,052,718	6,506,940	229,552,787	319,432,446
For the period	-	-	7,495,890	-	-	169,459,031	176,954,921
Deduction	-	-	-	-	-	(168,710)	(168,710)
Exchange differences	-	-	-	342,044	809,813	10,452,134	11,603,991
<b>As at June 30, 2014</b>	<b>5,320,000</b>	<b>-</b>	<b>19,495,891</b>	<b>66,394,762</b>	<b>7,316,753</b>	<b>409,295,242</b>	<b>507,822,648</b>
<b>Net block</b>							
<b>As at June 30, 2014</b>	<b>-</b>	<b>1,270,616,282</b>	<b>1,607,729,501</b>	<b>-</b>	<b>-</b>	<b>1,722,497,340</b>	<b>4,600,843,123</b>
As at April 1, 2013	-	1,129,426,698	884,647,015	-	-	1,090,675,430	3,104,749,143

The Group has capitalized exchange loss, arising on long-term foreign currency loans, amounting to ₹ 116,932 (Previous year: ₹ 1,329,718) to the cost of software.

**13. Non-current investments**

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>Non-trade</b>		
<b>Unquoted - fully paid up</b>		
The Shamrao Vithal Co-operative Bank Ltd. 4,000 shares of ₹ 25/- each	100,000	100,000
Mainframe Premises Co-Operative Society Ltd. 350 shares of ₹ 10/- each	3,500	3,500
	<u>103,500</u>	<u>103,500</u>

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

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>Other than trade unquoted</b>		
Conexion Media Group Plc	625,148	650,171
	<u>625,148</u>	<u>650,171</u>

**15. Trade receivables (unsecured)**

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>Debts outstanding for a period exceeding six months</b>		
Considered good	331,013,871	947,314,693
Considered doubtful	230,171,330	364,416,281
<b>Other debts</b>		
Considered good	3,521,640,215	1,601,353,950
Considered doubtful	1,539,222	-
	<u>4,084,364,638</u>	<u>2,913,084,924</u>
Less: Provision	231,710,552	364,416,281
	<u>3,852,654,086</u>	<u>2,548,668,643</u>

**16. Loans and advances**

in ₹

	Long-term		Short-term	
	As at June 30, 2014	As at March 31, 2013	As at June 30, 2014	As at March 31, 2013
<b>Unsecured - considered good</b>				
Capital advances	392,082,791	374,025,914	-	-
Deposits	137,381,358	124,982,111	252,598,100	56,369,505
Inter-company deposits (including interest)	-	-	241,696,500	109,077,226
MAT credit entitlement	103,706,336	85,943,650	-	-
Prepaid expenses	-	-	336,954,170	239,813,542
Tax credits receivable from foreign government	-	-	510,679,458	34,314,529
Advance payment of taxes (Net of Provision for Tax)	209,325,363	138,617,776	-	-
Other loans and advances	96,329,636	77,945,584	392,699,112	191,590,257
	<u>938,825,484</u>	<u>801,515,035</u>	<u>1,734,627,340</u>	<u>631,165,059</u>

	Long-term		Short-term	
	As at June 30, 2014	As at March 31, 2013	As at June 30, 2014	As at March 31, 2013
<b>Unsecured - considered doubtful</b>				
Capital advances	11,000,000	-	-	-
Inter-company deposits (including interest)	-	-	31,946,577	-
Other loans and advances	-	-	53,299,472	-
	11,000,000	-	85,246,049	-
Less Provision	(11,000,000)	-	(85,246,049)	-
	-	-	-	-
	<b>938,825,484</b>	<b>801,515,035</b>	<b>1,734,627,340</b>	<b>631,165,059</b>

Other loans advances include loans and advances to employees and others, advances to suppliers, input credit, deposits to Government authorities, service taxes receivable, etc

#### 17. Cash and bank balances

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>Cash and cash equivalents</b>		
Cash on hand	2,279,348	4,813,968
Balances with banks:		
On Current Accounts	70,919,987	480,207,229
Deposits less than three months	68,251,978	6,180,006
	141,451,313	491,201,203
Other bank balances:		
Margin money deposits	83,472,796	-
	83,472,796	-
	<b>224,924,109</b>	<b>491,201,203</b>

Margin money deposits are subject to first charge to secure the foreign currency loans – buyer's credit and bank guarantees.

