

DNEG Creative Services Private Limited
(Formerly known as Prime Focus World Creative Services Private Limited)

Financial Statements
For the year ended March 31, 2018

DNEG Creative Services Private Limited
(Formerly known as Prime Focus World Creative Services Private Limited)
Financial Statements for the year ended March 31, 2018

Balance sheet as at March 31, 2018

in ₹ Lakh

	Notes	As at March 31,	
		2018	2017
Assets			
Non-current assets			
(a) Property, plant and equipment	4	6,466.05	7,747.44
(b) Capital Work in Progress		-	77.16
(c) Goodwill	5	4,213.16	6,558.54
(d) Other intangible assets	5	150.83	257.16
(e) Financial assets			
i) Investment	6	1,502.00	2.00
ii) Others	7	1,380.58	411.22
(f) Advance income tax (net)		65.29	12.04
(g) Other non-current assets	8	85.82	2,002.00
(r) Deferred tax asset (net)	28d	221.38	-
Total non-current assets		14,085.11	17,067.56
Current assets			
(a) Financial assets			
i) Trade receivables	9	10,688.35	18,382.45
ii) Cash and cash equivalents	10	2,207.76	22.17
iii) Bank balance other than (ii) above	10	-	42.70
iv) Loans	11	8,569.11	3,158.70
v) Others	12	5,322.20	1,134.31
(b) Other current assets	13	868.17	868.36
Total current assets		27,655.59	23,608.69
Total assets		41,740.70	40,676.25
Equity and Liabilities			
Equity			
(a) Equity share capital	14	34.78	34.78
(b) Other equity	15	22,962.17	23,253.19
Total equity		22,996.95	23,287.97
Liabilities			
Non-current liabilities			
(a) Financial liabilities			
i) Borrowings	16	1,875.89	3,870.53
(b) Provisions	17	453.56	217.80
(c) Deferred tax liabilities (net)	28d	-	307.99
Total non-current liabilities		2,329.45	4,396.32
Current liabilities			
(a) Financial liabilities			
i) Borrowings	18	7,353.63	9,051.82
ii) Trade payables	19	1,255.62	1,108.62
iii) Others	20	2,330.90	2,531.06
(b) Provisions	21	3.29	0.47
(c) Other current liabilities	22	5,470.85	299.99
Total current liabilities		16,414.29	12,991.96
Total equity and liabilities		41,740.69	40,676.25

See accompanying notes to the financial statements

In terms of our report attached.

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board of Directors

Abhijit A. Damle
Partner

Vikas Rathee
Director
Din No 07015635

Nishant Fadia
Director
Din No 02648177

Place : Mumbai

Date : May 30, 2018

DNEG Creative Services Private Limited
(Formerly known as Prime Focus World Creative Services Private Limited)
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Statement of Profit and Loss for the year ended March 31, 2018

in ₹ Lakh

	Notes	Year ended March 31, 2018	Year ended March 31, 2017
Revenue from operations	23	18,647.38	27,399.04
Other income	24	1,723.51	456.81
Total Income		20,370.89	27,855.85
Expenses			
Employee benefits expense	25	8,790.47	11,977.72
Finance costs	26	1,939.00	1,343.13
Depreciation, amortisation and impairment expense	4 & 5	4,815.31	8,706.95
Other expense	27	5,383.89	5,152.69
Total expenses		20,928.67	27,180.49
Profit before tax		(557.78)	675.36
Tax expense / (credit) (net)	28		
Current tax		149.12	157.62
Deferred tax		(490.11)	202.19
Total tax expense / (credit) (net)		(340.99)	359.81
Profit for the year from continuing operations		(216.79)	315.55
Other comprehensive income / (loss)			
Items that will not be reclassified to profit or loss			
Re-measurement of defined benefit plan		(113.49)	99.64
Income tax (expense) / credit on the above		39.26	(34.48)
Total other comprehensive income / (loss)		(74.23)	65.16
Total comprehensive income for the year		(291.02)	380.71
Earnings per equity share			
Basic	29	(62.33)	90.73
Diluted	29	(62.33)	90.73

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Financial Statements for the year ended March 31, 2018

Cash Flow Statement for the year ended March 31, 2018

in ₹ lakh

	Notes	For the year ended March 31,	
		2018	2017
A. Cash flow from Operating activities			
Net Profit before tax		(557.78)	675.36
Adjustments for :			
Depreciation, amortisation and impairment expense		4,815.31	8,706.95
Unrealised foreign exchange (gain)/ loss (net)		16.02	262.37
Provision for doubtful debts/ advances (net)		867.63	-
Interest income		(1,372.06)	(423.55)
Profit on sale of PPE		(27.17)	-
Finance cost		1,939.00	1,343.13
Operating profit before working capital changes		5,680.95	10,564.26
Changes in working capital :			
Decrease / (Increase) in trade receivables & other receivables		2,101.93	(2,471.29)
Increase / (Decrease) in trade & other payables		5,323.41	(875.98)
Cash generated from operations		13,106.29	7,216.99
Income Taxes (paid)		(202.37)	(157.26)
Net Cash flow generated from / (used in) operating activities (A)		12,903.92	7,059.73
B. Cash flow from investing activities			
Purchase of Property, plant and equipment, other intangibles assets (including capital work in progress)		(1,227.25)	(5,157.27)
Proceeds from sale of property, plant and equipment		308.33	-
Purchase of investment in subsidiaries		0.00	(1.00)
Share application money given to subsidiary		0.00	(1,500.00)
Loans given to subsidiaries and related parties		(33,720.66)	(16,995.06)
Loans repaid by subsidiaries and related parties		27,961.90	14,284.51
Interest received		1,660.81	39.21
Bank Balances not considered as cash and cash equivalents		42.71	(35.95)
Net Cash used in investing activities (B)		(4,974.16)	(9,365.56)
C. Cash flow from Financing activities			
Proceeds from Long-term borrowings (net of expenses)		4,912.55	4,493.35
Repayment of long term borrowings		(6,887.59)	(660.72)
Proceeds / (Repayment) from short-term borrowings (net)		(1,788.78)	(213.27)
Finance costs paid		(1,980.35)	(1,300.85)
Net cash generated from financing activities (C)		(5,744.17)	2,318.51
Net increase in cash and cash equivalents (A+B+C)		2,185.59	12.68
Cash and cash equivalents at the beginning of the year	10	22.17	9.49
Cash and cash equivalents at the end of the year	10	2,207.76	22.17

See accompanying notes to the financial statements

In terms of our report attached.

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Chartered Accountants

For and on behalf of the Board of Directors

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Partner

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Nishant Fadia
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Date : May 30, 2018

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Statement of Changes in Equity for the year ended March 31, 2018

A. Equity share capital	in ₹ Lakh
	Amount
Balance as at April 01, 2016	34.78
Changes in equity share capital during the year	-
Balance as at March 31, 2017	34.78
Changes in equity share capital during the year	-
Balance as at March 31, 2018	34.78

B. Other equity	in ₹ Lakh			
	Reserves and Surplus		Other Comprehensive Income	Total
	Securities Premium Account	Retained Earnings	Actuarial Gains / (Losses)	
Balance at April 01, 2016	22,936.62	(76.20)	12.06	22,872.48
Total comprehensive income for the year	-	315.55	65.16	380.71
Balance at March 31, 2017	22,936.62	239.35	77.22	23,253.19
Total comprehensive income for the year	-	(216.79)	(74.23)	(291.02)
Balance at March 31, 2018	22,936.62	22.56	2.99	22,962.17

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Notes forming part of the financial statements

1. General information

Prime Focus World Creative Service Private Limited (the Company) is a private company domiciled in India and incorporated under the provision of the Companies Act, 1956. The Company is the wholly owned subsidiary of Prime Focus World N.V. and the ultimate holding company is Prime Focus Limited. The Company is engaged in the business of post-production including visual effects, 2D to 3D conversion, animation and other technical and creative services to the Media and Entertainment industry. The address of its registered office is Mainframe IT Park, Building H, Royal Palms, Aarey Colony, Goregaon (East), Mumbai – 400 065.

2. Significant accounting policies

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Indian Accounting Standards (herein after referred to as 'Ind AS') including the Accounting standards under the relevant provisions of Companies Act, 2013.

