BUILDING A GLOBAL ENTERPRISE

VFX | POST PRODUCTION

PRIME FOCUS LIMITED   ANNUAL REPORT 2007-08

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We are proud to say that Prime Focus Limited is the world's first and only globally integrated production and post production services company to have a presence across Asia, Europe and North America.

And this is just the beginning.

THE PROCESS OF BUILDING HAS JUST STARTED

As we began implementing our global growth vision, we had two choices. One was to gradually and organically build our presence globally and two, was to build it through acquisitions. We preferred the latter. In the last two years, we have acquired six companies in the USA and the UK which gives us a strong foothold in Los Angeles, New York, Winnipeg, Vancouver and London, the major media markets in the world. With it, we acquired the infrastructure, relationships with leading studios and the talent. We are seeing a massive opportunity here. We are in the right place.

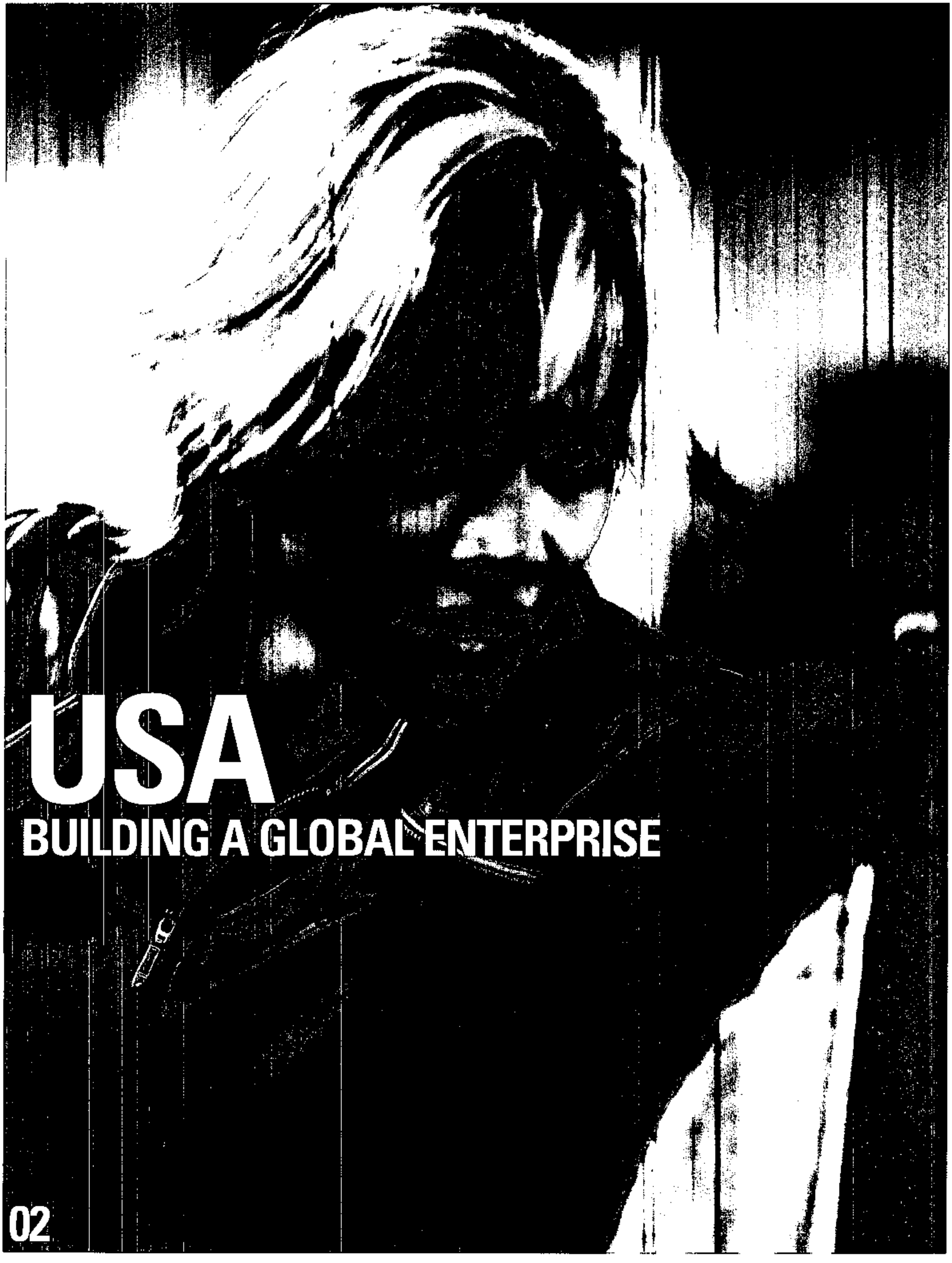
GOING GLOBAL IS IMPORTANT

The world is our stage. USA and UK are amongst the largest media markets in the world. Today, through acquisitions, we are present in both these markets. We are working with some of the best studios in the world, on some of the best movies being produced in Hollywood today - movies such as Journey to the Center of the Earth 3D, Mr. Magorium's Wonder Emporium, Superman Returns and Oliver Stone's "W". As we bring to them the India advantage, we are confident of our share in these markets, growing. We believe, like the entire IT outsourcing story, there is a huge opportunity to leverage India's low-cost, high-skill talent base in the VFX and post production space.

AN ENTERPRISE IN THE MAKING

We are building a global enterprise. With state-of-the-art infrastructure in three continents, talent access globally, marketing to a global film market and a strong foundation, we are creating an enterprise that will deliver growth.

Strong. Consistent. Sustainable. And value-accretive.



USA
BUILDING A GLOBAL ENTERPRISE

USD 51 BILLION AND GROWING

There is nothing like Hollywood, in size and, in spirit. The American film market, popularly known as Hollywood continues to dominate the global market for movies. It is by far the largest, globally by value, estimated to be approximately USD 51 billion.

Over 600 films were released theatrically in USA in 2007. The domestic box office continued to flourish, growing at the rate of 5.4% in 2007 to reach USD 9.63 billion. The worldwide box office reached an all time high at USD 26.72 billion, a Y-o-Y increase of 4.9%. Nearly 50% more films reached the USD 100 million-benchmark at the domestic box office in 2007 than in 2006.

It is interesting to note that more than 50% of Hollywood's box office revenues typically *derive from ticket sales beyond American shores. Often the gross receipts-upwards of* 70% in the case of transnational blockbusters like Casino Royale and The Da Vinci Code-surpass domestic tallies.

The Hollywood success formula has been increasingly relying on VFX play over the last few years. A look at the list of the top 15 movies in terms of worldwide collections reveals a domination of movies rich in VFX like Titanic, The Lord of the Rings: The Return of the King, Pirates of the Caribbean: Dead Man's Chest and Harry Potter and the Sorcerer's Stone. It is estimated that post production is an approximately USD 3 billion market in USA and growing.

WE ACQUIRED TO ESTABLISH A GLOBAL PRESENCE

We see the world as our market place. USA being the largest, we wanted to establish ourselves and grow our presence there. We believe that through the talent that we have created in India, there is also the opportunity to offshore VFX into India. Given the complexity of the way Hollywood operates (relationship-led with high client penetration time), we decided to enter USA through an acquisition.

We expanded our reach to North America with the purchase of Post Logic Studios and Frantic Films for USD 43 million.

With facilities offering cutting-edge technology in Los Angeles and New York, Post Logic Studios is known for delivering high level digital intermediate, colour science and post production services to independent and studio feature film clientele.

Frantic Films has businesses that offer VFX for films and VFX software development from offices in Los Angeles, Winnipeg and Vancouver. The company's software tools were developed to solve complex production challenges on in-house feature effects projects, and are also in use at many leading 3D animation and effects facilities worldwide.

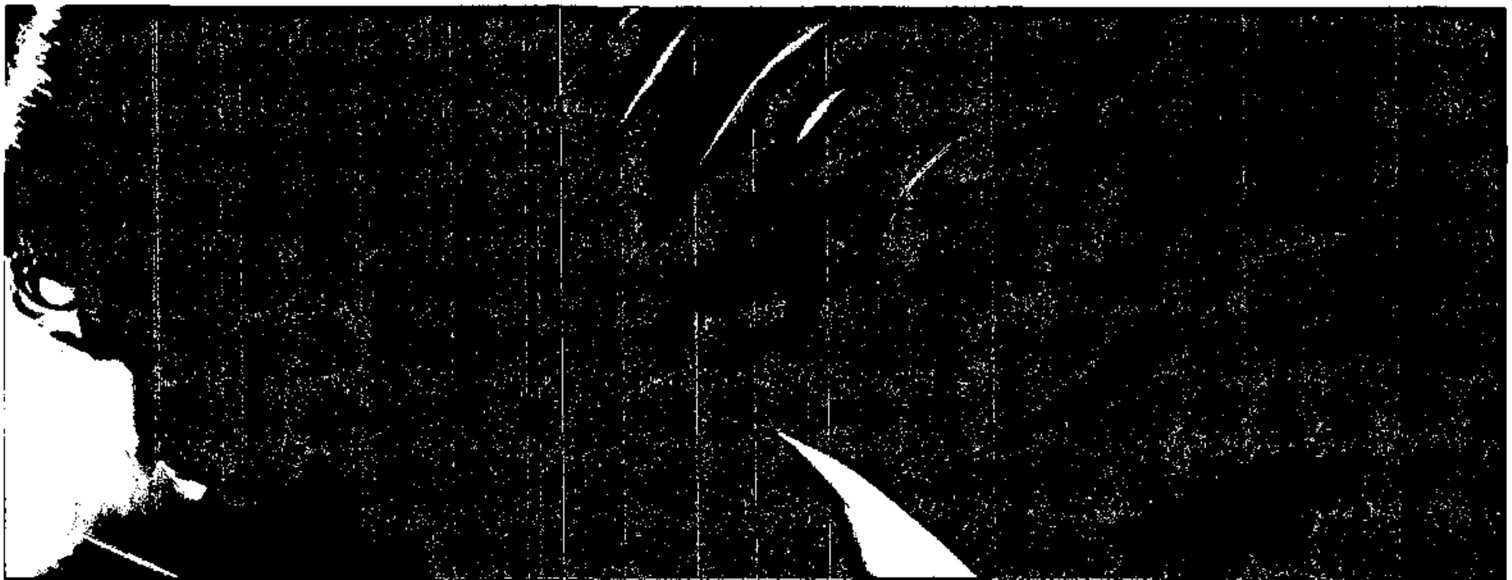
STRATEGIC ADVANTAGE

With studios and clients looking for a one-stop shop, from pre-visualization to distribution in all formats and platforms, these acquisitions are in line with our strategy to operate as a global integrated player, ensuring the best creative and technical services worldwide. These companies add four new facilities in Los Angeles, New York, Vancouver and Winnipeg, along with ownership of 55,000 square feet of prime real estate in the heart of Hollywood, CA and 200 new staff members to our assets.

Post Logic and Frantic Films are well entrenched with feature film studios and facilitate a gateway for the Prime Focus Group into all major studios including Warner Bros, 20th Century Fox, Disney, Sony Pictures and Universal. Apart from establishing our presence in the domestic market, these acquisitions will also enable us to take advantage of the outsourcing opportunity. Both companies also have strong R&D divisions that have developed proprietary technologies and processes for film colour management, VFX and pipeline collaboration which will benefit the organization as a whole.

GOING FORWARD

Prime Focus Group plans to continue operations of both Post Logic Studios and Frantic Films as independent facilities. The goal is to make them self-sufficient, profit making entities within their domestic market through our management expertise, while enjoying higher margins by taking advantage of the offshoring opportunity in India.



POST LOGIC STUDIOS

Services: DI and feature film restoration; digital mastering, editorial assembly restoration, colour science VFX and audio post production services, Image Science Division and 4K DI workflow services to independent and studio feature film and television clients

Offices: Los Angeles, New York

Portfolio: Halloween, American Gangster, Mysteries at Pittsburgh, Phoebe in Wonderland, Smart People, Elite Squad

www.postlogic.com

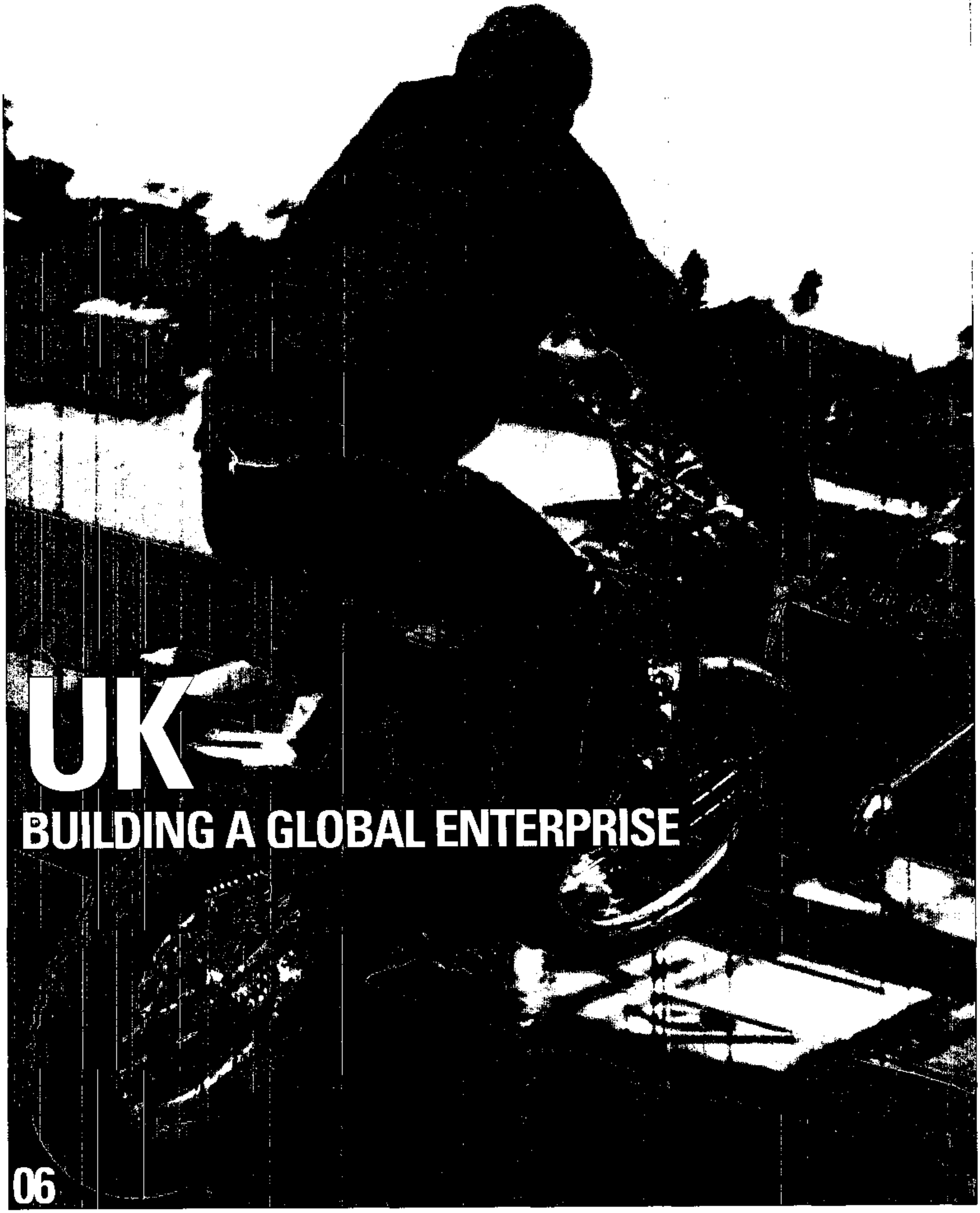
FRANTIC FILMS

Services: VFX for films, VFX software development

Offices: Los Angeles, Winnipeg, Vancouver

Portfolio: Fantastic Four: The Rise of the Silver Surfer, Grindhouse, Superman Returns, X-Men 3, Poseidon, Mr. Magorium's Wonder Emporium and Journey to the Centre of the Earth 3D

www.franticfilms.com



UK

BUILDING A GLOBAL ENTERPRISE

£7 BILLION AND GROWING

While Hollywood retains its global domination, films from the UK have been increasingly making their mark in the world movie market. UK films raked in USD 3.3 billion internationally in 2007, equal to 700 million admissions across the globe and an increase of 50% on 2006's figure of USD 2.2 billion.

117 films were made in the UK in 2007. In all, 516 films were released in the year, a 58% increase over the decade. 2007 also saw an increase in both box office and admissions in the UK. Admissions were 162 million, up 4% on 2006, while box office receipts totaled £821 million, a rise of 8% over the previous year.

The UK film industry had a total turnover of nearly £7 billion and its contribution to the UK GDP was £3.2 billion in 2006. The true success of the UK film industry lies in the fact that they not only make big budget films like Harry Potter but also make hugely successful smaller independent films.

UK-TOP 3 PROVIDERS OF VFX GLOBALLY

As in the case of US films, an increasing proportion of UK films are relying heavily on VFX. A look at the Top 20 UK films released in UK in 2007 reveals a large number of films rich in VFX such as Harry Potter and the Order of Phoenix, The Golden Compass and 28 Weeks Later, being produced.

The post production sector in UK is a world leader in terms of commercials and television and ranks with USA and New Zealand as one of the top three providers of VFX for the global film industry.

WE ARE THE FOURTH LARGEST POST PRODUCTION STUDIO IN THE UK

Prime Focus Group aspires to be an integral part of the global VFX and post production space, catering to customers in every part of the world. Our first port of call was the UK through the acquisition of a 55% stake in VTR Plc for £4.7 million. Thereafter, we acquired three more companies; Clear Post Production in the summer of 2006, and Clarke Associates and Machine Effects in January 2008.

PRIME FOCUS LONDON plc

Following the completion of the UK acquisitions, VTR plc was renamed Prime Focus London plc. Today, the London companies comprise Prime Focus London (commercials), blue post production (broadcast), Machine Effects (feature film VFX) and Kpost, the Prime Focus Group's in-house dedicated facility in the offices of the advertising agency JWT London.

This infrastructure has allowed Prime Focus to gain a strong foothold in the UK market with access to niche clientele in the UK and USA (the likes of Warner Bros, Fox, Disney, etc). After the acquisitions, we carried out significant cost rationalization and restructured the organization to provide clients a clearer and more attractive offering.

The Prime Focus London plc companies have recently delivered work on projects such as Quantum of Solace (Bond 22), 10,000BC, Fred Claus, Elizabeth: The Golden Age, Harry Potter and the Order of the Phoenix and Stardust.

GOING FORWARD

Prime Focus London plc makes effective use of the global resourcing model. Using the scale and quality of the Indian operations, the company provides its international clientele the same interface, experience and creative control which is so critical in this business, but at lesser costs. The Company has already successfully delivered its first international assignment, 28 Weeks Later (this movie stood 14th on the list of the Top 20 UK films released in the UK in 2007) using the global resourcing model and also completed more than 2200 shots on two other films during this period.

PRIME FOCUS LONDON plc

Services: VFX, CGI, DI and telecine for international commercials, feature film, broadcast and music promo industries

Portfolio: The Tournament, Nine Miles Down, Shadows in the Sun, Tales of the Riverbank, Agent Crush, Leningrad, 28 Weeks Later, Ella Enchanted, Love Actually, Vera Drake, Kingdom of Heaven, Quantum of Solace, 10,000 BC, Harry Potter and the Order of the Phoenix and Stardust

www.primefocuslondon.com

INDIA

A GLOBAL ENTERPRISE

A GROWING MARKET

The Entertainment and Media (E&M) industry is one of the fastest growing sectors of the Indian economy. According to the FICCI-PwC report on the Indian Entertainment and Media Industry 2008, the industry recorded a growth of 17% over the previous year, reaching an estimated size of Rs. 513 billion in 2007. It is projected to grow at a CAGR of 18% for the next five years to reach Rs. 1.157 trillion in 2012.

The following table depicts growth in major segments within the E&M industry.

RS. BILLION	2006	2007	GROWTH (IN %)
Advertising	161	196	22%
Television	191	226	18%
Film Entertainment	85	96	14%

Source: FICCI-PwC report on the Indian Entertainment and Media Industry 2008

With burgeoning multiplex audiences and soaring revenues, the Indian film industry is just getting ready for a rapid expansion. In a country where film entertainment is hugely popular and cuts across classes and income groups, over a 1000 films are made every year in multiple languages. Such is the aura that the popularity of Indian films extends beyond India and into the global arena. The international market for Indian films was billed at USD 25.8 billion in 2006.

India's presence in the global film industry is growing in terms of investment and creativity. The international film community is courting the country's filmmakers and studios as important partners. The new UK-India co-production treaty, which has recently come into force, will help British filmmakers break into this expanding market. Recognizing the opportunity that India represents, major international studios like Sony Pictures (Saawariya), Walt Disney (Roadside Romeo) and Warner Bros (Chandni Chowk to China) have entered the domestic market and are producing Indian movies.

It is interesting to note that Hindi movies, an approximately USD 1 billion market account for only 20-25% of the total number of movies produced in the country. South Indian films on the other hand including Tamil, Telegu, Kannada and Malayalam flms, which also form a USD 1 billion market, account for 51% of the total number of films produced in India.

AN EMERGING OPPORTUNITY

The Indian film industry has just about begun to spend money on post production and VFX, mirroring global trends. As the industry went through corporatization and higher revenue went to the producers through multiplexes, digital cinema, home video, cable and satellite rights, music rights and merchandising success, more money is being invested in creating a better quality product and hence, creates a market for our services.

New films have dramatically increased their spend on VFX and post production with VFX finding higher acceptance through films like Love Story 2050, Tashan, Race and Karzz. It is estimated that the size of the post production industry in Hindi cinema is approximately USD 25 million while that of the post production industry in the South Indian film market is USD 20 million.

All this bodes well for the future of the post production and VFX industry in India. What's more, we already have market leadership in this opportunity.

GROWING THE HOME ADVANTAGE FURTHER

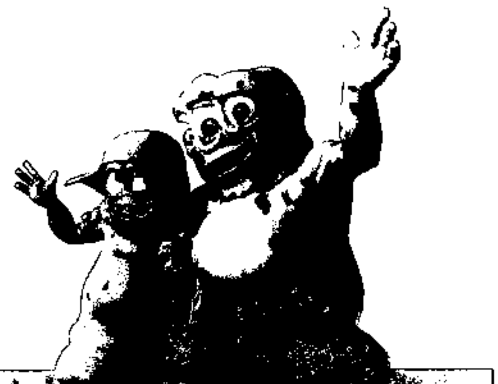
At Prime Focus, we have a significant first mover and relationship advantage with the best banners in India. And we are building further on the advantage by creating infrastructure at all places where there is a need. We operate out of eight facilities located in four cities across India. We differentiate through size, state-of-the-art infrastructure, cutting-edge technology, talent, global platform, deep relationships, strong brand equity and majority market share in India.

Further, we have acquired the entire post production business including all related equipment and business contracts from UTV Software Communications Limited in November 2007. Prime Focus is now a preferred vendor for UTV and will be doing post production for most of UTV's movies.

TAKING THE INDIA ADVANTAGE FURTHER

Besides the Indian entertainment and media opportunity, it is estimated that the demand for offshoring of VFX will grow from Rs. 0.2 billion in 2006 to Rs. 1.8 billion in 2011 at 55% CAGR. Domestic demand for VFX together with the offshoring opportunity is expected to grow at a CAGR of 33% over FY06-11E to touch approximately Rs. 4.6 billion. The Indian post production and VFX market is at an inflection point. As we see, this market is all set to grow faster than ever before.

This is just the beginning.