#### 18. Other assets

in ₹

	Non-current		Current	
	As at June 30, 2014	As at March 31, 2013	As at June 30, 2014	As at March 31, 2013
Unbilled revenue	-	-	1,679,672,901	1,013,060,971
Interest accrued on fixed deposits	-	-	2,600,838	1,629,468
Margin money deposits	-	168,386,401	-	-
Other assets	682,447	682,447	23,844,713	17,334,410
	<b>682,447</b>	<b>169,068,848</b>	<b>1,706,118,452</b>	<b>1,032,024,849</b>

**19. Other income**

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
<b>Dividend</b>		
Long term investments - non trade	12,000	12,000
<b>Interest Income</b>		
Bank deposits	14,144,207	31,530,726
Others	12,721,677	13,904,284
Profit on sale of current investment	-	1,521,937
Reverse premium	-	18,622,026
Exchange gain (net)	380,697,185	67,526,685
Excess provision of earlier years written back	5,527,359	-
Insurance claim received	8,871,816	-
Bad debt recovered	6,000	1,441,280
Recovery of excess remuneration paid to KMP (Refer note 26)	3,600,000	-
Miscellaneous income	34,520,745	39,560,047
	<b>460,100,989</b>	<b>174,118,985</b>

**20. Employee benefits expense**

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
Salaries, wages and bonus	4,400,333,624	3,009,867,938
Stock option expense (refer note 31)	108,249,496	-
Contribution to provident and other funds	22,624,730	36,091,669
Gratuity	1,461,296	5,397,167
Staff welfare	65,158,335	32,622,403
	<b>4,597,827,481</b>	<b>3,083,979,177</b>

**21. Finance costs**

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
Interest on working capital finance	178,661,605	223,738,949
Interest on term loan	391,157,477	73,413,577
Interest on buyer's credit	13,261,444	13,820,986
Interest on OCD Pre Allotment	20,932,677	-
Interest on others	20,110,277	78,132,495
Bank charges	62,636,434	29,145,340
	<b>686,759,914</b>	<b>418,251,347</b>

**22. Other expenses**

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
Technical service cost	596,078,533	419,453,583
Communication cost	140,736,639	96,204,447
Consumable stores	151,142,555	39,656,408
Director's sitting fees	440,000	320,000
Electricity charges	184,516,307	162,202,801
Insurance cost	48,758,668	38,978,388
Legal and professional fees	316,710,488	186,182,772
Loss on sale of fixed assets (net)	60,826,631	9,256,178
Rates and taxes	41,160,120	24,239,218
Rebates and discount	17,297,565	19,026,620
Rent (refer note 27)	566,858,609	348,872,954
Traveling and conveyance	220,417,431	193,532,037
Miscellaneous expenses	418,310,199	184,782,062
Repairs and maintenance-equipment	93,991,834	101,588,764
Repairs and maintenance-buildings	26,188,582	39,160,033
Bad debts written off	38,539,864	121,200,268
(Net of provision for doubtful debt written back of ₹ 132,705,729/-; Previous year ₹ Nil)		
Provision for doubtful debts	-	243,243
Auditor's remuneration		
As auditor		
Audit fees	22,782,814	34,223,180
In other matters	362,500	50,750
	<b>2,945,119,339</b>	<b>2,019,173,706</b>

**23. Exceptional items**

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
Bad debts written off	-	44,512,727
Provision for doubtful debts / advances (net)	87,021,379	209,270,934
Restructuring cost	9,055,486	-
Assets written off	77,987,782	-
Exchange loss on Foreign Currency Convertible bonds	-	822,781,300
	<b>174,064,647</b>	<b>1,076,564,961</b>

**24. Earnings per share (EPS)**

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
Net Profit / (Loss) attributable to equity shareholders	242,613,878	(203,109,749)
Exceptional items (net of tax)	137,578,956	727,392,759
Net Profit before exceptional items but after tax	380,192,834	524,283,010
	<b>Number</b>	<b>Number</b>
Weighted average number of equity shares in calculating basic and diluted EPS	<b>185,417,436</b>	<b>163,258,812</b>
<b>Earnings per share (before exceptional items)</b>		
Basic EPS	2.05	3.21
Diluted EPS	2.05	3.21
<b>Earnings per share (after exceptional items)</b>		
Basic EPS	1.31	(1.24)
Diluted EPS	1.31	(1.24)