2.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and / or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of Ind AS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in Ind AS 2 or value in use in Ind AS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the assets or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria as set out in the Division II of Schedule III to the Companies Act, 2013. Based on the nature of products and services and the time between acquisition of assets for processing and their realisation in cash and cash equivalent, the Company has ascertained its operating cycle as twelve (12) months for the purpose of current or non-current classification of assets and liabilities.

2.3 Use of Estimates:

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the

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differences between the actual results and the estimates are recognised in the periods in which the results are known/materialise.

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of services. Revenue is shown net of applicable taxes.

2.4.1 Rendering of services

The Company provides a variety of post-production services including digital intermediate, visual special effects (VFX), two dimensions to three dimensions (2D to 3D) conversion and other technical services to its group companies and to clients in the film, broadcast and commercial sectors.

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

The Company has arrangement with its Parent and fellow subsidiaries based on which it has let out its operational capacity for execution of VFX and 2D to 3D conversion for projects outsourced at related cost plus fixed margin of 15%. The Company accrues for this revenue based on actual cost incurred during the period.

Unbilled revenue is included within 'other financial assets' and billing in advance is included as deferred revenue in 'Other current liabilities'.

2.4.2 Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.4.3 Rental income

The Company's policy for recognition of revenue from operating leases is described in note 2.5.1 below.

2.5 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2.5.1 The Company as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is generally recognised on a straight-line basis over the term of the relevant lease. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the Company's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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2.5.2 The Company as lessee

Assets held under finance lease are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs (see note 2.7). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rental expense from operating leases is generally recognised on a straight-line basis over the term of the relevant lease. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.6 Foreign currencies

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for further productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks.

2.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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2.8 Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expense the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at below-market rate of interest is treated as a government grant measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grant under Service Export from India Scheme (SEIS) is given by providing duty scrip credit for eligible exports. Under the scheme, service providers, located in India, are rewarded under the SEIS scheme, for all eligible export of services from India. The Company claims SEIS at notified rates on the net free foreign exchange earned. These duty credit scrips can be used for payment of basic custom duty and are freely transferable. The Company recognizes SEIS as export incentive income once it receives the claim from government.

2.9 Employee benefits

2.9.1 Retirement benefit costs and termination benefits

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

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuation being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses, is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Re-measurement

The Company presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs.

A liability for termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

2.9.2 Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

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Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

2.10 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.10.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the Statement of Profit and Loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.10.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill.

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognised as deferred tax asset in the Balance Sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.10.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.11 Non-current assets held for sale

Non-current assets and disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset (or disposal group) and its sale is highly probable.

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Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal group) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

2.12 Property, Plant and Equipment (PPE)

PPE are stated at cost of acquisition or construction. They are stated at historical cost less accumulated depreciation and impairment loss, if any. The cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

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

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values using the straight-line method over their useful lives estimated by Management, which are similar to useful life prescribed under Schedule II of the Companies Act, 2013. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Cost of Leasehold improvements is amortised over a period of lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.13 Intangible assets

2.13.1 Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounting for on a prospective basis. Intangible assets with indefinite useful lives are acquired separately are carried at cost less accumulated impairment losses.

2.13.2 Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use it or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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The amount initially recognised for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are separately acquired.

2.13.3 Useful lives of intangible assets

Software is amortised on straight line basis over the estimated useful life of six years.

2.13.4 De-recognition of intangible assets

An intangible asset is de-recognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is de-recognised.

2.14 Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual cash-generating units, or otherwise they are allocated to the smallest of the cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.15 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flow (when the effect of the time value of money is material).

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When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.15.1 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2.15.2 Restructurings

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

2.16 Financial instruments

Financial assets and financial liabilities are recognised when a Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.17 Financial assets

All regular way purchases or sales of financial assets are recognised or de-recognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

2.17.1 Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost (except for debt instruments that are designated at fair value through profit or loss on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For the impairment policy on financial assets measured at amortised cost, refer note 2.17.5

Debt instruments that meets the following conditions are measured at fair value through other comprehensive income (FVTOCI) (except for debt instruments that are designed as at fair value through profit or loss (FVTPL) on initial recognition):

- the asset is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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Interest income is recognised in profit or loss for FVTOCI debt instruments. For the purposes of recognising foreign exchange gains and losses, FVTOCI debt instruments are treated as financial assets measured at amortised cost. Thus, exchange differences on the amortised cost are recognised in profit or loss and other changes in the fair value of FVTOCI financial assets are recognised in other comprehensive income. When the investment is disposed of, the cumulative gain or loss previously accumulated is reclassified to profit or loss.

For the impairment policy on debt instruments at FVTOCI, refer Note 2.17.5.

All other financial assets are subsequently measured at fair value.

2.17.2 Effective interest method

The effective interest is a method of calculating the amortised cost of debt instruments and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where applicable, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. Interest income is recognised in profit or loss and is included in the "Other income" line item.

2.17.3 Investments in equity instruments at FVTOCI

On initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to present the subsequent changes in fair value in other comprehensive income pertaining to investments in equity instruments. This election is not permitted if the equity investment is held for trading. These elected investments are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income. The cumulative gain or loss is not reclassified to profit or loss on disposal of the investments.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably. Dividends recognised in profit or loss are included in the 'Other income' line item.

2.17.4 Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as FVTPL, unless the Company irrevocably elects on initial recognition to present subsequent changes in fair value in other comprehensive income for investments in equity instruments which are not held for trading (see note 2.18.3 above).

Debt instruments that do not meet the amortised cost criteria or FVTOCI criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria or the FVTOCI criteria but are designated as at FVTPL are measured at FVTPL.

A financial asset that meets the amortised cost criteria or debt instruments that meet the FVTOCI criteria may be designated as at FVTPL upon initial measurement if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different basis. The Company has not designated any debt instruments at FVTPL.

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Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'Other income' line item. Dividend on financial assets at FVTPL is recognised when the Company's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably.

2.17.5 Impairment of financial assets

The Company applies the expected credit loss model for recognising impairment loss on financial assets measured at amortised cost, debt instruments at FVTOCI, lease receivables, trade receivables, other contractual rights to receive cash or other financial asset, and financial guarantees not designated as at FVTPL.

Expected credit losses are the weighted average of credit losses with the respective risks of default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The Company estimates cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument.

The Company measures the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. 12-month expected credit losses are portion of the life-time expected credit losses that represent the lifetime cash shortfalls that will result if default occurs within the 12 months after the reporting date and thus, are not cash shortfalls that are predicted over the next 12 months.

If the Company measured loss allowance for a financial instrument at lifetime expected credit loss model in the previous period, but determines at the end of a reporting period that the credit risk has not increased significantly since initial recognition due to improvement in credit quality as compared to the previous period, the Company again measures the loss allowance based on 12-month expected credit losses.

When making the assessment of whether there has been a significant increase in credit risk since initial recognition, the Company uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, that is indicative of significant increase in credit risk since initial recognition.

For trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18, the Company always measures the loss allowance at an amount equal to lifetime expected credit losses.

Further, for the purpose of measuring lifetime expected credit loss allowance for trade receivables, the Company has used a practical expedient as permitted under Ind AS 109. This expected credit loss allowance is computed based on a provision matrix which takes into account historical credit loss experience and adjusted for forward-looking information.

The impairment requirements for the recognition and measurement of a loss allowance are equally applied to debt instruments at FVTOCI except that the loss allowance is recognised in other comprehensive income and is not reduced from the carrying amount in the balance sheet.

2.17.6 De-recognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to

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another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for the amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset.

On derecognition of financial asset other than its entirety (e.g. when the Company retains an option to repurchase part of the transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or losses if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised in other comprehensive income and the part that is no longer recognised on the basis of the relative fair value of those parts.

2.17.7 Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

- For foreign currency denominated financial assets measured at amortised cost and FVTPL, the exchange differences are recognised in profit or loss except for those which are designated as hedging instruments in a hedging relationship.
- Changes in the carrying amount of investments in equity instruments at FVTOCI relating to changes in foreign currency rates are recognised in other comprehensive income.
- For the purposes of recognising foreign exchange gains and losses, FVTOCI debt instruments are treated as financial assets measured at amortised cost. Thus, exchange differences on the amortised cost are recognised in profit or loss and other changes in the fair value of FVTOCI financial assets are recognised in other comprehensive income.

2.18 Financial liabilities and equity instruments

2.18.1 Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and equity instrument.