OPERATIONAL HIGHLIGHTS

FILMS

Mumbai: Jodhaa Akbar, Race, Tashan, Saawariya, Welcome and Heyy Babyy were some of our projects during the year.

Love Story 2050, Bachna Ae Haseeno, Dostana, Rab Ne Bana Di Jodi, Ghajini and Chandni Chowk to China are some of our projects for FY09.

Chennai: Annavaram, Maya, Anjathey, Bheema, Khandaswamy, Billa, Leader, Neppal and Mayilu were some of our projects during the year.

Dasavatharam, Ayirathil Oruvan, Pirates Blood, Aegan, Haage Summane and Kurukshetram are some of our projects for FY09.

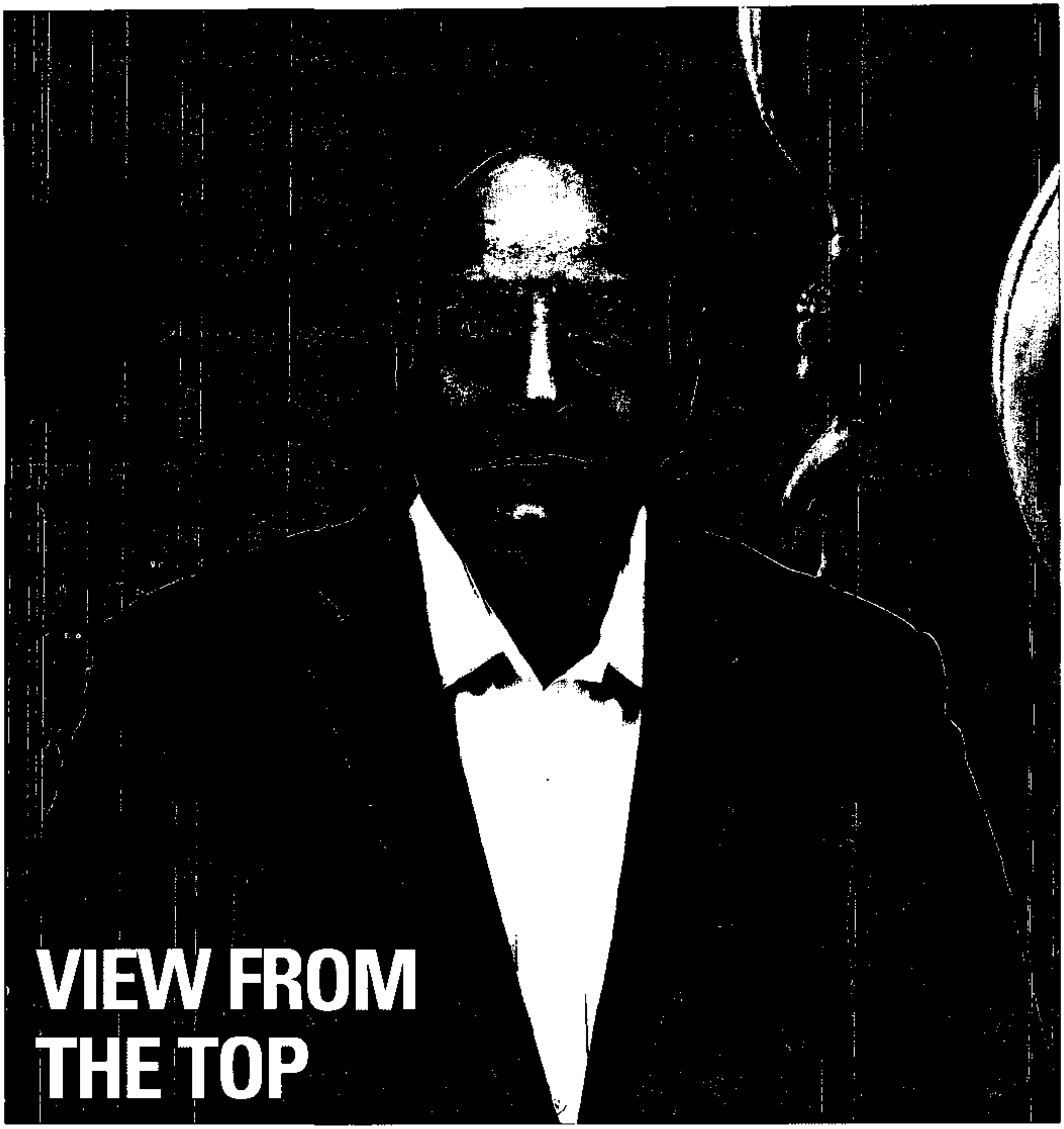
Hyderabad: Some of our projects include Aata, Happy Days, Athidhi, Krishna and Ontari.

AD FILMS

We have worked on a number of ad films during the year which include those for Himalayan Mineral Water, Bisleri Mineral Water, Sony Bravia, Sony Viao and Panasonic.

We have also worked on a number of award winning ad films including the Times Group's Lead India campaign and Nirvana's Neo Sports ad, which won major awards at the Cannes Film Festival held in 2008.

We have also been providing 40 minutes of animation to the music channel 9XM every month.



Dear Shareholders,

I have been part of the entertainment business for over four decades and have seen this industry evolve during this period. I am proud to have been part of this business and am happy with the way it has evolved.

The film industry was unstructured and chaotic when I started making films. Since the time the industry was recognized and corporatized, I have seen it go from strength to strength. The TV industry too has come many miles in the past one decade. It has been the fastest growing segment of the entertainment and media industry in the past five years.

Prime Focus was created with a view to participate in the entertainment and media industry as a service provider in all the stages of making a film or a TV serial or a TV advertisement. We have always believed in quality service and the latest technology. We are glad that the number of films and advertisements being made has not reduced and the budget per film and per advertisement has steadily increased. More so, towards post production and VFX. This is a trend that, in my opinion, will not be reversed. But can only intensify.

As we lead the Indian market, we had our eyes set on creating a global enterprise. We believe that Prime Focus is now a global enterprise ready to service the world market. Our acquisitions in the US and the UK will help us create a foothold in the biggest markets globally with access to technology, infrastructure and talent and the opportunity to offshore some of them. We are hopeful of creating a trend similar to what IT did in the 1990s.

I am extremely proud to say that in less than 12 years, Prime Focus is a global company today.

2008 was not the best year for the film industry due to the writers' strike and the impending actors' strike in Hollywood as well as the severe liquidity crisis. It will be unfair to say that the media and the film entertainment business will go unaffected. But, given our size and business model, we are better suited. With state-of-the-art infrastructure and talent in USA, UK and India, the India advantage and an ever growing need for entertainment and media, Prime Focus is preparing for better times ahead.

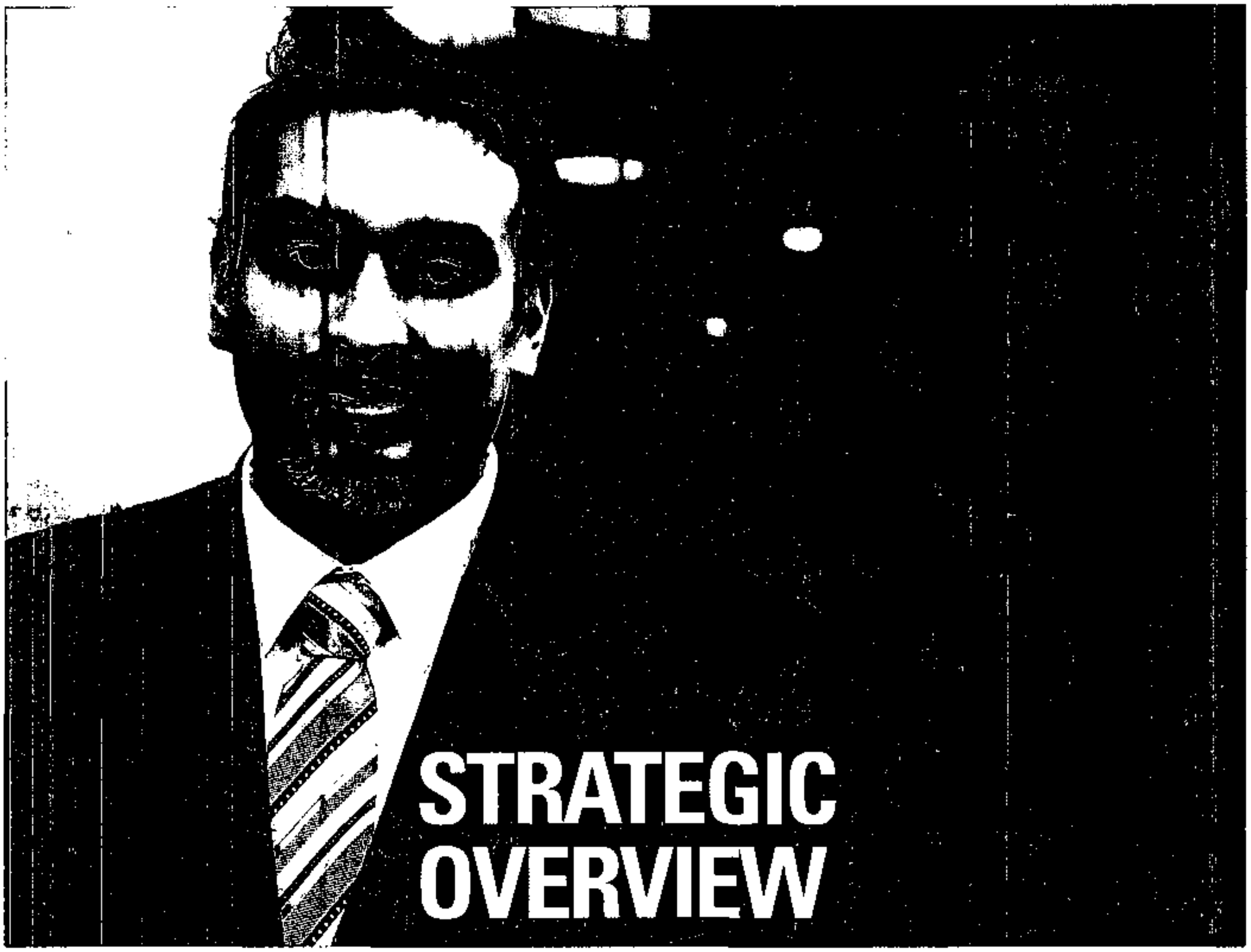
I sincerely thank every shareholder, employee, customer and vendor-partner for their faith in the company, for the support to our strategy and the patience to help us build a truly global enterprise.

Thank you once again.

Sincerely,

Naresh Malhotra

Chairman



STRATEGIC OVERVIEW

Dear Shareholders,

This has been a watershed year at Prime Focus. We set out to create a global platform to provide production, post production and VFX services to the film and media industry, and I am proud to inform you that today Prime Focus is the world's first and only globally integrated production and post production services group.

We started the business in 1995 with passion, energy and commitment to put India on the global map. As we kept flying higher, we recognized that we could create significant shareholder value by building a global infrastructure with a strong India back-end to service the film and media industry worldwide in the most competitive manner.

It was essential for us to understand the language of the clients in the UK and the USA-hence we acquired existing businesses rather than setting up new offices. In less than two years, we acquired four companies in the UK and two in the US. Each acquisition was critical to building a strong product and relationship portfolio in each market. We now have a worldwide platform and some of the best relationships with renowned studios. We have global talent, such as Oscar winner Michael Fink heading our international VFX team, and many other noted artists as part of our UK and US teams. We are confident of not just growing these businesses, but also using the India infrastructure and talent at our offices in Mumbai, Chennai, Hyderabad and Goa to enhance the profitability of these companies.

These new facilities will add value to our operations, but it will not happen overnight. We are strategically doing everything we can to ensure that they create value faster. We have already turned around the UK operations from an operating loss of GBP 1.53 million at year ending August 2006 to an operating profit of GBP 1.33 million at year ending March 2008. A similar exercise is underway for the US operations also. Our primary objective for our international businesses is to win large volume orders in digital post production and VFX, servicing these orders with the help of the facilities in India. Given the worldwide recession, we expect to see more opportunity in the global resourcing space, thus enabling us to increase our share in the US and the UK markets.

Domestically, we continue to dominate the market, and though we are aware of the growing competition at home, we believe that our talent base and our relationship with our clients will allow us to maintain our dominance in the Hindi film space and market share in the TV broadcast and commercials business. Furthermore, we have been consolidating our India operations through the acquisition of UTV's post production business, and have also strengthened the equipment rental business as we feel that additional strength here will allow us to lock in our clients at an early stage and win more post production and VFX work.

Moreover, we already have a significant presence in the South Indian film market with operations in Chennai and Hyderabad that have infrastructure and technology of international standard. We have also set up one of India's largest VFX studios in Mumbai with around 150 artists, which will not only tap the growing demand in the domestic market, but also support the US and the UK operations for the global resourcing infrastructure.

We are aware of the implications of the global recession on the Indian market and will take all necessary steps to grow in this scenario. We will deliver value through growth. Strong. Consistent. And Sustainable.

Sincerely,

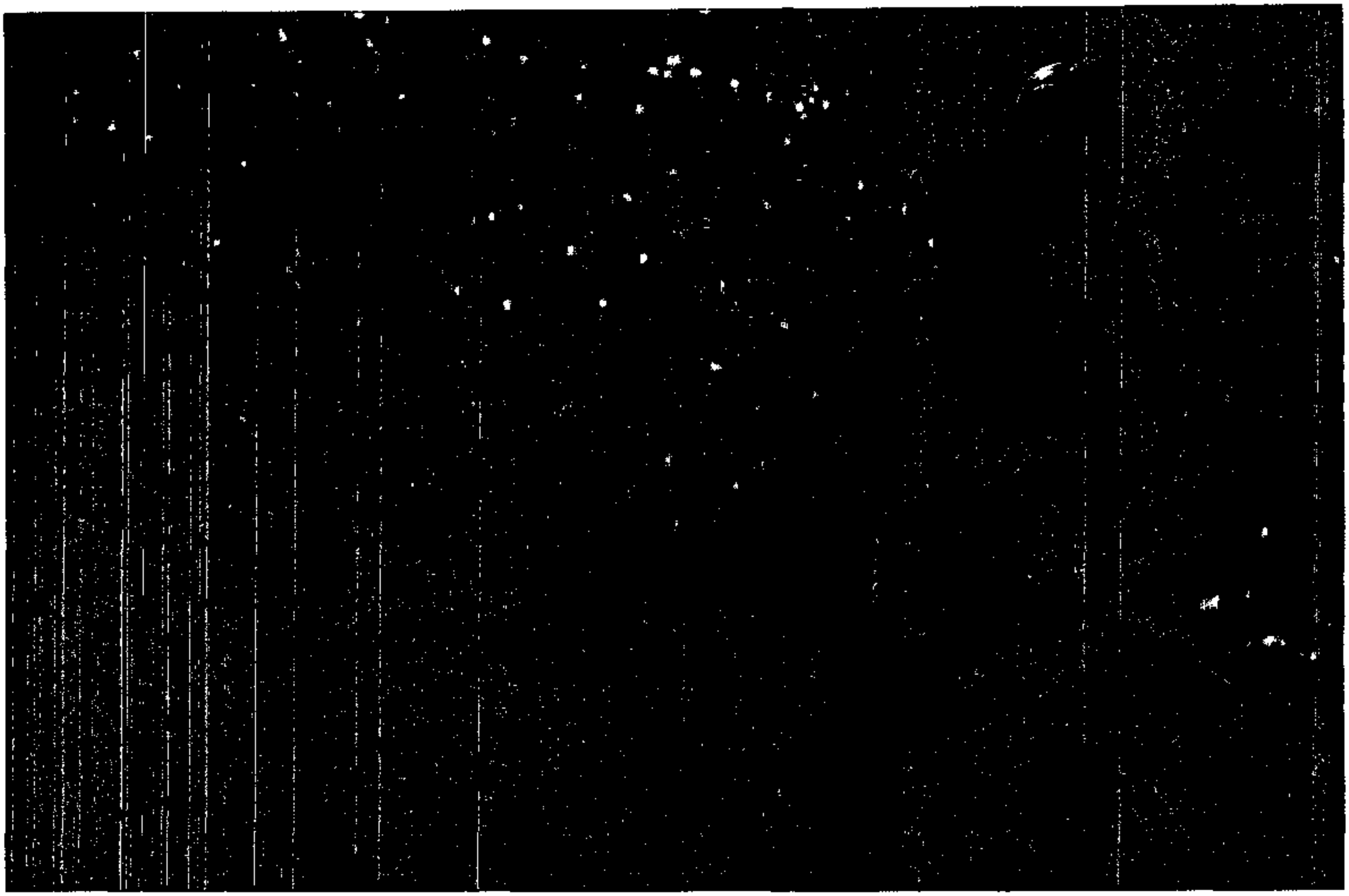
Namit Malhotra

Managing Director

PRIME FOCUS
A GLOBAL ENTERPRISE

EIGHT FACILITIES IN INDIA, FOUR FACILITIES IN THE UK, FOUR FACILITIES IN NORTH AMERICA


LONDON
PRIME FOCUS LONDON
BLUE
MACHINE EFFECTS
K POST
MUMBAI
ROYAL PALMS
PAREL
KHAR
SANTACRUZ
FILM CITY
HYDERABAD
PRIME FOCUS
GOA
RESTORATION
CHENNAI
PRIME FOCUS



PRIME FOCUS GROUP OFFERS INTEGRATED, END-TO-END, POST PRODUCTION AND VFX SOLUTIONS TO CLIENTS ACROSS THE WORLD.

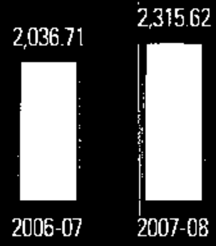
SERVICE PORTFOLIO

FILM PRODUCTION AND POST PRODUCTION PROCESS		COMPLEMENTING PRIME FOCUS BUSINESS
Film Shooting	→	Equipment Renting
Film Processing and Editing	→	Digital Processing (DI, Telecine)
Film Visual Services	→	VFX

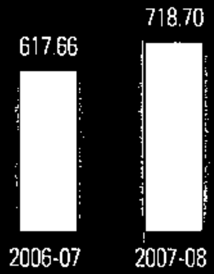
Prime Focus has won the 24fps Animation Award 2008 for 'Outstanding Contribution to Visual Effects'. 24fps Awards recognize creative efforts of talent in the animation and VFX industry from India and abroad. The award recognizes Prime Focus' work on India's pioneer big budget science fiction movie, Love Story 2050.

FINANCIAL SNAPSHOT
CONSOLIDATED

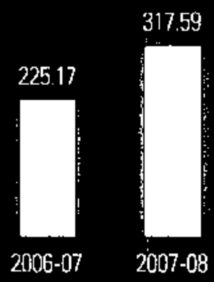
PARTICULARS (RS. MN.)	2006-07	2007-08
Total Income	2,036.71	2,315.62
Total Expenditure	1,718.66	1,995.86
Earnings Before Depreciation, Interest and Tax	617.66	718.70
Profit Before Tax	318.05	319.76
Profit After Tax (Before Minority Interest)	225.17	317.59
Net Worth	1,825.18	1,886.98
Net Current Assets	1,068.77	2,833.28
Total Debt	933.25	3,502.35
Reserves and Surplus	1,784.97	1,758.76
Cash and Bank Balances	337.51	408.16
Net Block	1,741.90	2,415.17
Gross Block	3,945.73	4,761.77
Share Capital	127.23	127.23
Earning Per Share - Basic (In Rs.)	17.53	23.22



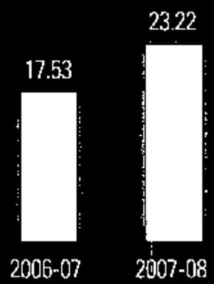
TOTAL INCOME (RS. IN MILLION)



EARNINGS BEFORE DEPRECIATION, INTEREST AND TAX (RS. IN MILLION)



PROFIT AFTER TAX (BEFORE MINORITY INTEREST) (RS. IN MILLION)



EARNINGS PER SHARE-BASIC (IN RS.)

TALENT DRIVES OUR SUCCESS.

MEET OUR PEOPLE.

NARESH MALHOTRA, CHAIRMAN

Naresh Malhotra is the Chairman of Prime Focus Limited. 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 Ashit Sen. In 1990, sensing the potential boom in the television industry, he ventured into the business of providing services for the production of TV programmes and ad films. Over the years, he has been recognized as a pioneer in the Entertainment and Media industry.

NAMIT MALHOTRA, FOUNDER AND MANAGING DIRECTOR

Namit Malhotra is the Founder and Managing Director of Prime Focus Limited. A compulsive entrepreneur, Namit hails from a family that has been part of the film business for three generations. He is highly tech savvy, and his deep understanding and passion for technology has ensured that the company is always ahead of the technology curve. Namit is responsible for all decision-making with respect to business, people and technology. By integrating various technology and service profiles under one roof, he has shaped Prime Focus into one of the world's largest end-to-end services companies for post production and VFX.

ANSHUL DOSHI, CHIEF OPERATIONS OFFICER (COO)

Based in London, Anshul Doshi is the Global Chief Operations Officer for the Prime Focus Group, responsible for the management of the UK and North American companies. Before joining Prime Focus in 2004, Anshul was with KPMG in India in Corporate Finance. He holds a law degree and is also a chartered accountant.

NISHANT FADIA, CHIEF FINANCIAL OFFICER (CFO)

Nishant Fadia is the Chief Financial Officer of Prime Focus Limited. He has been with the company for over eight years and heads the Finance and Accounts department of the company globally. In addition to being a Chartered Accountant, he has also completed his CPA, USA. Before joining Prime Focus, he was with Deloitte & Touche.

YOHANN ABRAHAM, BUSINESS HEAD, ADVERTISING, INDIA

Yohann Abraham has been heading the Ad Films Division of Prime Focus Limited since January 2006. He joined Prime Focus as a business manager in 1999. He holds a Commercial Pilot License and is a Commerce graduate with a distance diploma in marketing from NIS (National Institute of Sales).

ROHAN DESAI, BUSINESS HEAD, FEATURE FILMS, INDIA

Rohan Desai is the Business Head for the DI (Digital Intermediate) Division for Feature Films at Prime Focus Limited and has been with the company since 2000. Rohan started his career with Prime Focus, and today has a cumulative eight years of experience within the media and entertainment industry. Rohan holds a Bachelors degree in Engineering.

BHAARATH SUNDAR, CHIEF EXECUTIVE OFFICER (CEO), INDIA

Bhaarath Sundar is the Chief Executive Officer and has been with Prime Focus Limited since January 2005. As CEO of the company he is responsible for converting opportunities into business and providing leadership and direction to the organisation and its team of professionals. Prior to joining Prime Focus, Bhaarath worked with Famous Studios Limited as CEO and United Studio Limited. He brings 23 years of rich experience in the entertainment industry.

AJAY TULI, BUSINESS HEAD, EQR, INDIA

Ajay Tuli is the Business Head, Equipment Rentals Division (film cameras) at Prime Focus Limited and has been with the company since August 2006. Prior to joining Prime Focus, Ajay owned Film Logic India Pvt. Ltd., a leading camera rental company. He has a cumulative 19 years of experience within the entertainment and media industry.

RAMKI SANKARANARAYANAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER (CEO), PRIME FOCUS TECHNOLOGIES

Ramki Sankaranarayanan is one of the founding members of Prime Focus Technologies since September 2007. As its President and CEO, he leads the digital asset management division leveraging the digital media services business globally. Ramki comes to Prime Focus with over 15 years of rich experience. Prior to Prime Focus, Ramki was the CEO of Subex Technologies. He holds a Bachelors Degree in Engineering from B.I.T.S Pilani, India and a MBA degree from S. P Jain Institute of Management & Research, Mumbai, India.