**25. Segment information**

The Group is presently operating as integrated post production set up. 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		Segment Assets		Capital Expenditure	
	Period ended June 30, 2014	Year ended March 31, 2013	As at June 30, 2014	As at March 31, 2013	Period ended June 30, 2014	Year ended March 31, 2013
India	2,356,057,662	1,257,419,820	4,848,793,183	5,323,047,713	1,144,696,874	965,614,614
United Kingdom	3,297,171,808	3,606,767,173	6,849,798,690	2,686,134,070	821,746,732	363,225,926
U.S.	3,044,508,611	2,176,740,773	5,639,438,821	620,809,549	701,467,351	139,772,286
Canada	297,713,113	494,048,341	1,472,683,644	72,394,949	213,832,752	-
Other Countries	1,331,764,676	86,649,126	129,974,002	7,383,751	13,701,080	-
	<b>10,327,215,871</b>	<b>7,621,625,233</b>	<b>18,940,688,339</b>	<b>8,709,770,032</b>	<b>2,895,444,789</b>	<b>1,468,612,826</b>

**26. Related party disclosures**

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

**i. Key management personnel**

**Prime Focus Limited**

Mr. Naresh Malhotra – Whole-time Director (Chairman till June 24, 2014)

Mr. Ramakrishnan Sankaranarayanan – Managing Director (w.e.f June 25, 2014), CEO (upto June 24, 2014)

Mr. Namit Malhotra – CEO, Chairman and Executive Director (w.e.f June 25, 2014)

**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 (resigned on November 5, 2013)

**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 Reality Private Limited

## iv. Enterprises exercising significant influence over Prime Focus Limited

Standard Chartered Private Equity (Mauritius) III Limited

Standard Chartered Private Equity (Mauritius) Limited

Standard Chartered Bank

## (i) Key Management Personnel \*

	Period ended June 30, 2014	Year ended March 31, 2013
in ₹		
<b>Remuneration</b>		
Mr. Naresh Malhotra	7,500,000	6,000,000
Mr. Ramakrishnan Sankaranarayanan	7,068,333	3,900,000
Mr. Namit Malhotra	40,197,838	18,642,476
Mr. Massoud Entekhabi	32,778,636	24,148,895
Mr. Bernard Kumeta	11,099,970	14,496,635
Mr. Ganesh V. Sankaran	7,400,000	4,800,000
<b>Recovery of excess remuneration paid</b>		
Mr. Naresh Malhotra	3,600,000	-
<b>Issue of equity shares</b>		
Mr. Namit Malhotra	-	554,780,000

	As at June 30, 2014	As at March 31, 2013
in ₹		
<b>Balance Outstanding – Remuneration Payable</b>		
Mr. Naresh Malhotra	371,790	195,307
Mr. Ramakrishnan Sankaranarayanan	449,559	258,400
Mr. Namit Malhotra	83,333	-
Mr. Ganesh V. Sankaran	437,123	287,693

## (ii) Relative of Key Management Personnel

	Period ended June 30, 2014	Year ended March 31, 2013
in ₹		
<b>Remuneration</b>		
Mrs. Sumati Ganesh	886,725	287,693
in ₹		
<b>Balance Outstanding – Remuneration Payable</b>		
Mrs. Sumati Ganesh	55,886	59,115

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

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
<b>Rent</b>		
Blooming Buds Coaching Private Limited	39,300,000	30,000,000
<b>Deposit given</b>		
Blooming Buds Coaching Private Limited	5,000,000	-
<b>Capital advance given</b>		
N2M Reality Private Limited	-	330,000,000

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>Balance outstanding</b>		
<b>Rent paid in advance</b>		
Blooming Buds Coaching Private Limited	3,327,540	-
<b>Deposit</b>		
Blooming Buds Coaching Private Limited	53,000,000	48,000,000
<b>Capital advance</b>		
N2M Reality Private Limited	330,000,000	330,000,000