2.18.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.18.3 Compound financial instruments

The component parts of compound financial instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be

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settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound financial instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to other component of equity. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

2.18.4 Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for de-recognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Company, and commitments issued by the Company to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

2.18.4.1 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either contingent consideration recognised by the Company as an acquirer in a business combination to which Ind AS 103 applies or held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration recognised by the Company as an acquirer in a business combination to which Ind AS 103 applies, may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and the Ind AS 109 permits the entire combined contract to be designated as at FVTPL in accordance with Ind AS 109.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Other income' line item.

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However, for non-held-for-trading financial liabilities that are designated as at FVTPL, the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of the liability is recognised in other comprehensive income, unless the recognition of the effects of changes mismatch in profit or loss, in which case these effects of changes in credit risk are recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are reflected immediately in retained earnings and are not subsequently reclassified in profit or loss.

Gains or losses on financial guarantee contracts and loan commitments issued by the Company that are designated by the Company as at fair value through profit or loss are recognised in profit or loss.

2.18.4.2 Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'Finance costs' line item.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2.18.4.3 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Company are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of loss allowance determined in accordance with impairment requirements of Ind AS 109; and
- The amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of Ind AS 18.

2.18.4.4 Commitments to provide a loan at below-market interest rate

Commitments to provide a loan at below-market interest rate are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of loss allowance determined in accordance with impairment requirements of Ind AS 109; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of Ind AS 18.

2.18.4.5 Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments and are recognised in 'Other income'.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss.

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2.18.4.6 De-recognition of financial liabilities

The Company de-recognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. An exchange between with a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability (whether or not attributable to the financial difficulty of a debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.18.5 Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship and the nature of the hedged item.

2.18.6 Embedded derivatives

Derivatives embedded in non- derivative host contracts that are not financial assets within the scope of Ind AS 109 are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

2.19 Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the net profit / (loss) for the year attributable to equity holders of the Company by the weighted average number of Equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the net profit / (loss) attributable to equity holders of the Company by the weighted average number of Equity shares outstanding during the year plus the weighted average number of Equity shares that would be issued on conversion of all the dilutive potential Equity shares into Equity shares.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1.1 Revenue recognition

The Company also derives revenues from fixed price VFX and 2D to 3D content conversion contracts. The revenue recognised on these contracts is dependent on the estimated percentage of completion at a point in time, which is calculated on the basis of the man days of work performed as a percentage of the estimated total man days to complete a contract. The actual man days and estimated man days to complete a contract are updated on a monthly basis.

The estimated man days remaining to complete a project are judgmental in nature and are estimated by experienced staff using their knowledge of the time necessary to the work.

If a contract is expected to be loss making, based on estimated costs to complete, the expected loss is recognised immediately.

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3.1.2 Taxation

The Company makes estimates in respect of tax liabilities and tax assets. Full provision is made for deferred and current taxation at the rates of tax prevailing at the year-end unless future rates have been substantively enacted. These calculations represent our best estimate of the costs that will be incurred and recovered but actuals may differ from the estimates made and therefore affect future financial results. The effects would be recognised in the Statement of Profit and Loss.

Deferred tax assets arise in respect of unutilised losses and other timing differences to the extent that it is probable that future taxable profits will be available against which the asset can be utilised or to the extent they can be offset against related deferred tax liabilities. In assessing recoverability, estimation is made of the future forecasts of taxable profit. If these forecast profits do not materialise, they change, or there are changes in tax rates or to the period over which the losses or timing differences might be recognised, then the value of deferred tax assets will need to be revised in a future period.

3.1.3 Depreciation and useful lives of property, plant and Equipment and intangible assets

Property, plant and equipment are depreciated over the estimated useful lives of the assets, after taking into account their estimated residual value. Intangible assets are amortised over its estimated useful lives. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation/ amortisation to be recorded during any reporting period. The useful lives and residual values are based on the Company's historical experience with similar assets and take into account anticipated technological changes. The depreciation/ amortisation for future periods is adjusted if there are significant changes from previous estimates.

3.1.4 Recoverability of trade receivable

Judgements are required in assessing the recoverability of overdue trade receivables and determining whether a provision against those receivables is required. Factors considered include the credit rating of the counterparty, the amount and timing of anticipated future payments and any possible actions that can be taken to mitigate the risk of non-payment.

3.1.5 Provisions

Provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgement to existing facts and circumstances, which can be subject to change. Since the cash outflows can take place many years in the future, the carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances.

3.1.6 The Company recognises Goodwill that has arisen through business acquisition.

Goodwill is subject to impairment review to ensure that it is not carried above its recoverable value. Review is performed at least annually at end of each year end or more frequently if events or circumstances indicate that this is necessary.

Impairment review is performed by comparing the carrying value of the cash generating unit with its recoverable amount, being the higher of value in use and fair value less costs to sell. Value in use is valuation derived from the discounted future cash flows of cash generating unit. The most important estimates in these forecast cash flows are the long term growth rates used to calculate revenue growth in perpetuity and the discount rates which are applied to the future cash flows. These estimates are reviewed at least annually and are believed to be appropriate. However, changes in these estimates could change the outcomes of the impairment reviews and therefore affect future financial results. The effects would be recognised in the Statement of Profit or Loss, through operating profit.

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The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond a five year period are extrapolated using the estimated growth rates stated above.”

The carrying amount of goodwill at March 31, 2018 was ₹ 4,213.16 lakhs (as at March 31, 2017: ₹ 6,558.54 lakhs) after an impairment loss of ₹ 2,345.38 lakh was recognised during 2017-2018 (2016-2017: ₹ 6,556.16 lakh). Details of the impairment loss calculation are set out in note 5.

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Notes to the financial statements (continued.)

4. Property, plant and equipment

in ₹ Lakh

	Plant and equipment	Furniture and fixtures	Lease Hold Improvement	Office equipments	Vehicles	Total
Gross block						
As at April 1, 2016	6,291.77	8.83	346.72	219.69	19.45	6,886.46
Additions	3,656.21	176.35	547.09	217.95	-	4,597.60
Deduction	-	-	-	-	-	-
As at March 31, 2017	9,947.98	185.18	893.81	437.64	19.45	11,484.06
Accumulated depreciation						
As at April 1, 2016	1,681.51	0.68	48.24	47.50	4.74	1,782.67
For the year	1,745.62	21.23	119.66	64.74	2.70	1,953.95
Deduction	-	-	-	-	-	-
As at March 31, 2017	3,427.13	21.91	167.90	112.24	7.44	3,736.62
Net block						
As at March 31, 2017	6,520.85	163.27	725.91	325.40	12.01	7,747.44

in ₹ Lakh

	Plant and equipment	Furniture and fixtures	Lease Hold Improvement	Office equipments	Vehicles	Total
Gross block						
As at April 1, 2017	9,947.98	185.18	893.81	437.64	19.45	11,484.06
Additions	843.01	142.82	185.98	186.37	5.19	1,363.37
Deduction	(559.27)	-	-	-	-	(559.27)
As at March 31, 2018	10,231.72	328.00	1,079.79	624.01	24.64	12,288.16
Accumulated depreciation						
As at April 1, 2017	3,427.13	21.91	167.90	112.24	7.44	3,736.62
For the year	2,020.93	40.61	210.80	88.89	2.37	2,363.60
Deduction	(278.11)	-	-	-	-	(278.11)
As at March 31, 2018	5,169.95	62.52	378.70	201.13	9.81	5,822.11
Net block						
As at March 31, 2018	5,061.77	265.48	701.09	422.88	14.83	6,466.05

Note:

a. Plant and equipment includes assets taken on finance lease as under:

Gross block: ₹ 4821.32 lakh (March 31, 2017 : ₹ 4,337.83 lakh)

Depreciation charge for the year : ₹ 1,135.21 lakh (Previous year : ₹ 766.99 lakh)

Accumulated depreciation: ₹ 2,262.93 lakh (March 31, 2017 : ₹ 1,157.42 lakh)

Net Block: ₹ 2,558.40 lakh (March 31, 2017 : ₹ 3,180.41 lakh)

b. Refer note 16 and 18 for assets pledged / hypothecated.