MERZIN TAVARIA, CHIEF CREATIVE OFFICER (CCO)

Merzin Tavaria is the Chief Creative Officer (CCO) and Co-Founder of Prime Focus Limited and has been with Prime Focus since its inception. Merzin's entry into the world of VFX began over 12 years ago and prior to joining Prime Focus Limited, he was a teaching faculty at one of Mumbai's premier 3D VFX and animation institutes.

PRAKASH KURUP, CREATIVE HEAD

Prakash Kurup is the Creative Head and Co-Founder of Prime Focus Limited and heads the company's boutique Advertising division. He has been with the company since its inception and has a total of 13 years of experience in the entertainment and media industry. Prior to co-founding Prime Focus, Prakash was a renowned freelance comic illustrator.

HUZEFA LOKHANDWALA, CREATIVE HEAD

Huzefa Lokhandwala has 12 years of experience and has been with Prime Focus Limited since inception. Some of his award-winning projects include the Levis Sykes Reversible commercial, Kesariya Balam music video for Sandeep Chowta and a film on rainwater harvesting which was in the final four at the Green Oscars.

PARMINDER CHADDHA, HEAD, DIGITAL FILM LAB

Parminder Chaddha has 12 years of experience and was working with Equinox Film Production prior to joining Prime Focus. He has handled innovative special effects projects such as the Adidas advertisement featuring Sachin Tendulkar and the movie Mission Kashmir. His specialisations are in digital film applications. He has been instrumental in the setup of the Digital Film Lab at Filmcity, Goregaon.

TAREQ KUBAISI, CHIEF EXECUTIVE OFFICER (CEO), TELECINE, UK

Tareq Kubaisi, one of London's most sought-after and highly respected colourists, leads the Prime Focus UK telecine team and manages the creative output of the department, whilst also being available to collaborate directly with clients on their projects.

SIMON HUHTALA, SENIOR CREATIVE DIRECTOR, UK

With hands-on experience of working on some of the top creative advertising campaigns in both the UK and Italy, Simon Huhtala is a very highly regarded and in demand Flame artist in his own right. He also leads the UK team of creative directors, and is responsible for the creative output of the UK companies, as well as all creative pitches made by the London facilities.

STEVE STREET, JOINT MD (VFX), UK

Steve Street jointly heads the feature film VFX division of the UK group. He built his career as a leading commercial and film effects animator at various facilities in the UK, and went on to become a VFX supervisor and Head of 3D for Cinesite in London. In 2003, he co-founded Machine Effects, and has been instrumental in developing its reputation as a company that delivers superlative work to some of the biggest clients in the industry.

JOHN LOCKWOOD, JOINT MD (VFX), UK

Emmy nominated VFX artist, John Lockwood jointly manages the feature film VFX division of the UK arm of the Prime Focus Group. John has huge experience in VFX supervision, having worked on some of Hollywood's biggest films at some of the largest studios in both the UK and the US. His work has helped Machine Effects establish a reputation for reliability and creativity from on-set supervision to the finished shot.

SIMON BRIGGS, MANAGING DIRECTOR, UK

With over sixteen years in the post production industry, Simon Briggs has built an impressive management resume, including a dramatic turnaround of the UK broadcast arm blue's fortunes, culminating in the company winning the Promax award for Best UK Post Production House in 2007.

MIKE FINK, PRESIDENT (VFX)

Operating out of Frantic Films VFX studio in Hollywood CA, Mike Fink oversees the integration of VFX production for all of the Prime Focus Group VFX facilities across North America, India and the UK. Mike was recently recognized for his role as Senior VFX Supervisor on "The Golden Compass" with an Academy Award®, a BAFTA award and a VES nomination.

CHRIS BOND, SENIOR VFX SUPERVISOR, NORTH AMERICA

Chris Bond is the President and VFX Supervisor of Frantic Films, a company he co-founded in March 1997. In addition to his extensive VFX supervision credits, Chris has directed the development of a variety of software tools including fluid-based simulation at Frantic Films Software Inc.

LARRY BIRSTOCK, CHIEF EXECUTIVE OFFICER (CEO), POST LOGIC STUDIOS

Larry Birstock has served as CEO for Post Logic Studios since June 2006. A long time industry veteran, his experience spans over 20 years in feature film post production. Prior to his positions with Post Logic Studios and Technicolor Creative Services, he was Vice President at Anderson Video/4MC and, before that, Sunset Post.

SUE MURPHREE, CHIEF FINANCIAL OFFICER (CFO), PRIME FOCUS INTERNATIONAL

With 20 years of experience, Sue oversees all finance and accounting operations for Prime Focus North America and all UK entities. Previous to her role at Post Logic Studios, she was CFO at Pallotta Teamworks. She holds a Bachelor of Science in Economics and Accountancy and is an Associate of The Chartered Accountants of England and Wales.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Naresh Malhotra	Chairman & Whole Time Director
Mr. Namit Malhotra	Managing Director
Mr. Rakesh Radheysham Jhunjhunwala	Non Executive Director
Mr. Chandir Gidwani	Non Executive Director
Mr. Kodi Raghavan Srinivasan	Independent and Non Executive Director
Mr. Somasekhar Sundaresan	Independent and Non Executive Director
Mr. Rivkaran Chadha	Independent and Non Executive Director
Mr. Hariharan Padmanabhan	Independent and Non Executive Director

CHIEF FINANCIAL OFFICER

Mr. Nishant Fadia

COMPANY SECRETARY AND COMPLIANCE OFFICER

Ms. Parina Shah

AUDITORS

M/s. V. Shivkumar & Associates
Chartered Accountants

BANKERS

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

REGISTRAR & TRANSFER AGENTS

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

REGISTERED OFFICE

Anand Kunj, North Avenue,
Linking Road, Santacruz (West),
Mumbai 400 054.

CORPORATE OFFICE

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

NOTICE

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF PRIME FOCUS LIMITED WILL BE HELD ON WEDNESDAY, THE 31ST DECEMBER, 2008 AT RAMEE GUESTLINE HOTEL, REGENT HALL, 757, S.V.ROAD, KHAR (WEST), MUMBAI -400 052, AT 11.00 A.M TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2008 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors.

2. To appoint a Director in place of **Mr. Kodi Raghavan Srinivasan** who retires by rotation and being eligible, offers himself for re-appointment.

3. To appoint a Director in place of **Mr. Somasekhar Sundaresan** who retires by rotation and being eligible, offers himself for re-appointment.

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

   "RESOLVED that subject to the provisions of Section 224, 225 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. S. R. Batliboi and Associates, Chartered Accountants, be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company, in place of the retiring Auditors Messrs. V. Shivkumar & Associates, Chartered Accountants, to examine and audit the accounts of the Company for the financial year 2008-2009 at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors, plus service tax, out of pocket expenses incurred by them."

By order of the Board of Directors

Parina Shah
Company Secretary

Place : Mumbai
Date : December 06, 2008

Registered Office :

Anand Kunj, North Avenue,
Linking Road, Santacruz West,
Mumbai - 400 054

NOTES FOR MEMBERS' ATTENTION:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**

   THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 (FORTY EIGHT) HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

2. An Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Item no.4 above is annexed hereto. The relevant details as required by Clause 49 of the Listing Agreement entered with the Stock Exchanges, of person seeking reappointment as Directors under item 2 and 3 are also annexed.

3. The Register of Members and Share Transfer Books of the Company will remain closed from **29th December, 2008 to 31st December, 2008** (both days inclusive).

4. Members are requested to send their queries if any, regarding accounts of the company at least 10 (Ten) days before the Annual General Meeting at the Registered Office of the Company. Replies to such written queries received, will be provided only at the meeting.

5. Members / Proxies are requested to bring the copy of their Annual Report along with them to produce the attendance slip at the entrance of the Meeting Hall.

6. In all correspondence with the Company or with its Registrar and Share Transfer Agents, Members are requested to quote their Client ID Number and DP ID Number.

7. Members holding shares in physical form are requested to notify/send the change in their address to the Registrar and Share Transfer Agent, Intime Spectrum Registry Limited and holding shares in electronic form are advised to send the same information to their respective Depository Participant only and not to the Company or the Company's Registrar and Share Transfer Agents.

By order of the Board of Directors

Parina Shah
Company Secretary

Place : Mumbai
Date : December 06, 2008

Registered Office :

Anand Kunj, North Avenue,
Linking Road, Santacruz (West),
Mumbai - 400 054.

ANNEXURE TO NOTICE

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

As required by Section 173 of the Companies Act, 1956 ("Act") the following explanatory statement set out all material facts relating to the business mentioned under Item No. 4 of the Notice.

Item No. 4

Presently the Company's accounts are being audited by Messrs V. Shivkumar & Associates, Chartered Accountants. Messrs V. Shivkumar & Associates, Chartered Accountants have informed the company that they do not wish to seek reappointment as statutory auditors of the company for the financial year 2008-2009.

In view of the above, the Board of Directors at its meeting held on December 06, 2008 proposed the appointment of Messrs S. R. Batliboi and Associates, Chartered Accountants as the statutory auditors in place of Messrs V. Shivkumar & Associates, Chartered Accountants for the financial year 2008-2009.

The Company has received a special notice from a Member of the Company, in terms of the provisions of the Act, signifying its intention to propose the appointment of Messrs S. R Batliboi and Associates, Chartered Accountants as the Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company. Messrs S. R Batliboi and Associates, Chartered Accountants have expressed their willingness to act as Auditors of the Company, if appointed., and have further confirmed that the said appointment would be in conformity with the provisions of Section 224 (1B) of the Act.

The members' approval is being sought for the appointment of Messrs S. R. Batliboi and Associates, Chartered Accountants as the Statutory Auditors and to authorize the Directors, on the recommendation of the Audit Committee, to determine the remuneration payable to the Auditors.

The Directors recommend the Resolution at Item No. 4 for approval by the Members.

None of the Directors is concerned or interested in the Resolution at Item No. 4 of the Notice.

ADDITIONAL INFORMATION

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

NAME OF DIRECTOR	Mr. Somasekhar Sundaresan	Mr. Kodi Raghavan Srinivasan
Date of Birth	23rd December, 1972	30th August, 1967
Date of Appointment	12th April, 2005	19th February, 2004
Expertise in specific functional areas	He has an extensive experience and expertise in Securites Laws, Seaport Infrastructure Banking and Non Banking Financial Services, Mergers and Acqusitions and Information Technology.	He is a Chartered Accountant and a Cost Accountant, and has extensive experience in the fields of Internal, Statutory and management audits, corporate laws, taxation laws, financial consultancy, and Costing and Management Information services. He is associated with our Company in a financial advisory position.
Qualifications	B.Com, L.L.B	B.Com, C.A
Directorship held in other public companies (excluding foreign and private companies) as on 31st March, 2008.	NIL	NIL
Memberships / Chairmanships of *Committees across public companies as on 31st March, 2008	N.A	N.A

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

By order of the Board of Directors

Parina Shah
Company Secretary

Place : Mumbai
Date : December 06, 2008

DIRECTORS' REPORT

To
The Members,

Your directors have pleasure in placing before you the Annual Report of the company along with the Audited Accounts for the year ended 31st March, 2008:

1. **Financial Results:**

The performance of the company for the financial year ended 31st March, 2008 is summarized below;

(Rs. in lacs)

	2007-2008	2006-2007
Income	9,327.82	6317.84
Profit/(Loss) Before Interest, Depreciation, Tax And Extraordinary Item	5,149.61	4,056.40
Less: Interest	727.33	347.33
Profit/(Loss) After Interest, Before Depreciation And Tax	4,422.28	3,709.09
Less: Depreciation	1,604.21	774.52
Profit Before Tax (PBT) And Extraordinary Item	2,818.07	2,934.56
Less: Extraordinary Item - Preliminary & Pre -Operative Expenses w/off	NIL	NIL
Profit Before Tax (PBT)	2,818.07	2,934.56
Less: Provision For Tax		
Current Tax	NIL	686.55
Deferred Tax	133.93	226.44
Fringe Benefit Tax	19.66	13.77
Profit After Tax	2,664.49	2,007.81
Add: Balance Brought Forward	5,063.70	3,055.89
Add: Deferred Tax Credited On Share Issue Expenses	148.69	NIL
Less: Interim Dividend & Tax	223.27	NIL
Less: Transfer To General Reserve	134.00	NIL
Balance Carried To Balance Sheet	**7,519.61**	**5,063.70**

2. **Dividend:**

The Board of directors had declared and paid interim dividend of Rs. 1.50 (Rupee one and paise fifty) per equity share on 12,722,588 equity shares of Rs. 10 each for the financial year 2007-2008. The said dividend was paid to the shareholders of the Company as on the record date (16th August, 2007) fixed for the purpose.

3. **Transfer to Reserves:**

Your directors have proposed to transfer Rs. 13,400,000/- to the general reserve out of the balances available for appropriation, therefore after the interim dividend payout and transfer to general reserves, the balance of Profit and Loss Account would stand at Rs. 751,960,918/-

4. **Overall Performance:**

The gross income increased by Rs. 3,009.98 lakhs in 2007-2008, which is 47.64% increase over previous year. The profit after tax of the company increased from Rs. 2,007.81 lakhs in 2006-07 to Rs. 2,664.49 lakhs in 2007-08 which is 32.71% increase over previous year.

5. **Subsidiary Companies:**

The Company has the following 4 subsidiaries as on 31st March, 2008

1. Prime Focus London Plc UK (formerly known as VTR Plc)
2. Prime Focus Investments Limited (UK)
3. Flow Post Solutions Private Limited
4. Prime Focus Technologies Private Limited

As required under the provisions of section 212 of the Companies Act, 1956, a statement of the holding company's interest in the subsidiary companies forms part of this report. The company has obtained permission from the Central Government under Section 212(8) of the Companies Act, 1956 and accordingly the individual annual accounts of the subsidiary companies for the year ended 31st March, 2008 have not been attached to the annual report. Copies of these accounts will be made available to any member upon request.

6. **Directors:**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Kodi Raghavan Srinivasan and Mr. Somasekhar Sundaresan retire by rotation at the forthcoming annual general meeting and being eligible have offered themselves for re-appointment.

7. **Listing fees:**

The equity shares of the company are listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. The company has been complying with the listing agreement stipulations from time to time. The company has paid the applicable listing fees to the above Stock Exchanges upto date.

8. **Corporate Governance Report:**

Your company is committed to maintain the highest standards to Corporate Governance. Your directors adhere to the requirements set out in the Listing Agreement with the Stock Exchanges and have implemented all the prescribed requirements.

Report on corporate governance as stipulated under Clause 49 of the listing agreement with the stock exchanges forms part of the Annual Report.

Certificate from Auditors of the company confirming compliance of conditions of Corporate Governance as stipulated under the aforesaid Clause 49 is annexed to this report.

9. **Scheme of Amalgamation:**

Storemedia Technolgies Private Limited, subsidiary company has been amalgamated under Sections 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956 with the company, the merger comes into effect from the appointed date 1st January, 2008. The Scheme of Amalgamation was sanctioned by Hon'ble High Court of Judicature of Bombay on 28th November, 2008.

In terms of the said scheme 100 equity shares will be issued for every 45 equity shares held by the members of Storemedia Technologies Private Limited. The same will entail to allotment of 100,000 equity shares from the Company.

The amalgamation of the transferor companies with the company will aid in streamlining the group structure for post production, visual effects and digital intermediary business.

The Annual Report of the company for the financial year 2007-2008 has been prepared after giving effect to the amalgamation.

10. Issue of Foreign Currency Convertible Bonds (FCCBs):

Pursuant to the approval accorded by the members at the Annual General Meeting on September 28, 2007, the company raised USD 55 million through an issue of Zero Coupon Convertible Bonds on December 12, 2007 due on 2012. The bonds are listed on Singapore Stock Exchange.

As per the terms of the issue, the holders have an option to convert FCCB into Equity Shares at an initial conversion rate of Rs. 1,386.79 per equity share at a fixed exchange rate of Rs. 39.39 per US$ subject to certain adjustments as per the terms of the issue. Further, under certain conditions, the Company has the option to redeem the bonds on or after December 12, 2010. Unless previously converted or redeemed or purchased and cancelled, the company will redeem these bonds, at 143.66% at the end of the five years from the date of issue i.e. on December 13, 2012.

As at March 31, 2008, no bonds have been converted into equity shares of Rs. 10 each.

11. Fixed Deposits:

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

12. Particulars of employees:

As required under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the requisite particulars in respect of the employees of the company, who are in receipt of remuneration in excess of the limits specified under the said section are set out in the annexure herewith and form part of this report.

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

The Directors confirm that in the preparation of the annual accounts for the year ended 31st March 2008 -

1. The applicable accounting standards have been followed along with proper explanations relating to material departures, if any.
2. That the directors had 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 at the end of the financial year and of the profit or loss of the Company for the period ended 31st March, 2008.
3. That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. That the directors had prepared the annual accounts on a going concern basis.

14. Auditors' Report

As regards the qualification made by the Auditors as stated in paragraph number 3 (d) of their report on the accounts of Prime Focus Limited and paragraph 5 of their report on the Consolidated Financial Statements of the Company respectively, attention is invited to note no. 2 (i) of Schedule 17 on significant Accounting Policies and Notes forming part of the Accounts of the Company and Note no. 2 (m) of Schedule 18 of the consolidated financial statements of the company, wherein the detailed explanation provided which in the opinion of the Board of Directors are self explanatory.

15. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

i. Conservation of Energy and Technology Absorption:

The Company is not engaged in manufacturing activities and as such the particulars relating conservation of energy and technology absorption are not applicable. The Company makes every effort to conserve energy as far as possible in its post production facilities, Studios, Offices, etc.

ii. Foreign Exchange Earnings and Outgo:

(Rs. in lacs)

Particulars	2007-2008	2006-2007
Foreign Exchange Earned:Technical Service receipts	620.77	88.58
Foreign Exchange Outgo:		
Professional fees	64.60	29.50
Payment on other accounts	57.87	36.76

16. Change in Auditors:

M/s. V. Shivkumar & Associates, Chartered Accountants, who are the Statutory Auditors of the Company hold office, in accordance with the provisions of the Companies Act, 1956, upto the conclusion of the forthcoming Annual General Meeting. M/s. V. Shivkumar & Associates, Chartered Accountants have communicated that they are not seeking re-appointment at the ensuring Annual General Meeting. The Company has received a special notice from a member of the company in terms of the provisions of the Companies Act, 1956, signifying the intention to propose the appointment of S.R Batliboi and Associates, Chartered Accountants, as the Statutory Auditors of the Company from the conclusion of the ensuring Annual General meeting until the conclusion of the next Annual General Meeting. S.R Batliboi and Associates have expressed their willingness to act as Auditors of the Company, if appointed, and have confirmed their eligibility. In this regard, attention of the Members is invited to Item No. 4 of the Notice convening forthcoming Annual General Meeting.

17. Acknowledgements:

Your Directors place on record, their sincere appreciation to the employees of the company who worked untiringly and relentlessly. Your Directors also acknowledges the cooperation and assistance received from our bankers, auditors and shareholders during the period under review.

By Order of the Board,

(Naresh Malhotra)
(Chairman and Whole Time Director)

Place : Mumbai
Date : December 06, 2008

ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Report of the Board of Directors for the year ended on March 31, 2008.

Employed throughout the financial year and in receipt of remuneration exceeding Rs. 24 lacs per annum

Sr. No	Name	Age	Designation	Qualification	Date of joining	Total Experience	Remuneration Received (Rs.)	Particulars of previous employment
1.	Mr. Naresh Malhotra	63	Chairman and Whole time Director	B.Com.	Since Inception	37	30,00,000/-	N.A
2.	Mr. Namit Malhotra	31	Managing Director	B.Com.	Since Inception	13	30,00,000/-	N.A

MANAGEMENT DISCUSSION AND ANALYSIS

1. **Economic overview**

The Indian economy has been growing at a steady pace over the past few years. The country's GDP has grown at an average growth rate of 8.8% from 2003-04 to 2006-07, with the 2006-07 growth of 9.6% being the highest in the last 18 years. In 2007-08, India's GDP grew at a rate of 9%, with the service sector being the driver of growth for yet another year. This sector grew by 10.8% in 2007-08 with trade, hotels, transport and communication segment growing even faster at 12%. The per capita income at current prices rose by 12.3% from Rs. 29,642 to Rs. 32,299 during 2007-08, breaching the 30,000 mark for the first time, indicating growing purchasing power.

India has the largest young population in the world, spurring a boom in consumption in the country. India's consumer market is the twelfth largest in the world, expected to be the fifth largest by 2025. India has also emerged as the second most preferred destination for Foreign Direct Investment (FDI), ahead of USA, UK and Germany but below China. FDI into the country surged to over USD 25 billion in 2007-08. Simultaneously, with Indian companies across sectors seeking overseas acquisitions, investment is now a two-way street. Thus, India is rapidly emerging as a nation having global economic stature and is likely to experience sustained growth in the near future.

Despite the global economic slowdown, India is expected to be in a relatively good position in 2008-09, estimated to grow at around 7%. However, there are challenges in the short term that need to be addressed efficiently and effectively in order to sustain the country's growth momentum. These include inflation, high energy and commodity prices (though these have begun to moderate), increasing fiscal deficit, global uncertainties and a variable domestic political scenario.

2. **Industry overview**

Entertainment and Media (E&M) industry

The global E&M industry is one of the fastest growing sectors in the world, undergoing constant evolution and transformation. According to the FICCI-PwC Report on the Indian Entertainment and Media Industry 2008, the global E&M industry grew by 7.2% in 2006 up from 6.2% in 2005 to reach an estimated size of USD 1,432 billion. Film entertainment grew by approximately 3% to reach an estimated USD 91 billion while TV networks (broadcast and cable) grew by 6.2% to reach an estimated size of USD 172 billion in 2006.

The E&M industry in India too, is one of the fastest growing sectors of the Indian economy, recording a growth of 17% over the previous year in 2007 to reach an estimated size of Rs. 513 billion. Riding on rising income levels, the E&M industry is steadily amassing a growing share of the household expenditure.

Entertainment and media comprises a wide gamut of activities. Print media, television, film entertainment and radio are some of the major segments of this industry. Animation, gaming and visual effects (VFX); online advertising, music, Out Of Home (OOH) media and sports (with the entry of private sports leagues) are some of the emerging segments of this industry.

Not only the size, but the nature of the industry is also changing dramatically. Emergence of media conglomerates like Network 18, Pyramid Saimira, UTV and STAR has corporatized the sector. The Indian E&M industry witnessed significant alliances and investments across various segments in 2007, including those by George Soros, Goldman Sachs and Temasek Holdings. Distribution of content over digital and mobile platforms is also likely to rise significantly in the next five years.

Global post production industry

The global post production industry is experiencing strong growth led by an increase in demand for VFX and post production in films, television as well as the advertising sector. This industry is highly polarized with 12% of the total number of studios controlling approximately 60% of the world market. These studios are now identifying newer and cheaper facilities across the world, to maximize their revenues. With lower costs of labour and production facilities, Asia is the destination of choice. Currently, 48% of the global VFX/animation production happens in USA, 26% in Europe and 26% in Asia.

Domestic post production industry

The Indian post production industry is still a highly fragmented market characterized by several small studios. It is estimated to have doubled in one year to Rs. 10 billion in FY07, led by an increase in domestic demand as well as the growing offshoring opportunity. While new films in India have dramatically increased their spend on VFX and post production, the outsourcing opportunity is slated to grow at a 55% CAGR over FY06-11E to reach an estimated Rs. 1.8 billion in 2011.

Prime Focus with its experience and expertise is fully geared to make the most of this opportunity.