(iv) Entities with significant influence over the company

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
<b>Issue of Equity Shares (including share premium)</b>		
Standard Chartered Private Equity (Mauritius) III Limited	-	1,891,461,983
<b>Issue of non-convertible debentures (NCD)</b>		
Standard Chartered Private Equity (Mauritius) Limited	-	1,901,000,000
<b>Loan (repayments) / taken, net</b>		
Standard Chartered Bank	(225,804,703)	848,072,559
<b>Finance costs</b>		
Standard Chartered Bank	133,742,944	52,102,865
<b>Premium on NCD accrued</b>		
Standard Chartered Private Equity (Mauritius) Limited	343,176,024	102,447,834
<b>Interest income</b>		
Standard Chartered Bank	22,295	20,677,227

in ₹

	As at June 30, 2014	As at March 31, 2013
<b>Balance outstanding</b>		
<b>Loan outstanding</b>		
Standard Chartered Bank	622,267,856	848,072,559
<b>Fixed Deposit</b>		
Standard Chartered Bank	-	5,000,000
<b>Bank Balance in current account</b>		
Standard Chartered Bank	4,954	(1,398,968)
<b>Non-convertible debentures</b>		
Standard Chartered Private Equity (Mauritius) Limited	1,901,000,000	1,901,000,000
<b>Interest income receivable</b>		
Standard Chartered Bank	-	15,068
<b>Premium on NCD accrued</b>		
Standard Chartered Private Equity (Mauritius) Limited	445,623,858	102,447,834

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



**27. Leases**

in ₹

	As at June 30, 2014	As at March 31, 2013
Lease Payments due within one year	170,943,557	233,648,972
Lease Payments due later than one but not later than five years	414,751,413	882,141,511
Lease Payments due later than five years	-	105,965,907
	<b>585,694,970</b>	<b>1,221,756,390</b>

Amount of lease rental charged to the Statement of Profit and Loss in respect of non-cancellable operating leases is ₹ 144,612,902 (Previous year: ₹ 52,499,453).

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 ₹ 422,245,707 (Previous year: ₹ 88,228,278).

**28. Capitalization of expenditure**

During the period, the Group has capitalized the following expenses of revenue nature to the cost of intangible asset under development / capital work in progress and tangible assets. Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the Group.

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
Foreign currency loss /(gain)	54,937,657	22,459,982
Employee benefit expenses	115,776,382	79,601,434
Direct overheads *	38,234,179	63,260,014
Finance cost	6,875,577	2,146,170

\* Includes rent, electricity and security charges

**29. Capital and other commitments**

in ₹

	As at June 30, 2014	As at March 31, 2013
i Estimated amount of contracts remaining to be executed on capital account net of advances, and not provided for:	99,578,936	131,330,300

PFT and the promoters of the Company have agreed that neither PFT nor its subsidiaries will undertake any activities, as defined under Memorandum / Articles of Association without obtaining consent of debenture holders in the Company, so long as at least 20% or more of the debentures issued by the Company are outstanding.

**30. Contingent liabilities**

in ₹

	As at June 30, 2014	As at March 31, 2013
i Income Tax matters under dispute*		
Relates to demands raised by the income tax authorities for various assessment years mainly on account of disallowances of depreciation on computer based assets, additions under the Transfer Pricing provisions and Tax deducted at source (TDS) amounts	73,808,523	125,731,981
* in the above matter, the Company is hopeful of succeeding and as such does not expect any significant liability to crystalize.		
ii On account of undertakings given by the Company in favour of Customs authorities at the time of import of capital goods under EPCG Scheme.	-	640,740,299
iii Guarantees given by the Group	5,093,282,586	2,185,619,913
iv Earn outs and performance linked consideration payable for business acquisition of DAX	249,169,545	-
v PFL Plc is a member of a Group VAT registration and is jointly and severally liable for any debts by member of the registration.	7,687,434	22,094,917
vi Cumulative dividend on class A Convertible Redeemable Preferred Shares	107,647,467	-

**31. Stock based compensation**

- i. PFT has reserved issuance of 231,572 (Previous year 62,505) equity shares of ₹10/- each for offering to eligible employees of PFT under Employees Stock Option Scheme (ESOP). 169,067 options were granted during the period. From options granted in previous year 4,880 were vested during the period.

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

	Current period	Previous year	Current period	Previous Year
	No. of outstanding options		Weighted average exercise price	
Outstanding at the beginning of the period / year	60,645	-	263	-
Granted during the period / year	169,067	62,505	2,847	263
Lapsed/ forfeited during the period / year	11,847	1,860	263	263
Exercised during the period / year	-	-	-	-
Expired during the period / year	-	-	-	-
Outstanding at the end of the period / year	217,865	60,645	2,268	263
Exercisable at the end of the period / year	4,880	-	263	-

For stock options outstanding as at June 30, 2014 the range of exercise price is ₹263 to ₹ 4,478 and weighted average remaining contractual life is 5.35 Weighted average fair value of options granted during the year is ₹ 822

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 – ₹ 2,488/- per share

Expected volatility – 10%

Option life – 6 years

Expected dividends – 0% yield

Risk-free interest rate – 8.68% p.a.