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5. Goodwill and other Intangible Assets

	in ₹ Lakh		
	Goodwill	Software	Total
Gross block			
As at April 1, 2016	19,704.14	421.63	20,125.77
Additions	-	218.29	218.29
Deductions	-	-	-
As at March 31, 2017	19,704.14	639.92	20,344.06
Accumulated depreciation and impairment			
As at April 1, 2016	6,589.44	185.92	6,775.36
For the year	6,556.16	196.84	6,753.00
Deductions	-	-	-
As at March 31, 2017	13,145.60	382.76	13,528.36
Net block			
As at March 31, 2017	6,558.54	257.16	6,815.70

	in ₹ Lakh		
	Goodwill	Software	Total
Gross block			
As at April 1, 2017	19,704.14	639.92	20,344.06
Additions	-	-	-
Deductions	-	-	-
As at March 31, 2018	19,704.14	639.92	20,344.06
Accumulated depreciation and impairment			
As at April 1, 2017	13,145.60	382.76	13,528.36
For the year	2,345.38	106.33	2,451.71
Deductions	-	-	-
As at March 31, 2018	15,490.98	489.09	15,980.07
Net block			
As at March 31, 2018	4,213.16	150.83	4,363.99

Note:

Software includes assets taken on finance lease as under:

Gross block: ₹ 436.11 lakh (March 31, 2017 : ₹ 441.81 lakh)

Depreciation charge for the year : ₹ 77.11 lakh (Previous year : ₹ 134.93 lakh)

Accumulated depreciation: ₹ 334.13 lakh (March 31, 2017 : ₹ 263.97 lakh)

Net Block: ₹ 101.98 lakh (March 31, 2017 : ₹ 177.84 lakh)

On June 30, 2014, the Company acquired the “backend business” of providing services of 2D to 3D conversion and visual special effects (“VFX”) from Prime Focus Ltd, the ultimate holding company on a going concern basis by way of slump sale for a total consideration of ₹ 22,970.49 lakh. On allocation of purchase consideration to the assets and liabilities taken over, the difference between the purchase consideration and the fair/ book value of net assets acquired aggregating ₹ 19,704.14 lakh has been accounted as ‘Goodwill’. The recoverable amount of Goodwill is determined on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors.

Following key assumptions were considered while performing Impairment testing

	2018	2017
Long term sustainable growth rates	4.00%	4.00%
Weighted Average Cost of Capital % (WACC) after tax	12.08%	11.99%
EBITDA margins	15% to 24%	19% to 24%

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The projections cover a period of five years, as we believe this to be the most appropriate timescale over which to review and consider annual performances before applying a fixed terminal value multiple to the final year cash flows. The growth rates used to estimate future performance are based on the conservative estimates from past performance. EBITDA margins are based on historical performance and Company's strategies. Weighted Average Cost of Capital % (WACC) = Risk free return + (Market risk premium x Beta variant for the Company)

We have performed sensitivity analysis on assumptions and have consequently recognised an impairment loss of ₹ 6,556.16 lakh and ₹ 2,345.38 lakh as at March 31, 2017 and March 31, 2018 respectively under the head "Depreciation, amortisation and impairment expenses" in Statement of Profit and Loss account. After setting up of separate visual effects service facility by Double Negative in India, the scale of operations in the Company has reduced, resulting in reduction in value in use of CGU resulting into impairment.

6. Non-current Investment

	in ₹ Lakh	
	As at March 31, 2018	As at March 31, 2017
Unquoted equity instrument, fully paid up (at cost)		
Investment in subsidiaries:		
Double Negative India Private Limited 10,000 equity shares of ₹ 10/- each	1.00	1.00
Prime Focus Academy of Media and Entertainment Studies Private Limited 20,000 equity shares of ₹ 10/- each (March 31, 2017: 10,000 equity shares of ₹ 10/- each)	1,501.00	1.00
	1,502.00	2.00

7. Other Non-current Financial Assets (Unsecured, considered good)

	in ₹ Lakh	
	As at March 31, 2018	As at March 31, 2017
Deposits to related Parties (Refer note 32)	1,315.01	284.96
Deposits to others	65.57	126.26
	1,380.58	411.22

8. Other Non-current assets

	in ₹ Lakh	
	As at March 31, 2018	As at March 31, 2017
Capital advances (unsecured, considered good)	17.12	132.83
Prepaid expenses (unsecured, considered good)	68.70	369.17
Share application money given	-	1,500.00
	85.82	2,002.00

9. Trade receivable (Unsecured)

	in ₹ Lakh	
	As at March 31, 2018	As at March 31, 2017
Considered good	10,688.35	18,382.45
	10,688.35	18,382.45

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10. Cash and cash equivalents

	in ₹ Lakh	
	As at March 31, 2018	As at March 31, 2017
a. Cash and cash equivalents		
Cash on hand	0.67	1.90
Bank balances		
In Current Accounts	2,207.09	20.27
	2,207.76	22.17
b. Bank balances other than cash and cash equivalents		
In deposits (refer note (i) below)	-	42.70
	2,207.76	64.87

(i) Fixed deposits are provided as security against fund-based and non-fund based credit facilities.

11. Loans – (current) (Unsecured, considered good)

	in ₹ Lakh	
	As at March 31, 2018	As at March 31, 2017
Loans to related Parties (Refer note 32)	8,569.11	3,158.70
	8,569.11	3,158.70

(i) Loans and advances in nature of loans given to subsidiaries / fellow subsidiaries

	in ₹ Lakh			
Name of the Company	As at March 31, 2018	Maximum outstanding balance during the year	As at March 31, 2017	Maximum outstanding balance during the year
Double Negative India Private Limited	6,683.66	7,233.75	1,097.55	2,789.16
Gener8 India Media Services Limited	1,823.28	8,048.54	2,059.04	3,661.85
Prime Focus Academy of Media and Entertainment Studies Private Limited	62.17	100.84	2.11	2.11
	8,569.11		3,158.70	

Note:

All the above loans are repayable on demand and carry interest @ 15% p.a. These loans are given for general corporate purpose of the subsidiaries / fellow subsidiaries.

(ii) Loans includes amount due from private companies in which directors is a member/director.

	in ₹ Lakh	
	As at March 31, 2018	As at March 31, 2017
Double Negative India Private Limited	6,683.66	1,097.55
Prime Focus Academy of Media and Entertainment Studies Private Limited	62.17	2.11
	6,745.83	1,099.66

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12. Other Current Financial Assets (Unsecured, considered good)

in ₹ Lakh

	As at March 31, 2018	As at March 31, 2017
Unbilled revenue	3,233.88	-
SEIS licence available	833.68	1,094.40
Advances to related parties (Refer note 32)	25.87	26.61
Interest Accrued on bank deposits	-	0.02
Security deposits	15.92	13.28
Others *		
Considered good	1,212.85	-
Doubtful	802.15	-
Total	2,015.00	-
Less: Provision for doubtful advances	(802.15)	-
Others (net)	1,212.85	-
	5,322.20	1,134.31

* Others include participation rights in 3D box office collection for feature films

13. Other current assets

in ₹ Lakh

	As at March 31, 2018	As at March 31, 2017
Prepaid expenses	72.01	225.98
Advances to suppliers		
Considered good	110.47	145.73
Doubtful	65.47	-
Total	175.94	145.73
Less: Provision for doubtful advances	(65.47)	-
Total advances to suppliers	110.47	145.73
Others **	685.69	496.65
	868.17	868.36

** Others include loans and advances to employees, service tax receivables and GST input credit.

14. Equity Share Capital

(i) Authorised and issued share capital

in ₹ Lakh

	As at March 31, 2018	As at March 31, 2017
Authorised:		
360,000 Shares of ₹ 10/- each (Previous year 360,000 Shares of ₹ 10/- each)	36.00	36.00
Issued, subscribed and paid-Up:		
347,800 Shares of ₹ 10/- each (Previous year 347,800 Shares of ₹ 10/- each)	34.78	34.78
	34.78	34.78

Of the above 347,799 shares are held by Prime Focus World N.V., the Holding Company and 1 share is held by Naresh Malhotra, the beneficial interest in which is held by Prime Focus World N.V.

(ii). Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting year:

	As at March 31, 2018		As at March 31, 2017	
	No of Shares	in ₹ Lakh	No of Shares	in ₹ Lakh
At the beginning and at the end of the year	347,800	34.78	347,800	34.78

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(iii) Rights, preferences and restrictions attached to shares

The Company has one class of equity shares having a par value of 10 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all liabilities, in proportion to their shareholding.