3. **Business overview**

Prime Focus Limited is a creatively-led, technology service provider for the global entertainment and media industry and offers integrated solutions for films, advertising and television segments of the industry. The Company is a prominent player with leadership position in the market and strong brand equity. Its suite of offerings includes equipment rental, film editing, editing and VFX for advertisements, film promos & VFX, diverse solutions for the television industry and other services such as interformat transfers. The Company operates 8 facilities in India across 4 locations including Mumbai, Hyderabad, Chennai and Goa, thus establishing its presence in all major post production markets in India.

Prime Focus London was formed in 2006 with the merger of VTR Plc (a 55% subsidiary of Prime Focus Limited) and Clear Plc (a boutique post production facility for VFX and animation, also acquired in 2006). It is the fourth largest post production company in the UK. In 2007-08, Prime Focus acquired 4 more international companies with facilities in USA, Canada and the UK, giving the Company significant exposure in two of the largest post production markets in the world.

Prime Focus follows a scalable, sustainable and highly de-risked business model with a well diversified revenue stream, both in terms of geographical locations and product classification (films, advertisements, television). Films contribute approximately 62% to the Company's revenue. Prime Focus has long-standing relationships with all major film studios and production houses in India as well as internationally.

23% of the Company's revenue comes from the advertising sector. Almost all of the top 50 advertisement production houses in India have worked with Prime Focus with most of the top 10 production houses being permanent repeat clients. Prime Focus London also has existing relationships with all the top agencies in the UK. The Company is currently operating television post production studio facilities for Zoom, INX and UTV television. Approximately 15% of the Company's revenue comes from the television segment.

Achievements

- Prime Focus acquired leading US post production studios Frantic Films VFX and Post Logic Studios for a consideration of USD 43 million. With these acquisitions, the Company has established a strong foothold in the USD 3 billion US post production market and can now avail of the immense VFX and post production outsourcing opportunity offered by USA.
- Prime Focus acquired leading UK feature film VFX specialists Machine Effects Limited for a consideration of over £2 million. With a portfolio boasting of movies like *Quantum of Solace* and *Harry Potter and the Order of Phoenix* and clientele that includes Warner Bros, Universal, Paramount and Fox Searchlight, this acquisition significantly strengthens Prime Focus' offering in the UK VFX market.

- Prime Focus acquired leading UK post production studio Clarke Associates London Limited to strengthen its broadcast VFX offering.
- Prime Focus acquired the entire post production business including all related equipment and business contracts from UTV Software Communications Limited. The Company is now a preferred vendor for UTV and will be doing post production for most of UTV's movies, thus gaining significant market share with this acquisition.
- Prime Focus exhibited strong execution capability by turning around VTR Plc (55% subsidiary) from a loss making enterprise to a profit generating entity within one year of acquisition through cost rationalization measures and by restructuring the organization.
- The first phase of Royal Palms, Mumbai office (200 seats) commenced operations as a dedicated VFX studio.
- Prime Focus executed its first Hollywood movie *28 Weeks Later*. This movie stood 14th on the list of the Top 20 UK films released in the UK in 2007.

4. Opportunities and Threats

Opportunities

According to the FICCI-PwC Report on the Indian Entertainment and Media Industry 2008, the global E&M industry is expected to grow at a CAGR of 6.4% over 2007-11 to reach an estimated size of USD 1,956 billion. USA is expected to grow at a 5.3% CAGR, rising from USD 582 billion in 2006 to USD 754 billion in 2011. The EMEA (Europe, Middle East and Africa) region is estimated to increase from USD 473 billion in 2006 to USD 617 billion in 2011, growing at 5.5% compounded annually. Spending in Asia Pacific will average 9.6% annual growth - the highest amongst all regions, increasing from USD 297 billion in 2006 to USD 470 billion in 2011. Consequently, the post production and VFX industry will mirror global E&M industry trends. Prime Focus, with its bases in USA, Canada, UK and India is now in a position to capitalize on the huge local as well as outsourcing opportunity present in each of the major regions of the world.

In comparison to the above, the Indian E&M industry is expected to grow much faster, rising at a CAGR of 18% to reach Rs. 1.157 trillion in 2012. It is estimated that the Indian film industry will nearly double from its current size in 2012. At 22%, the Indian television industry is projected to grow faster than E&M to reach an estimated Rs. 600 billion in 2012. Advertising in India is projected to grow at a CAGR of 18% to reach Rs. 453 billion in 2012. The growth in these segments of the E&M industry will simultaneously facilitate the growth of the post production and VFX industry in India.

Demand for VFX in India, domestic as well as the offshoring opportunity is expected to grow at a CAGR of 33% over FY06-11E to touch Rs. 4.6 billion. With the cost arbitrage between India and USA being 3-4x and between India and UK being 6-8x, the demand for offshoring is expected to grow from Rs. 0.2 billion in 2006 to Rs. 1.8 billion in 2011E at 55% CAGR. In the coming years, it is highly probable that the growth of the VFX and post production industry will mirror the growth of the IT industry in India. Prime Focus is all set to aggressively participate in this opportunity.

Threats

Like in most other industries, opportunity brings with itself competition. However, given the Company's expertise and experience, Prime Focus is well placed to deal with competition. Concerns like shortage of skilled manpower and technological obsolescence remain. However, these are threats faced by the entire industry. With superior methodologies and improved systems and processes, the Company is well poised to lead a high growth path.

5. Outlook

Given the phenomenal global and the local opportunity, it is safe to say that the future of the Company looks promising. Given its multi-location advantage with strong footholds in strategic locations, established global infrastructure, state-of-the-art technology platforms and the best human capital, Prime Focus is in an enviable position to maximize this opportunity.

Going forward, the Company's strategy consists of developing two key areas: VFX and post production (including outsourcing) and digital asset management. As the digital distribution of media becomes increasingly important, it is necessary for all current and old television and film media to be held digitally, with adequate fail proof protection. The whole process of digital re-mastering and cataloguing can be outsourced and done remotely in any part of the world due to the ability of digital media to be sent using high-speed lines. The Company believes that the availability of high quality technical manpower and high-end technology gives India a competitive advantage in this regard.

The key to the Company's continued success and future lies in providing a global front-end for quality control and India-based back-end for cost control. It is a testimony to the quality of our service and our people that 60% of our revenues come through repeat business. Prime Focus is fully prepared to gain a leadership position in the global post production and VFX industry.

6. Risks and concerns

As the Company gets into the expansion mode in a competitive environment, it is bound to undertake risks as it capitalizes on several new opportunities. The Company ensures that the risks it assumes are commensurate with returns.

Geographical Risk

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

With 8 facilities across 4 locations in India including Mumbai, Hyderabad, Chennai and Goa along with operations in London and the new acquisitions in USA and the UK, Prime Focus has established itself in all major post production markets of the world. The Company has spread its risk across different geographical markets and thus, is not subject to vagaries of a single region.

Competition Risk

This risk arises from more players wanting a share in the same pie.

Given the huge global opportunity in post production and VFX, several small players have entered this industry. Prime Focus may also face competition from integrated production studios that might set up their own post production and VFX division to take advantage of the high margins in this business.

However, given the Company's majority market share within India, first-mover advantage, extensive experience, established relationships in the industry, global reach, technology leadership and prime human capital, the Company believes it is not significantly affected by this risk. Prime Focus has also co-opted some of the competition in India with its acquisition of UTV's post production studio and its strategic alliance with Adlabs.

Concentration Risk

This risk arises from excessive dependence on any segment of the industry for business.

Prime Focus has a well diversified revenue stream with income coming in from films, television, music videos as well as the advertising industry. Prime Focus also believes that it can significantly scale up its business in all these sectors in the coming years. Hence, the Company believes this risk is substantially mitigated, if not completely.

7. Internal control systems and their adequacies

In any industry, the processes and internal control systems play a critical role in the health of the Company. The

Company's well defined organisational structure, documented policy guidelines, defined authority matrix and internal controls ensure efficiency of operations, compliance with internal policies and applicable laws and regulations as well as protection of resources. Prime Focus has clearly defined roles and responsibilities at all levels.

Rigorous business planning as well as expense, capital and manpower budgeting processes ensure that progress is monitored against targets, and control is exercised on all major expenses, so that actual spending is in accordance with the budgets. Moreover, the Company continuously upgrades these systems in line with the best available practices. The internal control system is supplemented by extensive internal audits, regular reviews by management and standard policies and guidelines to ensure reliability of financial and all other records to prepare financial statements and other data.

8. Discussion on financial performance

Income: The Company recorded total income of Rs. 2,315.62 million, as compared to Rs. 2,036.71 million for the previous year, a growth of 13.69%.

EBIDTA: The Company's EBIDTA stood at Rs. 718.70 million against Rs. 617.66 million in 2006-07, an increase of 16.36%.

PAT: The Profit After Tax (PAT) of the Company increased from Rs. 225.17 million in 2006-07 to Rs. 317.59 million in 2007-08, an increase of 41.05%.

9. Material developments in human resources

People are paramount at Prime Focus. The Company's strong management team and motivated and talented work force are its biggest strength. Prime Focus recognises the importance of providing training and development opportunities to employees to enhance their skills and experience, which in turn enables the Company to achieve its business objectives. It has therefore put in place sound policies for the growth and progress of its employees. Negligible attrition rate in the core team stands testimony to the Company's people-focused policies. Prime Focus also has in place performance management systems to encourage merit and enhance innovative thinking among its employees. Prime Focus has 831 employees on its payrolls, including 498 artists. Total number of seats for VFX is 203 and for post production is 475.

10. Cautionary statement

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

CORPORATE GOVERNANCE REPORT

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

1. **Company's Philosophy on Code of Governance:**

The Company's philosophy on Corporate Governance envisages attainment of the highest levels of transparency, accountability and equity in all facets of its operations, and in all its interactions with its stakeholders, including shareholders, lenders and the Government. The Company is committed to achieve and maintain the highest standards of Corporate Governance.

2. **Board of Directors:**

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

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

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

Sr. No	Name of Director	Status of Director	No. of outside Directorship held in Public Limited Companies*	Membership held in Committee of Directorship #	Chairmanship held in Committee of Directors #
1.	Mr. Naresh Malhotra	Executive Director	Nil	Nil	Nil
2.	Mr. Namit Malhotra	Executive Director	Nil	Nil	Nil
3.	Mr. Kodi Raghavan Srinivasan	Independent and Non-Executive Director	Nil	Nil	Nil
4.	Mr. Rakesh Radheysham Jhunjhunwala	Non-Executive Director	13	1	1
5.	Mr. Somasekhar Sundaresan	Independent and Non-Executive Director	Nil	Nil	Nil
6.	Mr. Rivkaran Chadha	Independent and Non-Executive Director	Nil	Nil	Nil
7.	Mr. Hariharan Padmanabhan	Independent and Non-Executive Director	2	1	Nil
8.	Mr. Chandir Gidwani	Non-Executive Director	4	1	1

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

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

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

b) **Board Meetings:**

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

During the year 2007-2008, 4 Board Meetings were held on **29th June, 2007, 30th July, 2007, 25th October, 2007 and 31st January, 2008.**

The last Annual General Meeting of the company was held on 28th September, 2007.

Attendance of each Director at Board Meetings for the year 2007-2008 and last Annual General Meeting:

Name of the Director	No. of Meetings held	No. of Meetings Attended	Attendance at last Annual General Meeting
Mr. Naresh Malhotra	4	4	PRESENT
Mr. Namit Malhotra	4	4	ABSENT
Mr. Kodi Raghavan Srinivasan	4	3	PRESENT
Mr. Rakesh Radheysham Jhunjhunwalla	4	0	ABSENT
Mr. Somasekhar Sundaresan	4	3	ABSENT
Mr. Rivkaran Chadha	4	2	PRESENT
Mr. Hariharan Padmanabhan	4	2	ABSENT
Mr. Chandir Gidwani	4	1	ABSENT

3. **Board Committees:**

A. **Audit Committee:**

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

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

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

ii) During the year 2007-08 the audit Committee met four times on the following dates:

28th June, 2007, 30th July, 2007, 25th October, 2007, 31st January, 2008

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

Name of the Director	No. of Meeting Attended
Mr. K. R. Srinivasan	4
Mr. Rivkaran Chadha	4
Mr. Namit Malhotra	4

Overall Attendance 100%

B. **Remuneration Committee:**

The Board of Directors had constituted a Remuneration Committee comprising of Non Executive, Independent Directors viz. Mr. K. R. Srinivasan , Mr. Hari Padmanabhan and Mr. Rivkaran Chadha. Mr. Rivkaran Chadha is the Chairman of the Committee. The committee will ensure appropriate disclosure on the remuneration of Directors and will deal with remuneration Package of Directors, service contract, notice period, severance fee and stock option, if any. Detail of Directors Remuneration paid for the year ended 31.03.2008 is as below;

Name of Director	Remuneration Paid (Rs.)	Sitting Fees(Rs.)	Total (Rs.)
Mr. Naresh Malhotra	30,00,000/-	Nil	30,00,000/-
Mr. Namit Malhotra	30,00,000/-	Nil	30,00,000/-
Mr. Rakesh Jhunjhunwala	Nil	Nil	Nil
Mr. Somasekhar Sundaresan	Nil	60,000/-	60,000/-
Mr. Rivkaran Chadha	Nil	40,000/-	40,000/-
Mr. K.R. Srinivasan	Nil	60,000/-	60,000/-
Mr. Hari Padmanabhan	Nil	40,000/-	40,000/-
Mr. Chandir Gidwani	Nil	20,000/-	20,000/-

C. **Shareholders'/Investors' Grievance Committee:**

The Board of Directors had constituted, Shareholders'/Investors' Grievance Committee which functions with the objective of looking into redressal of Shareholders'/Investors' grievances relating to non receipt of balance sheet, etc. The Committee consists of :

Chairman	Mr. Rivkaran Chadha
Members	Mr. K. R. Srinivasan
	Mr. Hari Padmanabhan

4. **Management Analysis and Review Report**

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

5. **General Body Meetings**

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

Financial Year	Date	Location	Time
2004-2005	3rd May, 2005	Anand Kunj, North Avenue, Linking Road, Santacruz (West),Mumbai – 400 054.	4.00 P.M
2005-2006	29th September, 2006	Hotel Rangsharda Natyamndir, K.C. Marg, Bandra Reclamation, Bandra (West), Mumbai – 400 050.	3.00 P.M
2006-2007	28th September, 2007	Hotel Rangsharda Natyamndir, K.C. Marg, Bandra Reclamation, Bandra (West), Mumbai – 400 050.	3.00 P.M

The Company held No Extra Ordinary General Meetings in the Financial Year 2007-2008 as follows;

No resolutions were proposed to be voted on through Postal Ballot this year.

6. **Disclosures**

a) 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.

b) There are no instances of non - compliance by your Company, 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) **CEO/CFO certification**

A certificate from CEO and CFO on the financial statements of the Company was placed before the Board.

7. **Code of Conduct**

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

8. **Means of Communication**

- The Board of Directors of the Company approves and takes on record the quarterly, half yearly and yearly financial results in the proforma prescribed by Clause 41 of the Listing Agreement within one month of the close of the respective period. Quarterly results are submitted to the Stock Exchanges in terms of the requirements of Clause 41 of the Listing Agreement.
- Quarterly results are published in the Free Press Journal and Navshakti.
- The Company has its own website and all the vital information relating to the Company is displayed on the said website. The address of the website is www.primefocus.co.in

9. **General Shareholder Information**

a) **Annual General Meeting**: Date, time and venue – On 31st December, 2008 at 11.00 A.M.

at **RAMEE GUESTLINE HOTEL, REGENT HALL, 757, S.V.ROAD, KHAR (WEST), MUMBAI – 400 052.**

b) **Financial Calendar** : 1st April, 2007 to 31st March, 2008

c) **Date of Book Closure** : 29th December, 2008 to 31st December, 2008 (both days inclusive)

d) **Dividend payment Date** : Interim Dividend was declared @15% p.a out of the profits of the company during the financial year 2007-2008 on 30th July, 2007

e) **Your Company's shares are listed on the following;**

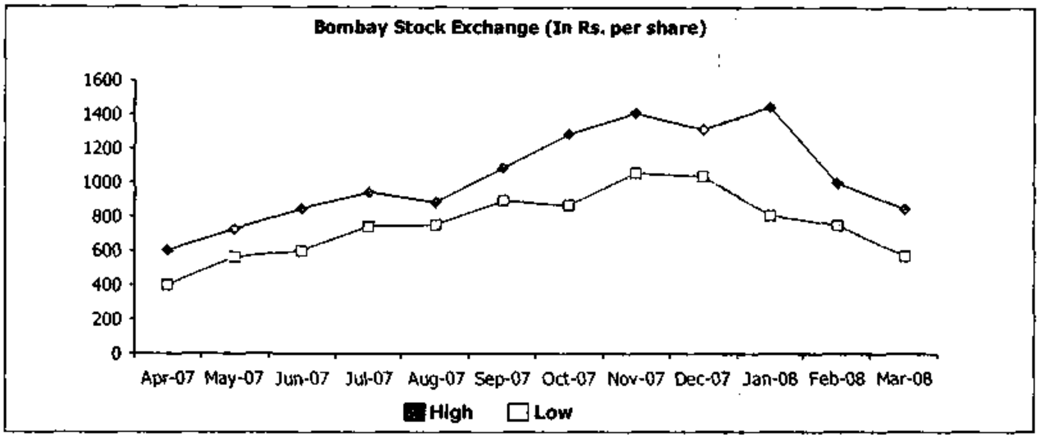
1. The Bombay Stock Exchange
Phiroze Jeejobhoy Towers,
Dalal Street, Fort, Mumbai – 400 001.
Tel: + 91-22-22721233/34,
Fax: +91 – 22- 22723719/2272 1919

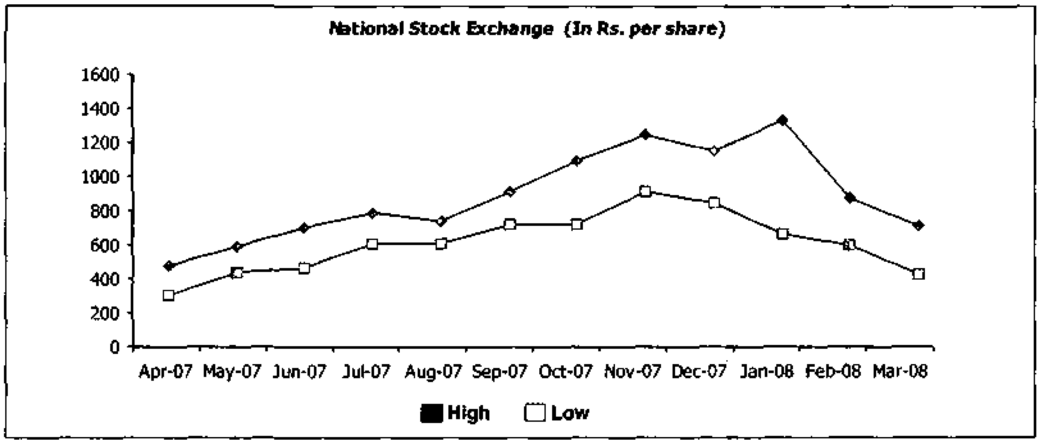
2. The National Stock Exchange
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051
Tel: +91-22- 26598100-8114,
Fax:+91-22- 26598237/38

The Listing Fees for the year 2008-2009 have already been paid to all the Stock Exchanges where the Company's Shares are listed.

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

Month	Bombay Stock Exchange (BSE) (In Rs. per share)		National Stock Exchange (NSE) (In Rs. per share)	
	High Price (Rs.)	Low Price (Rs.)	High Price (Rs.)	Low Price (Rs.)
April, 2007	598.90	402.00	596.00	403.00
May, 2007	719.90	560.00	720.00	551.15
June, 2007	844.90	600.00	844.40	582.00
July, 2007	945.00	741.00	939.60	745.00
August, 2007	887.15	750.00	887.20	746.10
September, 2007	1085.00	895.00	1074.75	872.40
October, 2007	1282.65	862.10	1283.45	871.05
November, 2007	1405.00	1060.00	1450.00	1080.00
December, 2007	1313.80	1042.00	1349.00	1003.00
January, 2008	1450.00	805.25	1548.90	804.00
February, 2008	999.00	750.00	1039.90	735.00
March, 2008	849.45	570.00	860.00	542.05





Market price data (Source: www.bseindia.com, www.nseindia.com)

g) **Registrar and Share Transfer Agent:**

INTIME SPECTRUM REGISTRY PRIVATE LIMITED
C-13, Pannalal Silk Mills Compound,
L.B.S Marg, Bhandup (West), Mumbai -400 078.

h) **Demat Connectivity Agent:**

The company has connectivity with the NSDL and CDSL through M/s. **INTIME SPECTRUM REGISTRY PRIVATE LIMITED**

Dematerialization of Shares and Liquidity:

The Company's shares are activated under ISIN- INE367G01020 with both depositories namely National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL).

The total number of shares dematerialized as on 31st March, 2008 are 12722406 shares representing 99.99 % of Paid-up Share Capital.

i) **Outstanding GDR'S/ADR'S OR Warrants or any Convertible Instrument, conversion dates and likely impact on equity;**

During the year 2007-2008, company has issued US$ 55 million zero coupon convertible bonds on 12th December 2007 due on 2012. As per the terms of the issue, the holders have an option to convert FCCB into Equity Shares at an initial conversion rate of Rs. 1,386.79 per equity share at a fixed exchange rate of Rs. 39.39 per US$ subject to certain adjustments as per the terms of the issue. Further, under certain conditions, the Company has the option to redeem the bonds on or after December 12, 2010. Unless previously converted or redeemed or purchased and cancelled, the company will redeem these bonds, at 143.66% at the end of the five years from the date of issue i.e. on December 13, 2012.

As at March 31, 2008, no bonds have been converted into equity shares of Rs. 10 each.

j) **Address for Investors Correspondence:**

Registered Office:

Anand Kunj, North Avenue,
Linking Road, Santacruz (West),
Mumbai - 400 054
Phone :+91-22-6697 6312/09
Fax : +91-22-6697 6310

Corporate Office:

Prime Focus House, Opp. Citi Bank
Linking Road, Khar (West)
Mumbai - 400052
Phone :+91-22-6715 5000
Fax : +91-22-6715 5100

k) **Distribution of Shareholding as on 31st March, 2008**

The broad shareholding distribution of the Company as on March 31, 2008 with respect to categories of investors was as follows:

Sr. No.	Category	No. of Equity Shares	Percentage%
1.	Promoter & Promoter Group	6,865,000	53.96
2.	Mutual Funds / UTI	530,937	4.17
3.	FII's	1,406,388	11.05
4.	Bodies Corporate	2,216,510	17.42
5.	Individuals	1,631,359	12.83
6.	Clearing Member	7,589	0.06
7.	Non Resident Indians (Repat)	64,805	0.51
	Total	**12,722,588**	**100.00**

The broad shareholding distribution of the Company as on March 31, 2008 with respect to holdings was as follows;

Range	No. of Holders	Percentage%	No. of Shares	Percentage%
1 - 500	5116	94.93	283,303	2.22
501 - 1000	124	2.30	94,525	0.74
1001 - 2000	59	1.10	84,607	0.66
2001 - 3000	21	0.39	54,359	0.42
3001 - 4000	9	0.17	33,904	0.27
4001 - 5000	14	0.26	65,028	0.51
5001 - 10000	18	0.33	127,364	1.00
10001 and above	28	0.52	11,979,498	94.16
TOTAL	**5389**	**100.00**	**12,722,588**	**100.00**

For and on behalf of the Board of Directors

(Naresh Malhotra)
Chairman and Whole Time Director

Place : Mumbai.
Dated : December 06, 2008

Auditors Certificate on Compliance with the condition of Corporate Governance under clause 49 of the Listing Agreement of the Stock Exchange of India.