PFT has followed 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 period recognised in Statement of Profit and Loss in respect of equity-settled, share-based payments is ₹ nil (Previous year: ₹ nil).

The following tables reconcile the number of share options outstanding and the weighted average exercise price:

For the period ended 30 June 2014	Options	Weighted average exercise price
	Number	Pence
Outstanding at 1 April 2013	1,000,287	7.00
Granted	-	-
Forfeited	-	-
Exercised	-	-
<b>Outstanding at 30 June 2014</b>	<b>1,000,287</b>	<b>7.00</b>
<b>Exercisable as at 30 June 2014</b>	<b>1,000,287</b>	<b>-</b>
<b>For the year ended 31 March 2013</b>		
Outstanding at 1 April 2012	978,837	7.00
Granted	40,000	21.50
Forfeited	-	-
Exercised	18,550	7.00
<b>Outstanding at 31 March 2013</b>	<b>1,000,287</b>	<b>7.00</b>
<b>Exercisable as at 31 March 2013</b>	<b>1,000,287</b>	<b>-</b>

The average share price during the year ended 31 March 2013 was 11.28 pence. Since PF London Group has delisted from AIMS w.e.f 16th December 2013, no share price information is available.

- iii. During the period the Board of Directors of PFW N.V. approved the share option plan and reserved 973,285 common shares for issuance thereunder and options of 408,586 ordinary shares were granted to certain executives and board members.

Each share option converts into one ordinary share of PFW N.V. on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of the expiry.

The following share-based payment arrangements were in existence during the current period:

	Number	Grant date	Expiry date	Exercise Price per share	Fair Value at Grant date
Grants	408,586	1-Jul-2013	1-Jul-2023	\$ 13.13	\$ 8.92-9.31

61,250 options were fully vested at the date of grant and 347,336 options vest over a period of 16 to 36 months after their date of the grant and expire within ten years from the date of grant, or ninety days after the resignation of the optionee, if not exercised.

#### Fair value of share options granted in the period

The weighted average fair value of the share options granted during the fiscal year is \$9.12. Options were priced using a black scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioral considerations. Expected volatility is based on historical sale price volatility of comparable companies in the industry over the expected life of 5.19 – 5.81 years.

#### Inputs into the model were as follows:

Grant date share price	\$ 13.13
Exercise price	\$ 13.13
Expected volatility	85%
Expected life	5.19 – 5.81 years
Dividend yield	-
Risk free interest rate	1.39 – 1.66%

#### Movement in shares options during the period

The following reconciles the shares options outstanding at the beginning and the end of the period:

	Numbers of Options	Weighted average exercise price
Balance at beginning of period	-	-
Granted during the period	408,586	\$ 13.13
Forfeited during the period	-	-
Exercised during the period	-	-
Expired during the period	-	-
Balance at the end of the period	408,586	\$ 13.13

The average remaining contractual life in respect of share based options is 609 days.

32. On April 4, 2014, PFT Group completed acquisition of Sample Digital Holdings LLC (DAX) for a base consideration of USD 9.1 million in a performance linked transaction. PFT Group acquired all the assets of DAX for an upfront payment with balance payable over 3 years primarily from cash flows from the North American operations.

**33. Prior period expenses included in the Statement of Profit and Loss**

in ₹

	Period ended June 30, 2014	Year ended March 31, 2013
Salaries, bonus and allowance	-	1,933,180
Amortization of intangible assets	-	46,768,223

34. The Board of Directors of the Company vide circular resolution passed on March 24, 2014 inter-alia, considered and approved the extension of the current financial year i.e. (April 01, 2013 to March 31, 2014) of the Company by a period of three (3) months in accordance with the provisions of Section 210 of the Companies Act, 1956. Accordingly, the current financial year of the Company is for a period of fifteen (15) months i.e. commencing from April 01, 2013 and ending on June 30, 2014 and therefore the financial results of the current financial year is not comparable with financial results of year ended March 31, 2013 which are for twelve (12) months.