(iv) Details of Shareholders holding more than 5% shares in the Company

	As at March 31, 2018		As at March 31, 2017	
	No of shares	%	No of shares	%
Prime Focus World N.V. (including shares held by its nominees)	347,800	100%	347,800	100%

15. Other Equity

in ₹ Lakh

	As at March 31, 2018	As at March 31, 2017
Securities premium		
As per last balance sheet	22,936.62	22,936.62
	22,936.62	22,936.62
Retained earnings		
As per last balance sheet	239.35	(76.20)
Add / (Less) Movement during the year	(216.80)	315.55
	22.55	239.35
Other Comprehensive income		
As per last balance sheet	77.22	12.06
Add / (Less) Movement during the year	(74.23)	65.16
	3.00	77.22
	22,962.17	23,253.19

16. Borrowings (Non-current) (Secured)

in ₹ Lakh

	As at March 31, 2018	As at March 31, 2017
Term loan from bank (Refer note (a) below)	-	1,340.11
Finance lease obligations (Refer note (b) below)	1,875.89	2,530.42
	1,875.89	3,870.53

a. During previous year, the Company had availed a Term Loan facility aggregating to ₹ 6,000 lakh at an interest rate based on one-year MCLR + 1.90% with a reset on yearly basis. Out of above facility the Company has availed ₹ 1,500 lakhs was on December 30, 2016, ₹ 2,900 lakhs on September 04, 2017 and ₹ 1,600 lakhs on October 04, 2017 and is repayable in 84 months from date of the 1st disbursement including 6 months moratorium, it is to be repaid in 26 quarterly instalments (post 6 months moratorium). The term loan is secured with exclusive charge over present and future current assets and movable fixed assets (excluding specific assets charges against financial lease under normal course of business), personal guarantees from directors of ultimate holding company Prime Focus Limited, pledge of 35% of shares of the Company held by promoters, Corporate Guarantee of Reliance Capital Limited of ₹ 100 Crore, exclusive charge by way of mortgage of immovable properties, pledge of 30% shares held by the ultimate holding company in the Company, Prime Focus Technologies Limited and its subsidiaries, PF World Limited, Mauritius, Prime Focus Luxembourg s.a.r.l., Prime Focus 3D Cooperatief U.A. and pledge over \$25 million worth shares of Digital Domain Holdings Limited, as and when, received by the ultimate holding company. As at March 31, 2017 ₹ 1,340.11 lakh was disclosed as non-current and ₹ 49.71 lakh was disclosed as current. During the year the said term loan was pre-closed.

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b. The Company has acquired certain equipment (mainly equipment, office equipment, and vehicles) under finance leases. The average lease term is around 5 years.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 7.93% to 14.50% per annum.

Finance lease obligations are payable as follows:

in ₹ Lakh

	As at March 31, 2018			As at March 31, 2017		
	Future minimum lease payments	Interest element of MLP	PV of MLP	Future minimum lease payments	Interest element of MLP	PV of MLP
Within one year	1,267.63	252.92	1,014.71	1,263.59	318.22	945.37
Later than one year and not later five years	2,114.64	238.75	1,875.89	2,952.20	421.78	2,530.42
	3,382.27	491.67	2,890.60	4,215.79	740.00	3,475.79

17. Non-current Provisions

in ₹ Lakh

	As at March 31, 2018	As at March 31, 2017
Provision for employee benefits (refer note 30)		
Provision for gratuity	453.56	217.80
	453.56	217.80

Note:

The Company did not have any long-term contracts including derivative contracts for which any provision was required for foreseeable losses

18. Borrowings (Current)

in ₹ Lakh

	As at March 31, 2018	As at March 31, 2017
Short-term demand loan (Secured)		
Invoice discounting facility (refer note (a), (b), (c) & (d) below)	7,353.63	6,862.20
	7,353.63	6,862.20
Short-term demand loan (Unsecured)		
Loans from related parties (Refer Note (e) below & Note 32)	-	2,189.62
	-	2,189.62
	7,353.63	9,051.82

Note:

a. The Company has availed borrowings for pre shipment and post shipment export finance at a rate of interest of LIBOR+2% with a tenor of upto one year. Sanctioned facility of ₹ 50 Crores is secured against current assets, movable assets and intangible assets of the Company, corporate guarantee of the Reliance Capital Limited. The facility is repaid during the year and as at March 31, 2017, ₹ 41.30 Crores included in Invoice discounting facility.

b. The Company has availed borrowings for pre shipment and post shipment export finance at a rate of interest of LIBOR+2.50% with a tenor of upto one year. Sanctioned facility of ₹ 18 Crores is secured against current assets and movable assets of the Company, corporate guarantee of Prime Focus World NV and the parent Company. The facility is repaid during the year and as at March 31, 2017, ₹ 4.45 Crores included in Invoice discounting facility.

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c. During the year the Company has availed borrowings for pre shipment and post shipment export finance at a rate of interest of LIBOR+4% with a tenor of upto one year. Sanctioned facility of ₹ 20 Crores is secured against current assets and movable assets of the Company, corporate guarantee of Prime Focus World NV and the parent Company, personal guarantee of promoters of the parent Company. As at March 31, 2018, ₹ 19.60 Crores (previous year ₹ Nil) included in Invoice discounting facility.

d. The Company has availed pre shipment and post shipment export finance facility from bank, at a rate of interest of LIBOR+4% with a tenor of upto one year. Sanctioned facility of ₹ 60 Crores is secured against current assets and movable fixed assets of the Company, exclusive charge by way of mortgage of immovable properties of the parent Company, pledge of 30% shares of subsidiaries viz: DNEG Creative Services Private Limited, Prime Focus Technologies Limited, PF World Limited, Mauritius, Prime Focus Luxembourg s.a.r.l., Prime Focus 3D Cooperartief U.A. held by the parent Company, corporate guarantee of the parent Company and personal guarantee of the promoter and pledge of shares of the parent company held by promoters (refer note 14(o)) and corporate guarantee given by Prime Focus World Nv. As at March 31, 2018, ₹ 53.81 Crores (March 31, 2017: ₹ 23.91 Crores) included in Invoice discounting facility.

e. Loans from related parties are short term unsecured loans availed from its ultimate holding company and a fellow subsidiary company at an interest rate of 15% and are repayable on demand.

19. Trade payables

	in ₹ Lakh	
	As at March 31, 2018	As at March 31, 2017
Total outstanding dues to Creditors other than Micro and Small Enterprises	970.66	616.11
Owed to group companies (Refer Note 32)	284.96	492.51
	1,255.62	1,108.62

Note:

According to the records available with the Company, there were no transactions and dues payable to entities that are classified as Micro and Small Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 for all the above periods.

20. Other current financial Liabilities

	in ₹ Lakh	
	As at March 31, 2018	As at March 31, 2017
Current maturities of long-term borrowings (Refer Note 20.1)	1,014.71	995.08
Accrued salaries and benefits	760.93	1,298.69
Interest accrued but not due on borrowings	-	15.61
Interest accrued but not due on related party borrowings (Refer Note 32)	-	25.77
Deposits from customers	400.00	-
Advances received from related parties (Refer Note 32)	62.03	61.93
Capital Creditors	76.32	133.98
Others payables	16.91	-
	2,330.90	2,531.06

Note:

There are no amounts due for payment to the Investor Education and Protection Fund under Section 125 of the Companies Act, 2013 as at March 31, 2018 (March 31, 2017: Nil)

20.1 Current maturities of long-term borrowing

	in ₹ Lakh	
	As at March 31, 2018	As at March 31, 2017
Term loan from bank (Refer note 16. (a))	-	49.71
Finance lease obligations (Refer note 16. (b))	1,014.71	945.37
	1,014.71	995.08

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21. Current provisions

in ₹ Lakh

	As at March 31, 2018	As at March 31, 2017
Provision for employee benefits (refer note 30)		
Provision for gratuity	3.29	0.47
	3.29	0.47

22. Other current liabilities

in ₹ Lakh

	As at March 31, 2018	As at March 31, 2017
Deferred revenue	5,261.05	-
Book overdraft	100.18	126.47
Statutory dues	109.62	173.52
	5,470.85	299.99