To,

The Members of
Prime Focus Limited

We have examined the compliance of conditions of Corporate Governance by **Prime Focus Limited ("the Company")** for the year ended 31st March, 2008 as stipulated in clause 49 of the Listing Agreement of the Company with the National Stock Exchange of India Limited and the Stock Exchange, Mumbai.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance referred to above. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

Based on confirmations received from the Company's share transfer agent, and representations made by management, we report that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For **V. Shivkumar & Associates**
Chartered Accountants

V. Shivkumar
Proprietor
(Membership No. : 42673)

Place : Mumbai
Date : December 06, 2008

AUDITOR'S REPORT

TO THE MEMBERS OF PRIME FOCUS LIMITED
MUMBAI.

We have audited the attached Balance Sheet of **PRIME FOCUS LIMITED** as at March 31, 2008, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

2. As required by the Companies (Auditor's Report) Order 2003 issued by the Central Government of India in terms of subsection (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

3. Further to our comments in the Annexure referred to in paragraph 2 above, 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 examinations of those books;

   c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d. In our opinion and subject to Note No. 9 of Schedule "17" regarding accounting for foreign currency exchange differences on amounts borrowed for acquisition of fixed assets, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   e. On the basis of written representations received from the Directors as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

   f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008;

      (ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and

      (iii) in the case of the Cash Flow Statement, of the Cash flows for the year ended on that date.

FOR V. SHIVKUMAR & ASSOCIATES
Chartered Accountants

V. SHIVKUMAR
(Proprietor)
(Membership No. 42673)

Place : Mumbai
Date : December 06, 2008

ANNEXURE TO THE AUDITOR'S REPORT

Annexure referred to in paragraph 2 of the Auditor's Report of even date to the members of Prime Focus Limited on the Accounts for the year ended 31st March, 2008.

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

   (b) As explained to us, physical verification of major portion of the fixed assets as at 31st March, 2008 was conducted by the Management during the year. In our opinion, the frequency of physical verification is reasonable having regard to the size of the operations of the Company and nature of its fixed assets.

   (c) During the year, the Company has not disposed off any substantial or major part of fixed assets.

2. The Company's nature of operations as on date does not require it to hold inventories. Consequently, Clauses 4(ii) (a) to 4(ii) (c) of the Companies (Auditor's Report) Order, 2003 are not applicable.

3. (a) The Company has granted loan to one Company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 491,937,500 and the year- end balance of loans granted to such parties was Rs. 243,702,761.

   (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.

   (c) In respect of loans granted, repayment of the principal amount is as stipulated and payment of interest have been regular.

   (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.

   (e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act,1956.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of fixed assets and sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.

5. In respect of transaction entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956,

   (a) Based on audit procedures applied by us, to the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the contracts or arrangements that needed to be entered into the register maintained under Section 301 have been so entered.

   (b) According to the information and explanations given to us and excluding certain transactions of sale of services for which alternate quotations are not available, in our opinion, the contracts or arrangements have been made at price which are prima facie reasonable having regard to the prevailing market prices at the relevant time.

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

7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

8. The Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for any of the services rendered by the Company.

9. (a) According to the information and explanations given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees State Insurance, Income-Tax, Service Tax, Custom Duty, Cess and other matetial statutory dues as applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees State Insurance, Income Tax, Service Tax, Custom Duty, Cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

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

12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi fund or a nidhi / mutual benefit fund / society.

14. According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments.

15. According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks.

16. In our Opinion, the term loans were applied for the purposes for which they were raised.

17. According to the information and explanations given to us and on an overall examination of Balance Sheet of the Company we report that no funds raised on short term basis have been used for long term investment.

18. As the Company made no preferential allotment of shares to any parties and Companies covered in the register maintained under Section 301 of the Companies Act, 1956, the provisions of the Clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

19. As the Company has not issued any debentures, the provision of Clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

20. The Company has not raised any money by way of public issue during the year.

21. Based upon the audit procedures performed by us for expressing our opinion on these financial statements and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

FOR V. SHIVKUMAR & ASSOCIATES
Chartered Accountants

V. SHIVKUMAR
(Proprietor)
(Membership No. 42673)

Place : Mumbai
Date : December 06, 2008

BALANCE SHEET AS AT 31ST MARCH 2008

IN RUPEES

PARTICULARS	SCH NO.	31.03.2008	31.03.2007
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	127,225,880	127,225,880
Shares pending allotment (Refer Note 4(b) to Schedule 17)		1,000,000	-
Reserves and Surplus	2	1,730,220,095	1,774,164,277
		1,858,445,975	**1,901,390,157**
LOAN FUNDS			
Secured Loans	3	1,146,262,891	617,591,955
Unsecured Loans	4	2,162,696,800	-
		3,308,959,691	**617,591,955**
DEFERRED TAX LIABILITY (NET)	5	**106,627,043**	**108,104,036**
TOTAL		**5,274,032,709**	**2,627,086,148**
APPLICATION OF FUNDS			
FIXED ASSETS	6		
Gross Block		1,654,772,675	922,887,146
Less: Accumulated Depreciation / Amortisation		403,092,457	244,729,334
Net Block		**1,251,680,218**	**678,157,812**
Add : Capital Work in Progress *(including Capital Advances)*		550,443,405	292,236,861
		1,802,123,623	**970,394,673**
INVESTMENTS	7	**551,573,006**	**562,922,585**
CURRENT ASSETS, LOANS & ADVANCES			
Sundry Debtors *(Including Service Tax)*	8	536,795,198	366,583,886
Cash and Bank Balances	9	217,523,598	325,190,917
Loans and Advances	10	2,464,028,311	398,631,425
		3,218,347,107	**1,090,406,228**
Less : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	11	277,302,377	83,651,076
Provisions	12	20,708,650	-
		298,011,027	**83,651,076**
NET CURRENT ASSETS		**2,920,336,080**	**1,006,755,152**
MISCELLANEOUS EXPENDITURE *(To the extent not written off or adjusted)*	13	**-**	**87,013,738**
TOTAL		**5,274,032,709**	**2,627,086,148**
NOTES TO ACCOUNTS	17		

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

As per our report of even date
For V. Shivkumar & Associates
Chartered Accountants

V. Shivkumar
(Proprietor)
Membership No. 042673

Place : Mumbai
Date : December 06, 2008

For and on behalf of the Board of Directors

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

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

IN RUPEES

PARTICULARS	SCH NO.	31.03.2008	31.03.2007
INCOME			
Income from Operations		857,207,351	551,555,262
Other Income	14	75,574,946	80,228,731
		932,782,297	631,783,993
EXPENDITURE			
Operating & Other Expenses	15	408,577,935	226,143,540
Exceptional Item - Miscellaneous Expenditure Written Off		9,243,597	-
Financial Expenses	16	72,733,056	34,732,888
Depreciation / Amortisation (Refer Note 3(a) to Schedule 17)	6	160,420,738	77,451,555
		650,975,326	338,327,983
PROFIT BEFORE TAX		281,806,971	293,456,010
ADJUSTMENT PURSUANT TO THE SCHEME OF ARRANGEMENT (Refer Note 5 to Schedule 17)			
Adjustment to carrying value of assets		250,000,000	-
Withdrawn from Business Restructuring Reserve		(250,000,000)	-
		-	-
PROFIT BEFORE TAX		281,806,971	293,456,010
PROVISION FOR TAX			
Current Tax		3,603,730	68,654,640
Less : MAT Credit Entitlement		(3,603,730)	-
		-	68,654,640
Deferred Tax		13,392,533	22,643,692
Fringe Benefit Tax		1,965,517	1,376,764
Total Tax Expense		15,358,050	92,675,096
PROFIT AFTER TAX		266,448,921	200,780,914
Balance brought forward from previous year		506,369,661	305,588,747
Add : Deferred Tax Credited on Share Issue Expense (Refer Note 3(b) to Schedule 17)		14,869,524	-
		521,239,185	305,588,747
PROFIT AVAILABLE FOR APPROPRIATION		787,688,106	506,369,661
Appropriations			
Interim Dividend		19,083,882	-
Dividend Distribution Tax		3,243,306	-
Transfer to General Reserve		13,400,000	-
Surplus Carried to Balance Sheet		751,960,918	506,369,661
Earnings per Share			
Basic - Nominal Value of Shares Rs.10/-		20.94	16.47
Diluted - Nominal Value of Shares Rs.10/-		20.16	16.47
NOTES TO ACCOUNTS	17		

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

As per our report of even date
For **V. Shivkumar & Associates**
Chartered Accountants

V. Shivkumar
(Proprietor)
Membership No. 042673

For and on behalf of the Board of Directors

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

Place : Mumbai
Date : December 06, 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

IN RUPEES

PARTICULARS	31.03.2008	31.03.2007
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation	**281,806,971**	**293,456,010**
Adjustments for :		
Depreciation	160,420,738	77,451,555
(Profit)/ Loss on sale of Fixed Assets	-	(25,193,271)
(Profit)/ Loss on sale of Investments	452,540	(2,208,097)
Foreign Exchange (Gain)/Loss (net)	(8,634,989)	(4,056,830)
Interest Income	(29,632,495)	(41,303,038)
Dividend Income	(2,017,860)	(1,406,636)
Interest Expense	72,733,056	34,732,888
Bad debts Written Off	-	7,829,303
Undertaking Fees	(18,538,748)	-
Miscellaneous Expenditure Written Off	9,243,597	7,593,126
Operating profit before working capital changes	**465,832,810**	**346,895,010**
Movements in working capital :		
Decrease/(Increase) in Sundry Debtors	(293,031,943)	(126,991,342)
Decrease/(Increase) in Loans and Advances	(83,776,850)	(359,943,581)
Increase/(Decrease) in Current Liabilities	149,578,934	(58,692,413)
Cash generated from operations	**238,602,950**	**(198,732,326)**
Direct Taxes paid (Net of Refunds)	**(79,986,977)**	**(114,779,384)**
Net Cash from Operating Activities	**158,615,973**	**(313,511,710)**
B. CASH FLOW FROM INVESTING ACTIVITES		
Purchase of Fixed Assets	(891,857,139)	(376,974,997)
Proceeds from Sale of Fixed Assets	12,957,479	45,622,017
Purchase of Investments	(83,000,000)	(562,822,585)
Purchase of Investment in Subsidiaries	(59,860,765)	-
Share Application in Subsidiary	(1,768,685,905)	-
Loans to Subsidiary	(243,702,761)	-
Sale of Investments	193,005,205	2,208,097
Interest received	25,868,881	41,303,038
Dividends received	2,017,860	1,406,636
Net Cash from Investing Activities	**(2,813,257,145)**	**(849,257,794)**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

IN RUPEES

PARTICULARS	31.03.2008	31.03.2007
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Share Capital		
Equity	-	23,980,880
Premium	-	976,021,816
Proceeds from Long Term Borrowings	132,434,000	-
Repayment of Long Term Borrowings	(55,783,582)	-
Proceeds from Short Term Borrowings	935,359,652	-
Repayment of Short Term Borrowings	(483,339,134)	-
Loans Borrowed (net)	-	212,182,643
Proceeds from Issuance of FCCB	2,162,696,800	-
Interest Paid	(72,733,056)	(34,732,888)
Dividends Paid	(19,083,882)	-
Tax on Dividend Paid	*(3,243,306)*	-
Foreign Exchange Gain/(Loss) (net)	8,634,989	4,056,830
Expenses on Issuance of Securities	(58,240,318)	(85,312,287)
Net cash used in Financing Activities	**2,546,702,163**	**1,096,196,994**
Net increase/(decrease) in Cash and Cash equivalents (A+B+C)	**(107,939,010)**	**(66,572,511)**
Cash and Cash equivalents at the beginning of the year	325,272,928	391,845,439
Cash and Cash equivalents acquired on Merger	189,680	-
Cash and Cash equivalents at the end of the year	217,523,598	325,272,928
	(107,939,010)	**(66,572,511)**

As per our report of even date
For V. **Shivkumar & Associates**
Chartered Accountants

V. Shivkumar
(Proprietor)
Membership No. 042673

Place : Mumbai
Date : December 06, 2008

For and on behalf of the Board of Directors

Naresh Malhotra	Namit Malhotra	Perina Shah
(Chairman)	(Managing Director)	(Company Secretary)

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

IN RUPEES

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 1 **SHARE CAPITAL**		
Authorised :		
15,000,000 (Previous Year 15,000,000) Shares of Rs.10 each	150,000,000	150,000,000
Issued, Subscribed and Paid-Up:		
12,722,588 (Previous Year 12,722,588) Shares of Rs.10 each	127,225,880	127,225,880
Of the above :		
i. 3,500,000 (Previous Year 3,500,000) Equity Shares of Rs.10 each were allotted as fully paid up pursuant to scheme of arrangement for consideration other than cash		
ii. 4,000,000 (Previous Year 4,000,000) Equity Shares of Rs.10 each were allotted as fully paid up bonus shares by capitalisation of Reserves		
	127,225,880	**127,225,880**
SCHEDULE 2 **RESERVES AND SURPLUS**		
Securities Premium at the beginning of the Year	1,267,794,616	291,772,800
Add : Receipts on issue of Nil (Previous Year; 2,398,088) equity share from Initial Public Offer (IPO)	-	976,021,816
Less : Issue Expenses Pertaining to IPO (Refer Note 3 (b)) to Schedule 17)	65,620,141	-
Less : FCCB Issue Expenses	58,240,318	-
Less : Drawal as per proposed Scheme of Arrangement (Refer Note 5 to Schedule 17)	179,074,980	-
Securities Premium at end of the Year	**964,859,177**	**1,267,794,616**
General Reserve at the beginning of the Year	-	-
Add : Transferred during the Year	13,400,000	-
General Reserve at the end of the Year	**13,400,000**	-
Business Restructuring Reserve at the beginning of the Year	-	-
Add : Pursuant to Merger (Refer Note 4(e) to Schedule 17)	70,925,020	-
Add : Transfer from Share Premium pursuant to Scheme of Arrangement	179,074,980	-
Less : Drawal as per proposed Scheme of Arrangement	250,000,000	-
Business Restructuring Reserve at end of the Year	-	-
Profit and Loss Account	751,960,918	506,369,661
	1,730,220,095	**1,774,164,277**

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

IN RUPEES

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 3		
SECURED LOANS		
Loans from Banks (Refer Note 6 to Schedule 17)		
Term Loans	129,908,957	52,022,025
(Amount repayable within one year Rs.12,688,282 (Previous Year Rs.4,467,830))		
Buyers Credit	557,501,144	404,901,740
(Amount repayable within one year Rs.274,845,275 (Previous Year Rs.103,042,096))		
Cash Credit/Over Draft	66,957,437	127,546,322
Short Term Demand Loan	380,000,000	20,000,000
Loans from Others		
Vehicle Finance	11,885,353	13,121,868
(Amount repayable within one year Rs.3,884,695 (Previous Year Rs.6,678,283))		
	1,146,262,891	**617,591,955**
SCHEDULE 4		
UNSECURED LOANS		
Zero Coupon Foreign Currency Convertible Bonds (Refer Note 7 to Schedule 17)	2,162,696,800	-
550 (Previous Year Nil) Bonds @ US$ 100,000 each		
aggregating to US$ 55,000,000 (Previous Year Nil)		
	2,162,696,800	**-**
SCHEDULE 5		
DEFERRED TAX		
DEFERRED TAX LIABILITY		
Difference in depreciation and other differences in block of assets as per tax books and financial books	138,218,736	104,684,775
Effect of Expenditure debited to Profit and Loss Account in the Current Year but allowed for tax purposes in following years	-	3,419,261
Gross Deferred Tax Liability	**138,218,736**	**108,104,036**
DEFERRED TAX ASSET		
Unabsorbed Depreciation	16,472,194	-
Differences due to accelerated amortisation of intangibles under Income Tax Act	249,975	-
Effect of Share Issue Expenses adjusted against Securities Premium	14,869,524	-
Gross Deferred Tax Asset	**31,591,693**	**-**
Net Deferred Tax Liability	**106,627,043**	**108,104,036**

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

SCHEDULE 6
FIXED ASSETS

IN RUPEES

	Description of Asset	Gross Block				Depreciation					Net Block	
		As on 01.04.2007	Additions / Adjustments	Deductions	As on 31.03.2008	As on 01.04.2007	Adjustments (Note)	Deductions	For the Year	As on 31.03.2008	As on 31.03.2008	As on 31.03.2007
(A)	TANGIBLE ASSETS											
	Office Premises	68,051,276	177,000	-	68,228,276	6,572,205	(4,314,650)	-	1,112,130	3,369,685	64,858,591	61,479,071
	Plant & Machinery	782,472,496	646,075,693	-	1,428,548,189	213,876,170	37,674,717	-	124,172,402	375,723,289	1,052,824,900	568,596,326
	Furniture & Fixtures	35,830,320	34,425,216	-	70,255,536	8,142,461	(1,782,171)	-	4,203,719	10,564,009	59,691,527	27,687,859
	Office Equipments	7,454,888	5,448,111	-	12,902,999	1,958,948	677,618	-	1,333,473	3,970,039	8,932,960	5,495,940
	Vehicles	23,758,167	15,224,601	15,015,093	23,967,675	9,975,234	(6,174,260)	2,057,614	2,027,402	3,770,762	20,196,913	13,782,932
	Total (A)	**917,567,147**	**701,350,621**	**15,015,093**	**1,603,902,675**	**240,525,019**	**26,081,254**	**2,057,614**	**132,849,126**	**397,397,784**	**1,206,504,891**	**677,042,128**
(B)	INTANGIBLE ASSETS											
	Goodwill	5,320,000	-	-	5,320,000	4,204,315	-	-	1,115,685	5,320,000	-	1,115,685
	Rights	-	30,000,000	-	30,000,000	-	-	-	-	-	30,000,000	-
	Software	-	15,550,000	-	15,550,000	-	-	-	374,673	374,673	15,175,327	-
	Total (B)	**5,320,000**	**45,550,000**	**-**	**50,870,000**	**4,204,315**	**-**	**-**	**1,490,358**	**5,694,673**	**45,175,327**	**1,115,685**
	Total (A + B)	**922,887,147**	**746,900,621**	**15,015,093**	**1,654,772,675**	**244,729,334**	**26,081,254**	**2,057,614**	**134,339,484**	**403,092,457**	**1,251,680,218**	**678,157,812**
	Previous Year	**705,947,412**	**242,179,994**	**25,240,260**	**922,887,146**	**172,089,293**	**-**	**4,811,512**	**77,451,555**	**244,729,334**	**678,157,812**	

Note:- Represents additional depreciation consequent to change in the method (Refer Note 3(a) toSchedule 17)

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

IN RUPEES

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 7		
INVESTMENTS		
Long Term Investments (At Cost)		
Trade		
In Subsidiary Companies		
Quoted, fully paid up		
VTR Plc, U.K.	515,401,884	416,395,722
17,041,751 (Previous Year: 14,716,051) equity shares of 5 pence each		
(Market Value Rs. 549,322,950 (Previous Year Rs. 313,654,968))		
Unquoted, fully paid up		
Prime Focus Technologies Pvt. Ltd.	51,000	-
5,100 (Previous Year: Nil) equity shares of Rs.10/- each		
Flow Post Solutions Pvt. Ltd.	51,000	-
5,100 (Previous Year: Nil) equity shares of Rs.10/- each		
Prime Focus Investment Ltd., U.K	1	-
1 (Previous Year: Nil) equity shares of 1 pence each		
Other than trade		
Unquoted - fully paid up		
The Shamrao Vithal Co-operative Bank Limited	100,000	100,000
4,000 (Previous Year: 4,000) shares of Rs 25 each		
Current Investments (at lower of cost and market value)		
Other than Trade Quoted		
Cinemax India Limited	969,121	1,426,863
9,170 (Previous Year: 9,170) equity shares of Rs.10 each		
(Market Value Rs. 969,121 (Previous Year Rs. 1,426,863))		
Other than Trade Unquoted units of Mutual Fund		
HSBC Cash Fund - Institutional Plus	-	75,000,000
Nil (Previous Year: 7,500,838) Units of Rs. 10 each		
ICICI Prudential FMP Series 34 - Fifteen Months Plan	30,000,000	30,000,000
3,000,000 (Previous Year: 3,000,000) Units of Rs. 10 each		
Birla Fixed Term Plan	-	20,000,000
Nil (Previous Year: 2,000,000 Units of Rs. 10 each		
Kotak FMP 3M Series 13 - Dividend	-	20,000,000
Nil (Previous Year: 2,000,000) Units of Rs. 10 each		
Other Investments		
DSP Merrill Lynch - Principal Protected Debenture	5,000,000	-
5 (Previous Year: Nil) Units of Rs. 1,000,000 each		
	551,573,006	**562,922,585**
Aggregate amount of quoted Investments	**516,371,005**	417,822,585
Market Value Rs. 550,292,071 (Previous Year Rs. 315,081,831)		
Aggregate amount of unquoted Investments	35,202,001	145,100,000

Investments purchased and redeemed during the year: (Refer Note 11 to Schedule 17)

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

IN RUPEES

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 8		
SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	159,104,791	160,436,768
Other debts		
Unsecured, considered good	377,690,407	206,147,118
	536,795,198	366,583,886

Included in Sundry Debtors are :

i. Service Tax amount of Rs. 59,508,824 (previous year: Rs. 39,489,820), which is payable upon collection.

ii. Amount receivable from subsidiaries Rs. 24,453,125 (Previous Year: Rs. Nil)

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 9		
CASH AND BANK BALANCES		
Cash on Hand	1,202,683	2,763,464
Balances with Scheduled Banks		
In Current Accounts	47,587,586	20,853,554
In Fixed Deposit Accounts	168,733,329	301,573,899
(Refer Note below)		
	217,523,598	325,190,917

Note :

i. As charge for overdraft facility - Nil (Previous Year Rs. 154,832,644)

ii. As margin for Letter of Credit / Buyers Credit - Rs. 139,801,130 (Previous Year Rs. 125,162,826)

iii. As 100% margin against Bank Guarantee availed - Rs. 28,932,199 (Previous Year - Rs. 21,660,437)

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 10		
LOANS AND ADVANCES		
Unsecured-considered good		
Advances recoverable in cash or in kind or for value to be received	226,883,547	319,116,143
Deposits	39,855,858	48,475,671
Inter Company Deposits	80,964,384	-
Share Application (Pending Allotment) - (Refer Note 13 to Schedule 17)	1,768,685,905	-
Loans to subsidiary (Refer Note 18 to Schedule 17)	243,702,761	-
Advances to subsidiary	10,306,925	15,432,136
MAT Credit Entitlement	3,603,730	-
Advance Payment of Taxes	90,025,201	15,607,475
(Net of Provision for Tax - Rs. 148,446,494 (Previous Year Rs. 144,842,764))		
	2,464,028,311	398,631,425

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

IN RUPEES

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 11		
CURRENT LIABILITIES		
Sundry creditors		
Total Outstanding dues to Micro and Small Enterprises (Refer Note 8 to Schedule 17)	-	-
Dues of creditors other than Micro and Small Enterprises	194,797,028	42,208,483
Other liabilities	66,616,092	41,408,992
Advances from customers	15,889,257	33,601
	277,302,377	83,651,076
SCHEDULE 12		
PROVISIONS		
Provision for Undertaking (Refer Note 12 to Schedule 17)		
Beginning of the Year	-	-
Add : Provision for the year	20,708,650	-
	20,708,650	-
SCHEDULE 13		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary expenses		
As per last balance sheet	87,013,738	9,294,577
Add: incurred during the year	-	85,312,287
	87,013,738	94,606,864
Less: Share issue expenses adjusted against Securities Premium	65,620,141	-
Less: Other Adjustments	12,150,000	-
Less: Amortised / Written off during the year	9,243,597	7,593,126
	-	87,013,738

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

IN RUPEES

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 14 **OTHER INCOME**		
Dividend		
Long Term Investments - Non Trade	14,318	20,500
Current Investments	2,003,542	1,386,136
Interest Income		
Bank Deposits (TDS - Rs.1,950,455, Previous Year - Rs. 2,845,761)	21,914,248	31,547,961
Others (TDS - Rs. Nil, Previous Year - Rs. Nil)	7,718,247	9,755,077
Profit / (Loss) on Sale of Investment	-	2,208,097
Profit on Sale of Assets (Net)	-	25,193,271
Exchange Gain (Net)	8,634,989	4,056,830
Undertaking Fee (Refer Note 12 to Schedule 17)	18,538,748	-
Miscellaneous Income	16,750,854	6,060,859
	75,574,946	**80,228,731**
SCHEDULE 15 **OPERATING AND OTHER EXPENSES**		
Personnel Expenses		
Salaries, Staff Remuneration and Bonus	75,180,980	42,416,148
Contribution to Provident and Other Fund	1,147,275	-
Staff Welfare	7,081,923	2,895,993
Editors' Charges & Commissions	150,627,295	69,838,954
Technical Services Payments	32,077,947	9,330,109
Communication Expenses	9,405,342	5,831,430
Consumables and Consumable Stores	19,965,983	12,462,201
Electricity Expenses	19,312,363	10,950,564
Insurance	5,384,170	4,884,896
Legal and Professional Fees	7,888,924	8,643,060
Rebates and Discount	10,124,294	10,682,680
Rent	18,035,697	2,794,068
Traveling and Conveyance	21,370,657	9,489,670
Miscellaneous Expenses	20,481,348	16,121,688
Repairs & Maintenance		
Repairs and Maintenance-Equipment	6,225,503	1,370,147
Repairs and Maintenance-Studio/Office Premises	3,960,889	2,702,159
Bad Debts Written Off		
Bad Debts Written Off	-	7,829,303
Auditor's remuneration		
Audit Fees	67,345	67,344
Other Matters	240,000	240,000
Miscellaneous Expenditure	-	7,593,126
	408,577,935	**226,143,540**
SCHEDULE 16 **FINANCIAL EXPENSES**		
On Bank Overdraft	4,898,375	14,161,976
On Term Loan	54,548,950	18,176,494
On Others	6,425,947	737,193
Bank Charges	6,859,784	1,657,225
	72,733,056	**34,732,888**

1. **Nature of Operations:**

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

2. **Significant Accounting Policies**

a. **Basis of Preparation**

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

b. **Use of Estimates**

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

c. **Fixed Assets**

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

d. **Depreciation**

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

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

e. **Impairment of Assets**

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

f. Investments

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

g. Intangible Assets

Goodwill

Goodwill is amortized using the Straight Line Method over a period of five years. However, The Company assesses at each balance sheet date whether there is any indication that the asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and the difference if any is charged to the Profit and Loss Account.