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

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

**Naresh Malhotra**  
Whole-time Director

**Ramakrishnan Sankaranarayanan**  
Managing Director

**Kirti Desai**  
Company Secretary

Mumbai  
August 28, 2014



**PRIME FOCUS LIMITED**

**Registered Office:** Prime Focus House, Linking Road, Opp. Citi Bank, Khar West, Mumbai - 400 052  
**Phone:** [022-67155000] **Fax:** [022-67155001] **Website:** [www.primefocusltd.com] **Email Id.:** ir.india@primefocusworld.com  
**Corporate Identity Number (CIN):** L92100MH1997PLC108981

**ATTENDANCE SLIP  
ANNUAL GENERAL MEETING**

*DP Id / Client Id		Name and Address of the registered Shareholder
Regd. Folio No.		
No. of Share(s) held		

(\*Applicable for investors holding share(s) in electronic form)

I / We hereby record my/our presence at the Annual General Meeting of the Company at Prime Focus Office, Main Frame IT Park, Building-H, Royal Palms, Near Aarey Colony, Goregaon (East), Mumbai - 400065 on Wednesday, December 24, 2014 at 10.00 a.m.

Member's / Proxy's Signature

**Notes:** (1) Only Member/Proxy can attend the Meeting. (2) Member/Proxy who wish to attend the Meeting must bring this attendance slip to the Meeting and hand it over at the entrance of the Meeting hall. (3) Member/Proxy should bring his/her copy of the Annual Report for reference at the Meeting.

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**PRIME FOCUS LIMITED**

**Registered Office:** Prime Focus House, Linking Road, Opp. Citi Bank, Khar West, Mumbai - 400 052  
**Phone:** [022-67155000] **Fax:** [022-67155001] **Website:** [www.primefocusltd.com] **Email Id.:** ir.india@primefocusworld.com  
**Corporate Identity Number (CIN):** L92100MH1997PLC108981

**PROXY FORM**

Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration Rules) 2014

Name of the Members(s)	
Registered Address	
E-mail Id	
*DP Id / Client Id	Regd. Folio No.

(\*Applicable for investors holding share(s) in electronic form)

I / We, being the member(s) of ..... shares of the above named company, hereby appoint:

- (1) Name: ..... Address: .....  
E-mail Id: ..... Signature: ..... or failing him
- (2) Name: ..... Address: .....  
E-mail Id: ..... Signature: ..... or failing him
- (3) Name: ..... Address: .....  
E-mail Id: ..... Signature: ..... or failing him

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on Wednesday, December 24, 2014 at 10 a.m. at Prime Focus Office, Main Frame IT Park, Building-H, Royal Palms, Near Aarey Colony, Goregaon (East), Mumbai - 400065 and at any adjournment thereof in respect of such resolutions as is indicated below:

Sr. No.	RESOLUTIONS	Optional*		
		For	Against	Abstain
<b>Ordinary Business</b>				
1	To consider and adopt the audited financial statements and the reports of the Board of Directors and Auditors thereon			
2	To appoint a Director in place of Mr. Naresh Malhotra (DIN: 00004597), who retires by rotation at this Annual General Meeting and being eligible has offered himself for re-appointment			
3	To appoint Auditors and fix their remuneration			
<b>Special Business</b>				
4	To re-appoint Mr. Naresh Malhotra (DIN: 00004597) as Whole-time Director			
5	To appoint Mr. Srinivasan Kodi Raghavan (DIN: 00012449) as an Independent Director			
6	To appoint Mr. Rivkaran Singh Chadha (DIN: 00308288) as an Independent Director			
7	To appoint Mr. Padmanabha Gopal Aiyar (DIN 02722981) as an Independent Director			
8	To consider and adopt new Articles of Association of the Company containing regulations in conformity with the Companies Act, 2013			
9	To approve transactions with related party as per Companies Act, 2013			
10	To approve transactions with related party as per applicable provisions of the Listing Agreement			

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014.



Signature of the Shareholder : \_\_\_\_\_ Signature of Proxy holder(s) : \_\_\_\_\_

**Notes:**

(1) This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting. (2) For the Resolutions, Explanatory Statements and Notes, please refer the Notice of Annual General Meeting. (3) The Company reserves its right to ask for identification of the proxy. (4) The proxy form should be signed across the Revenue Stamp as per specimen signature(s) registered with the Company/depository participant. (5) \*It is optional to put 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all resolution, your proxy will be entitled to vote in the manner as he/she thinks appropriate.



## **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.



PRIME FOCUS LIMITED

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