23. Income from operations

in ₹ Lakh

	Year ended March 31, 2018	Year ended March 31, 2017
Sale of services	15,772.04	25,550.13
Other operating income		
Property rentals (Refer Note 32)	784.82	741.13
Export incentives (Refer Note 32)	2,090.52	1,107.78
	18,647.38	27,399.04

24. Other income

in ₹ Lakh

	Year ended March 31, 2018	Year ended March 31, 2017
Interest income from financial assets held at amortised cost		
Interest Income on bank deposit	5.86	0.84
Interest Income on loan to related parties (Refer note 32)	1,306.95	384.22
Interest Income on security deposits (Refer note 32)	59.25	38.11
Interest Income-On Income Tax Refunds	-	0.38
Exchange gain (net)	59.62	-
Profit on sale of PPE	27.17	-
Sundry balance written back	240.35	-
Miscellaneous income	24.31	33.26
	1,723.51	456.81

25. Employee benefits expense

in ₹ Lakh

	Year ended March 31, 2018	Year ended March 31, 2017
Salaries and wages	8,243.20	11,291.56
Gratuity (Refer Note 30)	125.09	147.31
Contribution to provident and other funds	321.35	423.76
Staff welfare expenses	100.83	115.09
	8,790.47	11,977.72

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26. Finance cost

in ₹ Lakh

	Year ended March 31, 2018	Year ended March 31, 2017
Interest on term loan	871.81	67.87
Interest on finance lease	334.06	223.35
Interest on working capital finance	335.51	291.00
Interest on related party loans (Refer Note 32)	161.30	312.65
Interest on others	11.15	6.95
Bank charges	225.17	441.31
	1,939.00	1,343.13

27. Other expenses

in ₹ Lakh

	Year ended March 31, 2018	Year ended March 31, 2017
Rent (Refer Note 34)	650.63	1,156.64
Electricity charges	1,133.44	960.51
Technical service cost	1,171.17	638.42
Legal and professional fees	303.18	285.82
House-keeping charges	175.49	209.95
Communication charges	202.99	226.05
Travelling and conveyance expense	208.50	354.24
Security charges	110.93	91.57
Technician fees	5.74	-
Insurance cost	63.00	50.95
Repairs & Maintenance - Equipments	68.13	43.95
Repairs & Maintenance - Building	164.79	138.88
Provision for doubtful advances	867.62	-
Exchange loss (net)	-	818.71
Payments to auditor		
Audit fees	7.50	7.50
In other matters (certification)	0.25	-
Miscellaneous expenses	250.54	169.50
	5,383.90	5,152.69

28. Tax expense

a. Tax expense / (credit) recognised in Statement of Profit and Loss

in ₹ Lakh

	Year ended March 31, 2018	Year ended March 31, 2017
Current tax	149.12	157.62
Deferred Tax	(490.11)	202.19
Total tax expense / (credit) recognised in statement of profit and loss	(340.99)	359.81

b. Income tax expense / (credit) recognised in other comprehensive income

in ₹ Lakh

	Year ended March 31, 2018	Year ended March 31, 2017
Re-measurement of defined benefit obligation	(39.26)	34.48
Income tax expense / (credit) recognised in other comprehensive income	(39.26)	34.48

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c. The income tax expenses for the year can be reconciled to the accounting profit as follows:

in ₹ Lakh

	Year ended March 31, 2018	Year ended March 31, 2017
Profit before tax	(557.79)	675.36
Applicable Tax rate	34.61%	34.61%
Computed tax expense	(193.05)	233.74
Tax Effect of:		
Effect of non-recognition of minimum alternate tax credit	149.12	157.62
Effect of expenses that are not deductible	(297.06)	(31.55)
Tax expense / (credit) recognised in statement of profit and loss	(340.99)	359.81

The tax rate used for reconciliation above is the corporate tax rate payable by corporate entities in India on taxable profit under the Income tax laws.

d. Recognised deferred tax assets and liabilities

in ₹ Lakh

	As at March 31, 2018	As at March 31, 2017
Deferred tax on temporary differences	(221.38)	307.99
	(221.38)	307.99

in ₹ Lakh

	Balance as at April 1, 2016	Recognised in Profit / Loss during 2016-17	Recognised in OCI during 2016-17	Balance as at March 31, 2017	Recognised in Profit / Loss during 2017-18	Recognised in OCI during 2017-18	Balance as at March 31, 2018
Deferred tax liability							
Difference between tax books and written down value of PPE and other intangible assets	1639.40	(999.23)	-	640.17	(401.94)	-	238.23
	1639.40	(999.23)	-	640.17	(401.94)	-	238.23
Deferred tax asset							
Provision for gratuity / bonus	183.79	7.17	(34.48)	156.48	(39.31)	39.26	156.43
Provision for doubtful advances	-	-	-	-	303.18	-	303.18
Unabsorbed depreciation and carried forward losses	1384.29	(1208.59)	-	175.70	(175.70)	-	-
	1568.08	(1201.42)	(34.48)	332.18	88.17	39.26	459.61
	71.32	202.19	34.48	307.99	(490.11)	(39.26)	(221.38)

29. Earnings Per Share

in ₹ Lakh

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Net Profit/(loss) as per statement of Profit and Loss attributable to Equity Shareholders	(216.79)	315.55
	Number	Number
Weighted average number of equity shares in calculating basic and diluted EPS	347,800	347,800
Earnings per share		
Basic EPS	(62.33)	90.73
Diluted EPS	(62.33)	90.73

30. Employee Benefits

a. Defined contribution plans

The Company's defined contribution plans are provident fund, Employee State Insurance and employees' pension scheme (under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952).

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Contribution to Defined Contribution Plans, recognised as expense for the year is as under:

Employer's contribution to provident fund and other funds

	in ₹ Lakh	
	Year ended March 31, 2018	Year ended March 31, 2017
Employer's contribution to Provident Fund	321.35	423.76

b. Defined benefit plans

The Company has a defined benefit gratuity plan (unfunded) for qualifying employees of its operations in India. The defined benefit plan is administered by the Company. Under this plan, the employee is entitled to a lump-sum payment upon retirement from the services of the Company. An employee becomes eligible to receive payment upon completion of 5 years of service at the rate of 15 days of service for each completed year of service.

These plans typically expose the Company to actuarial risks such as; interest rate risk, longevity risk and salary risk.

Interest risk	A decrease in the bond interest rate will increase the plan liability.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such an increase in the salary of the plan participants will increase the plan's liability.

No other post-retirement benefits are provided to the employees.

In respect of the said plan, the most recent actuarial valuation of the defined benefit obligation were carried out by an external expert, who is a duly registered actuary. The present value of the defined benefit obligation and the related current service cost and past service cost, were measured using the projected unit credit method.

i) Reconciliation of opening and closing balances of Defined Benefit Obligation:

	in ₹ Lakh	
	Unfunded	
	March 2018	March 2017
Defined benefit obligation at the beginning of the year	218.27	171.47
Interest cost	16.89	13.63
Current service cost	108.20	133.68
Benefits paid	-	(0.87)
Actuarial (gains)/losses on obligations - due to change in demographic assumptions	(29.47)	-
Actuarial (gains)/losses on obligations - due to change in financial assumptions	174.92	7.78
Actuarial (gains)/losses on obligations - due to experience	(31.97)	(107.41)
Defined benefit obligation at the end of the year	456.85	218.27

ii) Expense recognized in Statement of Profit and Loss:

	in ₹ Lakh	
	Unfunded	
	March 2018	March 2017
Current service cost	108.20	133.68
Net interest cost	16.89	13.63
Expenses recognized	125.09	147.31

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iii) Expenses recognized in the Other Comprehensive Income (OCI)

in ₹ Lakh

	Unfunded	
	March 2018	March 2017
Actuarial loss/(gains)	113.49	(99.64)
Net loss / (income) recognized in OCI	113.49	(99.64)

iv) Actuarial Assumptions:

	Unfunded	
	Year ended March 31, 2018	Year ended March 31, 2017
Rate of discounting (p.a.)	7.86%	7.74%
Rate of salary increase (p.a.)	7.90%	5.00%
Attrition rate (p.a.)	For service period of 4 years and below 10%. For service period of 5 years and above 2%.	2.00%
Mortality table	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)

The discount rates reflect the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations.