Film Rights

The Company amortises film costs using the individual-film-forecast method. Under the individual-film-forecast method, such costs are amortised for each film in the ratio that current period revenue for such films bears to management's estimate of remaining unrecognised ultimate revenue as at the beginning of the current fiscal year. Management regularly reviews and revises, where necessary, its total estimates on a film-by-film basis, which may result in a change in the rate of amortisation and/or a write down of the intangible asset to fair value. No amortization has been done in the current year as the rights are exercisable from 2008-09 onwards.

h. Leases

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

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

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account.

i. Revenue Recognition

Technical services receipts

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

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

Interest

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

Dividends

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

Fee for providing and undertaking

Fee is recognised on accrual basis and is recognised over the tenure of the undertaking given the revenue pertaining undertaking is disclosed as income in the Profit and Loss Account.

j. **Foreign Currency Transactions**

Initial Recognition

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

Conversion

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

Exchange Differences

Exchange differences arising on the settlement of monetary items or on restatement of the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or expenses in the year in which they arise except in respect of liabilities for acquisition of fixed assets, where such exchange difference is adjusted in the carrying cost of the respective fixed asset as per the legal advice obtained by the Company.

k. **Income Taxes**

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the Company does not have a legal right to do so. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises un-recognised 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 recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

l. **Segment Reporting**

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

m. **Earnings Per Share**

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

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

n. **Provisions & Contingent Liabilities**

The Company recognises a provision when there is a present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent Assets are neither recognised nor disclosed in the Financial Statements.

o. **Miscellaneous Expenditure**

Costs incurred in connection with raising capital and borrowings are adjusted against the Securities Premium Account.

p. **Cash and Cash Equivalents**

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

3. **Change in Accounting Policy**

(a) In the current year, the Company has changed (with retrospective effect) its method of providing Depreciation on fixed assets, other than those at project sites and leasehold land and buildings, from the Written Down Value ('WDV') method at the rates based on technical estimates of useful life, to the Straight Line Method ('SLM') at the rates prescribed in Schedule XIV to the Companies Act, 1956 or technical estimates of the useful life whichever is higher.

Had the Company continued to use the earlier basis of providing depreciation, the charge to the Profit and Loss Account for the current period would have been lower by Rs. 37,987,070 and the net block of fixed assets would correspondingly be higher by Rs. 37,987,070. The net charge of Rs. 26,081,254 arising out of retrospective re-computation has been recognized in the current year's Profit and Loss Account. The effect of deferred tax on the above Rs. 7,425,911 has been included in the deferred tax liability for the year.

(b) During the year, the Company changed its accounting policy on treatment of Miscellaneous Expenditure. The Company now adjusts the same against Securities Premium Account instead of charging the same to the Profit and Loss Account over a period of ten years. The Company has adjusted Rs. 65,620,141, being the amount of Share Issue Expenses against the Securities Premium.

Had the Company continued to use the earlier basis of amortization of Miscellaneous Expenditure, the charge to the Profit and Loss Account for the current period would have been higher by Rs. 7, 291,127.

The Company has recognized Deferred Tax Credit of Rs. 14,869,524 on the above and adjusted the same to Profit and Loss Reserve.

4. The Company along with its subsidiary namely, Storemedia Technologies Pvt. Ltd (STPL) had completed the process of amalgamation of the Subsidiary into the Company with the approval of High Court of Judicature, Mumbai, within whose jurisdiction the Registered Office of these Companies is situated. The Company has filed the same with the Registrar of Companies (ROC) as required under section 391(3) of the Companies Act, 1956 (The Act). The appointed date under the scheme of amalgamation was 1st January, 2008. The financial statement includes the effect given to the scheme of amalgamation post the approval of High Court as follows:

(a) All the assets and liabilities recorded in the books of the Transferor Company (the Subsidiary) amounting to Rs.145,500,000 are transferred to and vested in the Transferee Company (the Company) pursuant to the Scheme have been recorded by the Transferee Company at their book values;

(b) 1,00,000 equity shares of Rs. 10/- each at par of the Company aggregating to Rs. 1,000,000 will be allotted to the shareholders of STPL in the ratio of 100 equity shares of the Company for every 45 Shares of STPL, pending which, this has been disclosed as Shares Pending Allotment.

(c) The investments in the subsidiary Company amounting to Rs. 73,675,000 appearing in the books of accounts of the Company, stands cancelled;

(d) The inter-company balances amounting to Rs. 836,302 stands cancelled; and

(e) The difference between the amount of net assets taken over by the Company over the value of investments / loan and advances in its books along with, any alignment of the value of assets of the Transferee Company, whether fixed or current, to fair value of such assets in accordance with prudent accounting principles, as considered necessary by the Board of Directors of the Company with effect from the appointed date amounting to Rs. 70,925,020 has been considered under Business Restructuring Reserve of the Company.

The above accounting treatment is as per the Scheme of Amalgamation approved by the Honourable High Court Judicature, Mumbai. However, this is in variance with the accounting treatment by pooling of interest method as prescribed by AS 14 'Accounting for Amalgamation – Generally Accepted Accounting Principles in India'. Had the Company followed the accounting treatment prescribed by AS 14, the above amount would have been considered under the Securities Premium Account instead of the Business Restructuring Reserve.

5. Pursuant to the Scheme of Amalgamation, the Company was entitled to draw an amount not exceeding Rs. 250,000,000 from the balance in the Securities Premium Account / other reserves appearing in the books of accounts of either of the subsidiary, the Company or both, and transfer the same to Business Restructuring Reserve mentioned above.

Consequently the Company has withdrawn an amount of Rs. 179,074,980 from the Share Premium Account and transferred the same to the Business Restructuring Reserve. Against the aforesaid available Business Restructuring Reserve totaling to Rs. 250,000,000, the Company has written off Sundry Debtors, Loans and Advances, Other Current Assets and Miscellaneous Expenditure amounting to Rs. 250,000,000 as provided in the Scheme of Amalgamation. The Company, therefore, has utilized the balance lying in the Business Restructuring Reserve and offset the same against difference in respect of the adjustments referred above in the Profit and Loss Account as envisaged under the Scheme. Had the Company followed the accounting treatment prescribed by AS 14 'Accounting for Amalgamation – Generally Accepted Accounting Principles in India', the above amount would have been debited to the Profit and Loss account instead of the Business Restructuring Reserve. Consequently, the profit for year would have been lower by Rs. 250,000,000.

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

Nature	Security
Term Loan	i. First Charge against the Property Financed. ii. Subservient Charge on the movable Fixed Assets and Receivables of the Company. iii. Personal Guarantee of the Promoter Director.
Buyers Credit	i. Letter of Credit. ii. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future. iii. First Charge on the Fixed Assets of the Company, both present and future. iv. Personal Guarantees of the Promoter Director.
Cash Credit / Over Draft	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future. ii. First Charge on the Fixed Assets of the Company, both present and future. iii. Personal Guarantees of the Promoter Director.
Short Term Demand Loan	i. First Charge on Current Asset and Personal Guarantee of Director. ii. Post Dated Cheques of the Company.
Vehicle Loan	i. First Charge on the Vehicles Financed.

7. **Foreign Currency Convertible Bonds (FCCB)**

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

(b) As per the terms of the issue, the holders have an option to convert FCCB into Equity Shares at an initial conversion rate of Rs. 1,386.79 per equity share at a fixed exchange rate of Rs. 39.39 per US$ subject to certain adjustments as per the terms of the issue. Further, under certain conditions, the Company has the option to redeem the bonds on or after December 12, 2010. Unless previously converted or redeemed or purchased and cancelled, the Company will redeem these bonds, at 143.66% at the end of the five years from the date of issue i.e. on December 13, 2012.

As at March 31, 2008, no bonds have been converted into equity shares of Rs. 10 each and the entire balance of 550 bonds have been included and disclosed in the Schedule of "Unsecured Loans".

(c) The FCCB's as detailed above are hybrid instruments with an option of conversion into specified number of shares and an underlying foreign currency liability with the redemption at a premium in the event of non conversion at the end of the period. A number of factors would influence the conversion decision including the quoted price of the Company's shares, rate of exchange, interest rates in the market, etc. The Company expects that the Bond holders would continue to opt for conversion rather than redemption and consequently no premium is expected to be payable and in that basis the same is not provided for. However, in the event of redemption, the premium payable would be adjusted against the balance in the Securities Premium Account.

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

8. The Company has not received any intimation from 'suppliers' regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year and together with interest paid/payable as required under this Act have not been given.

9. As per legal advice received, the Company has continued with its accounting policy to adjust foreign exchange fluctuation on loans/liabilities for fixed assets as per the requirement of Schedule VI of the Companies Act, 1956, which is at a variance to the treatment prescribed in Accounting Standard (AS-11) "Effect of Changes in Foreign Exchange Rates" notified in the Companies (Accounting Standard) Rules 2006 dated December 7, 2006.

The Company capitalized Mark to Market (MTM) losses aggregating to Rs. 45,167,462 relating to fixed assets purchased, which is not in compliance with Accounting Standard Rules, 2006. Had the Company written off those losses the Profit for the year and fixed assets as at March 31, 2008 would have been lower by Rs. 45,167,462

10. During the year, the Company has acquired the Post Production Business of M/S. UTV Software Communications Ltd. for a total consideration of Rs. 120,000,000.

11. **Investments purchased and sold during the year**

in units

Particulars	Face Value	As at 31 Mar 07	Purchased During the Year	Redeemed During the Year	As at 31 Mar 08
Quoted					
Cinemax India Limited - Equity Shares	Rs. 10	9,170	-	-	9,170
Unquoted - fully paid up					
The Shamrao Vithal Co-operative Bank Limited - Equity Shares	Rs. 25	4,000	-	-	4,000
Other than Trade Unquoted units of Mutual Fund - Units					
HSBC Cash Fund - Institutional Plus	Rs. 10	7,500,838	6,415,946	13,916,785	-
HSBC Liquid Plus - Inst.	Rs. 10	-	1,523,643	1,523,643	-
ICICI Prudential FMP Series 34 - 15 Months Plan	Rs. 10	3,000,000	-	-	3,000,000
Birla Fixed Term Plan	Rs. 10	2,000,000	28,224	2,028,224	-
Kotak FMP 3M Series 13 - Dividend	Rs. 10	2,000,000	28,047	2,028,047	-

in units

Particulars	Face Value	As at 31 Mar 07	Purchased During the Year	Redeemed During the Year	As at 31 Mar 08
Other Investments – Units					
DSP Merrill Lynch - Principal Protected Debenture	Rs. 1,000,000	-	5	-	5
Long Term Investments (At Cost) - Other than Trade					
In Subsidiary Companies					
Quoted, fully paid up					
VTR Plc, U.K. – Equity Shares	5 pence	14,716,051	2,325,700	-	17,041,751
Unquoted, fully paid up					
Prime Focus Technologies Pvt. Ltd.- Equity Shares	Rs. 10	-	5,100	-	5,100
Flow Post Solutions Pvt. Ltd.- Equity Shares	Rs. 10	-	5,100	-	5,100
Prime Focus Investment Ltd., U.K - Equity Shares	1 Pence	-	1	-	1

12. During the year the Company was allotted 1,225,000 ordinary shares of 5 pence each in VTR Plc, UK, a subsidiary of the Company, at a premium of 35 pence each, as fully paid up for consideration other than cash for providing an undertaking to the vendors under the Share Purchase Agreement entered by VTR Plc., UK., to acquire Clear (Post Production) Ltd., U.K.

    Consequent to the above, the Company has made a provision for the equivalent value of the undertaking amounting to Rs.20,708,650 in the books based on reliable estimate that there exists a potential liability which may arise in the coming period and may require an outflow of resources towards meeting the amount of the obligation. The difference between the value of investment and the provision amount of Rs. 18,538,748 has been considered under Other Income.

    Further, the Company during the year has acquired additional equity shares of 1,100,700 of VTR Plc., UK.

13. **Share Application pending allotment**

    a. The Company during the year incorporated a wholly owned subsidiary, Prime Focus Investments Ltd.,(PFIL), U.K., a Company incorporated in United Kingdom. PFIL is managing and controlling the investments in the new acquisitions viz., Post Logic Studios, U.S.A and Frantic Films, Canada. Further, the Company has subscribed to the enhanced equity share capital of PFIL amounting to Rs. 1,690,349,845. The same are pending allotment as on the balance sheet date.

    b. The Company during the year advanced an amount of Rs. 78,336,060 (equivalent USD 2 millions) towards subscription for the proposed enhanced capital of its subsidiary VTR Plc UK. The same are pending allotment as on the balance sheet date. The Company was subsequently allotted on June 8, 2008, 2,020,202 equity shares of 5 pence each at a premium of 44.50 pence of VTR Plc., UK.

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

    Geographical Segment

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

Income from Operations by Geographical Area *In Rupees*

	2008	2007
India	774,476,726	551,555,262
United Kingdom	82,730,625	Nil
	857,207,351	**551,555,262**

Segment Assets by Geographical Area In Rupees

	2008	2007
India	2,907,745,938	2,029,761,294
United Kingdom	24,453,125	Nil
	2,932,199,063	**2,029,761,294**

15. **Related party disclosures:**

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

i) **Subsidiary Company**

VTR Plc – UK

Prime Focus Technologies Pvt. Ltd.

Flow Post Solutions Pvt. Ltd.

Prime Focus Investments, U.K.

ii) **Key Management Personnel**

Mr. Naresh Malhotra - Chairman

Mr. Namit Malhotra - Managing Director

iii) **Relatives of Key Management Personnel**

Mrs. Neeta Malhotra

Ms. Neha Malhotra

Mr. Premnath Malhotra

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

Blooming Bud Coaching Private Limited

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

	2008	2007
Key Management Personnel		
Salary	6,000,000	4,800,000
Rent	-	120,000
	6,000,000	**4,920,000**
Relatives of Key Management Personnel		
Remuneration	840,000	832,500
Rent	-	60,000
	840,000	**892,500**

In Rupees

	2008	2007
Subsidiaries		
Sales		
1. VTR Plc	82,730,625	-
Investment in Equity Shares		
(including shares received for consideration other than cash)	99,006,162	405,577,763
Share Application		
1. VTR Plc	78,336,060	-
2. Prime Focus Investment Limited	1,690,349,845	-
Loans and Advances - Given		
1. VTR Plc	743,726,603	15,432,136
Loans and Advances - Repaid		
1. VTR Plc	(505,418,674)	-
Balance Outstanding at the year end		
1. VTR Plc	356,529,250	15,432,136
2. Prime Focus Investment Limited	1,690,349,845	-
Enterprises owned or significantly influenced by Key Management Personnel or their relatives		
Rent		
1. Blooming Bud Coaching Private Limited	19,050,000	10,150,000

16. **Leases**

Office premise is obtained on operating lease. The lease term is for 60 months and further renewable at the option of the Company. There are no restrictions imposed by lease arrangements. There are no sub-leases.

In Rupees

	2008	2007
Total Lease payments at the year end	19,050,000	11,600,000
Lease payments due within one year	24,000,000	17,400,000
Lease payments due later than one but not later than five years	60,000,000	58,000,000

17. **Earnings Per Share (EPS)**

In Rupees

	2008	2007
Net Profit as per profit and loss account including exceptional items for calculation of basic and diluted EPS	266,448,922	200,780,913
Weighted average number of equity shares in calculating basic EPS	12,722,588	12,190,410
Weighted average number of equity shares in calculating diluted EPS	13,218,047	12,190,410
Basic EPS	20.94	16.47
Diluted EPS	20.16	16.47

18. The Company during the year gave a loan of Rs. 243,702,761 (equivalent US$ 6 millions) to its subsidiary VTR Plc, UK, bearing interest at the rate of 6% p.a. The Loan was outstanding at the balance sheet date. The above loan was repaid on August 19, 2008.

19. a. Contingent Liabilities In Rupees

		2008	2007
i.	Estimated amount of contracts remaining to be executed on capital account and not provided for:	Nil	Nil
ii.	Claims against the Company not acknowledged as debts:	Nil	Nil
iii.	On account of undertakings given by the Company in favour of Customs authorities	596,854,904	391,214,628
iv.	On account of Corporate guarantee	Nil	5,611,000
v.	On account of undertaking given on behalf of Subsidiary Company	Nil	45,266,248
vi.	On account of Unexpired Letters of Credit	109,447,659	59,797,940
vii.	Matters pending with Tax Authorities	581,804	581,804
viii.	Matters pending with Customs Authorities	2,117,500	Nil

b. The Company was subject to a search operation conducted by the Income-tax authorities on 25th June, 2003. Pursuant to the said search and subsequent assessments under Section 153 of the Income-Tax Act, 1961, the Income tax authorities raised demands under the Income - Tax Act, 1961, aggregating to Rs. 37,560,468/- pertaining to the Assessment Years 2001-2002 to 2004 – 2005. The Income Tax Appellate Tribunal, decided the matter in favour of the Company, and awarded substantial relief. The Income Tax Department may move the Honourable High Court against the orders of the Tribunal. Based on the favorable decisions in similar cases, opinion taken by the Company, discussions with legal experts etc., the Company believes that there is a good chance of decision going in its favour in respect of the above demands and hence no provision is considered necessary against the same.

The Company had paid an amount of Rs. 13,772,686/- under protest as on date against the said demand.

20. Managerial remuneration under Section 198 of the Companies Act, 1956 for the Chairman / Managing Director was Rs. 6,000,000 (previous year Rs. 4,800,000).

Directors' Remuneration In Rupees

	31st March 2008	31st March 2007
Salaries	6,000,000	4,800,000
Perquisites	Nil	Nil
Contribution to Provident Fund	Nil	Nil
TOTAL	**6,000,000**	**4,800,000**

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

	31st March 2008	31st March 2007
Profit as per Profit and Loss Account	250,545,680	200,780,913
Add:		
Directors' Remuneration	6,000,000	4,800,000
(Loss)/Profit on sale of Fixed Assets as per Section 349 of the Companies Act, 1956	(294,807)	25,193,271
Provision for doubtful debts and advances	Nil	Nil
Less:		
Profit on sale of Fixed Assets (net) as per Profit and Loss Account	Nil	Nil
Net Profit as per Section 349 of the Companies Act, 1956	256,840,487	180,387,642
Commission to Managing and Whole time Directors at 10% of the net profits as calculated above	25,684,048	18,038,764
Remuneration Paid to Directors	6,000,000	4,800,000

21. **Derivative Instruments and Un -hedged Foreign Currency Exposure**

	Value	Purpose
Particulars of Derivatives		
Currency Swap		
INR – US$	Rs. 10,616,800 (US$ 230,000)	Hedge against exposure to foreign
US$ – JPY	US$ 2,425,000 (JPY 303,125,000)	currency fluctuations.