The estimates of future salary increase, considered in actuarial valuation, take into account, inflation, seniority, promotions and other relevant factors, such as demand and supply in the employment market. The above information is certified by the actuary.

v) Sensitivity Analysis of the defined benefit obligations:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

in ₹ Lakh

	March 2018		March 2017	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate (1% movement)	(74.29)	93.67	(33.94)	42.68
Future salary appreciation (1% movement)	91.83	(74.77)	43.47	(35.02)
Attrition rate (1% movement)	(6.21)	6.35	6.52	(9.14)

31. Financial instruments

a. Capital Risk Management

The objectives when managing capital are to safeguard the ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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The management sets the amounts of capital required in proportion to risk. The Company manages its capital structure and adjusts it in light of changes in economic conditions and risk characteristics of the underlying assets.

The capital structure consists of borrowings (as detailed in note 16, 18 and 20), offset by cash and bank balances (note 10), and equity (comprising issued capital, reserves and retained earnings as detailed in statement of changes in shareholders' equity). The debt equity ratio for current year is 0.34 (March 31, 2017: 0.59).

During the year, the Company's strategy was to monitor and manage the use of funds whilst developing business strategies and marketing.

The Company is not subject to any externally imposed capital requirements.

b. Financial risk management objectives

A wide range of risks may affect the Company's business and financial results. Amongst other risks that could have significant influence on the Company are market risk, credit risk and liquidity risk.

The Board of Directors of the Company manage and review the affairs of the Company by setting up short term and long-term budgets by monitoring the same and taking suitable actions to minimise potential adverse effects on its operational and financial performance.

c. Market risk

The Company is primarily exposed to the following market risks.

i. Foreign currency risk management

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

The Company's foreign currency exposure as at year end is as follows:

	Foreign currency denomination	As at March 31, 2018		As at March 31, 2017	
		Foreign currency (in lakh)	in ₹ lakh	Foreign currency (in lakh)	in ₹ lakh
Financial Assets	USD	115.62	7,495.03	201.94	13,070.56
	GBP	14.99	1,360.87	44.91	3,629.26
Total			8,855.90		16,699.82
Financial Liabilities	USD	94.54	6,128.34	72.60	4,699.24
	GBP	16.07	1,458.81	28.41	2,295.88
Total			7,587.15		6,995.12
Net Exposure			1,268.74		9,704.70

The Company's sensitivity to a 5% appreciation/depreciation of above mentioned foreign currencies with respect to Rupee would result in decrease/ increase in the Company's net profit before tax by approximately ₹ 63.44 lakh for the year ended March 31, 2018 (March 31, 2017: ₹ 485.24 lakh). This sensitivity analysis includes only outstanding foreign currency denominated monetary items.

ii. Interest rate risk management

The Company is exposed to interest rate risk because it borrows funds at floating interest rates.

The sensitivity analysis for exposure to interest rates on borrowings as at the end of the reporting period indicates that a 50 basis point increase in floating interest rates at the reporting date would have decreased equity and profit for the year by ₹ Nil and for March 31, 2017, ₹ 1.89 lakh and a 50 basis point decrease in floating interest rates at the reporting date would have increased equity and profit by the same amount respectively.

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iii. Credit risk management

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers. Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis.

The Company has a low credit risk in respect of its trade receivables, as its principal customers are group companies.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk was ₹ 28,167.33 lakh and ₹ 23,149.65 lakh as at March 31, 2018 and March 31, 2017 respectively, being the total of the carrying amount of the balances with banks, bank deposits, investments excluding equity investments, trade receivables, unbilled revenue and other financial assets.

d. Liquidity risk management

Liquidity risk refers to the risk that the Company may not be able to meet its financial obligations timely.

Management monitors rolling forecasts of the Company's liquidity position (comprising of undrawn bank facilities and cash and cash equivalents) on the basis of expected cash flows. This monitoring includes financial ratios and takes into account the accessibility of cash and cash equivalents.

The table below analyses the maturity profile of the Company's financial liabilities. The following break up is based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

in ₹ Lakh

As at March 31, 2018	Less than 1 year	Between 1 to 5 years	Total
Borrowings	7,353.63	1,875.89	9,229.52
Trade payables	1,255.62	-	1,255.62
Other financial liabilities	2,330.90	-	2,330.90
	10,940.15	1,875.89	12,816.04

in ₹ Lakh

As at March 31, 2017	Less than 1 year	Between 1 to 5 years	Total
Borrowings	9,051.82	3,870.53	12,922.35
Trade payables	1,108.62	-	1,108.62
Other financial liabilities	2,531.06	-	2,531.06
	12,691.50	3,870.53	16,562.03

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e. Fair value measurement

in ₹ Lakh

As at March 31, 2018	Amortised cost	FVTPL	Total carrying value	Total fair value
Financial Assets:				
Other non-current financial assets	1,380.58	-	1,380.58	1,380.58
Trade receivables	10,688.35	-	10,688.35	10,688.35
Cash and cash equivalents	2,207.76	-	2,207.76	2,207.76
Other bank balances	-	-	-	-
Loans	8,569.11	-	8,569.11	8,569.11
Investments	1,502.00	-	1,502.00	1,502.00
Other financial assets - current	4,109.35	1,212.85	5,322.20	5,322.20
Total financial assets	28,457.15	1,212.85	29,670.00	29,670.00
Financial Liabilities:				
Borrowings	9,229.52	-	9,229.52	9,229.52
Trade payables	1,255.62	-	1,255.62	1,255.62
Other financial liabilities	2,330.90	-	2,330.90	2,330.90
Total financial liabilities	12,816.04	-	12,816.04	12,816.04

in ₹ Lakh

As at March 31, 2017	Amortised cost	FVTPL	Total carrying value	Total fair value
Financial Assets:				
Other non-current financial assets	411.22	-	411.22	411.22
Trade receivables	18,382.45	-	18,382.45	18,382.45
Cash and cash equivalents	22.17	-	22.17	22.17
Other bank balances	42.70	-	42.70	42.70
Loans	3,158.70	-	3,158.70	3,158.70
Investments	2.00	-	2.00	2.00
Other financial assets - current	1,134.31	-	1,134.31	1,134.31
Total financial assets	23,153.55	-	23,153.55	23,153.55
Financial Liabilities:				
Borrowings	12,922.35	-	12,922.35	12,922.35
Trade payables	1,108.62	-	1,108.62	1,108.62
Other financial liabilities	2,531.06	-	2,531.06	2,531.06
Total financial liabilities	16,562.03	-	16,562.03	16,562.03

32. Related Party Disclosures

a. List of related parties where control exists, irrespective of transactions

Ultimate Holding Company

Prime Focus Limited

Intermediate Holding Company

PF World Limited

Prime Focus Luxembourg S.a.r.l

Prime Focus 3D Co-operatief U.A.

Holding Company

Prime Focus World N.V.

Subsidiary company

Double Negative India Private Limited

Prime Focus Academy of Media and Entertainment Studies Private Limited

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

Ultimate Holding Company

Prime Focus Limited

Holding Company

Prime Focus World N.V.

Fellow Subsidiaries

Prime Focus Creative Services Canada Inc.
Prime Focus International Services UK Limited
Prime Focus Technologies Limited
Prime Focus ME Holdings Limited
Gener8 Digital Media Services Limited
Double Negative Limited
Double Negative Canada Production Limited
Gener8 India Media Services Limited
Prime Focus (HK) Holdings Limited
Gener8 Media Services Montreal Limited
Prime Focus Creative Services Montreal Inc
Double Negative Montreal Productions Limited

Subsidiary company

Double Negative India Private Limited
Prime Focus Academy of Media and Entertainment Studies Private Limited

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in ₹ Lakh

	Year ended	
	March 31,2018	March 31,2017
Short-term borrowings taken		
Prime Focus Limited	3,176.32	7,064.33
Short-term borrowings repaid		
Prime Focus Limited	5,365.56	6,054.38
Short-term loans given to		
Gener8 India Media Services Limited	20,748.60	14,002.43
Double Negative India Private Limited	12,772.13	2,990.52
Prime Focus Academy of Media and Entertainment Studies Private Limited	199.93	2.11
Short-term loans repaid by (including interest)		
Prime Focus Academy of Media and Entertainment Studies Private Limited	146.19	-
Gener8 India Media Services Limited	20,743.59	12,303.79
Double Negative India Private Limited	7,072.12	2,019.50
Security deposits given		
Prime Focus Limited	6,000.00	-
Security deposits received back		
Prime Focus Limited	5,000.00	-
Rent expense		
Prime Focus Limited	250.15	787.66
Finance costs		
Prime Focus Limited	161.30	312.65
Reimbursement of expenses incurred by		
Prime Focus Technologies Limited	26.25	85.15
Prime Focus Limited	98.67	209.91
Gener8 India Media Services Limited	-	1.16
Double Negative India Private Limited	-	0.14
Reimbursement of expenses incurred for		
Double Negative India Private Limited	10.79	3.37
Gener8 India Media Services Limited	3.05	1.18
Prime Focus International Services UK Limited	11.16	-
Prime Focus Technologies Limited	-	0.09
Prime Focus Limited	15.42	142.00
Investment in subsidiary		
Prime Focus Academy of Media and Entertainment Studies Private Limited	-	1,501.00
(₹ 1,500.00 lakh was in the nature of share application money which was converted to 10,000 equity shares of ₹ 10 each during the year)		

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in ₹ Lakh

	Year ended	
	March 31,2018	March 31,2017
Revenue		
Prime Focus Limited	61.74	80.92
Gener8 Digital Media Services Limited	995.13	2,461.75
Prime Focus Creative Services Canada Inc.	90.99	12,774.66
Prime Focus International Services UK Limited	5,108.66	6,903.52
Double Negative India Private Limited	763.08	558.61
Double Negative Limited, Uk	783.13	1,924.97
Double Negative Canada Production Limited	-	145.63
Gener8 Media Services Montreal Limited	4,067.21	-
Prime Focus Creative Services Montreal Inc	1,537.18	-
Double Negative Montreal Productions Limited.	2,005.23	-
Rent Income		
Double Negative India Private Limited	784.82	741.13
Other operating income - SEIS & SFIS		
Prime Focus Limited	184.71	-
Technical service cost		
Double Negative India Private Limited	293.73	270.00
Purchase of Capital items		
Prime Focus International Services UK Limited	-	25.07
Interest income		
Prime Focus Academy of Media and Entertainment Studies Private Limited	7.48	-
Gener8 India Media Services Limited	660.94	257.71
Double Negative India Private Limited	638.53	126.14
Sale of assets		
Double Negative India Private Limited	227.93	-
Prime Focus Creative Services Canada Inc.	67.00	-
Prime Focus Creative Services Montreal Inc	13.40	-
Balance outstanding at the year end		
Short term borrowings		
Prime Focus Limited	-	2,189.24
Prime Focus Technologies Limited	-	0.38

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in ₹ Lakh

	As at	
	March 31,2018	March 31,2017
Interest accrued but not due on borrowings		
Prime Focus Limited	-	25.77
Short term loans (including interest)		
Gener8 India Media Services Limited	1,823.28	2,059.04
Double Negative India Private Limited	6,683.66	1,097.55
Prime Focus Academy of Media and Entertainment Studies Private Limited	62.17	2.11
Security deposits receivable		
Prime Focus Limited	1,356.76	284.96
Trade payables and other current liabilities		
Prime Focus Limited	7.69	86.64
Prime Focus Technologies Limited	-	96.82
Prime Focus International Services UK Limited	-	24.25
Gener8 India Media Services Limited	-	1.16
Double Negative India Private Limited	277.27	283.64
Advances to related parties		
Double Negative India Private Limited	12.61	3.37
Gener8 India Media Services Limited	-	1.18
Prime Focus International Services UK Limited	11.15	-
Prime Focus Limited	2.11	22.06
Advances received		
Prime Focus (HK) Holdings Limited	62.03	61.93
Trade receivables		
Gener8 Digital Media Services Limited	-	2,365.87
Prime Focus Creative Services Canada Inc.	230.47	10,212.79
Prime Focus International Services UK Limited	2,241.98	3,972.29
Prime Focus Limited	59.39	-
Double Negative Canada Production Limited	-	145.63
Double Negative India Private Limited	1,535.64	1,440.77
Prime Focus Technologies Limited	-	0.09
Gener8 Media Services Montreal Limited	5,286.10	-
Prime Focus Academy of Media and Entertainment Studies Private Limited	1.22	-
Prime Focus Creative Services Montreal Inc	1,086.14	-
Unbilled revenue		
Gener8 Digital Media Services Limited	25.59	-
Prime Focus Limited	1.93	-
Double Negative Montreal Productions Limited.	2,005.23	-
Double Negative Limited, Uk	739.23	-
Prime Focus Creative Services Montreal Inc	461.90	-
Corporate guarantees given by and outstanding at the year end		
Prime Focus Limited	13,943.58	13,943.36
Prime Focus World N.V.	1,800.00	1,800.00

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33. Capital commitments

in ₹ Lakh

	As at March 31,	
	2018	2017
Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for:	1.37	94.19

34. Operating Lease

Future lease rentals in respect of the premises taken on non-cancellable operating leases are as follows:

in ₹ Lakh

	As at March 31, 2018	As at March 31, 2017
Lease Payments due within one year	173.01	462.56
Lease Payments due later than one and not later than five years	25.19	274.04
Lease Payments due later than five years	-	-
	198.20	736.60

The Company has taken premises on cancellable and non-cancellable operating lease basis. The tenure of leases ranges from 12 to 60 months with non-cancellable periods ranging from 3 to 60 months.

Amount of lease rental charged to the Statement of profit and loss in respect of non-cancellable operating leases is ₹ 561.42 lakh (Previous year: ₹ 1,091.68 lakh).

The Company has taken certain premises on cancellable operating lease basis. The tenure of the lease ranges from 11 to 108 months. Amount of lease rental charged to the Statement of Profit and Loss in respect of cancellable operating leases is ₹ 89.21 lakh (Previous year: ₹ 64.96 lakh).

The Company has sublet certain premises on cancellable operating lease basis. An amount of ₹ 66.75 lakh (Previous year ₹ 349.09 lakh) has been recognised as other operating income in respect of the sublease.

35. Segment Reporting

The Company is presently operating as integrated post-production setup. The entire operations of the Company are governed by the same set of risks and returns. Hence have been considered as representing a single operating segment.

The Company operates in four principal geographical areas – India (Country of Domicile), United Kingdom, Canada and United States of America. The Company's revenue from continuing operations from external customers by location of customers and information about its non-current assets by location of assets are detailed below:

in ₹ Lakh

	Revenue from operations		Segment Non-current assets*	
	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2017
India	4,059.86	3,188.52	10,915.86	16,639.06
United Kingdom	5,891.78	8,828.48	-	-
US	-	-	-	3.24
Canada	8,695.74	15,382.04	-	-
	18,647.38	27,399.04	10,915.86	16,642.30

* Non-current assets exclude financial assets, advance income tax (net) and deferred tax assets (net)

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36. Corporate social responsibility

- a. The gross amount required to be spent by the Company during the year is ₹ 2.48 lakhs (previous year ₹ 0.21 lakhs).
- b. The Company has spent ₹ 4.50 lakhs (previous year ₹ Nil) on CSR activities in the current year.

37. Investment in subsidiaries

During the year the Company additionally invested ₹ 150,000,000 for 10,000 equity shares of existing subsidiary Prime Focus Academy of Media and Entertainment Studies Private Limited. The face value of each share is ₹ 10 and premium of each share is ₹ 14,990.

On October 01, 2016, the Company acquired 100% stake of Filmsocial Private Limited for a consideration of ₹ 100,000 settled in cash, which had advances of ₹ 1.00 lakh as its only assets. With effect from December 5, 2016, the name of the Company was changed to Prime Focus Academy of Media and Entertainment Studies Private Limited.

On February 11, 2016, the Company acquired 100% stake of Reliable Laptops Private Limited for a consideration of ₹ 100,000 settled in cash, which had Cash and cash equivalents of ₹ 1.00 lakh as its only asset. With effect from May 27, 2016, the name of the Company was changed to Double Negative India Private Limited.

38. Event after the reporting period

There were no events after the reporting period.

39. Approval of Financial Statements

The financial statements were approved for issue by the Board of Directors on May 24, 2018.

For and on behalf of the Board of Directors

Place: **Mumbai**
Date: **May 30, 2018**

Vikas Rathee
Director
Din No 07015635

Nishant Fadia
Director
Din No 02648177