Particulars of Un-hedged Foreign Currency Exposure as at the Balance Sheet Date

Buyer's Credit	Rs. 429,640,970 (US$ 1,0,716,700 @ Closing Rate of 1 US$ = Rs.40.10)	For import of equipments
	Rs. 127,860,176 (EUR 2,018,212 @ Closing Rate of 1 EUR = Rs.63.53)	For import of equipments
Zero Coupon Foreign Currency Convertible Bonds	US$ 55,000,000	For strategic acquisitions and / or strategic alliances outside of India
Sundry Debtors	GBP 307,250	Amount receivable for services rendered
Loans and Advances	US$ 8,600,000	Advances given to Overseas Subsidiary and others
Provision for Undertaking	GBP 260,195	Undertaking given by the Company

23. **Earnings in Foreign Currency – On receipt basis** **In Rupees**

	2008	2007
Technical Service receipts	62,076,910	8,858,130

24. **Expenditure in Foreign Currency – On payment basis** **In Rupees**

	2008	2007
a. Professional Fees	6,459,785	2,950,463
b. Payment on other accounts	5,787,113	3,676,463
	12,246,898	**6,626,926**

25. **C I F Value of imports** **In Rupees**

	2008	2007
Capital Goods	224,949,730	191,194,494

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

As per our report of even date
for ***V. Shivkumar & Associates***
Chartered Accountants

V. Shivkumar
(Proprietor)
Membership No. 042673

Place : Mumbai
Date : December 06, 2008

For and on behalf of the Board of Directors

Naresh Malhotra (Chairman)

Namit Malhotra (Managing Director)

Parina Shah (Company Secretary)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1.	**Registration Details**		
	Registration Details	:	11-108981
	State Code	:	11
	Balance Sheet Date	:	31st March 2008
2.	**Capital Raised during the year (Rs. in lacs)**		
	Public Issue	:	Nil
	Rights Issue	:	Nil
	Bonus Issue	:	Nil
	Private Placement	:	Nil
3.	**Position of Mobilisation and Deployment of Funds (Rs. in lacs)**		
	Total Liabilities	:	52,740.33
	Total Assets	:	52,740.33
	Sources Of funds		
	Paid up Capital	:	1,272.26
	Secured Loans	:	11,462.63
	Reserves and Surplus	:	17,302.20
	Unsecured Loans	:	21,626.97
	Deferred Tax Liability	:	1,066.27
	Application of Funds		
	Net Fixed Assets	:	18,021.24
	Investments	:	5,515.73
	Net Current Assets	:	29,203.36
	Miscellaneous Expenditure	:	Nil
	Accumulated Losses	:	Nil
4.	**Performance of the Company (Rs. in lacs)**		
	Turnover	:	9,327.82
	Total Expenditure	:	6,509.75
	Profit Before Tax	:	2,818.07
	Profit After Tax	:	2,664.49
	Earning Per Share (Annualised)	:	Rs.20.94
	Dividend Rate	:	Nil
5.	**Generic Names of Principal Products of the Company**		
	Item Code No.	:	N. A.
	Product / Description		DIGITAL & POST PRODUCTION SERVICES

For and on behalf of the Board of Directors

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

Place : Mumbai

Date : December 06, 2008

Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Company's Interest in Subsidiary Companies for the Year 2007-08

S.No.	Name of the Subsidiary Company	VTR Plc	Prime Focus Investments Ltd.	Prime Focus Technologies Private Limited	Flow Post Solutions Private Limited
1.	The Financial year / period of the Subsidiary Company ended on	31st March, 2008	31st March, 2008	31st March, 2008	31st March, 2008
2.	Date from which they became Subsidiary Company	1st May, 2006	19th December, 2007	8th March,2008	28th February, 2008
3.	a. Number of Shares held by the Company with its nominees in the Subsidiary at the end of the financial year of the Subsidiary Company.	17,041,751	1	5,100	5,100
	b. Extent of Interest in the Subsidiary Company	56.61%	100%	51%	51%
4.	The Net aggregate amount of the Subsidiary Company's Profit / (Loss) so far as it concerns the members of the Company				
	a. Not dealt in the Company's accounts				
	i) for the financial year ended 31st March, 2008	29,010,499	(79,590)	(7,761)	(7,761)
	ii) for the previous financial years of the Subsidiary Company since it became the Company's subsidiary.	12,924,203	-	-	-
	b. Dealt with in the Company's accounts				
	i) for the financial year ended 31st March, 2008	-	-	-	-
	ii) for the previous financial years of the Subsidiary Company since it became the Company's Subsidiary.	-	-	-	-

Statement pursuant to exemption received under Section 212(8) of the Companies Act, 1956 relating to subsidiary companies for the year ended March 31, 2008

Sr. No.	Name of the Subsidiary Company	Country of Registration	Capital *	Reserves	Total Assets	Total Liabilities	Investment Other than Investment in Subsidiary	Turnover	Profit Before Taxation	Provison for Taxation	Profit After Taxation	Proposed Dividend
1.	VTR Plc., UK	Great Britain	119,807,941	743,641,034	1,778,515,863	915,066,888	33,776,006	1,465,563,494	38,058,605	(13,191,854)	51,250,460	-
2.	Prime Focus Investments Ltd	Great Britain	1,690,349,846	(79,590)	1,690,349,846	79,590	-	-	(79,590)	-	(79,590)	-
3.	Prime Focus Technologies Private Limited	India	100,000	(15,218)	100,000	15,218	-	-	(15,218)	-	(15,218)	-
4.	Flow Post Solutions Private Limited	India	100,000	(15,218)	90,400	5,618	-	-	(15,218)	-	(15,218)	-

* Including Share Application Money

Exchange rate as on 31st March, 2008, 1 GBP = Rs. 79.59

AUDITOR'S REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS

THE BOARD OF DIRECTORS
PRIME FOCUS LIMITED

We have audited the attached consolidated balance sheet of **Prime Focus Limited Group**, as at **31st March 2008**, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Prime Focus Limited management and have been prepared by the management on the basis of separate financial statements and other financial information regarding compo-nents. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs.3,468,865,709 as at 31st March 2008 the total revenue of Rs.1,465,563,494 and cash flows amounting to Rs. (39,079,327) for the year then ended. These financial statements and other financial information have been audited by other auditors whose report(s) have been furnished to us, and our opinion is based solely on the report of other auditors.

We report that the consolidated financial statements have been prepared by the Prime Focus Limited's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements and Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements notified by Companies (Accounting Standards) Rules, 2006.

Attention is invited to Note no. 9 of schedule "18" regarding accounting for foreign currency exchange differences on amounts borrowed for acquisition of fixed assets.

Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, and to the best of our information and according to the explanations given to us, subject to our comment given above, we are of the opinion that the attached consolidated financial statements give a true and fair view in con-formity 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 31st March, 2008;

(b) in the case of the Consolidated Profit and Loss Account, of the Profit of the Group for the year ended on that date; and

(c) in the case of the Consolidated Cash Flow Statement, of the Cash Flows of the Group for the year ended on that date.

FOR V. SHIVKUMAR & ASSOCIATES
Chartered Accountants

V. SHIVKUMAR
(Proprietor)
(Membership No. 42673)

Place : Mumbai
Date : December 06, 2008

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2008

IN RUPEES

PARTICULARS	SCH NO.	31.03.2008	31.03.2007
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	127,225,880	127,225,880
Shares pending allotment (Refer Note 4 (b) to schedule 18)		1,000,000	-
Reserves and Surplus	2	1,758,757,114	1,784,966,678
		1,886,982,994	**1,912,192,558**
LOAN FUNDS			
Secured Loans	3	1,339,654,694	933,249,675
Unsecured Loans	4	2,162,696,800	-
		3,502,351,494	**933,249,675**
Minority Interest		**374,377,575**	**378,835,313**
DEFERRED TAX LIABILITY (NET)	5	**105,023,264**	**117,191,813**
TOTAL		**5,868,735,327**	**3,341,469,359**
APPLICATION OF FUNDS			
FIXED ASSETS	6		
Gross Block		4,761,769,751	3,945,733,200
Less: Accumulated Depreciation / Amortisation		2,346,604,413	2,203,836,880
Net Block		**2,415,165,338**	**1,741,896,320**
Add : Capital Work in Progress *(including Capital Advances)*		550,443,406	292,236,862
		2,965,608,744	**2,034,133,182**
INVESTMENTS	7	**69,845,127**	**151,555,215**
CURRENT ASSETS, LOANS & ADVANCES			
Inventories		2,414,845	2,270,516
Sundry Debtors *(Including Service Tax)*	8	893,724,403	932,312,073
Cash and Bank Balances	9	408,160,147	337,510,549
Loans and Advances	10	2,190,909,810	440,888,077
		3,495,209,205	**1,712,981,215**
Less : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	11	639,109,975	644,213,991
Provisions	12	22,817,774	-
		661,927,749	**644,213,991**
NET CURRENT ASSETS		**2,833,281,456**	**1,068,767,224**
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	13	-	87,013,738
TOTAL		**5,868,735,327**	**3,341,469,359**
NOTES TO ACCOUNTS	18		

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

As per our report of even date

For V. Shivkumar & Associates
Chartered Accountants

V. Shivkumar
(Proprietor)
Membership No. 042673

Place : Mumbai
Date : December 06, 2008

For and on behalf of the Board of Directors

Naresh Malhotra (Chairman)

Namit Malhotra (Managing Director)

Parina Shah (Company Secretary)

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

IN RUPEES

PARTICULARS	SCH NO.	31.03.2008	31.03.2007
INCOME			
Income from Operations		2,221,329,972	1,955,384,607
Other Income	14	94,285,195	81,328,011
		2,315,615,167	**2,036,712,618**
EXPENDITURE			
Operating & Other Expenses	15	1,538,985,194	1,393,671,303
Exceptional Items - Miscellaneous Expenditure Written Off	16	57,926,849	25,383,457
Financial Expenses	17	109,735,176	67,109,999
Depreciation / Amortisation (Refer Note 3(a) to Schedule 18)		289,212,395	232,493,763
		1,995,859,614	**1,718,658,522**
PROFIT BEFORE TAX		**319,755,553**	**318,054,096**
ADJUSTMENT PURSUANT TO THE SCHEME OF ARRANGEMENT (Refer Note 5 to Schedule 18)			
Adjustment to carrying value of assets		250,000,000	-
Withdrawn from Business Restructuring Reserve		(250,000,000)	-
		-	-
PROFIT BEFORE TAX		**319,755,553**	**318,054,096**
PROVISION FOR TAX			
Current Tax		619,902	68,867,437
Less : MAT Credit Entitlement		(3,603,730)	-
		(2,983,828)	**68,867,437**
Deferred Tax		3,184,506	22,643,692
Fringe Benefit Tax		1,965,517	1,376,764
Total Tax Expense		**2,166,195**	**92,887,893**
PROFIT AFTER TAX		**317,589,358**	**225,166,203**
MINORITY INTEREST		22,225,047	11,461,086
Balance brought forward from previous year		519,293,864	305,588,747
Add : Cost of Equity in respect of above		32,387,758	-
Add : Adjustments for Effect of Overseas Subsidiary Transition to IFRS		(44,447,690)	-
Less : Minority Interest in respect of above		(19,287,937)	-
Less : Cost of Equity in respect of above		21,395,187	-
Add : Deferred Tax Credited on Share Issue Expense (Refer Note 3 (b) to Schedule 18)		14,869,524	-
		519,996,206	**305,588,747**
PROFIT AVAILABLE FOR APPROPRIATION		**815,360,516**	**519,293,864**
Appropriations			
Interim Dividend		19,083,882	-
Dividend Distribution Tax		3,243,306	-
Transfer to General Reserve		13,400,000	-
Surplus Carried to Balance Sheet		**779,633,328**	**519,293,864**
Earnings per Share			
Basic - Nominal Value of Shares Rs.10/-		23.22	17.53
Diluted - Nominal Value of Shares Rs.10/-		22.35	17.53
NOTES TO ACCOUNTS	18		

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

As per our report of even date

For V. Shivkumar & Associates
Chartered Accountants

V. Shivkumar
(Proprietor)
Membership No. 042673

For and on behalf of the Board of Directors

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

Place : Mumbai
Date : December 06, 2008

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

IN RUPEES

PARTICULARS	31.03.2008	31.03.2007
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation and extraordinary items	319,755,550	318,054,096
Adjustments for:		
Depreciation	289,212,396	232,493,763
(Profit)/ Loss on Sale of Fixed Assets	(8,737,035)	(25,193,271)
(Profit)/ Loss on Sale of Investments	452,540	(2,208,097)
Foreign exchange (Gain)/Loss (net)	(8,634,989)	(4,056,830)
Interest Income	(29,912,774)	(42,402,318)
Dividend Income	(2,017,860)	(1,406,636)
Interest Expense	103,360,360	63,338,957
Bad debts written off	-	12,781,266
Undertaking Fees	(18,538,748)	-
Miscellaneous Expenditure Written Off	9,243,597	(77,719,161)
Operating profit before working capital changes	**654,183,037**	**473,681,769**
Movements in working capital :		
Decrease / (Increase) in Sundry Debtors	(186,759,856)	(384,958,488)
Decrease / (Increase) in Inventories	(298,728)	178,610
Decrease / (Increase) in Loans and Advances	(1,769,247,095)	(415,049,464)
Increase/(Decrease) in Current Liabilities	35,307,049	115,944,850
Cash generated from operations	**(1,266,815,593)**	**(210,202,723)**
Direct Taxes paid (Net of Refunds)	(77,928,403)	(6,242,278)
Net Cash from Operating Activities	**(1,344,743,996)**	**(216,445,001)**
B. CASH FLOW FROM INVESTING ACTIVITES		
Purchase of Fixed Assets	(1,144,153,751)	(725,673,624)
Proceeds from Sale of Fixed Assets	31,071,404	45,622,018
Purchase of Investments	(83,000,000)	(577,789,305)
Purchase of Investment in Subsidiaries	(59,660,763)	-
Sale of Investments	193,005,204	2,208,096
Interest received	26,149,160	42,402,318
Dividends received	2,017,860	1,406,636
Net Cash from Investing Activities	**(1,034,570,886)**	**(1,211,823,861)**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

IN RUPEES

PARTICULARS	31.03.2008	31.03.2007
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	132,434,000	92,959,043
Repayment of Long Term Borrowings	(55,783,582)	-
Proceeds from Short Term Borrowings	935,359,652	-
Repayments of Short Term Borrowings	(483,339,134)	-
Loans Borrowed (net)	(102,499,512)	-
Proceeds from Issuance of FCCB	2,162,696,800	-
Proceeds from Issuance of Shares to Minorities	39,072,000	975,428,737
Interest Paid	(103,360,360)	(63,338,957)
Dividend Paid	(19,083,882)	-
Tax on Dividend Paid	(3,243,306)	-
Foreign Exchange Gain/(Loss) (net)	8,634,989	4,056,830
Expenses on Issuance of Securities	(58,240,318)	-
Foreign currency translation reserve	(2,135,920)	-
Net cash used in Financing Activities	**2,450,511,427**	**1,009,105,653**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**71,196,545**	**(419,163,209)**
Cash and Cash equivalents at the beginning of the year	337,592,560	756,755,769
Translation adjustment on Opening Cash and Cash equivalents	818,638	-
Cash and Cash equivalents acquired on Merger	189,680	-
Cash and Cash equivalents at the end of the year	408,160,147	337,592,560
	71,196,545	(419,163,209)

As per our report of even date
For V. Shivkumar & Associates
Chartered Accountants

V. Shivkumar
(Proprietor)
Membership No. 042673

Place : Mumbai
Date : December 06, 2008

For and on behalf of the Board of Directors

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

CONSOLIDATED SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

IN RUPEES

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 1		
SHARE CAPITAL		
Authorised:		
15,000,000 Shares of Rs.10 each (15,000,000 Shares of Rs. 10 each)	150,000,000	150,000,000
Issued, Subscribed and Paid-Up:		
12,722,588 (Previous Year 12,722,588) Shares of Rs.10 each	127,225,880	127,225,880
Of the above:		
i. 3,500,000 (Previous Year 3,500,000) Equity Shares of Rs.10 each were allotted as fully paid up pursuant to scheme of arrangement for consideration other than cash		
ii. 4,000,000 (Previous Year 4,000,000) Equity Shares of Rs.10 each were alloted as fully paid up bonus shares by capitalisation of Reserves		
	127,225,880	**127,225,880**
SCHEDULE 2		
RESERVES AND SURPLUS		
Securities Premium at the beginning of the Year	1,265,672,814	291,772,800
Add : Receipts on issue of Nil (Previous Year: 2,398,088) equity share from	-	-
Initial Public Offer (IPO)	-	973,900,014
Add : Consolidation Adjustments	2,121,802	-
Less : Issue Expenses Pertaining to IPO (Refer Note 3 (b) to Schedule 18)	65,620,141	-
Less : FCCB Issue Expenses	58,240,318	-
Less : Drawal as per proposed Scheme of Arrangement (Refer Note 5 to Schedule 18)	179,074,980	-
Securities Premium at the end of the Year	**964,859,177**	**1,265,672,814**
General Reserve at the beginning of the Year	-	-
Add : Transferred during the Year	13,400,000	-
General Reserve at the end of the Year	**13,400,000**	-
Business Restructuring Reserve at the beginning of the Year	-	-
Add : Transfer pursuant to Arrangement (Refer Note 4 (e) to Schedule 18)	70,925,020	-
Add : Transfer from Share Premium pursuant to Scheme of Arrangement	179,074,980	-
Less : Drawal as per proposed Scheme of Arrangement	250,000,000	-
Business Restructuring Reserve at the end of the Year	-	-
Capital Reserve	-	-
Capital Redemption Reserve at the beginning of the Year	1,529,604	-
Add : Consolidation Adjustments	(1,529,604)	
Capital redemption reserve at the end of the Year	-	-
Fair Value Reserve	-	-
Foreign Currency Translation Reserve	864,610	-
Profit and Loss Account	779,633,328	519,293,864
	1,758,757,114	**1,784,966,678**

CONSOLIDATED SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

IN RUPEES

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 3 **SECURED LOANS**		
Loans from Banks (Refer Note 6 to Schedule 18)		
Term Loans	129,908,957	52,022,025
(Amount repayable within one year 12,688,282 (Previous Year 4,467,830))		
Buyers Credit	557,501,144	404,901,740
(Amount repayable within one year 274,845,275 (Previous Year 103,042,096))		
Cash Credit/Over Draft	66,967,437	365,694,447
Short Term Demand Loan	380,000,000	20,000,000
Loans from Others		
Bank Loans	101,530,758	-
(Amount repayable within one year 140,331,997 (Previous Year 63,110,673))		
Hire Purchase Obligations	91,861,045	77,509,595
Vehicle Finance	11,885,353	13,121,868
(Amount repayable within one year 3,884,695 (Previous Year 6,678,283))		
	1,339,654,694	**933,249,675**

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 4 **UNSECURED LOANS**		
Zero Coupon Foreign Currency Convertible Bonds (Refer Note 7 to Schedule 18)	2,162,696,800	-
550 (Previous Year: Nil) Bonds @ US$ 100,000 each total US$ 55,000,000 (Previous Year: Nil)		
	2,162,696,800	**-**

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 5 **DEFERRED TAX**		
DEFERRED TAX LIABILITY		
Difference in depreciation and other differences in block of assets as per tax books and financial books	147,306,514	113,772,553
Effect of Expenditure debited to Profit and Loss Account in the Current Year but allowed for tax purposes in following years	(9,087,778)	3,419,260
Gross Deferred Tax Liability	**138,218,736**	**117,191,813**
DEFERRED TAX ASSET		
Unabsorbed Depreciation recognised in current year	18,075,973	-
Differences due to accelerated amortisation of intangibles under Income Tax Act	249,975	-
Effect of Share Issue Expenses adjusted against Securities Premium	14,869,524	-
Gross Deferred Tax Asset	**33,195,472**	**-**
Net Deferred Tax Liability	**105,023,264**	**117,191,813**

CONSOLIDATED SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

SCHEDULE 6
FIXED ASSETS

IN RUPEES

	Description of Asset	Gross Block					Depreciation						Net Block	
		As on 01.04.2007	Consolidation Adjustments	Additions	Deductions	As on 31.03.2008	As on 01.04.2007	Consolidation Adjustments	Adjustments (Note)	Deductions	For the Year	As on 31.03.2008	As on 31.03.2008	As on 31.03.2007
(A)	TANGIBLE ASSETS													
	Office Premises	443,995,931	(24,981,487)	176,998	-	419,191,442	199,014,762	(13,002,781)	(4,314,650)	-	19,338,895	201,036,225	218,155,217	244,981,169
	Plant & Machinery	2,920,641,437	(142,081,124)	715,296,570	21,224,838	3,472,632,045	1,760,387,668	(103,739,175)	37,674,717	12,518,789	206,715,042	1,888,519,463	1,584,112,582	1,160,253,769
	Furniture & Fixtures	405,106,754	(24,538,384)	56,511,817	727,030	436,353,157	227,783,142	(14,914,253)	(1,782,171)	166,792	31,260,941	242,180,867	194,172,290	177,323,612
	Office Equipments	7,454,888	-	5,448,111	-	12,902,999	1,958,948	-	677,618	-	1,333,473	3,970,039	8,932,960	5,495,940
	Vehicles	27,168,375	(226,608)	16,203,080	15,015,093	28,129,754	10,488,045	(45,459)	(6,174,260)	2,057,614	2,992,433	5,203,146	22,926,609	16,680,330
	Total (A)	3,804,367,385	(191,827,603)	793,636,576	36,966,961	4,369,209,397	2,199,632,565	(131,701,668)	26,081,254	14,743,195	261,640,784	2,340,909,740	2,028,299,658	1,604,734,820
(B)	INTANGIBLE ASSETS													
	Goodwill	124,314,775	(7,907,192)	147,907,907	5,696,654	258,618,836	4,204,315	-	-	-	1,115,685	5,320,000	253,298,836	120,110,460
	Goodwill on Consolidation	-	-	53,819,611	-	53,819,611	-	-	-	-	-	-	53,819,611	-
	Rights	17,051,040	(1,133,040)	48,653,906	-	64,571,906	-	-	-	-	-	-	64,571,906	17,051,040
	Software	-	-	15,550,000	-	15,550,000	-	-	-	-	374,673	374,673	15,175,327	-
	Total (B)	141,365,815	(9,040,232)	265,931,424	5,696,654	392,560,353	4,204,315	-	-	-	1,490,358	5,694,673	386,865,680	137,161,500
	Total	3,945,733,200	(200,867,835)	1,059,568,000	42,663,614	4,761,769,751	2,203,836,880	(131,701,668)	26,081,254	14,743,195	263,131,142	2,346,604,413	2,415,165,338	1,741,896,320
	Previous Year	3,361,399,310	-	612,032,909	27,699,019	3,945,733,200	1,980,838,295	-	-	9,495,177	232,493,762	2,203,836,880	1,741,896,320	

Note:- Represents additional depreciation consequent to change in the method (Refer Note 3(a) to Schedule 18)

CONSOLIDATED SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

IN RUPEES

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 7		
INVESTMENTS		
Long Term Investments (At Cost)		
Trade		
In Subsidiary Companies		
Quoted, fully paid up		
Music Copy Right Soulutions PLC	33,776,006	5,028,352
1,750,000 (Previous Year: 1,750,000) Ordinary Shares of £1 each		
(Market Value GBP 424,375 (Previous Year: GBP 446,480)		
INR: 33,776,006 (Previous Year: INR: 38,064,742)		
Other than trade		
Unquoted - fully paid up		
The Shamrao Vithal Co-operative Bank Limited	100,000	100,000
4,000 (Previous Year : 4,000) shares of Rs 25 each		
Current Investments (at lower of cost and market value)		
Other than Trade Quoted		
Cinemax India Limited	969,121	1,426,863
9,170 (Previous Year : 9,170) equity shares of Rs.10 each		
(Market Value Rs. 969,121 (Previous Year: Rs. 1,426,863))		
Other than Trade Unquoted units of Mutual Fund		
HSBC Cash Fund - Institutional Plus	-	75,000,000
Nil (Previous Year : 7,500,838) Units of Rs. 10 Each		
ICICI Prudential FMP Series 34 - Fifteen Months Plan	30,000,000	30,000,000
30,00,000 (Previous Year : 3,000,000) Units of Rs. 10 Each		
Birla Fixed Term Plan	-	20,000,000
Nil (Previous Year : 3,000,000) Units of Rs. 10 each		
Kotak FMP 3M Series 13 - Dividend	-	20,000,000
Nil (Previous Year : 2,000,00) Units of Rs. 10 Each		
Other Investments		
DSP Merrill Lynch - Principal Protected Debenture	5,000,000	-
5 (Previous Year : Nil) Units of Rs. 1,000,000 Each		
	69,845,127	**151,555,215**
Aggregate amount of Quoted Investments	34,745,127	6,455,215
Market Value Rs. 33,776,006 (Previous Year: Rs. 39,491,605)		
Aggregate amount of Unquoted Investments	35,100,000	145,100,000

CONSOLIDATED SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

IN RUPEES

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 8		
SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Secured, Considered good	9,550,800	-
Unsecured, Considered good	206,709,424	218,385,836
Considered Doubtful	11,787,677	-
	228,047,901	218,385,836
Other debts		
Unsecured, Considered good	677,464,179	713,926,237
	905,512,080	932,312,073
Less: Provision for Doubtful Debts	11,787,677	-
	893,724,403	**932,312,073**

Included in Sundry Debtors :

Service Tax amount of Rs. 59,508,824 (Previous Year: Rs. 39,489,820), which is payable upon collection.

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 9		
CASH AND BANK BALANCES		
Cash on hand	2,264,374	2,763,464
Balances with Scheduled Banks		
In Current Accounts	237,162,444	33,173,186
In Fixed Deposit Accounts (Refer Note below)	168,733,329	301,573,899
	408,160,147	**337,510,549**

Note :

i. As charge for overdraft facility - Nil (Previous Year: Rs. 154,832,644)

ii As margin for Letter of Credit / Buyers Credit - Rs. 13,980,1130) (Previous Year: Rs. 125,162,826)

iii. As 100% margin against Bank Guarantee availed Rs. 28,932,199 (Previous Year: Rs. 21,660,437)

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 10		
LOANS AND ADVANCES		
Unsecured-considered good		
Advances recoverable in cash or in kind or for value to be received	1,976,460,638	376,804,934
Deposits	39,855,858	48,475,671
Inter Company Depostis	80,964,384	-
MAT Credit Entitlement	3,603,730	-
Advance Payment of Taxes	90,025,200	15,607,472
(Net of Provision for Tax - Rs.14,84,46,494 (Previous Year: Rs. 14,48,42,764)		
	2,190,909,810	**440,888,077**

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 11		
CURRENT LIABILITIES		
Sundry Creditors		
Total Outstanding dues to Micro and Small Enterprises (Refer Note 8 to Schedule 18)	-	-
Dues of creditors other than Micro and Small Enterprises	346,374,794	270,881,686
Other liabilities	276,845,924	373,298,704
Advances from customers	15,889,257	33,601
	639,109,975	**644,213,991**

CONSOLIDATED SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

IN RUPEES

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 12		
PROVISIONS		
Provision for Tax	2,109,125	-
Provision for Undertaking Fees		
Beginning of the Year	-	-
Add : Provision for the year	20,708,649	-
	22,817,774	**-**
SCHEDULE 13		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary expenses		
As per last balance sheet	87,013,738	9,294,577
Add: incurred during the year	-	85,312,287
	87,013,738	**94,606,864**
Less: Share issue expenses adjusted against Securities Premium	65,620,141	-
Less: Other Adjustments	12,150,000	-
Less: Amortised / Written off during the year	9,243,597	7,593,126
	-	**87,013,738**

CONSOLIDATED SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

IN RUPEES

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 14		
OTHER INCOME		
Dividend		
Long Term Investments - Non Trade	14,318	20,500
Current Investments	2,003,542	1,386,136
Interest Income		
Bank Deposits (TDS : Rs.1,950,455.42, Previous Year : Rs. 2,845,760.51)	22,194,527	31,547,961
Others (TDS : Rs. Nil, Previous Year : Rs. Nil)	7,718,247	10,854,358
Profit / (Loss) on Sale of Investment	-	2,208,097
Profit on Sale of Assets (Net)	8,737,035	25,193,270
Exchange Gain (Net)	8,634,989	4,056,830
Insurance Claim Received	6,307,571	-
Rent Income	3,385,364	-
Undertaking Fee	18,538,748	-
Miscellaneous Income	16,750,854	6,060,859
	94,285,195	**81,328,011**
SCHEDULE 15		
OPERATING AND OTHER EXPENSES		
Personnel Expenses		
Salaries, Staff Remuneration and Bonus	768,638,660	771,208,289
Contribution to Provident and Other Fund	59,090,379	-
Staff Welfare	7,081,923	48,378,960
Editors' Charges & Commissions	150,627,295	69,838,954
Technical Services Payments	157,096,592	14,111,476
Communication Expenses	14,275,602	5,831,430
Consumables and Consumable Stores	19,965,983	149,316,747
Electricity Expenses	49,215,146	47,520,697
Insurance	17,291,766	16,977,238
Legal and Professional Fees	8,634,212	21,817,035
Rebates and Discount	10,124,294	10,682,680
Rent	169,959,868	145,533,098
Travelling and Conveyance	31,149,392	16,232,077
Miscellaneous Expenses	49,371,866	25,809,748
Repairs & Maintenance		
Repairs and Maintenance-Equipment	11,741,469	4,149,808
Repairs and Maintenance-Studio/Office premises	3,960,889	18,901,329
Bad Debts Written Off		
Bad Debts Written Off	3,105,034	12,781,266
Less Drawal from Security Premium Reserve	-	-
Auditor's Remuneration		
Audit fees	5,401,324	67,344
Other matters	2,253,500	6,920,001
Miscellaneous Expenditure Written Off	-	7,593,126
	1,538,985,194	**1,393,671,303**

CONSOLIDATED SCHEDULES TO PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2008

IN RUPEES

PARTICULARS	31.03.2008	31.03.2007
SCHEDULE 16 **EXCEPTIONAL ITEM**		
Damages for Loss of Employment	35,441,993	-
Legal Fees	13,241,259	-
Written off during the year	9,243,597	25,383,457
	57,926,849	25,383,457
SCHEDULE 17 **FINANCIAL EXPENSES**		
On bank overdraft	35,525,679	44,425,270
On term loan	54,548,950	18,176,494
On others	6,425,947	737,193
Bank charges	13,234,600	3,771,042
	109,735,176	67,109,999

1. **Nature of Operations**

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

2. **Significant Accounting Policies**

a. **Basis of Preparation**

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

b. **Principles of Consolidation**

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

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

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

ii. The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent for its separate financial statements.

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

a. Fixed Assets

b. Depreciation

c. Foreign Currency Translation

iv. Goodwill arising on consolidation

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

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

Name of Subsidiary	Principal Activity	Country of Incorporation	Percentage of Holding
VTR Plc, UK	Post Production and VFX services	Great Britain	56.61%
Prime Focus Investments Ltd.	Media and other Investments	Great Britain	100%
Prime Focus Technologies Pvt. Ltd.	Digital Asset Management	India	51%
Flow Post Solutions Pvt. Ltd.	Post Production services	India	51%
Subsidiary undertakings of VTR Plc., UK			
Clear (Post Production) Ltd.	Post Production of TV commercials (Dormant during year and hived across to Prime Focus London Limited)	Great Britain	100%
Prime Focus London Limited	Post Production of TV commercials	Great Britain	100%
Blue Post Production Limited	Broadcast Post Production	Great Britain	100%
The Machine Room Limited	Film Transfer, Video Mastering & DVD	Great Britain	100%
VTR Media Investments Limited	Media Investments	Great Britain	100%
The Hive Animation Limited	Post Production Service	Great Britain	100%
Clipstream Limited	Digital Content Management	Great Britain	100%
K Post Limited	Post Production of Television Commercials	Great Britain	100%
United Sound & Vision Limited	Post Production of Television Commercials	Great Britain	100%
Machine Effects Limited	*Graphics for Feature Films*	Great Britain	100%
Associates of VTR Plc., UK			
VTR North Limited	Post Production of Television Commercials	Great Britain	20%
Petrol Digital Media Limited	DVD Mastering & Authorising	Great Britain	49%

d. **Use of Estimates**

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

e. **Fixed Assets**

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

f. **Depreciation**

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

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

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

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

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

The fixed assets net block of VTR Plc., as at balance sheet date stood at rupee equivalent of Rs. 1,109,665,503. It was not practicable to quantify the effects of the variance in the policy adopted for depreciation by the subsidiary in the consolidated financial statements.

g. **Impairment of Assets**

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss Account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

h. **Investments**

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

i. **Intangible Assets**

Goodwill

Goodwill is amortized using the Straight Line Method over a period of five years. However, The Group assesses at each balance sheet date whether there is any indication that the asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset and the difference if any is charged to the Profit and Loss Account.

Film Rights

The Group amortises film costs using the individual-film-forecast method. Under the individual-film-forecast method, such costs are amortised for each film in the ratio that current period revenue for such films bears to management's estimate of remaining unrecognised ultimate revenue as at the beginning of the current fiscal year. Management regularly reviews and revises, where necessary, its total estimates on a film-by-film basis, which may result in a change in the rate of amortisation and/or a write down of the intangible asset to fair value. No amortization has been done in the current year as the rights are exercisable from 2008-09 onwards.

j. **Leases**

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

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

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account.

k. **Stocks**

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

l. ***Revenue Recognition***

Technical Services Receipts

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

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

Interest

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

Dividends

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

Fee for providing and undertaking

Fee is recognised on accrual basis and is recognized over the tenure of the undertaking given the revenue pertaining undertaking is disclosed as income in the Profit and Loss Account.

m. **Foreign Currency Transactions**

Initial Recognition

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

Conversion

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

Exchange Differences

Exchange differences arising on the settlement of monetary items or on restatement of the Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or expenses in the year in which they arise except in respect of liabilities for acquisition of fixed assets, where such exchange difference is adjusted in the carrying cost of the respective fixed asset as per the legal advice obtained by the Group.

However, in case of one of the subsidiary, VTR Plc, UK, all differences are charged to the Profit and Loss Account. This is in variance with the policy adopted by the Group.

n. **Income Taxes**

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the Group does not have a legal right to do so. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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

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

Minimum Alternative tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The 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 Group will pay normal Income Tax during the specified period.

o. **Retirement Benefits**

One of the subsidiaries, VTR Plc, UK, operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the subsidiary in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

p. **Segment Reporting**

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

q. **Earnings Per Share**

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

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

r. **Provisions & Contingent Liabilities**

The Group recognises a provision when there is a present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognised nor disclosed in the Financial Statements.

s. **Miscellaneous Expenditure**

Costs incurred in connection with raising capital and borrowings are adjusted against the Securities Premium Account.

t. **Cash and Cash Equivalents**

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

3. **Change in Accounting Policy**

(a) In the current year, the Company has changed (with retrospective effect) its method of providing Depreciation on fixed assets, other than those at project sites and leasehold land and buildings, from the Written Down Value ('WDV') method at the rates based on technical estimates of useful life, to the Straight Line Method ('SLM') at the rates prescribed in Schedule XIV to the Companies Act, 1956 or technical estimates of the useful life whichever is higher.

Had the Company continued to use the earlier basis of providing depreciation, the charge to the Profit and Loss Account for the current period would have been lower by Rs. 37,987,070 and the net block of fixed assets would correspondingly be higher by Rs. 37,987,070. The net charge of Rs. 26,081,254 arising out of retrospective re-computation has been recognized in the current year's Profit and Loss Account. The effect of deferred tax on the above Rs. 7,425,911 has been included in the deferred tax liability for the year.

(b) During the year, the Company changed its accounting policy on treatment of Miscellaneous Expenditure. The Company now adjusts the same against Securities Premium Account instead of charging the same to the Profit and Loss Account over a period of ten years. The Company has adjusted Rs. 65,620,141, being the amount of Share Issue Expenses against the Securities Premium.

Had the Company continued to use the earlier basis of amortization of Miscellaneous Expenditure, the charge to the Profit and Loss Account for the current period would have been higher by Rs. 7,291,127.

The Company has recognized Deferred Tax Credit of Rs. 14,869,524 on the above and adjusted the same to Profit and Loss Reserve.

(c) The consolidated financial information of VTR Plc., UK and it's subsidiary undertakings has been prepared under the historical cost convention with and in accordance with applicable International Financial Reporting Standards(IFRS) as adopted by the European Union and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are expected to be applicable for the year ending March 31, 2008. These are subject to ongoing review and endorsement by the European Commission, and possible amendment by the International Accounting Standards Board(IASB), and are therefore subject to possible change. Further standards or interpretations may also be issued that could be applicable for the year ending March 31, 2008 . These potential changes could result in the need to change the basis of accounting or presentation of certain financial information from that presented.

(d) **Effects of IFRS transition and principal adjustments in VTR Plc., UK**

IFRS 3: Goodwill

In accordance with UK GAAP, the Group previously made a change to its Profit and Loss Account to write off goodwill over its estimated useful economic life. This is not permitted or required by IFRS. Amortisaion of goodwill charged to the income statement in the year ended August 31, 2006 and period ended March 31, 2007 has therefore been reversed.

IAS 39: Fair Value

Under UK GAAP, long term investments were accounted for at cost. Under IAS 39, such investments are classified as "available-for-sale" and are recognised in the balance sheet at fair value with corresponding fair value movements recognized in the income statement.

IAS 19: Employee Benefits

Under UK GAAP, the Group did not take account of the short term compensated absence such as holiday pay accrued to employees. IAS 19 requires holiday pay to be accrued for when the corresponding services have been received from employees. This results in the recognition of a provision of GBP 200,000(INR 16,108,000) in the year ended 31st August 2006 and GBP 400,000(INR 32,216,000) in the year ended 31st March 2007.

4. The Company along with its subsidiary namely, Storemedia Technologies Pvt. Ltd (STPL) had completed the process of amalgamation of the Subsidiary into the Company with the approval of High Court of Judicature, Mumbai, within whose jurisdiction the Registered Office of these Companies is situated. The Company has filed the same with the Registrar of Companies (ROC) as required under section 391(3) of the Companies Act, 1956 (The Act). The appointed date under the scheme of amalgamation was January 1, 2008. The financial statement includes the effect given to the scheme of amalgamation post the approval of High Court as follows:

(a) All the assets and liabilities recorded in the books of the Transferor Company (the Subsidiary) amounting to Rs. 145,500,000 are transferred to and vested in the Transferee Company (the Company) pursuant to the Scheme have been recorded by the Transferee Company at their book values;

(b) 100,000 equity shares of Rs.10/- each at par of the Company aggregating to Rs 1,000,000 will be allotted to the shareholders of STPL in the ratio of 100 equity shares of the Company for every 45 Shares of STPL, pending which, this has been disclosed as Shares Pending Allotment.

(c) The investments in the subsidiary Company amounting to Rs. 73,675,000 appearing in the books of accounts of the Company, stands cancelled;

(d) The inter-Company balances amounting to Rs. 836,302 stands cancelled; and

(e) The difference between the amount of net assets taken over by the Company over the value of investments/ loan and advances in its books along with, any alignment of the value of assets of the Transferee Company, whether fixed or current, to fair value of such assets in accordance with prudent accounting principles, as considered necessary by the Board of Directors of the Company with effect from the appointed date amounting to Rs. 70,925,020 has been considered under Business Restructuring Reserve of the Company.

The above accounting treatment is as per the Scheme of Amalgamation approved by the Honourable High Court Judicature, Mumbai. However, this is in variance with the accounting treatment by pooling of interest method as prescribed by AS 14 'Accounting for Amalgamation – generally accepted accounting principles in India'. Had the Company followed the accounting treatment prescribed by AS 14, the above amount would have been considered under the Securities Premium Account instead of the Business Restructuring Reserve.

5. Pursuant to the Scheme of Amalgamation, the Company was entitled to draw an amount not exceeding Rs. 250,000,000 from the balance in the Securities Premium Account / other reserves appearing in the books of accounts of either of the subsidiary, the Company or both, and transfer the same to Business Restructuring Reserve mentioned above.

Consequently the Company has withdrawn an amount of Rs. 179,074,980 from the Share Premium Account and transferred the same to the Business Restructuring Reserve. Against the aforesaid available Business Restructuring Reserve totaling to Rs. 250,000,000, the Company has written off Sundry Debtors, Loans and Advances, Other Current Assets and Miscellaneous Expenditure amounting to Rs. 250,000,000 as provided in the Scheme of Amalgamation. The Company, therefore, has utilized the balance lying in the Business Restructuring Reserve and offset the same against difference in respect of the adjustments referred above in the Profit and Loss Account as envisaged under the Scheme. Had the Company followed the accounting treatment prescribed by AS 14 'Accounting for Amalgation – Generally Accepted Accounting Principles in India', the above amount would have been debited to the Profit and Loss account instead of the Business Restructuring Reserve. Consequently, the profit for year would have been lower by Rs. 250,000,000.

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

Nature	Security
Term Loan	i. First Charge against the Property Financed. ii. Subservient Charge on the movable Fixed Assets and Receivables of the Company. iii. Personal Guarantee of the Promoter Director.
Buyers Credit	i. Letter of Credit. ii. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future. iii. First Charge on the Fixed Assets of the Company, both present and future. iv. Personal Guarantees of the Promoter Director.
Cash Credit / Over Draft	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future. ii. First Charge on the Fixed Assets of the Company, both present and future. iii. Personal Guarantees of the Promoter Director.
Short Term Demand Loan	i. First Charge on Current Asset and Personal Guarantee of Director.ii. Post Dated Cheques of the Company.
Vehicle Loan	i. First Charge on the Vehicles Financed.
Bank Loans of subsidiary (VTR Plc., UK)	i. Secured by a fixed and floating charge over the Assets of the Subsidiary.

7. **Foreign Currency Convertible Bonds (FCCB)**

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

(b) As per the terms of the issue, the holders have an option to convert FCCB into Equity Shares at an initial conversion rate of Rs. 1,386.79 per equity share at a fixed exchange rate of Rs. 39.39 per US$ subject to certain adjustments as per the terms of the issue. Further, under certain conditions, the Company has the option to redeem the bonds on or after December 12, 2010. Unless previously converted or redeemed or purchased and cancelled, the Company will redeem these bonds, at 143.66% at the end of the five years from the date of issue i.e. on December 13, 2012.

As at March 31, 2008, no bonds have been converted into equity shares of Rs.10 each and the entire balance of 550 bonds have been included and disclosed in the Schedule of "Unsecured Loans".

(c) The FCCB's as detailed above are hybrid instruments with an option of conversion into specified number of shares and an underlying foreign currency liability with the redemption at a premium in the event of non conversion at the end of the period. A number of factors would influence the conversion decision including the quoted price of the Company's shares, rate of exchange, interest rates in the market, etc. The Company expects that the Bond holders would continue to opt for conversion rather than redemption and consequently no premium is expected to be payable and in that basis the same is not provided for. However, in the event of redemption, the premium payable would be adjusted against the balance in the Securities Premium Account.

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

8. The Group have not received any intimation from 'suppliers' regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year and together with interest paid / payable as required under this Act have not been given.

9. As per legal advice received, the Group has continued with its accounting policy to adjust foreign exchange fluctuation on loans/liabilities for fixed assets as per the requirement of Schedule VI of the Companies Act, 1956, which is at a variance to the treatment prescribed in Accounting Standard (AS-11) "Effect of Changes in Foreign Exchange Rates" notified in the Companies (Accounting Standard) Rules 2006 dated December 7, 2006.

The Company capitalized Mark to Market (MTM) losses aggregating to Rs. 45,167,462 relating to fixed assets purchased, which is not in compliance with Accounting Standard Rules, 2006. Had the Company written off those losses the Profit for the year and fixed assets as at March 31, 2008 would have been lower by Rs. 45,167,462..

10. During the year, the Company has acquired the Post Production Business of M/S. UTV Software Communications Ltd. for a total consideration of Rs. 120,000,000.

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

Geographical Segment

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

Income from Operations by Geographical Area

In Rupees

	2008	2007
India	774,476,726	551,555,262
United Kingdom	1,371,514,922	1,350,322,898
Europe	11,353,965	47,130,810
Rest of World	63,984,359	6,375,637
	2,221,329,972	**1,955,384,607**

Segment Assets by Geographical Area

In Rupees

	2008	2007
India	2,907,745,938	2,029,761,294
United Kingdom	856,019,819	730,760,042
Europe	295,120	4,463,646
Rest of World	7,429,090	8,629,546
	3,771,489,967	**2,773,614,528**

12. **Related party disclosures:**

a. **List of Parties:**

i) **Key Management Personnel**

Mr. Naresh Malhotra - Chairman

Mr. Namit Malhotra – Managing Director

ii) **Relatives of Key Management Personnel**

Mrs. Neeta Malhotra

Ms. Neha Malhotra

Mr. Premnath Malhotra

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

Blooming Bud Coaching Private Limited

b. **Particulars of Related Party Transactions**

In Rupees

	2008	2007
Key Management Personnel		
Salary	6,000,000	4,800,000
Rent	-	120,000
	6,000,000	**4,920,000**
Relatives of Key Management Personnel		
Remuneration	840,000	832,500
Rent	-	60,000
	840,000	**892,500**
Enterprises owned or significantly influenced by Key Management Personnel or their relatives		
Rent		
1. Blooming Bud Coaching Private Limited	19,050,000	10,150,000

13. **Leases** **In Rupees**

Operating Leases	**2008**	**2007**
Total Lease Payments at the year end	114,288,550	69,354,961
Lease Payments due within one year	136,023,880	26,390,278
Lease Payments due later than one but not later than five years	460,000,477	67,502,109
Lease Payments due later than five years	379,682,105	89,704,566
Hire Purchase Obligations	**2008**	**2007**
Repayable within one year	38,801,239	58,916,975
Repayable between one and two years	26,529,894	13,442,114
Repayable between two and five years	26,529,894	Nil

14. **Earnings Per Share (EPS)** **In Rupees**

	2008	**2007**
Net profit as per profit and loss account including exceptional items for calculation of basic and diluted EPS	295,364,311	213,705,117
Weighted average number of equity shares in calculating basic EPS	12,722,588	12,190,410
Weighted average number of equity shares in calculating diluted EPS	13,218,047	12,190,410
Basic EPS	23.22	17.53
Diluted EPS	22.35	17.53

15. a. **Contingent Liabilities** **In Rupees**

		2008	**2007**
i.	Estimated amount of contracts remaining to be executed on capital account and not provided for:	Nil	Nil
ii.	Claims against the Company not acknowledged as debts:	Nil	Nil
iii.	On account of undertakings given by the Company in favour of Customs Authorities:	596,854,904	391,214,628
iv.	On account of Corporate Guarantee:	Nil	145,662,751
v.	On account of undertaking given on behalf of Subsidiary Company:	Nil	45,266,248
vi.	On account of Unexpired Letters of Credit:	109,447,659	59,797,940
vii.	Matters pending with Tax Authorities:	581,804	581,804
viii.	Matters pending with Customs Authorities:	2,117,500	Nil
ix.	Cross Guarantee given between Group Companies for bank loans of Group undertakings:	101,530,734	130,811,828

b. The Company was subject to a search operation conducted by the Income-tax authorities on 25th June, 2003. Pursuant to the said search and subsequent assessments under Section 156 of the Income-Tax Act, 1961, the Income Tax Authorities raised demands under the Income - Tax Act, 1961, aggregating to Rs. 37,560,468/- pertaining to the Assessment Years 2001- 2002 to 2004 – 2005 . The Income Tax Appellate Tribunal, decided the matter in favour of the Company, and awarded substantial relief. The Income Tax Department may move the Honourable High Court against the orders of the Tribunal. Based on the favorable decisions in similar cases, opinion taken by the Company, discussions with legal experts etc., the Company believes that there is a good chance of decision going in its favour in respect of the above demands and hence no provision is considered necessary against the same.

The Company had paid an amount of Rs. 13,772,686/- under protest as on date against the said demand.

16. **Derivative Instruments and Un-hedged Foreign Currency Exposure**

	Value	Purpose
Particulars of Derivatives		
Currency Swap INR – USD USD – JPY	 Rs.10,616,800 (US$ 230,000) US$ 2,425,000 (JPY 303,125,000)	 Hedge against exposure to foreign currency fluctuations.

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

Buyer's Credit	Rs. 429,640,970 (US$ 1,0,716,700 @ Closing Rate of 1 US$ = Rs. 40.10)	For import of equipments
	Rs.127,860,176 (EUR 2,018,212 @ Closing Rate of 1 EUR = Rs. 63.53)	For import of equipments
Zero Coupon Foreign Currency Convertible Bonds	US$ 55,000,000	For *strategic* acquisitions and / or strategic alliances outside of India
Provision for Undertaking	GBP 1,300,975	

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

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

As per our report of even date

For **V. Shivkumar & Associates**
Chartered Accountants

V. Shivkumar
(Proprietor)
Membership No. 042673

Place : Mumbai
Date : December 06, 2008

For and on behalf of the Board of Directors

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

Notes

DISCLAIMER

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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